

# International Journal of Sales, Retailing and Marketing

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**www.ijprm.com**

**ISSN 2045-810X**

International Journal of Sales, Retailing and Marketing is published by:

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## PRIVACY PROCLIVITY AND TRUST: NO LONGER CONCERNS OF TODAY'S INTERNATIONAL M-COMMERCE USERS?

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### Abstract

*As the diffusion of m-commerce reaches the late majority, do the barriers of acceptance during m-commerce's infancy still apply today? Do the same barriers exist across the global marketplace? Though phenomenal growth continues in the use of mobile devices, investigations of traditional barriers of use of m-commerce are limited. As corporations expand their m-commerce distribution and communication strategies both domestically and internationally, a deeper understanding of today's consumer use and nonuse must be established. Corporations seem to be making m-commerce strategy decisions utilizing assumptions based upon outdated user research. An investigation of the possible reprioritization of barriers to use of m-commerce by US and Chinese consumers is proposed. Some of the barriers to use investigated were privacy proclivity and trust.*

**Keywords:** mobile commerce, cross-cultural studies, global markets, privacy proclivity, trust

**Category:** Research Paper

### INTRODUCTION

The number of mobile phone internet users in the world at the end of 2017 surpassed 2.73 billion. Of these, 87.4% (or 2.39 billion) accessed the internet utilizing a smartphone, and 1.53 billion users are from China (eMarketer, 2017; Statista, 2018). The smartphone has now become the fastest and most widely spread technology in human history (DeGusta, 2012). The worldwide use of wireless telecommunications, more specifically the use of smartphones, has grown rapidly as people become increasingly dependent on email and remote access to corporate intranets and other Internet based services. Smartphones, once considered a luxury, are now taking the place of conventional telephones (land lines) in residential use and the family computers. Wireless networks have freed users from geographic restraints which have had those bound to desktop computers, enabled them to live, work and shop in more flexible and convenient ways utilizing multiple devices (Wagner et al., 2013).

The significant growth of smartphone services is giving rise to a revolution in the business world. This revolution is focused on conducting business anytime and anywhere; accomplished through the advent of Mobile Commerce. The transaction value of global M-commerce sales increased from 50 billion in 2014 to nearly 700 billion in 2019 (Kabbaj, 2018).

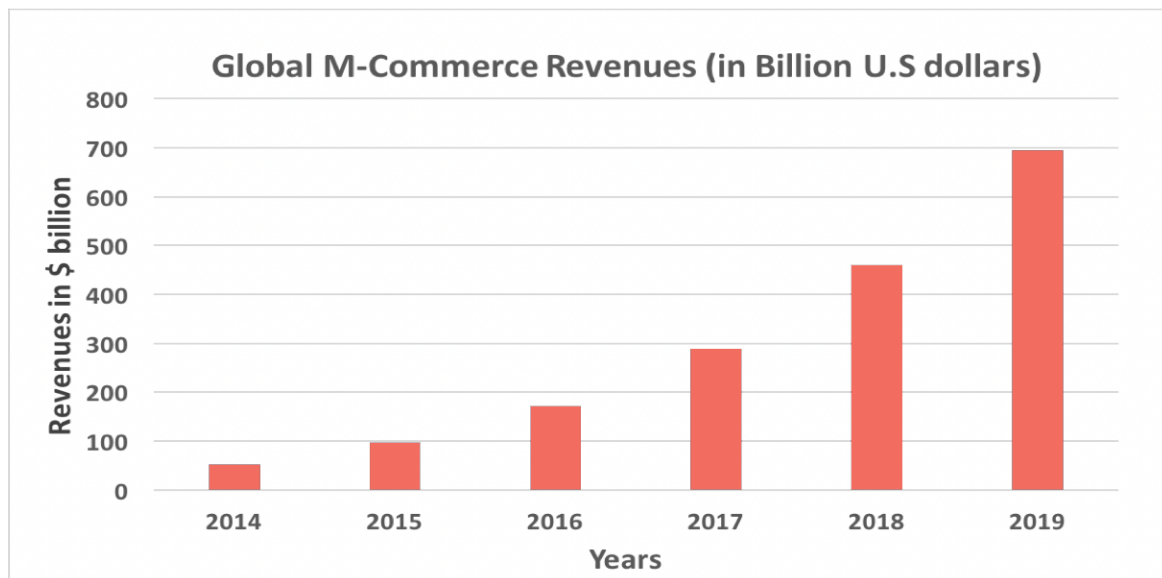


Figure 1: Global Transaction Value of M-commerce sales from 2014 to 2019.

\*Source: Ovum Report – Mobile Commerce Value 2014-2019 (Kabbaj, 2018)

Many researchers have defined Mobile Commerce (m-commerce) as simply a subset or extension of e-commerce, including all e-commerce transactions, carried out using a mobile (handheld) device (Sharma and Wildman, 2009; Ngai and Gunasekaran, 2007). Others purport m-commerce should be conceptualized as more than a mere extension of e-commerce due to discrepancies in interaction styles, usage patterns and value chains (Featherman et al., 2010). The latter, broader definition will be applied in this research. M-commerce is now providing enormous opportunities for business process innovation and location-sensitive services. However, in the rush to incorporate m-commerce into corporate strategies, organizations must try to gain an understanding of the consumer and their behavior toward m-commerce. For example, identified and supported m-commerce use and nonuse variables from just a decade ago have not been investigated to ascertain relevance to today's digital marketplace consumer. Are e-commerce use determinants of "risk management" (i.e., privacy proclivity) and "trust in the innovation" which have been generalized to all internet technologies like m-commerce and to all global markets still the major influencers they are assumed to be?

The goal of this research is to empirically examine whether M-commerce users are concerned about privacy proclivity and trust towards shopping with smartphones. The current study seeks to answer the following questions:

1. As the diffusion of m-commerce reaches the late majority, do the barriers of acceptance such as privacy proclivity and trust concerns still apply today?
2. If so, do the same barriers exist across the global marketplace such as the largest digital marketplace, China?

## LITERATURE REVIEW AND MODEL DEVELOPMENT

### M-commerce Privacy Proclivity

Consumer resistance to the use of innovation has consistently been referred to as barriers and markets can be and have been segmented based on these barriers (Laukkanen et al., 2008). Segmentation dimensions identified for m-commerce nonusers or laggards have traditionally been usage barriers, value barriers, risk barriers, psychological barriers and image barriers. Due to uncertainty being inherent to innovations, risk barriers have consistently appeared at the top of the list of reasons for m-commerce nonuse (Laukkanen et al., 2008; Ram and Sheth, 1989). A highly observable risk barrier of m-commerce is privacy proclivity. M-commerce privacy proclivity is a behavior observed through the user's propensity to read privacy policies; agree to the m-commerce organization's or merchant's collection and handling of personal information; search for privacy seals of approval; and providing false personal information (Pan et al., 2017; Guo et al., 2020). Moreover, Chinese e-commerce consumers have a different perception of privacy proclivity than their U.S counterparts. A cross-cultural comparison study found Chinese consumers are more inclined to participate in online group buying than U.S consumers (Tsai and Zhang, 2016).

### M-commerce Intentions

A simple replication of Gefen and Straub's 2004 B2C study of e-commerce users purchase intent instrument was utilized in this study. This state-of-the-art, highly replicated instrument consists of just two items: I am very likely to purchase products using



mobile technology; and I would be comfortable using my credit card to purchase products using mobile technology.

### M-commerce Trust

Consumers are becoming increasingly hesitant to provide complete information for digital transactions. This hesitancy is not unfounded considering the cases of identity theft and phishing scams (Korzaan, 2008). Consumer fears concerning Internet security and ordering over the Internet can influence online buying behavior (Cleff et al, 2015). With regard to M-commerce, the consumer presumes the digital shop will complete the transaction according to previously agreed terms without incident.

Trust implies the “willingness of an individual to be vulnerable, reliance on parties other than oneself, or a person’s expectation” (Kim et al., 2008, p. 545). Thus, trust in a digital shop is the, “basic requirement in order to engage into a purchase decision through this online shop, irrespective of whether engaging into E-commerce or M-commerce” (Cleff et al., 2015). Studies show nearly all consumers refuse to provide personal information to a digital shop at one time or another; a majority refuses because they lack trust. Most consumers are still not quite comfortable with the concept of Web-based business and the electronic medium itself. They are skeptical that m-commerce can satisfy consumer needs unmet in the bricks-and-mortar business world, and they wonder whether m-commerce is technologically feasible and secure (Siau & Shen, 2003). College students are more willing to take risks and get involved with the new trends, even when they are not fully developed (Smith, 2014). Those who are highly intellectual are receptive to new ideas and experiences (Tsikriktsis, 2004). Also, individuals considered to be intellectual were more open to online purchasing and less concerned with privacy issues (Korzaan, 2008). However, some findings indicate that web site certification can reassure potential customers, improve trust and increase the probability of purchase (Jiang, Jones and Javie, 2008). Also, consumers have trust issues associated with conducting highly personal transactions over a cell phone. The trust issues can be attributed to two main areas, security and reliability. There are many factors that influence people’s concern over security. One such factor stems from the “cloning” of cell phones. This is when a non-working cell phone is reprogrammed to transmit the ESN/MIN of a legitimate cell phone (ESN/MIN is the unique number assigned to a cell phone). This causes the legitimate cell phone user to be billed for the charges of both phones (FCC, 2003). Another factor is distrust that many Americans have with e-commerce and the internet in general.

It is only natural for them to transfer this distrust to m-commerce (Coursaris, 2001). From this uncertainty, it is a small step for consumers to doubt the integrity of digital vendors (Siau & Shen, 2003).

Based on results from previous literature of privacy effect on consumers’ m-commerce intention and trust, we suggest that:

- H1: Privacy proclivity has a negative relationship with m-commerce intention.
- H2: Privacy proclivity has a negative relationship with m-commerce Trust.
- H3: M-Commerce Trust has a positive relationship with m-commerce intention.

### M-commerce Markets in the U.S and In China

E-commerce consumers have grown significantly during the past five years, as they have become more aware of the convenience of online shopping and delivery. Their spending pattern has changed from traditional store purchase to online retailer outlets shopping. Based on the 2017 IBIS World Industry report, B2C e-commerce websites are currently the fastest growing type of M-commerce in the U.S. The percentage of B2C e-commerce sales increased more than 10 % in 2017.

Despite the US having the greatest potential of dollars spent for m-commerce, the largest consumer market, China has the greatest number of potential users. Kabbaj (2018) pointed out the large number of mobile internet users in China has reached more than 751 million due to Ali pay and WeChat Pay.

Though the diffusion of the smart mobile phone in the world market has occurred quite rapidly, the investigation of this technology has not kept pace. A thorough investigation across these two largest e-commerce markets will significantly contribute to the literature and managerial applications. When investigating potential barriers to use of m-commerce many studies (Chang et al., 2015; Blaise et al., 2018; Yang et al., 2015) tend to concentrate on one country (i.e., Malaysia, US, Singapore) and/or one consumer segment (i.e., younger citizens). Though reprioritization of barriers seemed to be identified by many studies, the generalization of the findings is extremely limited. Considering one of the world largest markets, India, when investigating barriers, Seam and his coworkers (2017) limited their focus to one aspect of m-commerce, the mobile wallet. Only the use of mobile wallet services was investigated internationally and not the barriers to use of m-commerce in general.

