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2018 - Volume 20 Issue 3

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ISSN 1741-6264

International Journal of Management Cases is published by:

Access Press UK,
1 Hillside Gardens ,
Darwen,
Lancashire,
BB3 2NJ
UK

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The effect of VAT change on the budget of the Republic of Kosovo (Period of 2002-2014)

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Abstract

The purpose of this paper is to examine the effect of VAT rate increase from 15% to 16% in the Republic of Kosovo for the period 2002-2014. Analysis and collection of data through the years are used to make comparisons and draw conclusions about the effects of VAT on the budget of the Republic of Kosovo. How does this increase of VAT rate impact the budget revenues in the case of the Republic of Kosovo? The answers for this question are given through analysis on econometric models which enable to validate hypotheses and link the VAT rate with the budget revenue. Having in mind that VAT is one of the major contributors in the budget of the Republic of Kosovo, results show that the increase of VAT rate has a positive impact on the budget revenues and the budget of Kosovo has been increased because of the increased VAT rates.

The contribution of this paper is to offer a better understanding on the relationship between VAT rates and budget revenues. The results obtained provide the necessary recommendations that shall serve for institutions and decision makers to make fair decisions in the interest of the country's economy.

Keywords: Value Added Tax, Tax Rate, Kosovo and Budget.

Introduction

The compulsory contribution to the state revenues known as taxation process is a very complicated phenomena and a lot of studies and analysis were made to show its effects on the economy of a country, the whole society and the individuals. One is for sure, any tax payment has an effect on economic and social nature and at the same time, it affects the taxpayer's income and purchasing power. States worldwide apply different forms of taxes and different tax rates and during the years a lot of tax reforms are made in order to be more efficient in economic aspect, to have revenue sufficiency, equity and simplicity (Bekoe et.al, 2016). Furthermore Bekoe et.al (2016), pointed out that tax reforms have turned from a desired task to be a necessary one. Any reform in taxes and any change in tax rates need a deeply analysis about its impact and its reflection on the economy of a country. This paper will have on focus Value Added Tax (VAT), its importance and its contribution on a budget of a country. VAT stands out as one of the most important tax policy innovations and reforms which has spread to a great majority of countries (Alavuotunki et.al, 2018). VAT is not seen just as one of the largest contributors of budget only in EU countries (European Commission, 2014) but it is also a great budget contributor in the developing and transition countries (Bird & Gendron, 2007). The purpose of this paper is to examine the effect of VAT rate increase in the budget of a country in transition from the perspective of the Republic of Kosovo. VAT is one of the greatest contributors in the budget of the Republic of Kosovo too (GAP, 2016) and its rate has changed from 2001 to 2016 three times. According to Tax Administration of Kosovo (TAK) (2018), from the

year 2001 – 2009 VAT rate was 15%, from the year 2009 to 2016 VAT rate was 16% and from 2016 and onwards VAT rate is 18% and 8% (depend on the product). This paper aims to analyze the impact of the VAT rate increase in the budget revenues of the Republic of Kosovo for the period between the years 2002-2014. How does this increase of VAT rate impact the budget revenues in the case of the Republic of Kosovo? The answers for this question are given through analysis on econometric models which enable to validate hypotheses and link the VAT rate with the budget revenue. Having in mind that VAT is one of the major contributors in the budget of the Republic of Kosovo, results show that the increase of VAT rate has a positive impact on the budget revenues and the budget of Kosovo has been increased because of the increased VAT rates. The paper is structured as below. First is discussed for the history of VAT application and VAT's concepts. Second is discussed for VAT's application in the Republic of Kosovo. Third is the methodology where hypothesis are tested on econometric models and in the last section the conclusions are given.

History of VAT Application

The origin of VAT is not known very well, but is not a new phenomenon (Terra & Kajus, 2018). Furthermore Terra & Kajus (2018), pointed out that origin of VAT is oriented to one of these two sources: German businessmen Wilhelm and Von Siemens in 1918, and American economist Thomas S. Adams in his writings between 1910 and 1921. Von Siemens's concept of VAT has been seen as a technical innovation that brought key improvements to tax returns (Ebrill et.al, 2001). Terra & Kajus (2018), describe Von Siemen's VAT's concept as a restoration of taxes paid by business revenues and thus avoided the escalating problems that arose with tax returns. Furthermore authors mentioned above pointed out that in Von Siemen's concept as long as the invention was clearly important, it was hardly the revolutionary overthrow of the fiscal system. According to Terra O& Kajus (2018), Adams saw VAT as an alternative to business income tax. Furthermore Terra & Kajus (2018) mentioned that Adams was focused on federal tax policies and as long as there were no taxes on state wages, his concern was not on the technical modifications of an existing regime but on the major change that would be made to the existing federal system of tax revenues. Even VAT is a concept since 1910s, on practical basis first was introduced in France just in 1954 (Ebrill et.al, 2001). Ebrill et.al (2001) provide a detailed summary about application of VAT in France and is mentioned that VAT's original coverage in France in that time was limited, and France failed to fully cover VAT. Furthermore was explained that France managed to cover a wider sector only in 1968. According to Ebrill et.al (2001), the first complete VAT in Europe was adopted in Denmark in 1967, although the country did not join the European Economic Community until 1973. The authors mentioned above pointed out that adoption of VAT has made progress in two major phases. The first appeared mainly in Western Europe and Latin America during the 1960s and 1970s. VAT growth in Western Europe was accelerated by a series of directives from the EEC (European Economic Community) which required Member States to adopt VAT harmonized when entering the European Union. The second phase of VAT adoption was introduced by the end of the 1980s with the introduction of VAT in some high-profile industrialized countries outside the EU (Australia, Canada, Japan and Switzerland). This stage also witnessed a massive expansion of VAT on transition countries and the development of the economy, especially in Africa and Asia. The IMF and the World Bank have been identified as key factors in the rapid adoption of VAT among these countries. According to Alavuotunki et.al, 2018, benefits of VAT can be manifold. Authors mentioned above on their study mentioned that Keen & Lockwood (2010), found that VAT is a money machine for a government because it helps countries to generate

more revenues. Despite this empirical find, on the literature there are a lot of studies that oppose this view. Piggot and Whalley (2001), have found that VAT base broadening reduces welfare because of supply side substitutions toward informal and home production, which in fact reduces aggregate efficiency. Similar to this study Emran and Stiglitz (2005), pointed out that VAT can be problematic for countries that have large informal sector. But despite these views, as was mentioned, nowadays VAT is a very common form of tax, adopted worldwide by approximately 160 countries (Helgason, 2017). Furthermore Helgason (2017), pointed out that over 20% of total tax revenues in the world is realized by VAT. Many believe that VAT has spread globally because it is a tax on best-adapted consumption for the country's revenue needs in a growing globalized economy.

Application of VAT in Republic of Kosovo

This part of the paper will have on focus the application of VAT in the Republic of Kosovo. It is shown the history of application of VAT in Republic of Kosovo and its impact on the budget revenues. Data and literature used on this section are mainly retrieved from the official website of the Ministry of Finance of the Republic of Kosovo, the website of Tax Administration of Kosovo (TAK) and the website of Kosovo Customs.

In Kosovo, VAT has started to apply since July 2001. First application started under UNMIK Regulation No. 2001/11 on Value Added Tax. On that time VAT replaced the sales tax and tax on hotel services. Sales tax was applied to the border in goods and services with a fixed rate of 15%. Same was with VAT too. It was applied to the border with a rate of 15%.

After the Kosovo Independence, the Assembly of the Republic of Kosovo has approved the Law on VAT with the change of the rate from 15% to 16%, which entered into force from 01.01.2009. According to the mentioned law, the authorized institutions for collecting VAT in the Republic of Kosovo are the Kosovo Tax Administration and Kosovo Customs which operate as executive agencies with full operational and managerial autonomy (Kosovo Customs, 2018). From 2016, the VAT rate in Republic Kosovo has changed to 18% and 8% (depends on product), but this change is not on focus of our paper.

According to TAK, in the Republic of Kosovo, VAT is mandatory for all taxable persons. A taxable person is that person who carries out an economic activity with an annual turnover which exceeds the VAT registration limit. VAT registration limit for the period which is on focus of our paper was an annual turnover from 50,000 euros (GAP, 2016). Taxable persons must submit a tax declaration no later than the 20th of the following month in each tax period and pay the value-added tax within the deadline set in one of the licensed banks in Republic of Kosovo. The total amount of VAT for the month in taxable sales is calculated in the tax declaration form. In the tax declaration form, it is also calculated the total amount of VAT paid on the taxable purchases of goods and services in Kosovo. The taxable person if has paid more tax during the tax period, is allowed to seek reimbursement for excessively taxed tax. A taxable person may request reimbursement of excessively taxed tax if the amount of tax paid excesses € 5,000 for at least 3 months.

In Kosovo, Ministry of Finance of Republic of Kosovo, Kosovo Customs and TAX Administration of Kosovo, have undertaken a lot of facilities with the VAT application in order to stimulate economic development and to support Kosovar businesses. Despite the positive effects on revenue growth in the budget, in the case of the Republic of Kosovo, VAT has an effect on stimulating businesses too. VAT with a 0% rate for exports made from Kosovar businesses (Ministry of Finance, 2016) has positive effects on stimulating

domestic producers. Another benefit for Kosovar businesses is the release of VAT from raw materials, machinery, and capital equipment in order to stimulate businesses and promoting economic development (GAP, 2016). We can see that VAT application in Kosovo has not only effects on the budget, but also it affects the stimulation of businesses and the price level (RIINVEST, 2001). The effect of VAT in the revenues of the Budget of Republic of Kosovo and GDP for the years 2002-2014 is shown on the table below.

Table 1. Relation between GDP, Budget and VAT

Years	GDP	Budget	VAT
2002	2,590,000,000	517,695,000	60,355,986
2003	2,670,290,000	586,850,000	74,948,000
2004	2,911,800,000	602,270,000	231,199,358
2005	3,002,800,000	628,220,000	239,612,462
2006	4,291,100,000	712,010,000	255,082,000
2007	4,769,800,000	902,998,000	304,240,000
2008	3,882,762,000	959,900,000	363,400,000
2009	4,069,622,000	1,142,400,000	403,100,000
2010	4,401,964,000	1,139,000,000	455,700,000
2011	4,814,535,000	1,311,300,000	540,200,000
2012	5,058,763,000	1,383,400,000	547,800,000
2013	5,326,617,000	1,355,700,000	558,700,000
2014	5,567,494,000	1,349,500,000	558,800,000

Source: Ministry of Finance, TAK, Kosovo Customs, KAS.

From the table we can see that the increase of VAT have increase the budget too, but a detailed relationship between VAT and Budget will be tested and discussed on the methodology section.

Methodology of research and hypothesis

The collection of data that are used in this paper are empirical, descriptive/narrative, cooperative/comparative and tertiary which have been analyzed through the method of Ordinary Least Squares regression (OLS) with the degree of reliability 95%.

$$y = \beta_1 + \beta_2 D_1 + \beta_3 D_2 + \beta_4 \text{ VAT} + \beta_5 (\text{GDP}) + \beta_6 \text{ PE} + \beta_7 \text{ FDI} + q$$

y - Budget Income

β_1 - Coefficient of Regression

VAT- Value Added Tax

GDP - Gross Domestic Product

D1-Time Period 2002-2008

D2 -Time Period 2009-2014

PE- Public Expenses

FDI- Foreign Direct Investments

q - Term of Error

Factor analysis included in this econometric model will be: Economic factors which have an organic relation in budget income collection and which together represent Gross Domestic Product.

The focus will be the VAT rate change and its reflection in the budget, from the macroeconomic aspect in the Republic of Kosovo.

Hypothesis and Research Questions

Based on the objectives and purpose of the paper which were mentioned on the above sections, hypotheses which will be tested and verified are as below:

H1: The VAT rate change has a positive impact on the budget revenues

H2: The VAT rate change in the Republic of Kosovo has increased the budget

According to the purpose of research and the objectives of the paper, answers that should be provided are based on these research questions:

1. Does the VAT rate change from 15% to 16% have increased the participation of VAT in the budget of the Republic of Kosovo?
2. Does the new rate of VAT increase the budget revenues in the Republic of Kosovo?
3. Does the new VAT rate have a positive impact on the public spending?
4. Does the Kosovo's GDP increase as a result of VAT rate change, or as a result of the other macroeconomic indicators changes?

In this study, we are dealing with the effects of VAT change in the budget of the Republic of Kosovo and macroeconomic development. In order to achieve the objectives of this paper and to establish the hypothesis, we have collected revenues from VAT from two periods, 2002-2008 and 2009-2014. Total revenues accumulated in the budget of the Republic of Kosovo from 2002-2008 and from 2009-2014, gave us total GDP growth in the Republic of

Kosovo. We have also FDI that was realized in Republic of Kosovo from 2002-2008 and from 2009-2014. All these data will be processed and hypotheses will be verified through the model.

$$Y = \beta_1 + \beta_2 D_1 + \beta_3 D_2 + \beta_4 \text{ VAT} + \beta_5 (\text{GDP}) + \beta_6 \text{ PE} + \beta_7 \text{ FDI} + \eta$$

The following tables show the impact of independent Y variables by years (2002-2008), based on linear regression, to note the correlation with the quantitative variables X and their impact on the budget for these years.

Through these tables, has been tried to prove if an increase of VAT over the years has a direct impact on the growth of the budget.

Independent variables are: VAT, GDP, Public Expenditure and FDI.