Moreover, Chinese e-commerce consumers have different reactions towards m-commerce trust than U.S consumers. Tsai and Zhang (2016) found in their

cross-cultural comparison study that perceived trust toward group buying websites has less contribution to the decision making of Chinese consumers than their U.S counterparts.

Researchers Plank and his colleagues (1999) developed an effective trust measure for the B2B marketplace which identifies three trust components: Person, Product and Company. Since all e-commerce (which includes m-commerce) digital transactions eliminate the person, digital shopper trust has been found to be based on product and company trust components.

Based on different development stage of E-commoners from China and the U.S, we propose that privacy effect on consumers' m-commerce intention and trust will be different across the global marketplace.

- H4: The negative relationship between privacy proclivity and m-commerce intention is stronger in China than in the U.S.
- H5: The negative relationship between privacy proclivity and m-commerce trust is stronger in China than in the U.S.

### Demographics

Methods for building trust for m-commerce transactions can vary according to demographic differences (i.e., gender, age).

Traditionally, women drive shopping trends. However, women shop on mobile devices less than men do. A study conducted by Business Insider found that 22% of men made purchases on their smartphones whereas that figure was only 18% for women (Smith, 2015; Urbanski, 2015). Men and women perceive m-commerce in different ways and possess different levels of trust. Men are more pragmatic when making digital purchases, while women are more emotive (Awad, 2008). Providing a tangible experience and personal interaction with an employee is a major component of trust (Thakur, 2007), and women are less likely to trust the online environment (Awad, 2008). This result is replicated in Tsai and Zhang (2016) cross cultural study. It found that Chinese males were more likely to participate in online group buying than Chinese females.

The age or stage in life of potential adopters appears to influence the manner in which the mobile device users balanced the expenses and conveniences associated with mobility (Eze & Poong, 2014). Millennials, consumers aged 18 to 34, spend more money online than any other age group. Boomers and seniors are becoming quite mobile savvy with one in four mobile shoppers in the U.S. being over the age of 55. Though they have relatively low incomes, Generation Z, 18- to 24-year-olds, spend 9% of their annual income online (Smith, 2014).

Given the prior research examined in the literature review, the conceptual model was demonstrated in the figure 2.

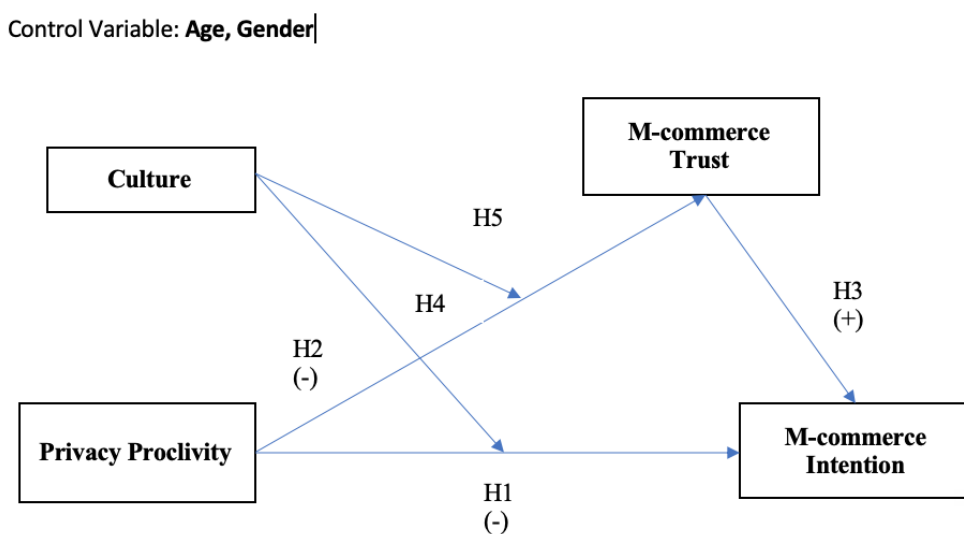


Figure 2. Privacy Trust M-commerce Model

## METHODOLOGY

### Data Collection

Data for the study was gathered by means of a self-administered, multi-page electronic questionnaire. An English version was utilized to collect data from a student population in a southeastern United States university, and a Chinese version was utilized to collect data from the student population of three Universities in China. The data collection period was May 2018 through September 2018. The study received the Institutional Review Board (IRB) approval from each of the universities involved. Subjects had access to a copy of the University's IRB approval of the study via a hyperlink in the Introduction section of the questionnaire.

### Sample

The sample consisted of 1121 USA respondents and 639 Chinese respondents. Out of the total of 1760 respondents, 1,328 were college students, and 432 were non-students. 57.5% of the respondents were female, and 52.8% used Apple mobile devices. While these samples do constitute convenience student (to a large extent) samples, it has been noted (Ferber, 1977; Cardy, 1991) that such samples are appropriate under the following conditions. First, the items being investigated must be pertinent to the respondents who have questions, and second, the study must be exploratory in nature. This study will examine issues quite applicable to college students (mobile commerce, trust, and privacy proclivity), and it is one of the first to examine how the impact upon mobile commerce intentions by trust and privacy protection proclivity have changed over time and across cultures.

### Measures

The questionnaire consists of questions designed to measure m-commerce behavior, whether the respondents take steps to protect their own privacy online (privacy proclivity), trust in m-commerce, and m-commerce intentions. Each of the scales have been developed, tested and validated in previous studies. The demographic information being collected includes items such as gender, year of birth, marital status, residency, etc.

### Scale Items

The constructs being examined in this study include Privacy Proclivity, M-commerce Trust, and M-commerce Intentions. Each of the scales were previously developed, tested, and validated.

Only minor modifications have been made for the purposes of the study at hand. Each construct will be measured utilizing a 5-point Likert-type scale. A 1 indicates the respondent's strong disagreement with a particular statement, while a 5 indicates strong agreement.

Before testing of the study hypotheses, reliability and principal components factor analyses were conducted to determine whether the scales used are appropriate. Assessment of the scales, following Churchill's (1979) eight-step process, involved reliability assessment through the use of coefficient alpha (Cronbach, 1951). Principal components factor analysis was used with varimax rotation to determine the minimum number of factors accounting for variance within each measure. The loading of a scale item on any factor was indicated by a minimum value of 0.40; and as suggested by Hair, Anderson, Tatham, and Black (1992), a minimum Eigenvalue of one was used as a criterion for creating dimensions. Following purification of the scales, final Cronbach's (1951) alphas was calculated. Ideally, the coefficient alpha for a purified scale should exceed 0.70 (Nunnally, 1978). Once the purification of the scales was completed, each variable was summated and standardized to allow efficient testing of the study's hypotheses.

**Privacy Proclivity** was adapted from several privacy researches (Guo et al., 2020; Pan et al., 2017; Tsai and Zhang, 2016) to measure propensity to read privacy policies (e.g., "Before I buy a product using my mobile device, I read the site's privacy policy" and "When using a mobile device, I read the site's privacy policy before I provide information about myself"), degree of agreement to collect personal information ("I avoid particular websites when using my mobile device because I feel they are likely to violate my privacy" and "When I use a mobile device to view websites, I provide inaccurate information about myself in order to protect my privacy") and tendency to search for privacy seals of approval ("When I buy a product using my mobile device, I look to see if the site has privacy seals of approval { TRUSTe, CPA Web Trust, BBB Online, etc}" and "If a site lacks a privacy seal of approval, I do not use my mobile device to buy products from that site"). Six-items were assessed to measure privacy proclivity behavior and answers were rated on a 5-point scale from strongly disagree (1) to strongly agree (5).

**M-Commerce Trust** was developed from Gefen (2000) and Plank et al., (1999) study on consumer trust in B2C e-commerce. Five-items are measured whether participants trust mobile devices, on a Likert scale from strongly disagree (1) to strongly agree (5) to the statements (e.g., "Mobile devices do not give me any trouble in use", "I trust using mobile devices") and experiences any problems during the use of mobile device (e.g., "Mobile devices will meet

my product & information buying needs without question”, “Mobile devices offer me the technical attributes necessary for my product & information buying needs” and “Mobile devices do not give me any trouble in use”).

**M-Commerce Intentions** Finally, participants were asked if they have intention to purchase a product via mobile devices. B2C study of e-commerce (Gefen and Straub, 2004) was adapted to develop one item of m-commerce intentions (e.g., “I am very likely to purchase products using my mobile device”).

## RESULTS

To analyze the data, a PROCESS in SPSS was utilized (Hayes, 2013). PROCESS is a flexible computational tool to estimate mediation or moderation models. It is based on multiple linear regression and is considered appropriate for analyzing interactions between continuous independent variables (Hayes & Matthes, 2009; Hayes 2013).

Utilizing Andrew F. Hayes’s PROCESS for SPSS model 8, we tested (1) the direct and indirect effect of privacy proclivity on m-commerce intention; (2) the interaction effect of culture of privacy proclivity on

m-commerce trust (H4) and m-commerce intention (H5). First, we investigated the relationships between privacy proclivity and m-commerce intentions (H1) and privacy proclivity and m-commerce trust (H2).

### Effect of Privacy Proclivity

Hypothesis 1 suggested that privacy proclivity has a negative direct impact on m-commerce intention. As predicted, PROCESS model 8 found the results with  $F(4,1743) = 112.13$ ,  $p < .01$ ,  $R^2 = 0.20$ , indicated a good overall model fit. The coefficient of privacy proclivity ( $\beta = -0.46$ ,  $t = -6.75$ ,  $p < .001$ ) indicated a statistically significant negative impact on m-commerce intention. Hypothesis 2 suggested that privacy proclivity has a negative relationship with m-commerce trust. PROCESS model 8 found the results with  $F(3,1744) = 79.59$ ,  $p < .001$ ,  $R^2 = 0.12$ , indicated a good overall model fit. The coefficient of privacy proclivity ( $\beta = -0.44$ ,  $t = -8.38$ ,  $p < .001$ ) indicated a statistically significant negative impact on m-commerce trust. Hypothesis 3 suggested that m-commerce trust has a positive relationship with m-commerce intention, which is supported by the result ( $\beta = 0.45$ ,  $t = 14.91$ ,  $p < .001$ ). Table 1 demonstrated the results of the impact of privacy proclivity on M-commerce intention.

Predictor variables		Mediator variable model (m-commerce trust)				
( $R^2 = .12$ , $p < .001$ )	B	SE	t	p	Boot 95%	CI
constant	5.25	0.16	33.43	0	4.94	5.55
pp	-0.44	0.05	-8.38	0	-0.55	-0.34
culture	-1.51	0.13	-11.96	0	-1.76	-1.26
pp*culture	0.35	0.04	8.83	0	0.27	0.43
Predictor variables		Dependent variable model (Y) (m-commerce intention)				
( $R^2 = .2$ , $p < .001$ )	B	SE	t	p	Boot 95%	CI
constant	1.63	0.26	6.38	0	1.13	2.13
pp	-0.46	0.07	-6.75	0	-0.6	-0.33
trust	0.45	0.03	14.91	0	0.39	0.51
culture	-0.07	0.17	-0.39	0.7	-0.39	0.26
pp*culture	0.29	0.05	5.56	0	.18	0.39

Table 1. Results of the Conditional Process Model (PROCESS, model 8) with M-Commerce Intention as Dependent Variable

**Effect of Culture Difference**

After testing the main effect, we used Hayes' (2013) PROCESS Model 8 with 5000 bootstrap samples and 95% bias-corrected confidence intervals (CIs) to access whether the main effects are still valid in different cultures. The results revealed a significant unconditional interaction effect of privacy proclivity and culture with  $F(1,1744) = 30.92, p < .001, R^2 = 0.01, (\beta = 0.29, t = 5.56, p < .001)$ . As predicted in Hypotheses 4, the results indicated the negative relationship between privacy proclivity and m-commerce intention is stronger/more negative in China ( $\beta = -0.18, t = -6.84, p < .001$ ) than in the U.S ( $\beta = 0.211, t = 2.44, p < .05$ ). The plot of the interaction was illustrated in figure 3.