Depended variable: Budget

The lowest budget value (minimum) was 1,139,000,000.00 euros (2009), whereas the highest budget value (maximum) was 1,383,400,000.00 (2012)

The linear regression formula

$$Y = \beta_1 + \beta_2 D_1 + \beta_3 D_2 + \beta_4 \text{ VAT} + \beta_5 (\text{GDP}) + \beta_6 \text{ PE} + \beta_7 \text{ FDI} + \eta$$

is used to analyze the value of standard deviation and the median too, and according to this variable, the variables have contributed to the uniform growth of the Budget by not showing actual correlation and by not showing a coefficient of significance between them. This is expressed by the standard deviation in positive values as in the table below.

Table 2. Impact of VAT, GDP, and FDI on the 2009-2014 budget presented through the statistical summary

Variable	Observations	Minimum	Maximum	Mean	Std. Deviation
Budget	6	1139000000.00	1383400000.00	1280216666.67	110495672.62
VAT	6	403100000.00	558800000.00	510716666.67	65524084.63
GDP	6	4069622000.00	5567494000.00	4873165833.33	564501072.86
Public expenditures	6	1092668000.00	1474704000.00	1355431500.00	165779504.73
FDI	6	151300000.00	393860000.00	281005000.00	89460927.28

According to the data on the table above, through the correlation matrix is shown the impact of VAT as an independent and a significant variable in the budget. The data presented below, show that VAT has no significant correlation with other variables, because VAT growth by the years is in a fair correlation with other variables that shows a uniform relationship and not any significant change in the face of GDP growth.

Correlation Matrix:

Table 3. Impact of VAT, GDP, and FDI on the 2009-2014 Budget presented through the Correlation Matrix

Correlation Matrix:					
	VAT	GDP	Public Expenditures	FDI	Budget
VAT	1	0.934	0.991	-0.384	0.947
GDP	0.934	1	0.897	-0.639	0.888
Public Expenditures	0.991	0.897	1	-0.299	0.935
FDI	-0.384	-0.639	-0.299	1	-0.514
Budget	0.947	0.888	0.935	-0.514	1

Based on the data presented below, none of the following indicators are equal to zero (0) or less than 0.05, which once again proves the uniform connection of VAT to the GDP variable.

Table 4. Impact of VAT, GDP, and FDI on the 2009-2014 Budget presented through the Regression of the variables

Regression of variable Budget:	
Observations	6.000
Sum of weights	6.000
DF	1.000
R ²	0.991
AdjustedR ²	0.955
MSE	555030368972511.000
RMSE	23559082.516
MAPE	0.587
DW	2.491
Cp	5.000
AIC	202.950
SBC	201.909
PC	0.100

In the following table we will try to test VAT impact on GDP growth, budget revenues and public spending through the variance of the budget through with Pi significance. Since the value of Pi is 0.143, which is greater than 0.05, this indicates that there is no correlation, but there is a variance of the F value of 27.247, which means that the variables Y and X corresponds uniformly.

Table 5. Impact of VAT, GDP, and FDI on the 2009-2014 Budget presented through variance analysis

Source	Sum of Squares	Mean Squares	F	Pi>F
Model	60491437964360800.00	15122859491090200.00	27.247	0.143
Error	555030368972511.00	555030368972511.00		
Corrected Total	61046468333333300.00			

The following table shows the comparison of the model parameters and model equation, which confirms the uniformity of budget growth as a result of the VAT increase in the time periods (t) analyzed for this study (2009-2014). These data also correspond to the table 7, where the correlation between the variables is tested using the model equation and linear regression, where is proved that exists non-correlation because Pi value is greater than 0.05. However, the increase in VAT and FDI directly impact the GDP growth, but it does not necessarily increase of Public Expenditures and Budget because their values in time periods are expressed in the negative (-).

Model parameters (Budget):

Table 6. Impact of VAT, GDP, and FDI on the 2009-2014 Budget presented through model parameters

Model parameters (Budget):						
Source	Value	Standard error	t	Pi> t	Lower bound (95%)	Upper bound (95%)
Intercept	10.1	21.2	4.907	0.128	-16.45	38.7
VAT	1.771	1.774	0.998	0.501	-20.769	24.311
GDP	-0.247	0.099	-2.495	0.243	-1.507	1.012
Public Expenditures	0.551	0.608	0.906	0.531	-7.180	8.283
FDI	-0.829	0.260	-3.190	0.193	-4.130	2.472

Standardized coefficients (Budget):

Table 7. Impact of VAT, GDP, and FDI on the 2009-2014 Budget presented through standardization coefficient

Standardized coefficients (Budget):						
Source	Value	Standard error	t	Pi> t	Lower bound (95%)	Upper bound (95%)
VAT	1.050	1.052	0.998	0.501	-12.316	14.416
GDP	-1.263	0.506	-2.495	0.243	-7.697	5.170
Public Expenditures	0.827	0.913	0.906	0.531	-10.773	12.427
FDI	-0.671	0.210	-3.190	0.193	-3.344	2.002

The table below shows the differences between the planned budget and the realized budget during the years. We can see that in the years 2010, 2011, 2012 and 2014 there was a stagnation to realize budget as was planned. In this case we cannot say that the increase of VAT rate has not increase just because the budget was not realized as was planned. VAT contributions on budget were increased from year to year, even the budget was not realized as was planned. In the case of Kosovo, we can just say that the increase of VAT is not linked with the realization of budget. The factors that affect the realization of budget will be discussed in another paper.

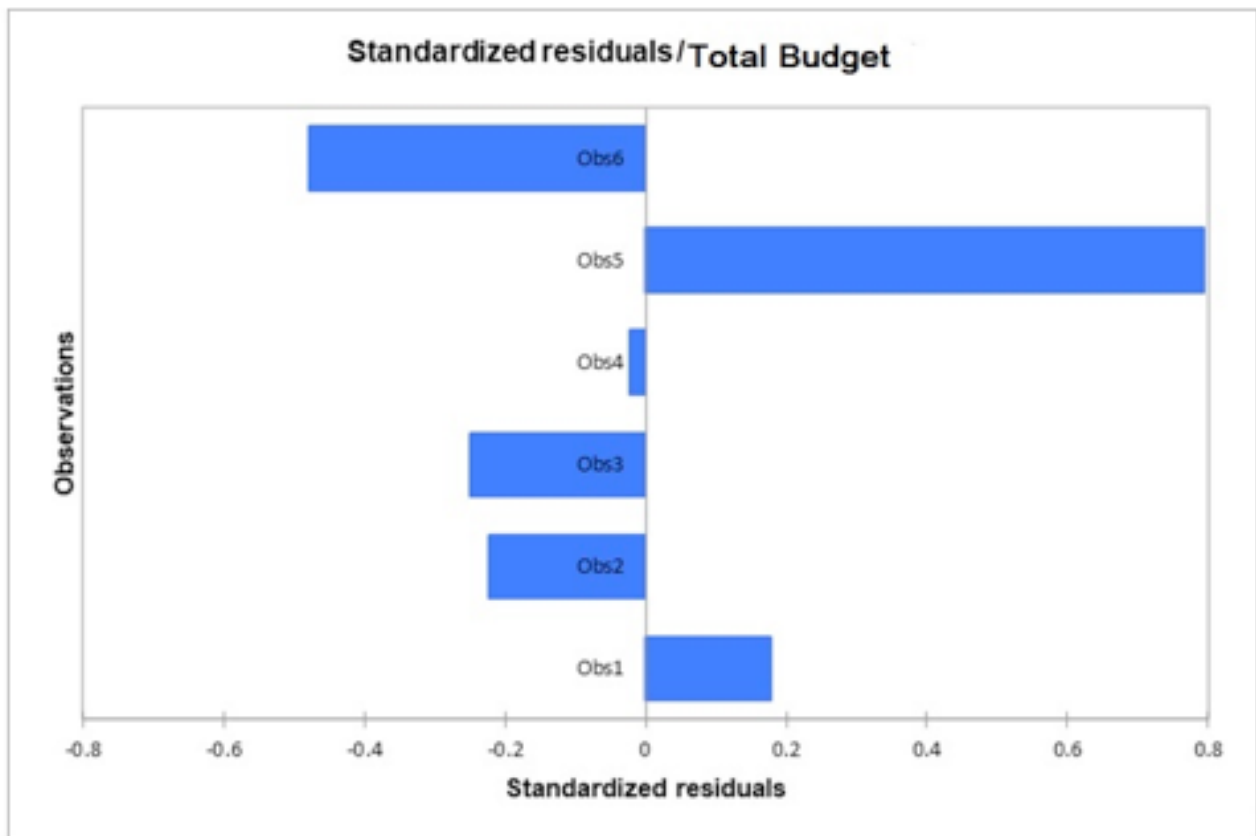
Predictions and residuals(Budget):

Table 8. Impact of VAT on the 2009-2014 Budget presented through the forecasting of results

Predictions and residuals (Budget):					
Observation	Weight	Budget	Planned Budget	Residual	Std. Residual
2009	1	1142400000.000	1138209322.538	4190677.462	0.178
2010	1	1139000000.000	1144234701.563	-5234701.563	-0.222
2011	1	1311300000.000	1317147394.891	-5847394.891	-0.248
2012	1	1383400000.000	1383936113.559	-536113.559	-0.023
2013	1	1355700000.000	1337019555.297	18680444.703	0.793
2014	1	1349500000.000	1360752912.151	-11252912.151	-0.478

The above data are presented in the chart below.

Figure 1. VAT in the 2009-2014 Budget through the standardization result



Summary of Results and Hypothesis Testing

H1: The VAT rate change has a positive impact on the budget revenues

The choice of the model is done by testing independent Y variables by years, based on linear regression. The aim was to notice the connection in the quantitative variables X and their impact on the Budget. The H1 hypothesis is verified as accurate through the OLS model and the STATA program using the:

- Independent Variables: VAT, GDP, Public Expenditures and FDI
- Dependent Variable: Budget

H2: The VAT rate change in the Republic of Kosovo has increased the budget

The choice of the model is done by testing independent Y variables by years, based on linear regression. The aim was to notice the connection to the quantitative variables X and their impact on the Budget. H2 hypothesis is verified as accurate through the OLS model and the STATA program by using as an

- Independent Variables: VAT, GDP, Public Expenditures and FDI
- Dependent Variable: Budget.

The data show that in Republic of Kosovo approximately 40% of total budget comes from VAT and it was proven by econometric methods that in case of Kosovo, the increase of VAT rate increases budget too.

Conclusions

This paper examined the role of VAT in the budget of a country. Its aim was to link the increase of VAT rate with the increase of the budget from the perspective of the Republic of Kosovo. At the beginning the paper elaborated the history of VAT and its great expansion, especially during last decades. Was mentioned that VAT stands out as one of the most important tax policy innovations (Alavuotunki et.al, 2018), which is not seen just as one of the largest contributors of budget only in EU countries (European Commission, 2014) but it is also a great budget contributor in the developing and transition countries (Bird & Gendron, 2007). Was mentioned that VAT is seen as money machine for governments Keen & Lockwood (2010), but in the other hand there are studies that show that VAT reduces welfare and aggregate efficiency (Piggot & Whalley, 2001). Having as a start point these two different views, this paper analyzed and collected data through the years that were used to make comparisons about the effects of VAT on the budget of the Republic of Kosovo. This paper used empirical, descriptive/narrative, cooperative/comparative and tertiary data, which have been analyzed through the method of Ordinary Least Squares regression (OLS) with the degree of reliability 95% and finally can be concluded that VAT is a crucial contributor in the total revenues in the budget of the Republic of Kosovo. The analysis made through the years and tested showed that the increase of VAT rate from 15% to 16% in the Republic of Kosovo had increased the budget too. In the case of Kosovo, VAT is seen from the view of Keen & Lockwood (2010), as a money machine that has a crucial role in the increase of budget revenues.

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Conceptual paper on determinants of the capital structure of enterprises

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Abstract

The financing resources play an important role in the economic function of a country, therefore studies related to the financing resources and their impact on enterprises is very popular.

This paper elaborates which factors influence the decision of capital structure, when we know the enterprises during their development face numerous and large financing challenges. For more successful coping, they need greater support both at the local and central level, in order to create a more suitable environment for their development. In reviewing the literature, the term capital structure was often mentioned by analysts, investors, and many other enterprise officials. Numerous researchers have noted various factors affecting the capital structure of enterprises. By this research we will try to clarify which factors influence the decision of the capital structure. This study describes the Modigliani and Miller theorem about capital structure and the review of some authors about determinants of capital structure including dependent, independent and control variables.

Keywords: capital structure, Modigliani & Miller theorem, debt, equity, financing resources.

Introduction

The capital structure of a company shows the way in which a company finances its assets. In general, the capital structure for financing an enterprise represents the combination of debt and equity or the various combinations of these two sources. From the mixture of debt and equity, the capital structure of a company may have the majority of the debt component or majority of the equity. This mixture represents the proportion of different sources in the company, and these resources might be from internal and external financiers.

According to Martis (2013) the capital structure plays an important role in the firm's survival and growth, particularly on the financial performance towards achievement of goals and long-term objectives. However, the financial circumstance in the corporate sector not only affects the firm's performance, but it also has a powerful effect on macroeconomic outcomes (Martis 2013).

The capital structure determinants serve as strong pillars that give a competitive edge to an organization (Kumar, Colombage, & Rao, 2017). Brailsford, Oliver, & Pua (2002) based on their study emphasized that many variables related to capital and ownership structure can also be determined at once. The determinants of the capital structure that were found from several authors, they used as dependent variables: total debt ratio (total debt/total

assets), short term debt ratio (short debt/total assets) and long term debt ratio (long debt/total assets), whereas as independent variables: enterprise size, liquidity, profitability, assets structure, growth, effective tax rate, financial flexibility, risk and control variable: economic and trade sanctions. Also, the same authors in their study emphasized many variables regarding the structure of capital and ownership can be determined at the same time.