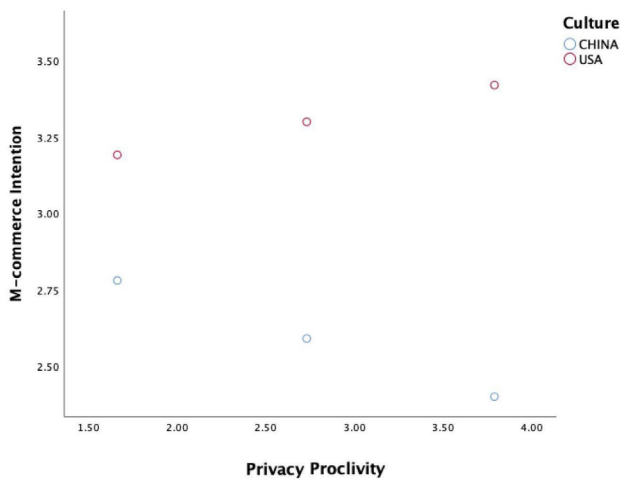


Figure 3. The Interaction Impact of Privacy Proclivity and Culture on M-commerce Intention

Furthermore, the results revealed a significant unconditional interaction effect of privacy proclivity and culture with  $F(1,1744) = 77.95, p < .001, R^2 = 0.12, (\beta = 0.35, t = 8.83, p < .001)$ . As predicted in Hypotheses 5, the results indicated the negative relationship between privacy proclivity and m-commerce trust is stronger in China ( $\beta = -0.10, t = -4.69, p < .001$ ) than in the U.S ( $\beta = 0.25, t = 7.48, p < .001$ ). The plot of the interaction was illustrated in figure 4.

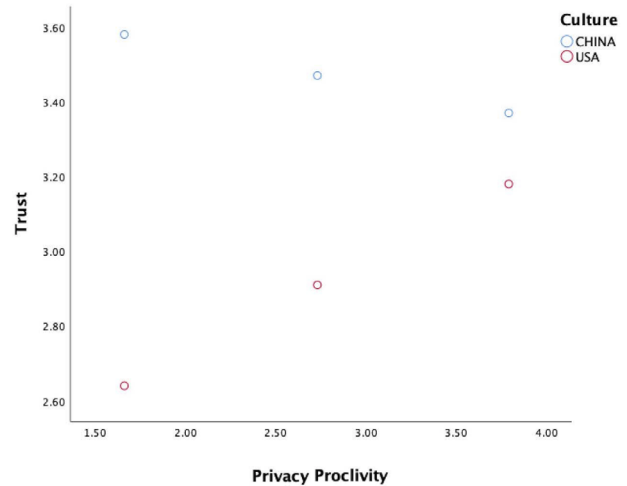


Figure 4. The Interaction Impact of Privacy Proclivity and Culture on M-commerce Trust

**DISCUSSIONS**

The results from this study demonstrate privacy proclivity has a significantly different impact on m-commerce trust and m-commerce intention in different consumer cultures. In support of H2, we found that privacy proclivity and behaviors, such as disagreement with the m-commerce organizations or merchants collecting and handling of personal information, lack of privacy seals of approval, and providing false personal information, would create obstacles for consumers' trust of the security and reliability of using m-commerce. For this reason, consumers would be less likely to purchase products using mobile technology; and would be hesitant using their credit card to purchase products using mobile technology (in support of H1). Furthermore, consumers' m-commerce trust is positively associated with m-commerce intentions such as conducting highly personal transactions over a cell phone (in support of H3).

Finally, the results from Hayes' (2013) PROCESS Model 8 demonstrates consumers' culture moderates the negative relationship between privacy proclivity and m-commerce trust. The negative impact of privacy proclivity is stronger in China than in the U.S on both m-commerce trust (in support of H4) and m-commerce intention (In support H5). This supports Fukuyama's (1995) findings that the United States has a higher degree of generalized trust and spontaneous sociability than China. In each culture or society there exists a boundary of trust. In the US this boundary is much farther out while in China it is quite closed-in accepting only kin to the inner circle, and taking longer to build. Therefore, the negative impact of privacy proclivity is stronger in China than in the U.S.

## Theoretical implication and managerial implications

Theoretically, these findings contribute not only by expanding the understanding of m-commerce impact on consumer behavior, but also by providing insights into privacy proclivity's negative effects on m-commerce trust and intention across countries. Specifically, cultural tendencies associated with privacy result in different degrees of m-commerce trust and intention (e.g., trustworthiness and the likelihood of using m-commerce technology). The negative impact of proclivity is much stronger in China than in the U.S on both m-commerce trust and m-commerce intention due to a more complicated kin-related process of generalized trust and spontaneous sociability in China than in the U.S (Fukuyama, 1995).

This study offers insights into the consideration of expanding m-commerce into other different countries. For socialist countries, such as Cuba, Laos, Vietnam, etc., the findings encourage marketers to carefully design m-commerce processes, e.g., provide an incentive to read privacy policies, present the agreement between the m-commerce organizations and the merchants collecting and handling personal information, and create a privacy seal of approval. Moreover, marketers can collaborate with manufactures and programmers to recommend reliable e-commerce hardware and software. In this way, companies can increase m-commerce trust and the likelihood of usage.

## LIMITATIONS

As with any study minor weaknesses were evident: First, the data collected were self-reported; second, caution must be advised as the results are confined to college students; and finally, this investigation used students located in just two continents, the results may vary if the scope of the continents studied is broadened.

## FUTURE RESEARCH

Despite its limitations, the results of this study steer us to several areas of interest for future research. First, several relationships not investigated in this study (i.e., gender differences, age differences) may provide additional insights. Second, in order to further the understanding of the boundaries and generalizability of this study's findings, new studies should attempt to include student samples at institutes of higher learning located in other continents in the world. Third, as technology advances researchers need to consider these advances when investigating m-commerce usage. Finally, longitudinal studies need to be developed in order to deepen our understanding of this phenomenon. Also, such studies would draw insights into pre- and post-COVID m-commerce use. Pandemic accelerates digital wallet options that allow consumers to make contactless mobile payments quickly and electronically.

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## LEADING RETAILERS IN THE UK AND MODERN SLAVERY STATEMENTS

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### Abstract

*Modern slavery is an insidious problem in many sectors of the global economy, and it is perceived to be an issue in the retail industry. However, modern slavery has received little attention in the academic retail literature and this paper looks to add to this literature by exploring one of the ways in which the leading retailers in the UK have publicly addressed the issue, by reviewing their modern slavery statements. The paper includes an outline of modern slavery, a literature review, a description of the frame of reference and method of enquiry, an exploratory review of the modern slavery statements adopted by the ten leading retailers in the UK, some reflections on these statements, and a conclusion which summarises the paper and outlines future research challenges and opportunities.*

**Keywords:** *Modern Slavery, Modern Slavery Statements, UK Retailers, Auditing, Research Challenges and Opportunities*

### INTRODUCTION

Modern Slavery, simply defined as ‘the severe exploitation of other people for personal or commercial gain’ (Anti-Slavery International 2021) is an insidious problem in many sectors of the global economy. Irving (2016) asserted his belief that ‘the consumer sectors are most at risk of exposure to modern slavery’, and more ‘specifically it is the food producers, retailers, apparel, tobacco and consumer electronics firms that are the most vulnerable.’ Steiner-Dicks (2019) claimed ‘despite genuine efforts by many companies to identify and mitigate risks, the UK supply chains of some of our largest retailers continue to be infiltrated by traffickers, the mafia and gangs, who take advantage of weak human rights due diligence and recruitment in second tier suppliers.’ At the same time, in outlining ‘how we have influenced the issues that matter to the industry’, the British Retail Consortium’s (2021) banner headline was ‘Retailers at the Forefront of Tackling Modern Slavery.’ However, the issue of modern slavery has received limited attention in the academic retail literature. With these thoughts in mind, this paper looks explore one of the ways in which leading retailers in the UK have publicly addressed this issue by reviewing their modern slavery statements. As such, the paper looks to add to the current literature on modern slavery within retailing. The paper includes an outline of

modern slavery, a literature review, a description of the frame of reference and method of enquiry, an exploratory review of the modern slavery statements adopted by the ten leading retailers in the UK, some reflections on these statements, and a conclusion which summarises the paper and outlines future research challenges and opportunities.

### MODERN SLAVERY

The history of slavery is conventionally traced back some 11,000 years to the origins of sedentary agriculture, but defining slavery, and modern slavery, is complex. The first formal international definition of slavery, namely, ‘slavery is the status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised’ (United Nations Office of the High Commissioner Human Rights 2021) was signed in 1926. That said, Allain and Bales (2012) argued ‘the very term slavery and its contours are contested’ but suggested that ‘the primary indicator of slavery is that of control—control that diminishes the agency of the slave, normally demonstrated by the physical control of the slave that prevents escape from enslavement and forces him or her to work.’

Perhaps more practically, Unseen (2021a), a charity working 'towards a world without slavery', described modern slavery as an umbrella term for the 'activities involved when one person obtains or holds another person in compelled service.' Modern slavery activities are generally seen to include human trafficking, forced labour, debt bonded labour, descent based slavery, slavery of children, and forced or early marriage. Each of these activities has its own defining characteristics. Human trafficking, for example, involves the use of violence, threats, or coercion to transport, recruit, or harbour people, for labour, forced prostitution or marriage. Debt bonded labour, perhaps the most widespread form of modern slavery, occurs where people trapped in poverty borrow money, and are forced into work to pay off the debt, and in so doing, lose control over their employment conditions, and the original debt.

In many ways modern slavery often effectively goes unseen in that many of the people working in slavery are in companies' supply chains, while those in customer facing operations might look very much the same as many of their fellow workers. That said, Unseen (2021b), identified some indicative signs of modern slavery and human trafficking. Namely, individuals who show signs of physical or psychological abuse, look malnourished, unkempt, anxious or agitated, or appear withdrawn or neglected. Their living conditions might be dirty, cramped and overcrowded and they might always wear the same clothes, have few personal possessions, and no identification documents. Further, they might be dropped off at, and collected from, their place of work, early in the morning and late at night, and they may be reluctant to seek help from fellow workers and be very wary of law enforcement officers and agencies.

## LITERATURE REVIEW

To date, modern slavery in the retail industry has attracted little attention in the academic literature. In part, this may reflect a reluctance amongst retailers, and the companies in their supply chains, to permit researchers access to documentation and decision makers to allow them to pursue research investigations into modern slavery. Denying access for such research may reflect commercial sensitivities, and/or concerns about essentially publicly unspoken corporate concerns about employee recruitment and labour practices within supply chains, and attendant fears of damaging publicity, and possibly criminal prosecution, if modern slavery practices are explicitly revealed. In part the lack of published research on modern slavery within the retail industry may also reflect researchers' fears for their personal safety if looking to undertake research, in settings where illegal, and criminal activity may be commonplace,

and then publish their research findings.