Review of theory and literature

The capital structure except that it is found in the literature of corporate finance, it has also been a key topic under discussion for many other researchers. In the late 1950s, the capital structure was part of studies conducted by Lintner (1956), Modigliani and Miller (1958). For enterprise financing, the capital structure represents debt and equity combination.

Based on the report published by SAFE (2015), Small and Medium Enterprises (SMEs) prefer more debt financing rather than equity financing. According to this report, SMEs have more confidence when discussing with banks about their financing for achievements of the desired results rather than when they discuss capital investors and capital firms.

According to Tadesse A (2009) the financial gap that could be faced by SMEs falls into one of the three areas: (1) they have no available collateral to borrow loan at affordable interest rates, (2) they have no managerial skills which is necessary to obtain the capital available to them, and (3) external discriminatory factors such as: the owner's gender, because the enterprises run by the female are usually in disadvantage; the age of firm, because new SMEs recently established receive little or no funding; the location of the enterprises, rural ones have limited financing access, as well as lack of political relationship.

Enterprises which were led by women, especially in recent years, have shown success in managing and coordinating work organized within the enterprise. This is an argument that contradicts the opinion of some authors that unsupported conclusions and create differences regarding gender equality. Females in most of their positions in the enterprise have shown success to the management by subjecting the national and international market competition. And all this implies that gender issue is not the disadvantage but rather an advantage in terms of enterprise management in general.

The numerous studies on SMEs show that small enterprises are supported more on internal financing compared to large enterprises and that "chances that a small enterprise will have access to a bank loan in low-income countries is about one-third of what is for a medium-sized enterprise, and less than half of what is for a larger enterprise" (The International Finance Corporation, 2010).

While Danielson & Scott (2004) explained that a common challenge for SMEs, especially small and new enterprises, is access to external financing with regard to the bank loans, one of the key findings of the study is that enterprises are heterogeneous in their capital structures (Beattie, Goodacre, & Thomson, 2006). For the better financial welfare of a company, the various sources of financing are vital. A false decision about the capital structure can lead to financial difficulties and ultimately to the bankruptcy of the enterprise (Alipour, Mohammadi, & Derakhshan, 2015). Decisions taken within the enterprise must always be based on the laws in force as well as on the internal regulation of the enterprise, starting from the statute and internal regulations. Any time when this is not respected, it is

considered that the decisions are false and which can create confusion to the partners, employees, and enforcers of these decisions. Financing decisions are as a product of complex processes in the group. Whereas, the capital structure theory has not yet been able to catch these complexities (Beattie, Goodacre, & Thomson, 2006). If the financing decisions are not coordinated in the group, then those decisions can hardly have a legal and economic power, because group members can at any time disagree with the decision taken. Because any decision was taken in an enterprise if it is determined that decision to be taken as a group and if it is acted contrary to this the decision is considered to be eligible.

According to the report SAFE (2015), SMEs benefiting from external financing, about 41% of them relate to the amounts smaller than 100,000 Euros. The size of received credits varies from country to country, in some countries are smaller, and in some countries, they are reported to be larger. Smaller SMEs credits were reported in Lithuania and Croatia, while larger loans were mostly reported by SMEs in the Netherlands. For the time period 2014-2015 the interest rates have decreased, the highest interest rates were reported in Romania and the lowest in Finland (SAFE, 2015). However, the size of the loan gained mostly varies according to the size of the enterprise, where the largest amounts of loan earned were found at the enterprises with over 250 employees. The more companies grow and the larger they become, the fewer obstacles they can face in their financing. In the study conducted by Alifani & Nugroho (2013), the decision of the capital structure was presented as one of the most fundamental issues faced by the managers and the level of management of a company. They pointed out that corporate financing is a specific area of finance that deals with corporate financial decisions, with the tools as well as the analysis used to make these decisions. In general, decisions can be divided into long-term and short-term ones, as well as within the techniques that have the main objective to maximize the corporate value of the financial risk management.

While the authors Abor & Biekpe (2009) emphasized that the existing theories for explaining the capital structure of large firms generally apply in the case of SMEs, authors Chittenden, Hall & Hutchinson (1996) and Berger & Udell (1998) discussed three theories of the capital structure which are based on the life cycle approach, the costs that come from asymmetric information and the agency's costs. The life cycle approach suggests that the firm's approach to finance depends on its development phase. New firms tend to rely on owners' initial capital because they are not attractive to investors. Because new firms should initially merge capital, idea, management, and enroll in the business registration agency by meeting all the required terms and conditions, then after the functionality, they may require foreign investors to reach their capital. As a concrete example, we have a limited partnership, where apart from general partners we have limited partners as some kind of investor for capital growth.

According to the managerial anticipation Brailsford, Oliver, & Pua, (2002) pointed out that the decision on the capital structure is not only determined by internal and external contextual factors, but the goals of the values, preferences, and managers wishes are also important contributions to the financing decision.

Despite the theoretical developments that have happened in recent years, the understanding of corporate capital structure remained still incomplete (Beattie, Goodacre, & Thomson, 2006).

Modigliani & Miller Theorem

There are different theories of the capital structure, trying to present the debt ratio in the company's capital structure. Such approach represents Modigliani & Miller (M&M) theorem, where the development of capital structure theory begins with their theory.

M&M theorem was developed by economists Franco Modigliani and Merton Miller, who represent an important moment in corporate finance theory. From their important contribution to the financial theory, Modigliani in 1985 won the Nobel Prize in Economics as well as many other works in the field of finance. Miller was also honored with the Nobel Prize in Economics in 1990, especially for his contribution in corporate finance.

M&M theorem is a theorem on the capital structure which forms the basis for modern thinking about the capital structure. Villamil (2008) emphasizes that M&M theorem is a cornerstone of the modern corporate finance. At its core, the theorem is a trivial proposition, but it provides conditions under which a company's financial decisions do not affect its value.

M&M theorem was among the first efforts of economists to bring rigorous analysis into corporate finance issues. In 1958, in their study "the cost of capital, corporate finance and investment theory" represent the impact of capital structure on the value of companies. And it helps us to understand the most important factors of the relationship between the capital structure and the company value.

Modigliani & Miller (1958) access theorem assumptions for a more efficient market if there are no taxes, if there are no transaction costs, when the bankruptcy cost is zero, and when there is information symmetry. This means that when all parties have access to the same information, as companies and investor (Alifani & Nugroho, 2013).

Based on the publications of the years (1958, 1961, 1963), Villamil (2008) said in his paper that M&M theorem creates the four important proposals:

- The first proposal determine that in certain circumstances the debt-equity ratio of the company does not affect the market value;
- The second proposal determine that the cost of equity is a linear function of the ratio of debt/equity of the company;
- The third proposal determines that the market value is independent of its dividend policy.
- The fourth proposal determines that equity holders are indifferent to the firm's financial policy.

The first M&M theorem determines the conditions by which the choice between debt and equity to finance a certain level of investment does not affect the value of a firm, implying that there is no optimum leverage ratio (Pagano, 2005).

The second M&M theorem shows that under the same conditions the dividend policy does not affect the value of a firm (Pagano, 2005).

According to Pagano (2005), both theorems belong to a class of surprising results recognized in the economy as "trivial proposals" otherwise labeled as "neutrality proposals" or "unchanging proposals". On the other side Alifani & Nugroho (2013) suggest how M&M proposed theory has gone through many controversies and debates if it works

for all firms in all circumstances (under the assumption of circumstances with and without tax). They also pointed out that M&M developed two theorems, called the first and second M&M proposals. And finally came up with another approach to their theories as assumed in the condition with and without tax.

Determinants the structure of capital

Dependent variables:

Total debt ratio

A number of theories have attempted to explain the differences in debt ratios across enterprises.

Theories suggest that enterprises choose the capital structure depending on the attributes that determine the various costs and benefits associated with debt and equity financing (Abor & Biekpe, 2009). According to the authors Chen (2004), Feidakis & Rovolis (2007), Viviani (2008), Eldomiaty (2008), Olokoyo (2013), Handoo & Sharma (2014), Alipour, Mohammadi, & Derakhshan (2015), Detthamrong, Chancharat, & Vithessonthi (2017) and Ibhagui (2018), the total debt ratio of the enterprise is accounted for as a total debt to total assets.

The total debt ratio is a financial report that shows the percentage of company's assets compared to the debt Handoo & Sharma (2014). In his research Abor (2005) analyzed a sample of 22 enterprises and assessed the relationship between the capital structure and profitability of enterprises for the five year period. Regarding the relationship between total debt and profitability, the results represent a significant positive correlation between total debt and return on equity (ROE), so this suggests that the profitable enterprises depend more on the debt as the main source of their financing Abor (2005).

Short term debt ratio

Short term debt is an account that is presented in current liabilities of the company's balance sheet, this account consists of any debt incurred by the company to be paid within one year (Handoo & Sharma, 2014). The short term debt ratio represents the ratio between short-term debt to total assets Titman & Wessels (1988), Olokoyo (2013), Mateev, Poutziouris & Ivanov (2013), Chen (2004), Handoo & Sharma (2014), Alipour, Mohammadi, & Derakhshan (2015) and Ibhagui (2018). This report shows whether an enterprise will be able to meet its current liabilities. The decision on the capital structure is crucial to any business organization stressed (Abor, 2005). As in his research include enterprises in Ghana, based on the results of the author's thesis abortion (2005) we can say that short-term debt is an important component for financing companies and represents 85 percent of the total debt financing. For this reason the results revealed that there is a positive relationship between short-term debt to total equity and return on equity (ROE), suggesting that profit-making enterprises use more short-term debt to finance their operation (Abor, 2005).

Long term debt ratio

The long-term debt ratio represents the ratio between long-term debt to total assets Chen (2004), Viviani (2008), Olokoyo (2013), Mateev, Poutziouris, & Ivanov (2013), Handoo & Sharma (2014), Alipour, Mohammadi, & Derakhshan (2015) and Ibhagui (2018).

Long-term debt to total assets shows the total assets of the long-term debt (Handoo & Sharma, 2014), while the value varies from industry to industry and from enterprise to enterprise. In what position it is better to find the enterprise, the reference point is the comparison with the enterprises of the same activity. If a higher percentage of debt is represented by the short-term debt, as in the case of enterprises in Ghana (Abor, 2005), while in terms of long-term debt to total capital and return on equity (ROE) there is a negative relationship.

Independent variables:

Enterprise Size

Why is the size of the enterprise related to the capital structure? Many authors gave various theoretical reasons regarding this issue, by posing difference from the small enterprise to large ones. For small enterprises may seem relatively costly to resolve information asymmetries with lenders and investors, discouraging the use of foreign investment (Grinblatt.M & Titman.S, 1998), while (Barton & Gordon, 1988), (Alipour, Mohammadi, & Derakhshan, 2015) found out that enterprise size has a negative relationship with debt levels. Authors Du & Dai (2005), Huang & Song (2006) concluded that enterprise size has a positive relationship to the enterprise's capital structure. However, Al-Fayoumi & Abuzayed (2009), reported that the enterprise size is measured by the logarithm of total assets.

Based on the outcome of the explanatory variables (Al-Fayoumi & Abuzayed, 2009) showed that size has a significant impact on the capital structure of the enterprise. As the other authors who gave a lot of thoughts about the enterprise size, the authors Du & Dai (2005) argued that the size of the enterprise is often considered as the determinant of the capital structure. According to them, the largest enterprises have more information for the public than the smaller ones. If so, then the larger companies may favor equity financing, because capital financing cost due to asymmetric information is smaller for larger enterprises.

A large number of authors have suggested that leverage ratios may be related to enterprise size. Titman & Wessels (1988), proved that enterprises relatively large tend to be more diversified and less likely to bankruptcy. Their arguments suggested that large enterprise should be at higher rates. Small enterprise compared to the large once prefers to take of short-term loans instead of long-term debt due to lower fixed costs.

Liquidity

In the capital structure decision, liquidity ratios may have mixed effects. Liquidity is calculated by the ratio between current assets to current liabilities of and enterprise (Handoo & Sharma, 2014). Enterprises with higher liquidity are able to support a relatively high debt due to the greater ability to meet short-term obligations. On the other side, the enterprises with larger liquidity can use it to finance their investments (Viviani, 2008). Alipour, Mohammadi, & Derakhshan (2015), (Deesomsak, Krishna, & Pescetto, 2004) point out that there is a negative relationship between liquidity ratios and debt ratios.

Profitability

Abor & Biekpe (2009), based on their study assume that the enterprise profitability has a positive relationship to the debt level, while Barton & Gordon (1988), Esperança, Gama, & Gulamhussen (2003), Rajan & Zingales (1995), between profitability and debt level report negative relationship.

Two other authors (Myers & Majluf, 1984) suggested a negative relationship between profitability and debt rate because according to the enterprises which are more profitable and generate high incomes are expected to use less debt than those that are not very profitable.

While Myers & Majluf (1984) concluded that enterprises with higher profitability avoid external financing. In general, most profitable enterprises should borrow less, because they can rely more on internal funds (Beattie, Goodacre, & Thomson, 2006), other authors (Al-Fayoumi & Abuzayed, 2009) based on their work show that profitability has a significant impact on the capital structure. Then Du & Dai (2005) explain that profitability is measured as the return on assets (ROA) and on the other side is expected to be negatively related to the enterprise leverage.

Assets structure

The assets structure is also an important determinant of enterprise capital structure. According to Harris & Raviv (1991), enterprises with more tangible assets exhibit higher liquidity values. Fixed assets are usually purchased through debt and are considered as banks for creditors at the time of enterprise liquidation (Alipour, Mohammadi, & Derakhshan, 2015).

Empirical evidence suggests proves of a negative relationship between the debt ratio and the asset structure, as well as a positive correlation between the asset structure and the debt ratio.

According to (Esperança, Gama, & Gulamhussen, 2003) on the basis of their research, showed that there is a positive relationship between the asset structure and the debt ratio. While (Antonou, Guney, & Paudyal, 2002) in their research, conducted on some of the European countries, and suggested that the leverage ratio is positively related to the assets.

Growth

Financial empiricists have historically agreed on the existence of a positive relationship between enterprise growth and debt (Grinblatt.M & Titman.S, 1998). Enterprises where their sales grow at a high rate often need to expand their fixed assets (Al-Fayoumi & Abuzayed, 2009).

According to their researches (Barton & Gordon, 1988) and (Baskin, 1989) concluded the enterprise growth rate will have a positive relationship to the debt levels. While (Al-Fayoumi & Abuzayed, 2009) measure the growth variable as a change in net sales in annual percentages. They also present growth as one of the variables that have a significant impact on the capital structure. Growth opportunities are capital assets that add value to an enterprise, but cannot collateralized and do not generate current income taxes (Titman & Wessels, 1988). For this reason, the presented arguments suggest a negative relationship between debt and growth opportunities.

Effective tax rate

Whereas Alipour, Mohammadi, & Derakhshan (2015) indicated a positive relationship between effective tax rate and debt ratios, other authors like Antonou, Guney, & Paudyal

(2008) concluded the opposite. Based on the research conducted they came to the conclusion that there is a negative relationship between the effective tax rate and debt ratios. They argue that the effect of this rate on the capital structure depends on the tax regulations of each country. Authors (Modigliani & Miller, 1958) formed the base of the capital structure theorem, their theory anticipates capital structure as a result of financial, tax and growth factors.

Then (Modigliani & Miller, 1958) revised their previous theory, by incorporating the tax advantages in theory as a determinant of the capital structure and concluded that enterprises use debt financing to capitalize on tax advantages and maximize the market value of enterprises.

Financial flexibility

Financial flexibility may have an impact on the value of the enterprise, which is very important. Authors Alipour, Mohammadi, & Derakhshan (2015), emphasized that exist a negative relationship between financial flexibility and debt ratios. But Eldomiaty (2008), did not find any relationship between enterprise financial flexibility and capital structure.

Risk

The level of risk is considered to be one of the main determinants of an enterprise capital structure (Kale, Noe, & Ramirez, 1991). Various studies show that the risk has a negative relationship to debt levels and while other studies show also a positive relationship. Based on their research Barton & Gordon (1988), Esperança, Gama, & Gulamhussen (2003), emphasized that the risk has a positive relationship with debt levels. On the other hand, the authors Titman & Wessels (1988) between two variables, the risk and the debt level reported that there was a negative relationship.

The enterprises in growth can avoid high corporate levels because a large amount of debt can increase the risk, and from this risk may come to the risk of growing the enterprise (Du & Dai, 2005).

Control variables:

Economic and trade sanctions

Authors (Alipour, Mohammadi, & Derakhshan, 2015) emphasized in their paper that economic and trade sanctions serve to control the effect of sanctions on the capital structure.

A study realized by Miller (1977) argues that in a world in which interest payments are fully deductible in calculating the tax calculation on corporate income, the value of enterprise balance will still be independent of its capital structure. According to Kraus & Litzenberg (1973) in the perfect capital market, trade value of the enterprise is independent of its capital structure.

Discussions and Findings

Based on numerous studies on the determinants of the capital structure, including the dependent, independent and control variables, we conclude that the change in the firm's capital structure is measured by the total debt ratio (total debt/total assets), the short term

debt ratio (short debt/total assets) and the long term debt ratio (long debt/total assets). Authors have used different forms of debt ratio, most of them have used total debt ratio, while some have used short term debt ratio or long term debt ratio. However the choice of measurement of the capital structure of enterprises continues to be contradictory, due to the lack of a unique definition, the capital structure still continues to be measured by various factors (Mazur, 2007).

During the literature review, we have different findings on the relation of the different factors with the capital structure, but we find that size, liquidity, profitability, assets structure, growth, effective tax rate, financial flexibility, risk are the major important determinants of capital structure. Some authors between the capital structure and their determinants found a positive relationship, some of the negative relationship, while some others do not find any significant relationship.

Despite a large volume of different studies related to the determinants of the capital structure, we can say that there is still a gap in the research of this issue and more needs to be done.

For non-European Union countries, is important legal regulation on the capital structure of enterprises, legal regulation should be harmonized and standardized with the member states of the EU. So that enterprise in the non-European Union has approximate standards with the developed countries in order to be more willing to exercise their activity in the international market. Enterprises respecting the legal infrastructure have a better stability starting from their establishment, the exercise of their activity and the subordination of competition in the market operation area.

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Product lifecycle strategies in digital world

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Abstracts

The product lifecycle (PLC) is a well-known marketing concept initially developed in 1960s that describes four main stages in the sales of a product. Following the market launch, introduction stage represents initial sales of a product in the context of a limited and underdeveloped market. If the market accepts a product, the growth stage will follow. At this stage, benefits from economies of scale should be expected, together with the growth of profit margin. With the slowing of growth rate, the maturity stage kicks in. At this stage, product requires modification or improvement to re-establish growth. Otherwise, the sales will start to decline, which can result with the commercial death of a product. Contemporary research studies slightly departed from the one-of-a-kind classical PLC model with strictly defined four stages and inevitable product death at the end. In some cases, a product may never reach maturity due to sudden sales decline at some point of the growth stage. Additionally, PLC has to take into account the related value chain support and activities aimed at its regeneration. The aim of this paper is to analyse PLC strategies in the context of mobile applications, especially mobile games. The hyper production of apps created very competitive environment in which various apps are fighting for consumer acquisition and retention. Nevertheless, oversupply of apps reduced the length of their lifecycle. The paper presents an analysis of two popular mobile games PLC related strategies and corresponding marketing mix modifications in different stages of PLC. Apparently, besides adaptation of the marketing mix elements, numerous apps changed their business models, switching from micro-transaction based models to hybrid business models.

Keywords: product lifecycle, business model, mobile devices, mobile apps, mobile gaming

Introduction

A decade ago, Steve Jobs and Apple revealed a product that disrupted the whole mobile phone industry. The commercialisation of the first generation of iPhone brought to us the concept of smartphone in its fullest. While mobile phones provided us with the benefit of remote communication via voice calls and short messaging (i.e. SMS), together with the rudimental use of internet, the smartphone concept introduced a new way of user-device interaction via touchscreen. Furthermore, the smartphone concept turned our mobile devices into powerful computers capable of running various software applications or apps. Although a smartphone or any other mobile device, such as tablet, may come with the set of preinstalled apps (e.g. email client, internet browser), this technical advancement sparked the mobile app development industry. In 2017, there was around 1.89 million jobs directly related to the development of mobile apps within

the EU economy (Mandel & Long, 2017). Nowadays, the apps are being mostly developed for the two main mobile operating systems – Apple’s iOS and Android, while the popularity of other platforms (e.g. Windows and BlackBerry) is mostly declining. According to Statista (2017), Android users can choose between 2.8 million apps deposited on Google Play, while Apple’s App Store offers around 2.2 million apps. With such a vast supply, it is very common to hear someone say “there is an app for everything” (Eagle, 2016). Due to the obvious hyperproduction, literally millions of apps are fighting for users (or customers) and their attention in a form of a download. The aim of this paper is to provide an insight into the common app developers and marketers’ strategies aiming at customer acquisition and retention, especially in the context of mobile games. Due to such a competitive environment, a product lifecycle (PLC) tends to be quite short. Therefore, this paper also focuses on tactics aimed at extending the mobile games’ PLC.

In the first section, a brief background information on the mobile apps market is provided. Next, the paper examines relevant PLC related literature, followed by a brief section on research methodology. In the main part of the paper, a thorough analysis of PLC related strategies of two selected mobile games is being presented and conceptual model of the PLC extended to mobile gaming is analysed and discussed. The paper finishes with the conclusion

The mobile apps platforms and business models

According to Technopedia (2018), a mobile app refers to the type of software developed to run on a mobile device and to provide users with similar services to those available on a desktop computer. However, a mobile app has also some distinguishing characteristics: it is optimised for mobile devices with touch-screen, it is usually offered free of charge (although premium versions and its use can be charged), and it is available for download from a centralised online marketplace where users can rate and review the app (Liu, et al., 2014). Preceded by the market introduction of Apple’s iPhone, the apps market started gaining its momentum in 2008 (Siegler, 2008) and grew through the following decade. However, due to its highly decentralised and unorthodox nature, it is difficult to determine the market value, so estimates range between \$63.5 billion and \$143 billion (Albright, 2014).

The main reason why users download apps is to increase their mobile devices’ functionality, so the apps they carry on their devices mimic the convenience of Swiss knife (Roma & Dominici, 2016). The apps are being developed to support our daily activities (e.g. activity trackers, restaurant finders), to improve our communication options and socialising while on the go (e.g. messaging, social media and dating apps), to improve our brand experience (e.g. apps developed by brands to support online shopping and interaction with brands), to improve our professional productivity (e.g. organisers, email apps) or learning experience (e.g. e-book readers), and, sometimes, just to beat boredom (e.g. mobile games). With such a wide range of types and uses, mobile apps have potential to provide users with personalised experience, without time or space boundaries (Palumbo, et al., 2014).

As aforementioned, Apple Store and Google Play act as the two main depositories where users can download the apps most often developed by third parties. Essentially, they are platforms, a two sided markets where multiple parties (app developers and app users being the most prominent in this case) are brought together to facilitate exchange.

When developing an app, the developers have to make several crucial decisions, such as choosing which platform or operating mobile system to target, which type and the number of apps to launch, and which business model to choose for each app (Roma & Ragaglia, 2016). The decision related to choosing the particular platform for app launch is not trivial. Although initially appealing, app launch on both platforms tends to be resource demanding, particularly costly and require proficiency in different programming languages. Considering low success rate of the apps, high initial investment is not the preferred way for a large number of app developers. Prudent approach dictates development of an app for only one platform, at least initially.

Number of users and/or devices using different operating systems (and consequently platforms) impacts the decision as well. Having greater number of potential users maximizes the potential for revenue generation. Greater number of users are using Android based devices which use Google Play to distribute the apps. Recent figures show that Android has 85% market share vs. 15% for iOS (IDC, 2018). Additional variables such as demographic ones (average user disposable income) play a role in the decision as well.

Platform owners also have a keen interest in exclusive availability of apps on only their platform. Platforms, being multisided markets, are subjects to network externalities, where the value a certain product (mobile app) creates for its user increases with the number of users of that app (Prasad, et al., 2010). Network externalities in mobile app markets and mobile game markets specifically arise due to consumer linkages being present among the users of the app. Mobile games that have different modes of multiplayer interaction availability create network effects where a user derives greater value from playing a certain game which is also played by its friends. The greater the popularity of mobile apps available on one platform, the greater the incentives for consumers to opt for devices and subsequently apps using that particular platform.

As mentioned previously, mobile games are not played only on smartphones, but also on other mobile devices, tablets and recently smartwatches. Hence, platform owners are not merely competing on the level of devices and apps, but they compete on ecosystem level as well. Being a part of Android or iOS ecosystem creates switching cost for the consumer if the consumer wants to switch between competing platforms.

Business model is one of the most loosely defined concepts in business. It is often, and incorrectly, used as a substitute for many other concepts such as strategy. Literature abounds with various definitions of Business model, relatively ambiguous ones that define the concept as a “story” that essentially explains how the company operates (Magretta, 2002) up to more precise ones that define concept as an explanation of how a company creates value by capitalizing on available business opportunities (Zott, et al., 2011). Most of the definitions include two main elements, and those are (1) an explanation of how a company creates value for the users of the product and (2) how a company intends to appropriate part of the value it creates for itself in order to cover the costs and earn profits.

Business model in this context refers primarily to the way an app generates revenues. The following three models seem to be the most common (App Store, 2018):

- Paid – users pay once to download the app and there are no additional charges for the usage;

- Free – users do not have to pay to download or use the app, while revenues are usually generated by displaying advertising within the app;
- Freemium or in-app purchase – users can download the app for free, but are offered with optional in-app purchases for premium features, additional content, subscriptions or digital goods.

The choice of a business model has an impact on the app's rate of success, that is, popularity among users and naturally app developer's bottom line. Research suggests that the effect of business model on the app performance is correlated with the app depository (Roma & Ragaglia, 2016). Liu et al. (2014) found that the application of freemium strategy has positive impact on the sales of the paid versions of mobile apps. According to Roma & Ragaglia (2016), paid and freemium models are shown to be effective in the Apple's App Store, while freemium models seems to be less effective in Google Play.