The limited research published on modern slavery to date tends to have a value chain, rather than a specifically, retail focus. Monciardini et al.'s (2021) review of compliance with the UK's modern slavery legislation, in the food and tobacco sector, focussed on 10 large companies, including four retailers. In summarising their work, the authors suggested that 'our study underlines the risks of the managerialization of modern slavery law, whereby symbolic structures come to be associated with legal compliance, even when they are ineffective at tackling modern slavery' (Monciardini et al. 2019). Benstead et al. (2018) focused on 'how horizontal collaboration aids organisations in responding to modern slavery' in an investigation of the 'evolving modern slavery-related practices' of a large company in the textiles and fashion industry, and 'its horizontal collaboration with 35 brands/retailers.' The authors emphasised that modern slavery was central to purchasing practices within supply chains and that 'modern slavery awareness therefore needs to be filtered throughout the organisation, which can be achieved by training all levels and departments' (Benstead et al. 2018).

In their examination of how firms were responding to modern slavery in their supply chains, Flynn and Walker (2020), drew attention to 'high profile modern slavery cases involving the supply chains of retailers', and that 'firms in industries such as wholesale/retail ..... have made noticeable changes across their structures, policies and practices', but there was no detailed focus on retailing or on specific retailers. Christ et al.'s (2019) research on supply chain disclosures about modern slavery in Australia, revealed that many companies in the banking and finance, mining and retail industries were to the fore in disclosing their positions on modern slavery, but here again neither the retail industry nor individual retailers were the subject of detailed investigation. Stevenson and Cole (2018) looked to examine how retail and consumer durable and apparel organisations reported on the detection and remediation of modern slavery in their operations and supply chain. The authors concluded that while some companies provided very little information on their approach to modern slavery, others were more fulsome, even to the point of appearing to see their modern slavery statement 'as an opportunity to compete on being ethical' (Stevenson and Cole 2018). At the same time, Stevenson and Cole (2018) also argued 'modern slavery is somewhat distinct from other social issues in supply chains', namely that 'its hidden, criminal dimension; its involvement of third party labour agencies; and the legislative requirement to provide end-to-end transparency make many standard practices insufficient or inappropriate.'

At the international level, In looking to examine 'why slavery thrives in multinational corporations' global value chains', Stringer and Michailova (2018) emphasised the role of these value chains in linking supplier firms, labour contractors, and global retailers, and suggested 'it is not surprising slavery is prevalent in both developed and developing countries.' More parochially, Ras and Gregoriou (2019) examined the modern slavery statements of three UK high street retailers and concluded that the statements failed to acknowledge the agency of those workers affected by modern slavery and labour exploitation, and they concluded that 'more needs to be done to account for the causes of modern slavery so that retailers can prevent, rather than react to, it.'

On the conceptual side, although Caruana et al. (2020) argued that existing theories were limited in their ability to conceptualise modern slavery, three sets of approaches, namely, institutional theory, contingency theory, and stakeholder theory, merit attention. Flynn and Walker (2020) employed institutional theory, to explore how large firms were responding to modern slavery risks in their supply chains, arguing that the transparency provision in the 2015 legislation represented institutional, rather than market, pressure on companies. Gold et al. (2015) argued that research questions about modern slavery could be fruitfully framed by contingency theory in that it was seen to help to achieve a deeper appreciation of the importance of culture, geography, legislation and regulation. Stevenson and Cole (2018) argued that stakeholder theory was valuable in that while the primary audiences for modern slavery statements were external stakeholders, it was important for companies to consider what their modern slavery statements revealed to their suppliers.

This literature review of modern slavery in the retail industry suggests that the field is currently fragmented, and at a best, embryonic. While the review provides a sense of academic context, and some basic reference points for the paper, it does not identify modern slavery in the retail industry as distinct field of research, not least in that it lacks an agreed framework, a body of empirical research, and a robust theoretical foundation. Perhaps more importantly in the light of the aims of this paper, the current literature review reveals little research on how large retailers have addressed modern slavery. As such, this highlights a gap in the retail literature, that merits attention.

#### FRAME OF REFERENCE AND METHOD OF ENQUIRY

The authors chose a simple method of enquiry to investigate how the leading retailers in the UK addressed modern slavery. Firstly, the top ten retailers in the UK, by turnover (Statista 2021), namely Tesco, J. Sainsbury, Asda, Morrisons, the

John Lewis Partnership, Aldi, Marks and Spencer, Co-op, Amazon, and the Walgreen Boots Alliance, were selected for study. As the leading players in the UK's retail economy, the selected retailers might be expected to reflect good practice in publicly addressing modern slavery. The authors undertook a series of Internet searches, using modern slavery statement and the name of each of the selected retailers, as key terms, on Google in April 2021. These searches revealed that all of the selected retailers had published a modern slavery statement.

The most recent modern slavery statements from the selected retailers provided the empirical material for this paper. As these statements are in the public domain on the retailers' corporate websites, the authors took the view that they did not need to seek permission to use them. The modern slavery statements were relatively brief, clearly structured and well signposted, and the authors felt that any form of content analysis would not be necessary. Rather, the authors undertook a close reading of the statements and drew out the important issues and themes, and the aim was to explore how the leading retailers publicly expressed, and evidenced, their approaches to tackling modern slavery. The paper draws extensively on selected quotations drawn from the selected retailers' websites. Here, the authors were of the opinion that an important way of capturing the retailers' approach to modern slavery was to cite the retailers' own words, not least in that such citations could convey corporate authenticity and offer greater depth of understanding. That said the focus on the paper is on providing a general review, rather than a comparative analysis, of how the leading retailers in the UK were addressing modern slavery.

The three largest retail companies in the UK, namely, Tesco, J. Sainsbury and Asda are often referred to as food retailers, though in part, this is a misnomer in that while they were all initially established as grocery retailers, they now all sell a wider range of consumer goods. Tesco, founded in 1919, has some 3,400 stores within the UK and it trades from hypermarket, superstore, and convenience store formats and online. Sainsbury's founded in 1869, trades from over 600 supermarkets, some 800 convenience stores, as well as 800 stores operating under the banner of Argos, throughout the UK. Asda, was founded in Yorkshire in 1949, and though originally based in the north of England, the company now trades from over 600 supermarkets and superstores throughout the UK and includes the George chain of clothing stores. Morrisons, founded in 1899 in Bradford, Yorkshire, trades from some 500 stores across England, Wales and Scotland. The John Lewis Partnership, founded in 1929 operates a chain of over 30 department stores and some 300 Waitrose food stores and supermarkets. Aldi, founded in 1946, is a German owned discount supermarket chain which trades from some 900

outlets within the UK. Marks and Spencer, founded in 1884 in Leeds, specialises in the sale of clothing, home products and food products, and trades from some 1,000 stores within the UK. The Co-op founded in 1844, is a consumer cooperative with a diverse range of retail operations, principally food retailing, but which also includes electrical retailing, travel agencies and funeral services, and has some 4,000 outlets in the UK. Amazon, founded in 1994, is a US technology company, which offers a wide range of products, including books, consumer electronics, groceries, beauty product, sporting goods toys, and games for sale online. The Walgreen Boots Alliance, founded in 1849, is a health and beauty and pharmacy retailer and has some 2,500 outlets across the UK.

## FINDINGS

The modern slavery statements posted by the leading retailers in the UK varied in style, and content, but rather than looking to describe each statement in detail, the authors looked to identify, and draw out, a number of general themes. More specifically, the authors identified eight interlinked themes, namely, corporate commitment: policies: risk assessment and management: due diligence; audit; awareness raising, capacity building, and training: collaborative activities; and performance measures; which effectively captured the spirit, if not always the full detail, of the selected retailers' approach to modern slavery statements.

The retailers' corporate commitments were expressed in a variety of ways. Simon Roberts, Chief Executive at J. Sainsbury, acknowledged 'modern slavery and human trafficking are abhorrent practices that still exists in many parts of the world. Including the UK', and asserted 'we are proud to continue our commitment and duty to respect human rights, identify vulnerable workers and we will not tolerate any form of slavery or servitude in our own operations or supply chains' (J. Sainsbury 2020). In a similar vein, Marks and Spencer (2020) recognised that 'modern slavery is a growing global issue, and we understand our responsibility to prevent, mitigate and remediate where necessary, the risks of human trafficking, forced, bonded, and child labour, and to respect human rights in our operation and our supply chain.' Tesco (2020) emphasised that the company was 'fully committed to playing our part in eradicating modern slavery', and it 'firmly supported transparency and collaboration to eliminate the risks of modern slavery.' Amazon (2020) reported 'modern slavery is one of the most complex and important human rights challenges of our time' and emphasised 'we do not tolerate modern slavery.' The Walgreen Boots Alliance (2020) recognised 'its responsibility to address and mitigate the risk of modern slavery and human trafficking in its operation and supply chain',

and affirmed its commitment to ensure 'that every worker should have freedom of movement and that no worker should be indebted or coerced to work or to pay for a job.' John Murrells, Chief Executive of the Co-op reported that despite the upheavals caused by the Covid-19 pandemic, 'our focus and commitment to tackle modern slavery remains unwavering' (Co-op 2020).

The selected retailers outlined their policies designed to tackle modern slavery. Tesco (2020), for example, cited the company's adherence to the United Nations Declaration of Human Rights, the International Labour Organisations; Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the Base Code of the Ethical Trading Initiative and claimed, 'we take any breach of our policies or allegations of labour abuse very seriously.' In a similar vein, J. Sainsbury (2020) reported having 'well-developed policies and processes in place to avoid causing or contributing to adverse human rights impacts through our activities, including any form of slavery, and we are committed to addressing such impacts if they occur.'

In addition to reporting on its adherence to a range of appropriate external policies, Morrisons (2020) provided details of its internal policy on Preventing Labour Exploitation in Manufacturing and Logistics, which included information for labour providers on the prohibition of recruitment fees and support for employees to report concerns and suspicions of modern slavery practices. Asda (2020) emphasised that its policies on modern slavery covered 'how we source our products, employ people appropriately, and how we operate and interact with modern slavery legislation in our business and with suppliers', and that 'all Asda colleagues, contractors and third-party workers were expected to adhere' to its policies. Aldi (2020) claimed an 'integrated strategy for tackling modern slavery', and that its policies set out 'the minimum standards we expect from our suppliers.' These standards include a ban on forced or bonded labour and on child labour, the payment of legal minimum wages, maximum length of the working week, and freedom from discrimination in the workplace, and 'all suppliers are required to apply these standards across their own supply chain and to any approved sub-contractors' (Aldi 2020). Lidl (2020) emphasised that the company pursued 'a range of buying policies to protect the workers in our supply chains from the risks of modern slavery.'

Risk assessments offered some insights into the selected retailers' perceptions of the sources of modern slavery. Marks and Spencer (2020) acknowledged that as 'the manifestations of modern slavery are complex and hidden', and the company's approach to risk assessment includes the detailed mapping of supply chains and operations, supplier engagement, and supplier surveys, that all to help prioritise activities to tackle the problem. Marks and Spencer (2020) also reported on working with its

logistics partner to better understand vulnerability to modern slavery risks amongst its warehousing and logistics providers. The Co-op (2020) reported taking the decision to restrict sourcing from countries in which the company believes there is a high risk of poor labour practices.