According to a recent study (Kim, et al., 2016), the success rate of an app is the result of direct and indirect effects of five factors:

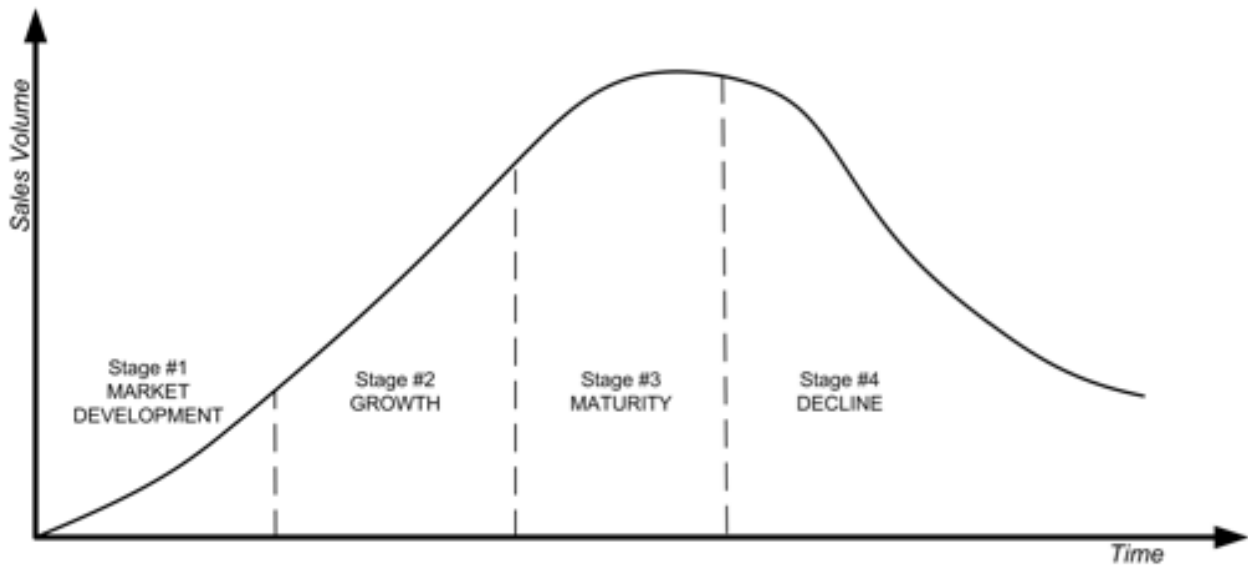
- Word-of-mouth about the app – communication among users about the app, which can be positive, negative or neutral;
- App's usefulness – perception that the use of the app will enhance an individual's performance;
- Monetary value of the app – refers to the customer return on investment or a trade-off between app's user value and app's price;
- App's trialability – the degree to which a potential customer can adequately try out the app before purchase (e.g. by using the trial or free version of the app);
- App's enjoyment – the pleasure or joy felt from the use of the app.

While the word-of-mouth can be considered as an external factor influencing the download intention, the overall satisfaction with an app is mostly related to the user's subjective perception of the app's benefits and value.

The concept of PLC

The traditional views on the PLC

As a marketing concept, the product lifecycle theory appeared in 1960s, although the term has been used since 1950s (Cao & Folan, 2011). The term was coined by Theodor Levitt (Exploit the Product Life Cycle, 1965) describing various stages a product will go through from its inception until it become outdated. Two critical factors that are driving the dynamics of PLC are most often change in technology and change in consumer tastes (Grant, 2013). Driven by these two factors, classical PLC theory suggests that there are four main stages of PLC: market development (introduction), growth, maturity, and decline (Figure 1). The main reason of dividing PLC into the sequence of stages is that each stage requires application of different strategy because competitive advantage is related to different key success factors (Cox, 1967).

Figure1: Classical four-stage PLC

Source: adapted from Levitt (1965)

In the contemporary marketing textbooks, a five-stage product lifecycle is commonly being used (Kotler & Amstrong, 2014):

- Product development – development of a new-product idea, sales are at zero and the company's investment cost is high;
- Introduction – commercialisation or product introduction to the market, sales are slow at the beginning and there are no profits due to high expenses related to the product introduction (e.g. promotion, distribution), product innovation is high, and companies with strong brand have a competitive edge;
- Growth – period of rapid sales growth and increasing profits, there is a positive impact of economies of scale;
- Maturity – sales are slowing down and reaching its peak, profits are stagnating or declining because of increased marketing cost (e.g. sales promotions, price reductions), product innovation is very low and key competitors are few;
- Decline – both sales and profits are declining, cancellation or product revival through product innovation are considered.

If the contemporary PLC is compared with its origins, the main difference is the existence of the development stage preceding the product commercialisation. However, all the remaining stages remained the same. The need for a preceding stage has also been recognised by Rink et al. (1999), suggesting the existence of the pioneering stage in which new products are developed and test marketed.

Traditional scholars suggested existence of fixed and non-negotiable stages in the PLC, resulting with the inevitable product death at the end of the cycle (Hayes & Wheelwright, 1979; Dhala & Yuspeh, 1976). On the other hand, Field (1971) argued that products do not have unavoidable death at the end of the lifecycle, using the recurring cycles in

fashion to support his claims. Enis et al. (1977) echoed by claiming that the PLC depends on the managerial strategy implemented for a product at a particular time.

Therefore, the PLC cannot be considered as a predetermined sequence of stages mimicking biological concept of life (that ends with inevitable biological death). If a company sees certain potential, it may extend the product's lifecycle through the repositioning and strong promotion, so the product can re-enter the growth phase (Peter & Donnelly, 2006). If the revitalisation is impossible and demand in the mainstream market is declining, a company can also redefine the product's strategy and target market niche consumers that are still demanding the product (Husic-Mehmedovic, et al., 2016; Pavicic, et al., 2014).

General notion among practitioners is that product life cycles are becoming shorter (Hollensen, 2017). Academic studies addressing this topic have not found a strong and uniform support for this claim (Bayus, 1994). Empirical evidence suggests that, when it comes to technology based products and industries, there is a substantial difference between product life cycles among incumbents and new entrants into industries. New entrants are not using the newest technology available which is usually developed by incumbents through their R&D or in collaboration with other companies. They are instead using existing technology to compete most often based on price, while incumbents clearly signal their technological advantage. Research supports the proposition that product life cycles for products based on existing technologies (by new entrants) tend to have shorter life cycles than the technology advanced products developed by incumbents (Bayus, 1998). This effect might be even more pronounced in the mobile app industry since app development technology is readily available and there are no high barriers to entry into mobile app industry.

The mobile apps PLC

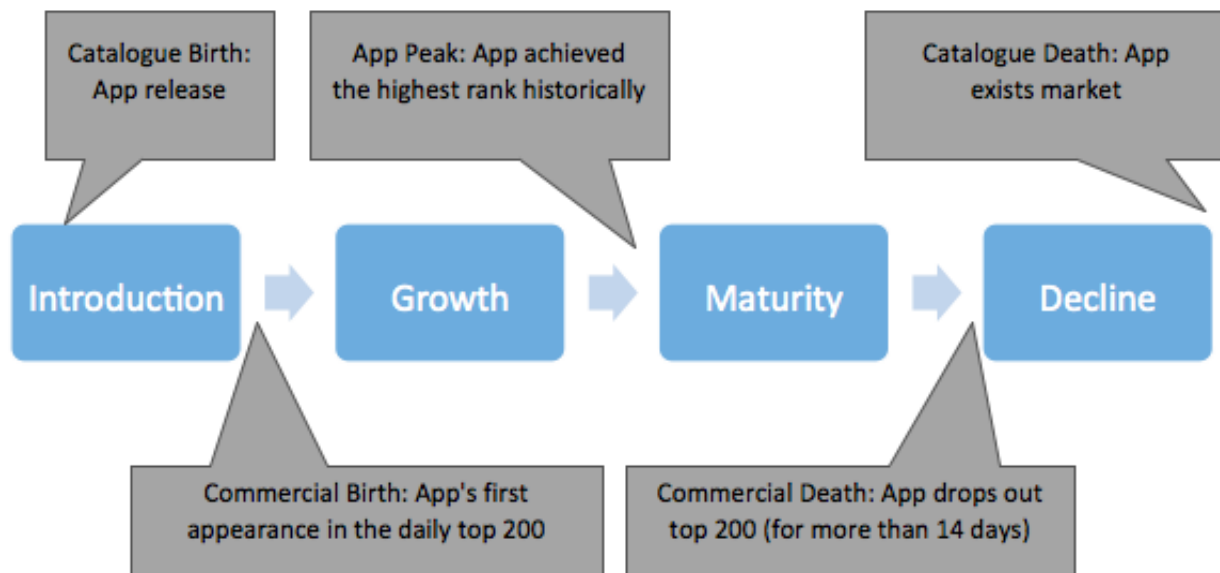
The traditional PLC theory has been developed in the pre-internet world dominated by tangible products and offline services. Therefore, the application of PLC in the digital world requires certain modification. First of all, internet provides a vast amount of information to users and word-of-mouth travels much faster. Therefore, information in the form of user reviews became highly important determinant in software adaptation (Duan, et al., 2009). In the context of apps, both apps ranking (within its depository) and user reviews affect its adoption (Carare, 2012). Obviously, user sometimes do not have time to address all the competing alternatives (e.g. apps offering same service) and they would end up following others (Duan, et al., 2009). Through online reviews, online users are informed about other users' choice and the overall ranking of particular app, which makes their decisions easier. Furthermore, in the context of paid apps, a research study also revealed that users are prepared to pay more for a top ranked app than say unranked app (Carare, 2012).

Besides the online information overload, the app market is constantly growing offering millions of apps. Since users are sometimes reducing their post-purchase dissonance by following other peoples' behaviour or by following a herd, a vast number of apps will end-up below the radar. On the other hand, popular apps will become even more popular making their growth curve even steeper. This herding phenomenon had been observed in many different fields, such as financial markets (Bikhchandani & Sharma, 2001) or TV broadcasting (Kennedy, 2002). The phenomenon has also been recognised among the web users (Simonsohn & Ariely, 2008), so herding in the context of apps can be considered as a spill-over effect in the app market context.

Liu et al. (Liu, et al., 2014) suggested the following distinctive stages in the lifecycle of an app (Figure 2):

- *App catalogue birth* – product is released and available for download in the app depository (e.g. Apple’s Store or Google Play);
- *App commercial birth* – begins when the app starts to gain a relatively large number of downloads (e.g. an app’s will appear in the daily top-200 download rank list once it gets a decent number of downloads);
- *App peak* – represents the app’s highest sales level (i.e. there are at least two peaks – its peak ranking relative to all apps, and its categorical peak);
- *App commercial death* – occurs when the app’s downloads fall below certain threshold (e.g. out of the top-200 for more than 14 consecutive days);
- *Catalogue death* – refers to the removal of the product from its developer’s catalogue.

Figure 2: App’s PLC within the context of daily download rank



Source: adopted from Liu, et al., 2014, p. 2.

Taking into consideration the herding phenomenon within the app market context, if an app succeeds reaching a decent number of daily downloads, it will appear on the top list, which will result with even more downloads. On the other hand, if an app does not reach the top list, it will skip the growth stage. Empirical evidence points to the value of the large user base that can be tapped into either to extend maturity or escape decline phase of the product life cycle. Having a large number of users of a game provides the game developer with an opportunity to increase the value of the game for each user by expanding the functionality of the game through adding multiplayer features. This essentially creates value for users through network effects as has been observed in many technology related industries (Marchand, 2016).

Large user base tends to provide valuable source of additional revenues when growth rate of new users declines or stops. Hence, it becomes of high importance to maximize the user base in the growth phase of the product life cycle curve. However, user base

growth has to be carefully balanced with revenue generation. Usually, there is a trade-between the two. If game developer starts appropriating value from the users too soon (through different revenue models) this might hamper the growth rate, however, if the monetization starts too late, the bottom line will be hurt. This points to the paramount importance of choosing the right business model for the game that will drive the growth of the app and allow for later date revenue generation with the aim of maximizing profits from the game (Nielsen & Lund, 2018).

Research methodology

As the literature review revealed, the success of an app is strongly related with the app's reviews and its ranking. Additionally, the app's PLC tends to shorten if it fails to get the initial momentum. Furthermore, the huge supply of different apps is making the whole app market extremely competitive. This study tries to detect successful developer strategies aimed at increasing the number of downloads and user retention. Since the app market is so broad and heterogenous, the focus will remain on the mobile games. The availability of research studies focused on the application of PLC within the mobile gaming is limited, hence this study has an explorative character. Therefore, a qualitative research methodology has been selected because it "provides researcher with deeper levels of understanding new or complex phenomena by yielding a high level of detail" (Golic & Davis, 2012, p. 732). This paper comprises analysis of two mobile games and the research findings are presented in a case study form. Although case studies received criticism for lacking scientific rigour (Noor, 2008), this methodology gives researchers an opportunity to study multidimensional phenomena within their settings (Baxter & Jack, 2008).

The data has been collected from various secondary sources and developers web pages. Additionally, the authors also spend significant amount of time playing the two mobile games for over two years and getting the hands-on experience.

Case studies: Mobile games PLC strategies

Case 1: War Robots

War Robots is a third-person shooter online mobile game developed by Pixonic (Moscow, Russia), available for both iOS and Android. The game gives an opportunity to teams made of up to six players to play against each other while piloting specially designed combat robots. Within the game, each player can choose between a myriad of different robots, robot customisations and weapons combinations (Pixonic, 2018). The matches between teams are taking place on several maps. The game received an overall rating of 4.6/5 on App Store and is ranked 43rd in Action category.

The mobile game has been released in April 2014 (version 0.1.0) under the name Walking War Robots. The game changed its name to War Robots in August 2016, after two years of its existence. According the game updates history (War Robots Wiki, 2018), game has been updated almost on the monthly basis. Besides fixing issues and bugs, updates also expanded the game by introducing new types of robots, weapons and maps. As the development team stated, their intention is to "continue working hard to keep WR as entertaining and exciting as it can possibly be" (Pixonic, 2016). This statement actually summarised the reason why this game received over 30 minor and major updates (iOS version) since its launch. Some of the updates also included special events (e.g. Halloween, Chinese New Year). The basic rules in the game also evolved

during the time. For example, in the early versions of the game, a robot destroyed in battle became temporarily unavailable, so the user would have to wait for several hours before its robot will become fully recovered. Alternatively, a user was able to spend a very high amount of resources to reduce the downtime. Due to limited resources, the users were sometimes left to wait for hours until they were able to play again. Since the all of the users were not prone to spend money on the robot recovery, the developers decided to eliminate this feature in order to improve the game's playability (Suckley, 2017). Obviously, the developers are continuously trying to improve user experience and game's enjoyability.