J. Sainsbury identified, and mapped out, higher risk products and countries within its supply chains. In focusing on food and grocery, for example, high risk products included sugar, tea, coffee, bananas, cocoa, nuts and fish, and for coffee, for example, Columbia, Indonesia, Ethiopia and Kenya were seen to pose high risks. Within the company's footwear and clothing supply chains, nine countries, including Bangladesh, India, Sri Lanka, Vietnam and Morocco were listed as posing high risks. The Co-op (2020) identified significant labour rights risks, including modern slavery, in its supply chain, across a number of fresh and packaged products, including fish and seafood, canned tomatoes, cocoa, sugar, and bananas, from 17 sourcing countries, including the UK, Spain, Morocco, Kenya and the Dominican Republic.

Due diligence processes are reported as an important theme in the selected retailers' modern slavery statements. In recognising that the 'risks of modern slavery are dynamic', Tesco (2020), for example, reported that it followed 'a robust due diligence process', and that the information gathered from a wide range of stakeholders as part of this process, enabled the company to 'continually reassess and respond to potential and actual risks.' J. Sainsbury (2020) reported conducting 'due diligence across our business and supply chain, monitoring for indicators of any forms of slavery or human trafficking and checking there are sufficient controls in place.' Within its food business, for example, J. Sainsbury (2020) reported helping its suppliers to 'build their people management and systems capabilities', and here the focus is on supporting new suppliers on the standards expected of them, listening to workers to understand what is important to them, and identifying improvement opportunities.

Marks and Spencer (2020) argued that 'having established risk, we conduct due diligence within our supply chains and operations to understand whether there is evidence of modern slavery issues, and whether there are enough controls in place.' Morrisons (2020) differentiated between the due diligence processes in its own operations and those in its supply chain. The company argued that within its own business, the primary risks were in its vertically integrated manufacturing and logistics operations, which 'require temporary, agency provided and migrant labour to manage seasonal increases in capacity' (Morrisons 2020). More specifically Morrisons (2020) reported on the establishment of a Modern Slavery Steering Group, which focuses upon regulatory compliance, operations, training, incident management, and remediation. In addressing modern slavery risks its supply chain, Morrisons

(2020), emphasised that its international technical managers played an important role in capturing information on working conditions, labour rights and modern slavery risk during their regular site visits.

Independent auditing, designed to monitor suppliers' commitments to eradicating modern slavery, was often seen to be an integral part of the due diligence process. Morrisons (2020), for example, emphasised that 'third party audit remains the primary due diligence activity in our own-brand supply chain', and that 'audits provide the independent verification of the labour standards at our suppliers' sites.' In a similar vein, Lidl (2020) reported that suppliers identified as having a high risk to modern slavery were required to undertake an independent social audit, which is monitored 'to ensure that corrective actions are closed off within the agreed timescales.' Tesco (2020) reported 'we require all direct supplier sites in high risk countries to have an annual human rights audit before they start supplying Tesco, and then on an annual basis.' The John Lewis Partnership (2020) reported that the company required 'sites to have an independent audit every two years' for its general merchandise supply chains, and that if a supplier 'is unwilling or unable to meet the necessary improvements within the agreed timescales, they are no longer able to supply the Partnership.'

Aldi (2020) acknowledged that 'third party audits may not always provide a true picture of working conditions at a supplier site' and reported carrying out its own ethical audits and site visits as part of the company's 'social assessment programme.' Aldi (2020) further reported that such assessments, undertaken by a team of ethical auditors based in Bangladesh and Hong Kong, focus on whether suppliers are meeting the company's ethical standards and on 'building co-operation and gaining increased transparency from suppliers so that we can work with them to improve conditions for workers in all sites that produce our products.'

The selected retailers also acknowledged the importance of awareness raising, capacity building, and training in looking to tackle modern slavery. Asda (2020), for example, emphasised 'we are equipping Asda colleagues with the skills they need to engage with the complexities of modern slavery', and that 'an educated and informed colleague is vigilant to these issues and can respond accordingly.' More specifically, Asda (2020) reported that line managers with supplier facing or sourcing roles received modern slavery training via a series of e-learning modules. This training 'defines modern slavery, and indicators to look out for, provides information on UK legislation, case studies, best practices and what to do if a colleague has concerns for someone's safety.' In a similar vein Tesco (2020) emphasised 'raising awareness of modern day slavery, both within our business and our supply chains, is an important part of our strategy' and reported that the company

required 'all Tesco suppliers, including service providers such as labour agencies, based in the UK', to attend training activities.

In addressing 'training, awareness and capacity building', Morrisons (2020) reported 'we continue to work to ensure that colleagues at all levels who need to understand modern slavery risk have access to relevant information.' At the same time, Morrisons (2020) reported offering free training to all labour providers and suppliers within the UK. Marks and Spencer (2020) emphasised that 'training on modern slavery and trafficking' was a 'key focus for the business and our extended supply chain', and that the company's food business had supported several events and conferences on modern slavery. J. Sainsbury (2020) reported providing training 'for our property colleagues and key suppliers so they can better understand slavery indicators to look for in the construction industry.'

Some of the selected retailers emphasised playing their part in a number of collaborative activities designed to drive change on modern slavery. Morrisons (2020), for example, acknowledged that 'modern slavery issues in global food supply chains are often complex and challenging', and recognised that 'we cannot deliver meaningful impact on our own and remain committed to working with others in an open and collaborative manner to leverage change.' More specifically Morrisons outlined its work with a variety of organisations including the Hope for Justice and Slave-Free Alliance, the Ethical Trading Initiative, the Gangmasters and Labour Abuse Authority and the Responsible Car Wash Scheme. Lidl (2020) also recognised that 'we cannot tackle modern slavery alone and are therefore collaborating with our network of partners and stakeholders to leverage meaningful change by improving working conditions and tackling modern slavery across the food sector.'

A number of the selected retailers suggested that they were moving towards reporting on their performance, and on identifying key performance indicators in meeting their commitments to tackling modern slavery. Tesco (2020), for example, reported monitoring annual progress against thirteen corporate commitments to tackling modern slavery, and outlined the company's future plans to further strengthen its approach to managing the risk on modern day slavery within its business and its supply chains. In addressing its 'key performance indicators', J. Sainsbury (2020) argued that 'monitoring the effectiveness of actions to identify and prevent slavery and human trafficking is a challenge for our entire industry' and reported on key performance indicators focused on training and sustainable sourcing. The Co-op (2020) outlined its progress against thirteen targets the company set for itself for 2020. Here, the Co-op (2020) reported being behind schedule in improving the lives of workers by carrying

out and publishing human rights impact assessments in three high risk food supply chains but reported achieving its targets in working with its suppliers to manage the risks of modern slavery.

## REFLECTIONS

The leading retailers' modern slavery statements captured their public approach to what is a complex and challenging issue, but some wider issues merit reflection and discussion. The findings reported above suggested that while the selected retailers emphasised their opposition to modern slavery, some of their current commitments were both aspirational and expectational and can be seen as a work in progress. Aspirational, in that they expressed a desire to tackle modern slavery problems within the retail industry, and expectational in that the retailers, expected their suppliers to comply with standards and requirements established in response to UK government legislation.

In emphasising their opposition to modern slavery, and in reporting on their introduction of measures to monitor and tackle the problem, the selected retailers face a number of challenges. Identifying, monitoring and tackling modern slavery within supply chains and in recruiting labour, arguably presents two of the biggest challenge for the retailers. That said, many of the selected retailers claimed their approach to tackling modern slavery in their supply chains was effectively underwritten by independent auditing. However, general concerns have been expressed about the efficacy of the audit process in safeguarding against modern slavery.

The pressure group Anti-Slavery International (2021), for example, argued that such approaches have their limitations, not least in that 'the quality and scope of auditing may be questionable, or there may be practical difficulties such as auditors being unable to speak with workers in their own language.' LeBaron et al. (2017) argued 'the growing adoption of auditing as a governance tool is a puzzling trend, given two decades of evidence that audit programs generally fail to detect or correct labor and environmental problems in global supply chains.' More specifically, LeBaron et al. (2017) argued that 'retail and brand companies shape the audit regime in ways that legitimate and protect their business model' and 'preserves the retail business model that hinges on rewards from cheap labor, cheap goods, low prices, and short-term purchase contracts.' More positively, Benstead et al. (2020) argued that 'a targeted audit', which investigates 'the end-to-end recruitment process by using a parallel structure of management and worker interviews and documentation review', is 'more likely to reveal key indicators of modern slavery.'

The concept of the modern slavery statement has attracted a number of criticisms. New and Hsin (2021), for example, argued that while modern slavery statements 'present interesting information about the management of working conditions in the firms' supply chains, they do little to address the problems of modern slavery per se.' Simic and Blitz (2019) argued that modern slavery statements are 'often perfunctory and are used to satisfy international agendas and country commitments, or to enhance the perception of the country and its position in the global outsourcing business.' Simic and Blitz (2019) also argued that the capacity of modern slavery statements 'is often limited, especially as it regards remedying risks', and that 'the quality, scope, depth, and regularity of reports are frequently compromised, especially since there are no meaningful sanctions for non-compliance.'

There have also been issues about the ambivalent role of the media in publicising modern slavery statements. Simic and Blitz (2019, p. 11), for example, argued that on the one hand 'companies' over-reliance on media exposure of transparency statements has been instrumentalised by the state which has paid lip service to proper law enforcement mechanisms.' On the other hand, Simic and Blitz (2019, p. 11) also suggested that 'the possibility of unsolicited media publicity may often act as a deterrent for businesses and could push them in the opposite direction: it can enhance non-compliance or highly restrained compliance.'

More generally, the findings have some implications for the three theoretical approaches mentioned earlier. The selected retailers have responded positively to UK government legislation and pressure to introduce modern slavery statements, and as such their approach can be seen to be consistent with institutional theory. At the same time, the findings suggested that while the leading retailers in the UK emphasised their commitment to tackle modern slavery and outlined their approach, to due diligence, and to raising awareness, building capacity and training, their largely uncritical enthusiasm for independent auditing, and for identifying and reporting on performance measures was more limited. This, in turn suggests that institutional theory does not tell the full story in conceptualising corporate approaches to modern slavery.

In highlighting the role and importance of a number of stakeholders, including suppliers and employees, in identifying and developing awareness of modern slavery, stakeholder theory might be seen to be useful in informing how the selected retailers have developed their modern slavery statements. However, stakeholder theory is generally seen to be based on, and around, open relationships, trust and shared goals, and these qualities are certainly not common to all the stakeholders involved in modern slavery. Contingency theory helps to shed some light on how the leading retailers in the UK

have approached modern slavery, but perhaps only in so far as it signals that many of the characteristics of the retail industry seem to make it susceptible to modern slavery.

## CONCLUSIONS

This paper has provided an exploratory review of how the leading retailers in the UK have addressed modern slavery via an examination of their modern slavery statements. As such, the paper adds to the limited literature on modern slavery within the retail industry. Eight themes captured the spirit of the selected retailers' modern slavery statements, namely, corporate commitment; policies: risk assessment and management: due diligence; audit; awareness raising, capacity building, and training: collaborative activities; and performance measures. Further, the authors suggested that in some ways the selected retailers' approaches to modern slavery were aspirational and expectational and they raised concerns about the nature of the auditing processes employed by the retailers.

The paper has a number of limitations. The empirical material for the review is drawn exclusively from the corporate websites of the selected retailers, at a set point in time, and does not include any primary information supplied by the retailers' executives, managers or employees, or any information obtained from the retailers' suppliers or from employment agencies. However, the authors believe this approach is appropriate in what is an explanatory review paper, and that the paper makes a small contribution to an area that has received limited attention to date in the academic retail literature, and that it may provide a platform for future research into modern slavery in the industry.

However, while modern slavery within the retail industry, offers a potentially rich variety of research opportunities, it is important to recognise that it a very challenging research arena. Slavery is illegal in the vast majority of jurisdictions, but it can also be a lucrative economic activity, and those individuals and organisations involved in modern slavery, human trafficking and bonded labour, will generally do all they can to hide, and maintain the secrecy of, their activities. Researchers who look to conduct primary research into modern slavery activities may be placing themselves, possibly their research colleagues, and those who participate in such research, in serious personal danger. Problems, and tactics designed to minimise such problems, are rarely addressed in the research literature but, they may curtail many potentially promising modern slavery research agendas. At the same time, researchers may face a range of ethical issues, not least researchers' responsibility to those who participate in their research. More generally, there are some guidelines for social science researchers



looking to pursue hidden activities (e.g., Ellard-Gray et al. (2015), but researching modern slavery within the retail industry seems fraught with difficulties and dangers.

That said, a number of potential research opportunities into corporate approaches to modern slavery within the retail industry can be identified. Here, the ways in which a wider variety of retailers address the issue of modern slavery merits attention, and could include large scale questionnaire surveys of, as well as personal interviews and focus groups with, senior retail executives to learn how retailers

have developed, and continually look to strengthen, their policies on modern slavery. Such research agendas may also explore if, and how, employees, customers, suppliers, governments, and law enforcement agencies are involved in the policy development process. In addition, such research into modern slavery within the retail industry may help to both test, and illuminate, theoretical approaches to modern slavery, and perhaps more importantly, help to answer the call by Gold et al. (2015) for new theory development to facilitate the understanding of modern slavery.

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## FORECAST OF THE IMPACT OF COVID-19 ON CONSUMPTION AND EMPLOYMENT IN BOSNIA AND HERZEGOVINA USING THE TREND METHOD

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### Abstract

*The Covid-19 pandemic has left consequences not only on the health of the population but also on the world economy. Due to the protection measures against Covid-19, there was a decline in economic activities and consequently a decline in macroeconomic indicators. Data are regularly published on global, regional, and local levels, indicating a decline in business activities. Disruptions in the economy have led to cuts in investments as well. This paper aims to determine the impact of the pandemic on employment and consumption in Bosnia and Herzegovina due to reduced business and investment activities. Consumption and employment forecasting for the coming months is based on time series, using the statistical trend method. The research is based on the claim that consumption in Bosnia and Herzegovina will decrease in the coming period with lower intensity than employment. The paper also deals with a descriptive analysis of consumption and employment from the beginning of the Year 2020, using the arithmetic mean, standard deviation, and the minimum and maximum values of the analyzed variables.*

**Keywords:** *pandemic, employment, consumption, trend, forecast*

### INTRODUCTION AND LITERATURE REVIEW

#### Pandemic and Post-Pandemic

Due to protective measures against the coronavirus, which led to reduced business activities, the world is facing the biggest crisis since the global financial crisis. According to Herbane (2010), the term crisis includes disaster, business interruption, and emergencies. The crisis is primarily caused by the shock of aggregate supply, unlike the global financial crisis and the Great Depression of the 1930s, caused by problems on the side of aggregate demand. Although the causes of the crisis are different, they have left consequences on both the supply and demand sides.

The crisis caused by COVID-19 is manifested at the level of the company, industry, market, and/or society (Vlašić et al., 2020). The Global Board Risk

Survey (Ernst & Young LLP, 2020, p 16) found that only 21% of companies were prepared to respond to an adverse risk event. Only 19% of companies frequently performed scenario analyzes and stress testing, being better positioned to respond to emerging challenges. The crisis encompasses a complex mix of interconnected stakeholders and supply chains: employees, companies, suppliers, consumers, technology providers, civil society, financial institutions, policymakers, politicians. The impact of the pandemic on business and supply chains cannot yet be determined with precision, given that various economic forecasts are not convergent and are often revised (BiH Directorate for Economic Planning, 2021, p 11) due to the impact of several factors affecting supply and demand (UNDP, 2020, p 4).

According to updated data from the International Labor Organization Monitor, 114 million jobs were lost in the Year 2020 compared to the Year 2019, with an estimated \$ 3.7 billion in lost global labor income (ILO, 2021, p 2). That is more compared to estimates from April 2020, when the ILO predicted the upper limit of lost global labor income of 3.44 billion dollars for the whole year (ILO, 2020, p 5). The revised projections (ILO, 2021, p 2) indicate there will be no significant improvements in the Year 2021, given that even according to the optimistic scenario, global working hours will not return to pre-Covid level. As for working-hour and employment growth rates in the second and third quarters in the Year 2020, sectors at high risks were: accommodation and food service activities; wholesale and retail trade; repair of motor vehicles and motorcycles; manufacturing; real estate; business and administrative activities (ILO, 2021, p 14).

The World Economic Outlook Update (IMF, 2021, p1) predicts the global economy will grow 5.5 percent in 2021 and 4.2 percent in 2022. Reduction in global growth for 2020 is estimated at -3.5 percent, which is 0.9 percent higher than projected in the previous forecast. As for contributions of consumption and investment to global GDP growth (IMF, 2021, p 2), private consumption recovered the most in the third quarter of the Year 2020, while investment increased relatively slowly. The World Bank Group (2021, p 5) forecasts global GDP growth of 4 percent in the Year 2021 and 3.8 percent in the Year 2022.

Pandemic suspended and slowed down many previously planned investments (UNCTAD, 2020, p 3). One part of the investment expenditure continues, but mainly the fixed running costs of projects. UNCTAD forecasted (p, 6) a decrease in global foreign investment in the Year 2020 and the Year 2021, to a level about 40 percent lower than in 2019. UNCTAD (2021) published The Investment Trend Monitor with updated data on the global FDI decline of 42 percent in the Year 2020.

The pandemic has also shown there is a strong interdependence of economies at the regional and global levels. They need to respond to economic, social, and technological challenges by resetting priorities and reforming the system (Schwab and Malleret, 2020). According to the same source, the reset takes place at the macro (economic reset, societal reset, geopolitical reset, environmental reset, technological reset) and micro-level (industry, business). Umbrello (2021) believes that the book focuses on theoretical construction with no real obvious ways forward. Although the book does not offer ways to recover, it can serve as a framework for discussions on future directions at the macro and micro levels, given that the changes in the areas covered in the book are already somewhat present in economic reality. Solutions may be different, and certainly cannot be the same for all economies.

Countries with advanced digital economies, strong social safety nets, and strong health systems are more ready to recover (Schwab and Zahidi, 2020). In the EconPol Policy Report (Boumans et al., 2020), research among 110 countries and 950 economic experts showed that: the crisis could accelerate the processes of automation and digitalization within companies, as well as the expansion of digital distribution channels (p 16), European countries health systems were better prepared for the second wave of the pandemic (p 17), policy response assessed as most suitable are (p 8) liquidity assistance to small businesses, improvement of the health care system and temporary tax deferrals for businesses.

### Health system and economic recovery

Estimates of economic and social developments are also affected by the uncertainty of the pandemic duration, including the time to acquire herd immunity. According to the IMF (2021, p 3), local virus transmission is expected to be low by the end of 2022. To ensure equal distribution of vaccines, the World Health Organization (WHO), the Vaccine Alliance (GAVI), and The Coalition for Epidemic Preparedness Innovations (CEPI) established a COVAX mechanism. Vaccine stocks and funds earmarked for the COVAX initiative are not sufficient, to be delivered to all in need (OECD, 2021, p.16). Vaccines from the COVAX mechanism are expected in Bosnia and Herzegovina at the end of March 2021. Economic crises have so far put pressure on healthcare budget cuts weakening health systems in the long run (Mladovsky et al, 2012). Countries more affected by the financial crisis in the Year 2008 recorded a significant decrease in health care investment compared to the pre-crisis period (OECD, 2013). In the following years, the average rate of health spending growth has tended to closely track growth in the overall economy (OECD, 2019). Investing in the health system leads to GDP growth (Öztürk and Topcu, 2014), labor productivity, and private consumption (Raghupathi, 2020). The current crisis requires increased investment in health care, which is another difference from the previous ones. Apart from the impact on the health of the population, investment is a precondition for economic recovery. From the economic aspect investing in the health care system is not the cost in the long run, but an investment. Vaccination not only reduces mortality and the risk of disease but also has other effects. Vaccination reduces costs of treatment and medical care (Rémy et al., 2015; Largeron et al., 2015), reduces loss of productivity due to illness and absenteeism (Postma et al., 2015; Sevilla et al. 2019), and contributes to increased consumption and GDP growth (Bärnighausen et al., 2014). Stable health systems and immunization are important for economic activities, investors' confidence, employment, and consumption growth.

## Economy in Bosnia and Herzegovina through the pandemic

Initial measures introduced by the entities of Bosnia and Herzegovina to protect companies and households, such as subsidizing minimum wages and social security contributions in companies affected by the corona crisis (Lucchetti and Rigolini, 2020;

World Bank Group, 2020, p 11), have somewhat mitigated the initial economic shock, but the country's complex institutional structure and insufficient resources are limiting support. Bosnia and Herzegovina had different wage subsidy program schemes, not a national one. Due to the lack of data, the actual effects of those and other measures cannot be estimated. Some of the key economic indicators and projections are presented in Table 1.

Bosnia and Herzegovina	2017f	2018	2019	2020e	2021f	2022f
Real GDP growth (percent)	3.2	3.7	2.6	-3.2	3.0	3.5
Composition (percentage points):						
Consumption	n.a.	n.a.	n.a.	-2.3	3.2	3.2
Investment	n.a.	n.a.	n.a.	-4.7	0.5	1.2
Net exports	n.a.	n.a.	n.a.	3.8	-0.7	-0.9
Exports	n.a.	n.a.	n.a.	-2.7	0.3	0.5
Imports (-)	n.a.	n.a.	n.a.	-6.5	1.0	1.5
Foreign direct investment inflows (percent of GDP)	2.1	2.5	2.7	2.6	2.8	2.9
Unemployment rate (percent, period average)	20.5	18.4	15.7	n.a.	n.a.	n.a.

Source: World Bank Group. (2020). Western Balkans Regular Economic Report. An Uncertain Recovery

Table 1. Economic Indicators

Other sources provide different data and projections. According to Trading Economics and Bosnia and Herzegovina Agency for Statistics-BHAS (webpage), GDP was -6.3% at the end of the Year 2020, -6.5% (Statista, webpage), -4.6% (Central Bank of Bosnia and Herzegovina-CBB, webpage). Trading Economics (webpage) projects Bosnia and Herzegovina GDP Annual Growth Rate to trend around 2.5 % in the Year 2021 and 2.9 % in the Year 2022. Central Bank of Bosnia and Herzegovina (webpage) project GDP annual to be 2,7 % in the Year 2021 and 3.0 % in the Year 2022. The unemployment rate in the Year 2019 was 15.7% (BHAS, webpage), and in the Year 2020 was 18.44% (Statista, webpage).

The Central Bank of Bosnia and Herzegovina- CBB (webpage) and World Bank Group (2020, p5) indicates that during the Year 2020, the growth of government spending somewhat mitigated the decline in overall economic activity. Due to unfavorable trends in the labor market, the decline in foreign remittances, and reduced lending activity, there was a significant decline in personal consumption in the Year 2020. CBB data (web page) shows that personal spending in the Year 2019. was 2.4%; in the Year 2020. it was -5.3% and projected for the Year 2021. is 2.7%. Government spending in the Year 2019. was 2.3%; in the Year 2020. it was 4.0% and projection for 2021. is 2.8 % (annual changes).