The game is free to download and features in-app purchases of resources (Ag, Au, keys) weapons, robots, upgrades and premium account subscription (which provides a user with higher awards). The majority of items can be purchased through the app depository account with the real money, while some items (mostly weapons and robot parts) can also be purchased with in-app resources. Most of the available items are almost always on sale. In 2017, the developers also introduced in-app advertising in a form of video ads. With watching the video ads, users can shorten the upgrade time or earn keys that can be used to obtain random items.

According to the Think Gaming (2018), the game's daily revenue is estimated at almost \$47,000, with around 28,000 daily installs. To get on ranking and to achieve such a high level of revenue, Pixonic advertised War Robots online, especially through Facebook and the GoogleAd network. Apparently, the gameplay videos proved to be the most successful advertising tool in attracting new users, achieving an average conversion rate on Facebook at 51% (Facebook Business, 2018). In other word, one out of two Facebook users who watched the video ad clicked on it.

Case 2: Candy Crush Saga

Candy Crush Saga is a tile matching game developed by Swedish company King Digital Entertainment, released in 2012. By the end of 2013, the game had had 93 million players, playing Candy Crush Saga over 1 billion times a day (Dredge, 2014). At the same time, the game's earnings were estimated around \$230 million annually, which made the app a number one grosser in the Apple Store (Boone, 2013). The game was initially developed as a web browser game and also available through Facebook. At that stage, Facebook promotions were used to increase the number of players. However, after the initial success, versions for iOS, Android, and Windows Phone followed. Although the game was quite successful during the web/Facebook phase, it really took off on mobile (Takahashi, 2017). The game received an overall rating of 4.8/5 on App Store and is ranked 7th in Puzzle category.

Since 2012, Candy Crush Saga received almost weekly updates (APK4Fun, 2018). Although the game graphics remained almost unchanged during the years, developers added new features, such as Dreamworld – a separate set of levels that players can play while waiting for their regular game lives to recharge (not accessible anymore), or daily rewards that provides players with special items and reward frequent players. Due to the nature of the game (i.e. solving assignments level by level), new levels are being constantly added through the regular updates. As of February 2018, there was up to 3095 levels available, with the developers adding a new episode containing 15 new levels almost on weekly basis (King Care, 2018). Despite the enormous number of available levels, there is a number of player are players waiting for weekly updates and new levels, since they managed to reach the final level (ibid). Obviously, the constant

updating and offering new content allows the most loyal and persistent players to return over and over again.

Candy Crush Saga uses a freemium business model, although during the first year it also featured in-app advertising as a mean of monetisation (van Dreunen, 2016). It is free to download, with the optional in-app purchases through either a credit card, iTunes credits or Google Play credits. With in-app purchases, a player can buy gold bars, which can be exchanged or additional lives, which are lost whenever a level is failed, purchases of extra moves, and to unlock new episodes. Apparently, only 2.3% of Candy Crush Saga players are engaged in in-app purchases, spending on average \$23.42 a month (Dredge, 2015). Extra lives can also be obtained by sending game requests to Facebook friends, or by waiting for certain amount of time until they will replenish themselves. Game requests can be send to both current players and Facebook friends not yet playing the game. This way, the game is also being promoted among prospects. Besides promotional efforts, the game's popularity is also being reinforced by apparent addiction development among players. According to media reports, some players completely neglected their daily activities (e.g. picking-up children at school or housework) while being over focused on reaching new levels of the game (Dockterman, 2013). According to the recent research study by Chen & Leung (2015) conducted on a limited sample of players in China, 7.3% of respondents were considered as addicts. The study characterised these players as lonely, leisurely bored, and motivated by the nature of the game. While the game concept is very simple and demands few mental resources, passing levels can be perceived as an accomplishment. Thus, the player's brain can perceive it as a mini reward and gratification, which can develop to a form of addiction (Smith, 2014).

As a successful developer, King Digital Entertainment developed a unique PLC strategy. As aforementioned, the game was initially developed to run on the desktop Facebook. Once the game became successful on Facebook, the mobile versions were developed (Takahashi, 2017). Same approach has been applied to all other games King Digital Entertainment developed. Apparently, the company created 200 games and the successful ones were converted to mobile platforms (ibid).

Conclusion

Based on the two case studies presented here, it can be concluded that there is a significant value in using PLC concept in analysing the dynamics of apps usage (number of downloads and time spent playing) in mobile app industry, and specifically in mobile game industry. There are many general recipes from classical PLC concept that mobile game developers use in order to increase the number of users and particularly to increase their playing time (the time they are actually engaged in using the mobile game).

There is a noticeable distinction among the strategies they use depending on the phase of the PLC that the mobile game is in. In the introductory and growth phase the emphasis is placed in increasing the number of users which is a necessary precondition for monetizing the game. It is of paramount importance for the game to generate positive user reviews that increase the probability of game download. The greater the number of downloads the higher the mobile game climbs the download rankings that

make it even more likely to be downloaded and played, a sort of self-fulfilling prophecy at play.

Business models that support this goal use differed appropriation of value from the user (monetization), to the latter stages of PLC, when the game is already established on the market and on the download charts.

When approaching the maturity stage and with the clear goal of escaping the decline phase of the PLC for as long as possible, the emphasis increases on rejuvenation of the game by expanding the game through adding different levels and other functionality features which enrich user experience and extend the playing time. Concurrently, as monetization becomes a higher ranked goal for the developer, many additional features and options added to the game come at a cost for the player. Considering the popularity of the game and already substantial time invested in playing the game, switching costs have been created for the players which is exhibited through lower willingness to switch to low (or no) price alternative games and naturally through higher willingness to pay for the additional features in this cycle vs. previous cycles of PLC.

During the growth phase, as game increases in popularity and attracts a high number of players, developers start to consider additional strategies for sustaining the growth rate and expanding the user base. Firstly, there is the possibility of expanding the game on different devices within the same ecosystem and secondly for developing the game for other platforms (Android or iOS mostly).

As the maturity stage inevitably sets-in with the prospects toward decline, developers reinvest less and less value appropriated from the game in advancing the game and more of the value is devoted to new projects with the potential to become the next top ranked download items on mobile games charts.

This study is based on only two cases from the mobile game industry which is one of the major limitations of the study. Future research endeavours should test the robustness of the PLC concept on other successful and less successful mobile games. Also, mobile games present just one subset of the mobile apps industry, hence PLC concept should be tested for its contribution to analysis of other segments of mobile app markets. Additionally, cross eco-system analysis (most notably Android vs. iOS) would also add to the understanding of the universality of the PLC concept.

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Storytelling and sustainability reporting: a case study of the tourism and hospitality industry

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Abstract

Stories, in one form or another, are probably as old as the human race, but in recent years, businesses have increasingly come to recognise the importance of storytelling. The aims of this paper are to provide a range of illustrations of the ways in which some of the leading companies within the tourism and hospitality industry have employed storytelling as part of the sustainability reporting process and to offer some reflections on current approaches to storytelling in sustainability reporting within the industry. The paper begins with an outline of the characteristics of storytelling within the corporate world, reviews the ways storytelling is employed in selected tourism and hospitality companies' most recent sustainability reports. The paper identifies a number of storytelling formats, namely, photographs and images, video clips, personal messages and cameo case studies, used in the selected companies' sustainability reports. While such stories often have a strong human impact and can strike emotive chords, the authors would argue that stories can, in part, be potentially misleading in that they do not necessarily fully reflect a company's sustainability record.

Keywords: Stories, storytelling, tourism and hospitality companies, sustainability reports.

Introduction

Storytelling - simply defined as the cultural and social activity of sharing stories – is probably as old as the human race and is certainly much older than recorded history. Stories can be told in a variety of ways including pictures and photographs, conversations, presentations, letters, audio and visual recordings and increasingly social media, and their power is widely recognised. Osman (2014), for example, argued *'transcending barriers of language and culture, storytelling is one of the oldest art forms in history, utilised to transmit cultural, moral and complex information in a simple, engaging and meaningful manner.'* Storytelling is embedded in people's everyday lives, and in recent years, there has been increasing recognition of the role of storytelling in the business world. PricewaterhouseCoopers (2017), for example, suggested that *'storytelling is one of the most powerful tools available to effective communicators'* and Gupta (2015) argued that *'stories are an effective tool in the strategy process and for communicating and achieving strategic objectives.'* In examining storytelling in business intelligence, Elias et al. (2013), argued that *'stories help us to communicate knowledge, share, and interpret experiences'*, while in highlighting *'the power of storytelling in public relations'* Kent (2015, p. 480) claimed *'stories have the power to inform, persuade, elicit emotional responses, build support for coalitions and initiatives, and build civil society.'* Johansen and Nielsen (2012), explored how storytelling can contribute to corporate social responsibility (CSR) and Garcia-Rosell (2017) examined *'the possibilities and challenges of using stories as vehicles for critically evaluating*

contemporary business practices and testing the moral and political boundaries of corporate social Responsibility.'

There has been growing interest in the power of storytelling within the tourism and hospitality industry, particularly in creating and sharing experiences (Mossberg 2008) and in marketing (Kennedy 2015). Although sustainability and sustainability reporting have increasingly gathered momentum within the tourism and hospitality industry (e.g. Jones et al. 2014; de Grosbois 2016), the role of storytelling within sustainability within the industry has received little or no attention in the academic literature. With this in mind, the aim of this exploratory paper is twofold. Firstly, to provide a range of illustrations of the ways in which a number of the leading players within the tourism and hospitality industry have employed storytelling as part of the sustainability reporting process. Secondly, to offer some reflections on current approaches to storytelling in sustainability reporting within the industry.

Storytelling in the Business World and the Tourism and Hospitality Industry

Storytelling has its roots in the origins of human civilisation and has traditionally been used to share, and pass on, knowledge, values, myths, legends, fables and religious beliefs, from one generation to another and across geographical space. Initially storytelling was conducted through drawings and word of mouth communication though over time the written, and then the printed, word became an increasingly important storytelling medium. More recently, developments in information and communication technologies, particularly social media, have seen storytelling become an increasingly all pervasive and all embracing experience. In many ways, stories inform and illuminate all walks of life and in recent years, storytelling has become increasingly important in the business world and in many of the sub disciplines of business and management.

At the macro, level Gill (2015) defined *'corporate storytelling'* as *'the process of developing and delivering an organisation's message by using narration about people, the organisation, the past, visions for the future, social bonding and work itself, in order to create new point-of-view or reinforce an opinion or behaviour.'* At the sub discipline level, in the financial world, for example, Markey-Towler (2017) claimed that *'governments and investors ignore the power of storytelling at their peril. The financial markets are not driven by interest rates and money alone. They are driven by one of the most ancient traditions of humanity – stories. We can lead an investor to liquidity but we can't make them drink without telling them a story about why it is so very tasty.'* Savita et al. (2011), recognised that storytelling in knowledge management is a powerful management tool, and explored the role of storytelling in the context of information systems. Weissenfeld et al. (2017), argued that *'storytelling is used in order to transport a complex content more vividly to the audience and to ensure that the audience remembers the content as long as possible.'* Kent (2015), argued *'storytelling is a staple of public relations, from crisis to branding, to identity to reputation.'* In emphasising the importance of storytelling in marketing, Hammond (2017), argued that *'storytelling is a strategy that brands utilize in order to help their target audiences not only to learn about their products and services but also to form an emotional connection that will lead them to remain loyal to their company for years to come.'*

A number of benefits have been claimed for storytelling within the business world. Storytelling is seen to be important in linking a wide range of business challenges and opportunities to everyday human experiences and in helping to

generate emotional connections with companies and in giving them a human face. Many good, arguably the best, stories are memorable and thus not only the story itself, but also the message behind the story, can help to sustain positive views of a business and its operations and behaviours. Stories can be important in disseminating and sharing a company's values, which may be built on founding philosophies and achievements, and in helping to enhance these values in future business development trajectories. More specifically, stories can be important, not only in developing awareness and understanding of a company's values and commitments to a wide range of stakeholders, but also in helping to engender stakeholders' trust in these values and commitments. Ultimately, and ambitiously, there is the belief that stories can be inspirational and that they can have the power to encourage and stimulate changes in behaviour. In summarising the benefits of *'corporate storytelling'*, Gill (2015), suggested that *'stories can be used in organisations as a means to motivate people and create a message memorable enough for people to take cause and action, if there is an identified interest to the listener.'* Further Gill (2015), claimed that stories have *'universal appeal to culturally diverse audiences who have a range of interests and learning styles.'*

Within the tourism and hospitality industry, the role of storytelling has been highlighted in marketing and in the creating and sharing of experiences. Kennedy (2015, webpage) has suggested that *'storytelling' is 'a key to hotel marketing success'* while Dickinson (2017) outlined *'how to transform your hotel's marketing with storytelling.'* More specifically Dickenson (2017) argued *'by using a storytelling approach in your hotel marketing strategy, you can relate valuable content without actually "selling" your hotel to guests' rather 'you're showing them why they should choose you over your competitors in an engaging, authentic way.'* Kennedy (2015) suggested that hotel sales professionals *'should incorporate storytelling into their toolbox of presentation techniques'* and should look, for example, to *'tell stories about your area or destination'* and to *'talk about how previous guests who have visited for a group or event, later came back to enjoy the hotel for leisure.'*

A number of researchers have explored the importance of storytelling in helping to understand tourism and hospitality experiences. Moscardo (2017) for example, drew on work in evolutionary, cognitive and social psychology to reveal that stories play a significant role in supporting positive tourism experiences. In looking to convey *'extraordinary experiences through storytelling'* Mossberg (2008) looked at *'conceptualizing tourism and hospitality organisations as stories.'* Further she argued that *'for the consumer to be immersed in the story and to have an extraordinary experience, two preconditions are proposed', namely 'the need for the experience to take place in a hedonic service consumption setting' and 'a servicescape that allows the consumer to step away from everyday reality'* (Mossberg 2008). In addition Mossberg (2008) also suggested that *'involvement and co-creation, as well as a guide, can be used to facilitate a tourist's immersion in a story and a servicescape'* (Mossberg 2008).