According to the Economic Impact Assessment of COVID-19 in Bosnia and Herzegovina (UNDP, 2020, p 9), the sectors directly affected by the pandemic are transportation and storage, accommodation and food service activities, arts, entertainment, and recreation. Strategic industries (UNDP, 2020, p 8) are fabricated metal products, mining, textiles, chemicals, agriculture, tourism, and the growing ITC sector. According to Trading Economics (webpage, 2021), based on data from Bosnia and Herzegovina Agency for Statistics (BHAS), these sectors had the largest decline in activities: accommodation and food service activities (-57.7%), transportation and storage (- 23.9%) and arts, entertainment and recreation (-23.3%).

In 2020, export was lower by 8.5% compared to the previous year, while import was lower by 13.4%, and the coverage of imports by exports was 63.4% (BHAS, webpage). In the period January-February 2021, export was higher by 7.3% compared to the same period in 2020, while import was lower by 6.3%. The coverage of imports by exports was 72.7%, and the foreign trade deficit amounted to KM 718 million. Major trading partners are Germany, Italy, Croatia, Slovenia, Serbia, Austria and Turkey. Bosnia and Herzegovina mainly export semi-finished industrial products and intermediary industrial products, such as electricity (UNDP, 2020, p 12) and these products are more sensitive to business cycles

compared to household products. Global disruptions and expected efforts to relocate supply chains to countries geographically closer to the EU, which will be supported by the EU Next Generation program, can be an opportunity for Bosnia and Herzegovina industry, provided the accelerated process of European integration and increased industrial productivity and competitiveness (United Nations Bosnia and Herzegovina, p 13).

According to preliminary data from the Foreign Investment Promotion Agency-FIPA (webpage), FDI inflow in the first nine months of the Year 2020 decreased by 34% compared to the same period in 2019, which follows the declining trend of FDI globally. Information on the structure of FDI in 2020 is not yet available. In the Year 2019, the manufacturing sector received 35% of FDI, followed by the banking sector (25%), and 12% each in trade and telecommunications. The countries that invested the most in Bosnia and Herzegovina in the Year 2019 were Russia and Croatia. At the end of 2019, the total foreign direct investments from Bosnia and Herzegovina abroad amounted to KM 916.0 million. The BH Directorate for Economic Planning (2021) emphasizes that the main obstacles to the growth trend are caused not only by the COVID-19 Pandemic, but also by obstacles in the areas covered by the planned structural reforms. The structural reforms that need to be implemented relate to (p 79) energy and transport market reforms; agriculture, industry and services; business environment and reduction of the informal economy; research, development and

innovation and the digital economy; trade-related reforms; education and skills; employment and labor markets; social protection and inclusion. Eighteen priority reform measures have been defined, of which twelve have a high impact on employment.

**RESEARCH METHODOLOGY**

The research is based on the claim that consumption in Bosnia and Herzegovina will decrease in the coming period with lower intensity than employment. Descriptive statistics and dynamic analysis, trend, were used in data analysis. Descriptive statistics calculated the arithmetic mean, maximum and minimum value, as well as the standard deviation, which shows the deviation around the average value. The trend method was used to calculate the parameters of the linear function, to show employment and consumption trend in Bosnia and Herzegovina from April to June 2021.

**FINDINGS AND DISCUSSION**

Employment

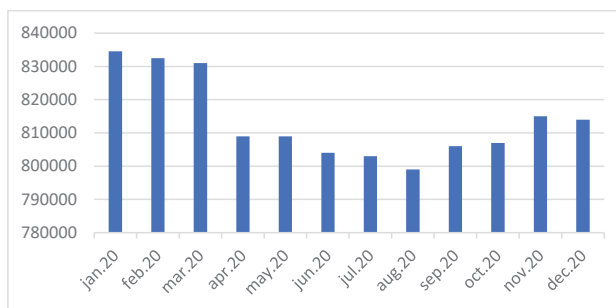
Table 2. shows the number of employees in Bosnia and Herzegovina during the crisis affected by the Covid-19 pandemic. Due to the short series of data, the forecast is made on a monthly basis.

Time period	Number of employees	Index
January 2020	834500	/
February 2020	832500	99,7
March 2020	831000	99,8
April 2020	809000	97,35
Maj 2020	809000	100
June 2020	804000	99,7
July 2020	803000	99,8
August 2020	799000	99,5
September 2020	806000	100,8
Oktober 2020	807000	100,1
November 2020	815000	100,9
December 2020	814000	99,8

Source: Agency for Statistics of Bosnia and Herzegovina

Table 2. Number of employees in Bosnia and Herzegovina

According to the above data, there was a noticeable decline in the number of employees from February 2020, which continues until September, when there was an increase in employees, and in December the number of employees began to decline again. From January 2020 to December 2020, the number of employees declined by 20500.



Graph 1. Number of employees in Bosnia and Herzegovina

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Number of employees	12	799000.00	834500.00	813666.6667	12285.12281
Valid N (listwise)	12				

Table 3. Descriptive statistics of the number of employees

The average number of employees in the Year 2020 was 813666 and compared to maximum value, is it lower by 20834. The lowest number of employees was in August 2020, which is a difference of 35500 employees compared to the maximum value.

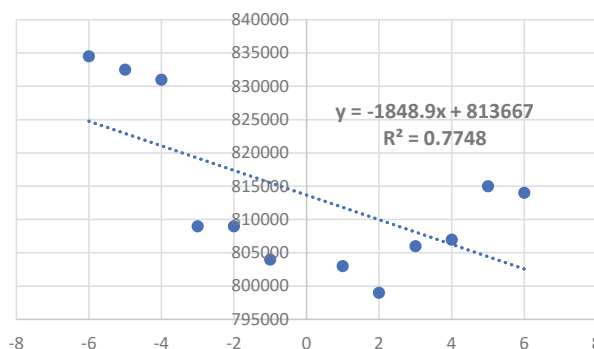
	N	Minimum	Maximum	Mean	Std. Deviation
Growth/decline index of number of employees	12	97.35	100.90	99.7875	.87856
Valid N (listwise)	12				

Table 4. Descriptive statistics of growth/decline index

The employee growth index averaged 99.78, meaning that the average decline in the number of employees was 0.22%. The maximum decline was 2.65%, while the maximum growth during the pandemic was 0.9%.

The trend indicates a decrease in the number of employees during the first lockdown. With the opening of the economy, the number of employees increased until November. Due to the second wave of the pandemic, the number of employees decreased in December.

The linear function of the employee trend is  $Y = -1848,9xi + 813667$



Graph 2. Number of employees-trend

Year	Expected No of employees	Chain Index
2021 - April	800725	98,36
2021 – May	798875	99,76
2021 – June	797026	99,76

Table 5. Expected number of employees for period April-June 2021

In April 2021, number of employees is expected to decrease by 2.70%. For May and June, a decline of 0.24% is expected. The annual average for the Year 2020 was 0.22%. The model-representativeness is 78%.

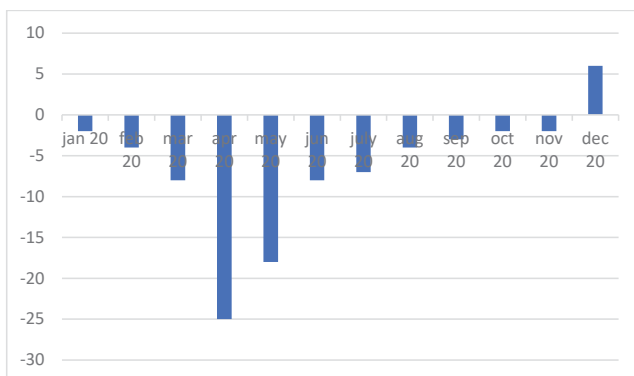
## CONSUMPTION

Table 6. shows consumption during the Year 2020. The highest decline is recorded during the first wave of the pandemic in April and May. Although, consumption in Bosnia and Herzegovina was declining since the beginning of 2020. After February there was a sharp decline in consumption, gradually recovering from June to the end of the year. Graph 3 shows the percentage of consumption in Bosnia and Herzegovina during the Year 2020.

Time period	Consumption in %
January 2020	-2
February 2020	-4
March 2020	-8
April 2020	-25
Maj 2020	-18
June 2020	-8
July 2020	-7
August 2020	-4
September 2020	-3
Oktober 2020	-2
November 2020	-2
December 2020	6

Source: Trading Economics

Table 6. Consumption in Bosnia and Herzegovina (%)



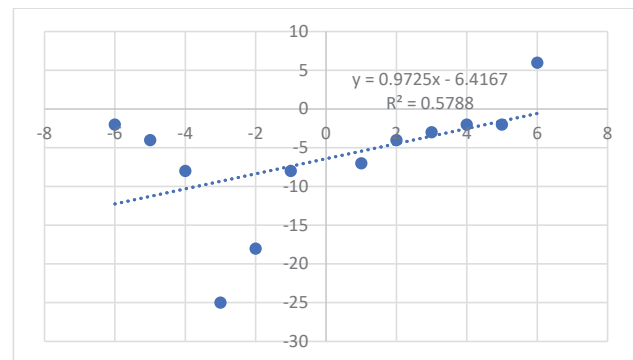
Graph 3. Consumption in Bosnia and Herzegovina (%)

## Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Consumption Growth/Decline	12	-25.00	6.00	-6.4167	8.09555
Valid N (listwise)	12				

Table 7. Descriptive statistics of consumption

The decline in consumption in the Year 2020. averaged 6.41%, and the highest decline was 25%, while the lowest was 2%. Graph 4. shows the consumption trend during the Year 2020.



Graph 4. Consumption- trend

The linear function of the consumption trend is  $Y = 0,9725xi + 6,4167$

Following the above, Table 8. shows the forecast of consumption for April, May, and June 2021.

Year/month	Expected consumption
2021 - April	-3,30
2021 - Maj	-4,28
2021 - June	-5,25

Table 8. Consumption forecast

Consumption forecast point to continued declines in April, May, and June. The model-representativeness is 58%.

The presented results indicate the possibility of transferring decline in economic activities in the Year 2021, confirming the claim that consumption in Bosnia and Herzegovina will decrease in the coming period with lower intensity than employment. According to the CBB (webpage), a stronger recovery can be expected in Bosnia and Herzegovina at



the end of 2022. At the global level, projections of recovery differ regionally (World Bank Group, 2021), depending on medical and policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis (IMF, 2021, p 1). For the Western Balkans (World Bank Group, 2020, p 34), a recovery in the Year 2022 is also estimated, emphasizing that in addition to supporting measures within each of the countries, stronger development of e-commerce at the regional level would be an additional stimulus to overcome the pandemic crisis.

## CONCLUSION

According to available researches and projections, global economic recovery could take several years. Various factors affect the intensity of economic recovery such as previous economic strength, the extent of the pandemic, dynamics of immunization, fiscal and monetary policy and support, adequate strategic plans with recovery priorities, health system strength, the recovery of major trading partners. Along with effective immunization, adequate measures of direct assistance to real sector, reduction of fiscal and parafiscal levies, implementation of structural reforms, and health system reforms can accelerate the process of economic recovery in Bosnia and Herzegovina.