Pera (2014), took up the theme of co-creation and argued that *'storytelling as a co-creative behaviour in tourism' can 'activate a "customer delight" response.'* Chronis (2012) recognised that the *'appreciation of a tourism experience depends on the availability and communication of stories'* but argued that storytelling within the industry has relied almost exclusively on *'marketers and tourism organizers as the main designers and promoters of narratives, ignoring the role of tourists themselves in this*

process.' Using empirical information from a heritage museum Chronis (2012) suggested that *'the success of a narrative presentation in tourism destinations also depends on the tourists' involvement, willingness and ability to actively participate in the storytelling experience.'*

Frame of Reference and Method of Enquiry

In an attempt to illustrate the ways in which storytelling has been employed in the sustainability reporting process within the tourism and hospitality industry, eight major players within the industry namely, Wyndham Worldwide, Intercontinental Hotel Group, Thomas Cook Group, TUI Group, Carnival Corporation, Royal Caribbean Cruises, Restaurant Brands International and Starbucks were selected for study. These companies were selected for two principal reasons. Firstly, that they are seen to be amongst the leaders in their sectors of the tourism and hospitality industry and thus might be seen to reflect cutting edge and innovative approaches to sustainability reporting within the industry. Secondly, these companies published recent annual sustainability and corporate social responsibility reports, while the same was not always true for other leading players in the industry.

Wyndham Worldwide is an integrated hospitality company, its headquarters are in New Jersey in the US, it has over 50 brands including Wyndham Hotels and Resorts, Ramada, Days Inn and England Country Cottages and it has a significant presence in most major hospitality markets in the world. The Intercontinental Hotel Group, is one of the world's leading hotel companies with over 5,000 hotels and a presence in almost 100 countries and its brands include Intercontinental, Holiday Inn, Crowne Plaza, and Hualuxe. TUI Group, headquartered in Germany, is the world's largest travel and tourism company and its portfolio includes 1,600 travel agencies and leading online portals, 6 airlines with some 250 aircraft, 320 hotels and 15 cruise liners. The British based Thomas Cook Group is one of the world's leading holiday companies, embracing charter and scheduled passenger airlines, package holidays, cruise lines, hotels and resorts, and it operates within 17 source markets and destinations principally in Europe, the US and the Caribbean.

Carnival Corporation is a US based cruise company, it has 10 cruise brands including Carnival Cruise Lines, Princess Cruises, Costa Cruises, P&O Cruises (UK) and the Holland America Line, and with a total fleet of over 100 vessels, it is the world's largest travel leisure company. Royal Caribbean Cruises, is a US based global cruise company, its five constituent brands are Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, Pullmantur Cruises and CDF Croisieres de France. Restaurant Brands international is a Canadian multinational fast food holding company, which trades as Burger King, Tim Hortons and Popeyes, and has over 24,000 restaurants in over 100 countries. Starbucks is a US coffee company and coffee house chain and it operates from over 27,000 locations worldwide.

While companies have employed a range of methods to report on their sustainability commitments and achievements, publication on corporate websites has become the most popular and the most accessible reporting mechanism (Morhardt 2009). With this in mind, the authors conducted an Internet search for information, using the key phrase 'sustainability report' and the name of each of the selected tourism and hospitality companies. This search was conducted in April 2018, using Google as the search engine, and the most recent reports for each of the selected companies obtained from

this search process were chosen for study. The nature, content and length of the sustainability reports varied considerably. The Carnival Corporation report contained 126 pages, while the corresponding figures for Wyndham Worldwide, Royal Caribbean Cruises, Intercontinental Hotel Group, Thomas Cook Group and Starbucks, for example, were 82, 65, 41, 30 and 24 respectively. At the same time, some of the sustainability reports contained linked highlights and video clips, which expanded their readability. The reports had a range of titles including sustainability report, corporate social responsibility report, responsible business report, global social impact performance report, while the TUI report was entitled 'Better Holidays Better World.' Within the remainder of this paper all these reports will be referred to as 'sustainability reports.'

In reviewing the selected companies' sustainability reports, the authors were essentially guided by loose grounded theory. More specifically, given they were looking to explore how human interest was being integrated into sustainability reporting, they pursued an interpretivist approach in that they looked to select and group the general content of the eight sustainability reports into five broad elements namely mission, vision and strategy statements; graphics; metrics; general structured narrative; and specific storytelling. The storytelling elements provided the empirical material for this paper. The specific examples and selected quotations drawn from the storytelling elements are used for illustrative purposes, with the principal aim being on reviewing the ways storytelling is employed in the selected tourism and hospitality companies' sustainability reports. The focus is not on providing a comparative evaluation of how the selected companies employed storytelling within their sustainability reports. Unless specifically cited all quotations are drawn from the selected companies' sustainability reports.

The paper is based on information that is in the public domain and the authors took the considered view that they did not need to contact the selected companies to obtain formal permission prior to conducting their research. When outlining the issues of reliability and validity in relation to information drawn from the Internet, Saunders et.al. (2009) emphasised the importance of the authority and reputation of the source and the citation of a specific contact individual who might be approached for additional information. In reviewing the sustainability reports, the authors were satisfied that these two conditions were met. At the same time the authors recognise that their study has its limitations not least in that it includes just eight tourism and hospitality companies and that it is based on authors' designation and interpretation of the storytelling elements in these reports. That said the authors believe that their approach is appropriate in what is an exploratory study.

Findings

All the selected tourism and hospitality companies employed storytelling to illustrate their strategic commitments and their environmental, social and economic achievements against these commitments, in their sustainability reports, though there were marked variations in the extent to which stories were used. A number of themes can be identified. Photographs and images were a widely used method to tell a story within the reports and they were employed in a variety of ways. Perhaps the most obvious use was on the frontispiece of some of the selected companies' sustainability reports. The first two pages of the 2016 Royal Caribbean Cruises report, for example, are pictures of a shoal of fish swimming underwater and of a calm ocean. The second of these pages is accompanied by three lines of text with the banner headline 'A

Commitment to Oceans, which included the statement *'At Royal Carnival, respect for the oceans is not a choice, it is an obligation – and a way of life.'* Here the story is not only that cruising is compatible with nature and the living environment of the seas but also of the company's commitment to sustainability. On the third page of the report this message is reinforced via a four minute video link featuring a conversation between the Chief Executive Officers of the World Wildlife Fund and Royal Caribbean Cruises, in which they *'discuss their common goal of protecting the oceans and explain the ambitious new conservation partnership between the organizations'* and here a major challenge is seen to be *'the need to engage people in the story of the oceans.'*

In a similar vein, if rather coincidentally, the first page of both the Thomas Cook Group's 2017 and the 2016 TUI sustainability reports have a photograph of a hammock strung between palm trees, in the first case the background is a beach at the edge of a lapping waterline, and in the second the photograph also included a person in a kayak and a small sailing boat in the bordering seascape. Half of the first page of the Intercontinental Hotel Group's sustainability report includes a photograph of a member of the company's staff and a young girl casting red beads, or possibly berries, into a watercourse in a parkland setting, which could be the grounds of one of the company's hotels. In all three examples the story is one of tranquility and of people in harmony with their environment. While the images on the first three pages of the Carnival Corporation's 2016 sustainability report emphasise the large size of a modern cruise ship, in one case with a large vessel looking incongruous against the back drop of a partly wooded hillside, images of smiling children, happy couples and a relaxed smiling group of people on a quayside give the impression of people in harmony with the trappings of cruising.

Photographs and images are also widely used to illustrate a number of social, economic and environmental themes within the selected tourism and hospitality companies' sustainability reports. In reporting on its partnerships with a range of organisations, TUI Group, for example, used three photographs, namely, a market stall in Namibia selling traditional fabrics, a group of volunteers working on a landscape improvement project and an African elephant in its native environment. Photographs of an array of solar panels at the Holiday Inn Express in Sao Alto in the US and of the resort and spa at Bora Bora in the Society Islands in the Pacific, which has a seawater air conditioning system, in the Intercontinental Hotel Group's 2016 report were used to accompany the company's commitment to environmental sustainability and more specifically to energy efficiency and the development of more renewable sources of energy. Royal Caribbean Cruises illustrated its regular work with its *'emissions scrubbing system'*, designed to scrub away harmful pollutants before they are released into the air during voyages, with a photograph of two men working on the system on board ship. This section of the report also has a link to a two minute video clip in which the Chairman and Chief Executive of Royal Caribbean Cruises and some of his senior colleagues discuss the company's emissions purification plans.

A number of the selected companies used photographs in reporting on their commitment to their workforce. In reporting on *'Our Colleagues'*, Thomas Cook Group used two photographs, the one of a diverse group of the company's employees, dressed in their uniforms, smiling and seemingly chatting together, the other of two smiling female employees also dressed in uniforms, bearing their name badges. These photographs sit alongside narratives of the company's policies on employee engagement, diversity and inclusion and employee development and are designed to

reinforce the image of a happy workforce and of the company's social commitment to sustainability. In a similar vein the Intercontinental Hotel Group's reported on *'Our People'* and included a photograph of a smiling female employee handing a small carrier bag to a guest. The section of TUI Group's 2016 report entitled *'Care More'*, which focused on people development, engagement, diversity and leadership, was prefaced by a full page photograph of four smiling employees standing in front of Fritz Jousen, the company's Chief Executive, along with the message *'Building the Best Place To Work.'*

More generally within the selected companies sustainability reports, photographs and images were used to tell a range of stories. The Intercontinental Hotel Group illustrated its reporting of its approach to disaster relief with a photograph of the destruction wrought in a residential area of Kumamoto by an earthquake in 2016. TUI used nine photographs, for example, of educational, senior citizen and wildlife conservation projects, to accompany its reporting on the work its *'Care Foundation'*, which looks to *'collaborate with destinations on the sustainable management of tourism'*. Royal Caribbean Cruises included a photograph of a large number of its employees to accompany its description of the work of its GIVE (Get Involved, Volunteer Everywhere) programme, which looks to *'assist community and non-profit organisations in improving the quality of lives in their communities.'* Thomas Cook Group used photographs of three marathon runners and of children at a school in Thailand to illustrate its commitment to charity while Wyndham Worldwide used a number of photographs of children in schools as part of its reporting on community programmes in China. Throughout many of the selected companies' reports photographs of smiling employees and customers are widely used to convey the image of the selected companies offering a happy work and leisure environment.

Messages from company employees, most commonly, but not exclusively, from senior executives, were a prominent element of storytelling within many of the selected tourism and hospitality companies' sustainability reports. In his *'Message from the President and Chief Executive Officer'* in Carnival Corporation's 2016 sustainability report, Arnold W. Donald, reported that *'2016 was another successful year for our company on many fronts. We continued to operate safely and responsibly, and to produce sustained earnings improvement.'* At the same time he emphasised *'as always, we remain firmly committed to being a responsible corporate citizen and continue to make meaningful progress on our 2020 sustainability goals.'* Daniel Schwartz, Chief Executive Officer of Restaurant Brands International, emphasised *'at Restaurant Brands International, we believe success and sustainability go together'*, that *'as one of the world's largest and fastest-growing quick service restaurant companies, we're committed to acting responsibly'* and *'as we continue to grow our three brands, we will keep strengthening our efforts and supporting the people, places and communities that touch our business, every day.'* In his *'Chairman's Statement'* Patrick Cescau, claimed that the Intercontinental Hotel Group *'is committed to ensuring a strong culture of responsibility is embedded across the business and that we deliver our strategy with integrity and in a sustainable way.'* The message from Kevin Johnson, President and Chief Executive Officer of Starbucks, included the statement *'our 2016 global Social Impact Performance Report marks our progress as a company, one that is performance-driven through the lens of humanity.'* Here the story is one of a strong sense of corporate commitment to sustainability, to a responsible way of doing business while also growing the business, and of companies providing the initiatives and framework to deliver on a wide range of sustainable development agendas.

In some of the selected reports, there are also messages from both senior, and perhaps to a lesser extent, from more front line, personnel. Emre Berkin, Chair of Thomas Cook Group's Health, Safety and Environment Committee, claimed that during the last 18 months the company had engaged *'meaningfully in the business's sustainability agenda'* and that *'the improving sustainability performance of Thomas Cook – coming at a time when the business is determinedly focused on improving the customer experience – is no coincidence.'* The Intercontinental Hotel Group's Indigo Savannah hotel in Georgia, US, has partnered with the Savannah-Chatham Metropolitan Police Department to run a programme which looks to engage with local young people in an attempt to reduce juvenile crime and to improve employability skills. In the company's 2016 report, Jonas Subaar, from the programme's pre-apprentice business liaison team, stressed *'we want to tell the hotel industry, that what Hotel Indigo Savannah have done by supporting programmes like ours, engaging youth that are desperate to get engaged so that they can get off the streets ... that is something all businesses should feel excited to be a part of.'* In a pen picture of Magdalena Golebiewska, the Group's Environmental and Fuel Manager, in TUI Group's 2016 sustainability report, she outlines her work in *'bringing people together internally to continually improve our environmental performance'* and on a *'waste segregation improvement programme'* in Luton. All these stories look to emphasise the companies' commitments to sustainability at all levels in their organisations and how such commitments touch the everyday lives of employees and help to enrich their work experience.

Many of the selected tourism and hospitality companies used cameo case studies as part of their approach to storytelling. Starbucks, for example, employed a case study as part of its commitment to *'sustainable coffee.'* The case study was of Catalina Pacheco, *'a second-generation coffee producer and loving grandmother'* who *'methodically roasts a small batch of coffee from her farm, La Finca San Jose, tucked into the hillsides of Guatemala.'* The case study describes how Catalina's husband and grandson act as guides for a tour of the farm and they suggest that Starbucks' *'One Tree for Every Bag'* commitment, designed to help ensure the long-term supply of coffee and the economic future of farmers, *'has been a gift for our family.'* Here the story is one of the company's role in supporting small local farmers and in fostering economic development as part of its wider sustainability strategy. In reporting on its *'approach to animal welfare'* Restaurant Brands International included a cameo case study of an antibiotics workshop, facilitated by the University of Guelph in Canada, designed to build on the company's approach to the use of antibiotics in the supply chain.

Thomas Cook Group used a cameo case study to illustrate its approach to *'operational efficiency'* in its drive to *'conserve natural resources', improve energy security and support efforts to return waste to meaningful use, contributing to a circular economy.'* The case study outlined how the company had worked in Germany, with hoteliers and chefs, to produce a manual about *'Sustainable Food'*, which included a number of practical activities hotels could adopt, including greater use of seasonal food, sustainable purchasing policies, the design of sustainable menus, food presentation, waste management and the implementation of a sustainable food strategy. TUI Group's 2016 report included three cameo case studies of its work in Croatia, Jamaica and Cape Verde, with the Travel Foundation, a charity that works in partnership with businesses and governments to bring better benefits from tourism for people and the environment. In Croatia, for example, the company have contributed to a project

designed to help local businesses benefit from the continuing increase in tourism within the country. In Cape Verde initiatives have been developed to help local entrepreneurs and craftspeople to offer excursions and handicraft to tourists and to improve local environments.

In reporting on *'environmental responsibility'* The Intercontinental Hotel Group, included a cameo case study of waste management and water and energy conservation at the Holiday Inn at Winchester, UK. The case study described that the hotel was built with a number of *'sustainable features'*, including a heat recovery system, LED lighting in all the public areas, that all waste food is processed by anaerobic digesters and that all the water used in the hotel is filtered and reused so that no waste water is returned to the public wastewater system. As part of its approach to *'philanthropy'* Wyndham Worldwide, provided a cameo case study of its charitable donation to a *'community impact'* project in Greensboro, North Carolina, US. The case study revealed that since 2014 \$400,000 had been donated to food banks in the Greensboro area to and that the *'Out of the Garden'* project saw the provision of 300,000 meals for 3,900 families and the distribution of over 100, 000 pounds of donated food produce. In its 2016 report, Carnival Corporation provided a cameo case study of how the company responded to an outbreak of the Zika virus in the Caribbean, Central and South America in January 2016. The case study described how the company immediately responded to announcement of the outbreak by introducing preventative measures, including the provision of medical advice for passengers, crew, medical staff and shore based employees, by the issue of appropriate insect repellents on board and during shore excursions and by the application of mosquito prevention strategies both on board and in its ports of call.

Discussion

Increasingly storytelling is seen to be important in bringing sustainability reporting to life and the findings reported above reveal that storytelling is certainly playing a part addressing a range of environmental, social and economic agendas and achievements in the sustainability reports posted by a number of the leading companies within the tourism and hospitality industry. That said four sets of issues merit discussion and reflection. Firstly, many of the stories cited above look to make a strong connection between the tourist and hospitality industry and the environmental, social and economic dimensions of sustainability and many of them strike potentially powerful emotive chord. The tone of the stories is exclusively positive in painting the selected companies' general sustainability strategies, and more particularly their specific policies, actions and achievements in a favourable light. As such the stories reflect Leinaweaver's (2015) claim, that *'many corporate sustainability reports have perfectly scripted stories – stories told to create a party line.'* Within the social realm stories featuring employees, for example, paint a picture of a committed and caring employer, of the provision of a wide range of development opportunities within the workplace and of a happy and loyal workforce. In a similar vein stories about the tourism and hospitality companies' commitment to the communities in which they operate are very much within the spirit of community building or of fostering resilience and community rebuilding in areas hit by natural disasters. A common thread running through stories with an environmental theme is a commitment to stewardship and to the conservation of natural resources.

Nevertheless, the underlying message from the stories in the selected companies' sustainability reports stands in marked contrast to a number of rather different stories

about the impact the tourism and hospitality industry is having on the environment, society and the economy in a number of areas of the world. Tourism Concern (2015), for example, suggested that *'the cruise ship industry earns upwards of \$36 billion each year'* but that *'the lucrative industry hides a host of human rights abuses, alongside exploitative practices and an appalling environmental record.'* Jennings and Ulrik (2016), researchers for Tourism Concern, tell a very different story of the environmental, economic and social impact of cruise tourism. In addressing economic impacts, for example, Jennings and Ulrik (2016, webpage) claimed that *'local people often derive little or no benefit from the thousands of passengers disembarking from cruise ships'* and posed the question *'do countries visited by cruise ships have any real power to claim a fair share of the profits of such tourism.'* Jennings and Ulrik (2016) also itemised a number of damaging environmental impacts, including greenhouse gas emissions, the discharge of a range of liquid and solid wastes and damage to biodiversity and reef ecosystems, and claimed that *'the legal framework within which the ships operate may mean that pay and working conditions are far worse than for equivalent jobs ashore.'*

Secondly, the selected sustainability reports and the stories that support them are cast within the idiom of continuing economic growth. In his review in Intercontinental Hotel Groups 2016 report, Chief Executive, Richard Solomons, emphasised the company's commitment to *'a culture of responsibility'*, but here the focus was clearly on *'operating and growing in a sustainable, responsible way.'* Stephen P. Holmes, Chairman and Chief Executive Officer of Wyndham Worldwide, argued *'we believe in the power of travel – the ability to create lasting memories, for business to grow and enrich our understanding of each other in a rapidly changing world.'* Thomas Cook Group's *'vision for sustainable tourism'*, for example, suggested that tourism is *'one of the world's biggest employers, and one of the global economy's lead growth sectors'* and argued *'at its most effective, tourism delivers economic growth.'* In a similar vein, Royal Caribbean Cruises' sustainability report noted *'it is estimated that the cruise industry contributed \$120 billion to the global economy in 2014'* and argued *'with that growth come demands on destinations, that must be properly managed to ensure future viability and economic development from cruise tourism is enjoyed by all parties.'* Here there is a consistent emphasis on growth, though there is little by way of an explicit attempt to define the terms *'responsible'* or *'sustainable'*, which are often seen to qualify such growth. This, in turn, might be seen to signal recognition amongst the selected companies within the tourism and hospitality industry that while the earth's natural resources are being consumed at an unsustainable rate, sustainability stories *'can actually be a source of inspiration for further growth'* (Storytelling People 2017)

However, such growth within the tourism and hospitality industry will make increasing severe demands on the earth's finite natural resources and on many prized and fragile environments and there are concerns that these demands, and the continuing corporate commitment to growth that drive them, will prove ultimately unsustainable. Such concerns reflect more fundamental questions about whether continuing economic growth is compatible with sustainable development. The World Travel Market (2016) for example, posed the question *'When will the tourist industry start talking sensibly about growth?'* More specifically, Conscious. Travel (2016) argued *'the challenges facing humanity in general and the tourism/hospitality sector in particular stem from a failure to recognise that the current version of the economic system has, contained within it, structural and systemic flaws, that result in success (as in continued growth) becoming the cause of its own demise.'* Furthermore, Conscious. Travel (2016) suggested that *'as*

far as destinations are concerned growth is currently defined in quantitative terms (more visitors, more spending, more GDP, more jobs) but not in terms of net positive outcome for all stakeholders' and that 'success is defined as "more" not as "better" regardless of how that better is distributed amongst stakeholders.'

Thirdly, there are issues surrounding the relationship between the 'particular' and the 'general', in that the stories in the sustainability reports, focus on specific individuals and events, and as such are specially chosen and choreographed by the selected tourism and hospitality companies. These stories may well have a strong human interest attraction, and many of them certainly have a strong emotive appeal, which may well resonate with audiences on corporate websites and social media, but they cannot necessarily be seen to be representative of a tourism and hospitality company's sustainability agendas and achievements. Indeed, more cynically, leading players within the industry might be seen to be taking the view that such stories may play a valuable role in directing attention away from concerns being expressed in both the mainstream media, on pressure group publications and websites, and on social media about the environmental, social and economic impact of their business activities. That is not, of course, to call into question the voracity and/or the integrity of the stories themselves, but rather to suggest that companies within the tourism and hospitality industry need to more fully address how they draw up their sustainability strategies and agendas and on how they look to verify the achievements they report. Here the key issues are materiality and independent external assurance.

Materiality is concerned with how the environmental, social and economic sustainability issues deemed to be most important to the company, and crucially to all its stakeholders, are determined. While some of the sustainability reports, including those published by Royal Caribbean Cruises, Intercontinental Hotel Group and Wyndham Worldwide, provided information on how stakeholder engagement contributed to the assessment of how stakeholders perceive and helped to identify the sustainability challenges facing these companies, this was not the case for all the selected companies. In the absence of information to the contrary, the identification of material issues by some of the selected companies might be seen to represent the executive management's thinking and to favour corporate business continuity goals, rather than to reflect the potentially wider concerns of the company's other internal, and many external, stakeholders. As such, the stories used to illustrate a number of the sustainability issues identified in the selected companies' sustainability reports might be also be seen to reflect strategic corporate thinking rather than wider stakeholder concerns.

Within the business community commissioning independent external assurance of the information contained in sustainability reports is becoming an increasingly common element within the reporting process. The sustainability reports published by Royal Caribbean Cruises, Carnival Corporation and Wyndham Worldwide, included independent assurance statements, though these statements did not cover all the environmental, social and economic issues covered in the reports, but the six other selected companies did not report on commissioning assurance exercises. Here again while specific stories were used to illustrate many of the environmental, social and economic issues in the selected companies' sustainability reports, their more general applicability might be seen to be called into question by the lack of independent external assurance.

Finally, and more generally, in many ways the selected tourism and hospitality companies' sustainability reports reviewed in this paper, are traditional and conservative in style in that there is, at best, only a limited attempt to harness rapidly evolving developments in information and communication technologies in the reporting process. Amesheva (2017), for example, suggested that technological innovations that *'enable real-time data collection and reporting, new methods of communication and number-crunching is set to transform the world of corporate social responsibility.'* In a similar vein Morin and Muruganathan (2017) argued that new developments in information and communication technologies offer *'creative ways to share sustainability stories'* and to create *'real human stories for a wide audience.'* More specifically, Morin and Muruganathan (2017) suggested that companies can now *'liberate the content in their sustainability reports'*, for example, by improved accessibility, the development of engaging content, digital videos and documentaries and data visualisation tools. However, how far many large companies will choose to go in embracing such innovations and in effectively providing wholesale and transparent public access to sustainability data remains very much to be seen. That said such innovations will surely provide exciting new vehicles for storytelling within sustainability reports and such innovatively presented stories may find a receptive audience amongst many stakeholders who are increasingly conscious of, and receptive to, sophisticated methods of communication and reporting. Such an approach may allow companies to illustrate their sustainability achievements with seemingly compelling stories that seem so seductive and vivid that they effectively mask the bigger, and possibly less appealing picture.

Conclusions

Storytelling has grown in importance within the world of business and it is now commonly employed, for example, in public relations, communications management and marketing. More specifically stories are increasingly used as an integral element in corporate sustainability reporting. This paper reviews the ways stories have been used in the sustainability reports published by some of the leading companies within the tourism and hospitality industry and identifies a number of storytelling formats, namely, photographs and images, video clips, personal messages and cameo case studies. Within the tourism and hospitality industry, stories can play a vital role in helping to bring sustainability reports to life. However, while such stories can offer a powerful human appeal and can strike emotive chords, the authors would argue that stories can, in part, be potentially misleading in that they do not necessarily fully reflect a company's sustainability record. More contentiously, positive stories with a potentially powerful emotive human appeal might be seen to mask a more accurate record of a company's sustainability achievements. That said Sutton's (2017) argument, that there is no role for storytelling in sustainability reports, might be considered extreme and seems unlikely to find favour amongst the leading players within the tourism and hospitality industry. More positively, it is important that a range of stakeholders including investors, employees, consumers, the media, governments and pressures groups, as well as academic commentators, look to rigorously review corporate sustainability reports and the sustainability reporting process. The authors recognise that this exploratory paper has a number of limitations, as outlined earlier, but they believe it provides an initial commentary on storytelling in the sustainability reports posted by some of the leading players within the tourism and hospitality industry and that, as such, it provides a platform for future research. Looking to the future academic research might profitably look, for example, to include studies of how other companies

within the tourism and hospitality industry employ storytelling within their sustainability reports, of how sustainability stories are identified and developed within companies, and how, customers' perceptions of, and responses to, sustainability stories influencing tourism and hospitality buying behaviour.

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