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## THE IMPACT OF FOCUSING ON THE DIGITAL MARKETING IN THE FUNCTION OF INCREASING ECONOMIC EFFICIENCY AND EFFECTIVENESS OF COMPANIES IN BOSNIA AND HERZEGOVINA

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### Abstract

*In the global market. characterized by intense competition and dynamic changes over the last ten years. marketing theorists and experts analyze significant changes in marketing resulting from technological innovations (Lamberton; Stephen. 2016). As consumers make more intensive use of the Internet. an increasing number of companies are using digital marketing to communicate with target markets (Smith. 2011). It is obvious that digital marketing is gradually gaining dominance over traditional forms of marketing. Flexibility. lower costs. two-way communication with customers through digital media. multimedia product presentation. etc.. are the reasons why companies focus on digital marketing. The essential question is when digital marketing will become dominant in the overall marketing of every company. Consumers are also interested in more companies focusing on digital marketing. as they use social networks and digital media as channels of communication in the buying process. For the authors of the paper. the crucial question is how well companies in Bosnia and Herzegovina are aware of the growing importance of digital marketing and how much it participates in their market appearance. in order to maximize economic effects in business. An interesting question is whether B&H companies are lagging behind in this perception. The authors conducted an empirical survey among 20 B&H companies to identify potential lagging behind current global trends. Large and medium-sized. domestic private companies were selected as the sample. respecting the views of their managers on the importance of digital marketing for current and future businesses. most relevant to forming attitudes for the B&H market. Also. the research included identifying the potential correlation between the level of application of digital marketing and the economic and business efficiency of B&H companies. Based on the analysis of managers' attitudes. the paper presents a final assessment of whether there is such a gap and the current impact of digital marketing on the economic and business efficiency and effectiveness of companies.*

**Keywords:** digital marketing. economic efficiency. business effectiveness of B&H companies. Bosnia and Herzegovina.

### INTRODUCTION

In the global market. characterized by intense competition and dynamic changes over the last ten years. marketing theorists and experts analyze significant changes in marketing resulting from technological innovations (Lamberton; Stephen. 2016). As consumers make more intensive use of the Internet. an increasing number of companies are using digital marketing to communicate with target markets (Smith. 2011).

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Flexibility. lower costs. two-way communication with customers through digital media. multimedia product presentation. etc.. are the reasons why companies focus on digital marketing. The essential question is when digital marketing will become dominant in the overall marketing of every company. Consumers are also interested in more companies focusing on digital marketing. as they use social networks and digital media as channels of communication in the buying process.

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and how much it participates in their market appearance. in order to maximize economic effects in business. An interesting question is whether B&H companies are lagging behind in this perception.

The authors conducted an empirical survey among 20 B&H companies to identify potential lagging behind current global trends. Large and medium-sized, domestic private companies were selected as the sample, respecting the views of their managers on the importance of digital marketing for current and future businesses, most relevant to forming attitudes for the B&H market.

Also, the research included identifying the potential correlation between the level of application of digital marketing and the economic and business efficiency of B&H companies. Based on the analysis of managers' attitudes, the paper presents a final assessment of whether there is such a gap and the current impact of digital marketing on the economic and business efficiency and effectiveness of companies.

## DIGITAL MARKETING AND ITS IMPORTANCE

Due to the extensive use of digital media by consumers, more and more companies are adopting digital marketing communication methods in order to establish contact with targeted market groups. Digital marketing is the practice of promoting products and services using digital distribution channels that is, using digital or online advertising to communicate with consumers (Taken and Smith, 2011). "Digital marketing encompasses the activities of establishing and maintaining relationships with digitally focused consumers and partners by creating, delivering and presenting digital values and experiences through digital technologies" (Rakić and Rakić, 2015). Chaffey and Chadwick (2012) state that "digital marketing involves managing various forms of online presence of companies and using techniques such as search engine marketing, digital advertising, online partnerships, online public relations, e-mail brands "and social media marketing." The use of the Internet in marketing activities has resulted in various terms such as online marketing (Jobber; Fahy, 2006), internet marketing (Chaffey, 2006), e-marketing (Strauss and Frost, 2009), digital marketing (Chaffey and Chadwick, 2012), with some authors explaining the meaning of these terms, stating that both digital marketing and e-marketing are concepts that essentially carry out marketing activities through the use of electronic media (Chaffey and others, 2006). Marketing communication is a major component of modern marketing; while digital marketing has largely changed the way it communicates with target groups of consumers, but should not be looked at separately from traditional marketing communication (Kostić-

Stanković and Vukmirović, 2018). Kotler and Keller (2006) define marketing communication as a means by which organizations seek to directly or indirectly inform, persuade, and remind customers of their products and brands, that is, establish dialogue and build relationships with customers. Keller (2001) states that the field of marketing communications has probably undergone the most drastic changes of all marketing fields, and they are reflected primarily in the diversity and abundance of communication channels available to reach consumers. Due to the rapid development of electronic media as a marketing communication channel, the impact of traditional communication channels such as television, e-mail, telemarketing or personal selling on consumers is slowly weakening (Danaher and Rossiter, 2011). Over the last 15 years, marketing theorists and practitioners have pointed to significant changes in marketing that have resulted from technological innovations (Lamberton and Stephen, 2016). The authors state that the development and expansion of digital and social media as well as mobile marketing have taken place in parallel with the development of technology that has made widespread availability and use of home as well as mobile internet. According to Internet World Stats (2017), 51 percent of the world's population, or over 3.8 billion people, are actively using the internet (internetworldstats.com). Given these trends and the rapid growth of internet usage among consumers, more and more companies are using digital marketing to communicate with their targeted markets (Smith, 2011). This is cited by Okazaki and others (2007), who argue that in the coming decades, digital media communication with consumers will be the most prosperous field of marketing development.

As a result of the emergence of social network sites and their fast-growing popularity as a platform through which an increasing number of users express their views and interests and exchange multimedia content, it has become interesting for companies to use these media to deliver promotional messages to consumers (Duffett, 2015). According to Internet World Stats (2017), 3.8 billion people actively use the Internet (internetworldstats.com), while according to 2018 Smart Insights, there are nearly 3.2 billion active social media users in the world (smartinsights.com), as evidenced by the fact that in 2016, US digital marketing exceeded TV advertising by the amount of money invested (forbes.com), while in 2017 US \$ 83 billion was spent on digital advertising in the US (emarketer.com). This is supported by the fact that in 2015, the social network Facebook, in 52%, influenced the decision to buy, online and off-line (thedrum.com), while 71% of consumers who are on social media have had a positive brand experience, probably recommend it to other consumers (getambassador.com). In this regard, Tiago and Verissimo (2014) suggest that companies

should strive to develop promotional strategies, with an emphasis on interactively creating their content with consumers.

Thus, the intensive development of information and communication technologies and changes in consumer behavior have also resulted in changes in the field of marketing, that is, the need to digitize marketing activities (cf. Rakić and Rakić, 2015). Considering from the consumer's point of view, the use of information and communication technologies offers many advantages, such as efficiency, convenience and cost reduction in gathering information that is more concrete and comprehensive, as well as access to more product variation at more competitive prices (Bayo-Moriones, Lera-Lopez, 2007).

The rapid development of the digital economy calls into question the relevance of existing marketing practices and requires a radical redesign of marketing learning in order to adapt it to the needs of the economy and consumers in the 21st century (Wymbs, 2011). However, Rakic and Rakic (2013) argue that these changes do not imply the replacement of traditional marketing activities with digital activities altogether, but rather a combination of classic and digital marketing activities tailored to consumer needs and company capabilities. The company should identify all the points of contact between the consumer and the company, or its products, and ensure consistency of communication in every interaction with the consumer with the overall communication strategy.

The development of digital technologies and their impact on the overall social structure has led to significant changes in the business of modern companies. Also, digital technologies have had an impact on the consumer behavior that expects modern companies to make their products globally available, deliver goods or services, in the shortest time and with the best quality, with personalized treatment. Digital technologies offer modern businesses new business opportunities, thus success, but, on the other hand, threats, because failure to meet the demands of digital technology, or digital transformation, can jeopardize a company's competitive advantage and even its survival (Matt and others, 2015). Wymbs (2011) states that the development of digital technologies has resulted in the emergence of new sales channels for products and services, but has also led to a fundamental change in marketing dynamics by positioning consumers at the center of marketing activities. Furthermore, the author explains that the essence of digital marketing is finding the best way to communicate with consumers, adapting to changes in their needs, as well as building a loyal and sustainable relationship with consumers.

Looking at the biggest changes in human communication and interaction, it can be concluded that online social communities have significantly changed the way information is collected, acquired and shared, so that consumers today seek and value the opinions of other consumers more than they believe promotional messages from companies (Tiago and Verissimo, 2014).

#### **EMPIRICAL RESEARCH RESULTS OF THE IMPACT OF FOCUSING ON DIGITAL MARKETING IN THE FUNCTION OF INCREASING ECONOMIC EFFICIENCY AND EFFECTIVENESS OF COMPANIES IN BOSNIA AND HERZEGOVINA**

To test the impact of digital marketing on the effectiveness and efficiency of companies from Bosnia and Herzegovina, an empirical study was conducted covering 20 companies from the domestic market. Large and medium - sized companies, in equal numbers (10 representatives from each group) were selected as the sample, taking into account the assumption that larger company size implies a more systematic approach to marketing in the same business. Companies from the field of production and trade were interviewed. The primary criterion for selecting and assigning companies to "large" and "medium" was the amount of sales revenue generated during 2018. Data on sales revenue and net profit for the period 2016-2018 for the companies that participated in the surveys were obtained from the LRC database, which is formed by the LRC Credit Bureau agency from Sarajevo. It collects basic data on the operations of all companies in Bosnia and Herzegovina on the basis of the balance sheets and successes, which the companies submit to the competent tax institutions. Please note that data for 2019 were not yet available during the survey period, so 2018 was considered relevant.

The first group consists of large companies, whose annual sales revenue in 2018 exceeded 60 million KM. These are the largest domestic companies, and the basic financial performance indicators are given in Table 1:

No.	sales income				net profit			
	2016	2017	2018	2018/2016	2016	2017	2018	2018/2016
Big_1	320.604.019	346.051.813	521.679.018	1,63	8.218.529	6.905.575	9.638.816	1,17
Big_2	335.491.057	365.853.519	378.960.769	1,13	33.336.093	33.738.550	31.749.592	0,95
Big_3	170.788.691	191.551.999	207.567.156	1,22	7.298.771	10.083.127	2.911.481	0,40
Big_4	128.492.871	151.148.452	170.910.130	1,33	22.011.424	24.502.333	25.942.552	1,18
Big_5	107.805.657	117.078.901	123.114.901	1,14	577.999	371.623	531.377	0,92
Big_6	109.685.776	111.918.111	116.581.983	1,06	8.045.212	8.152.358	8.029.707	1,00
Big_7	154.247.165	137.343.872	108.278.644	0,70	9.936.116	1.381.441	145.971	0,01
Big_8	72.103.481	79.070.810	76.930.587	1,07	3.343.655	4.564.546	5.062.497	1,51
Big_9	70.690.698	74.039.361	74.132.978	1,05	6.215.025	6.603.737	6.145.585	0,99
Big_10	46.348.729	49.491.258	74.019.082	1,60	2.323.475	1.780.550	2.159.664	0,93
<b>Total_ Large companies</b>	<b>1.516.258.144</b>	<b>1.623.548.096</b>	<b>1.852.175.248</b>	<b>1,22</b>	<b>101.306.299</b>	<b>98.083.840</b>	<b>92.317.242</b>	<b>0,91</b>

Source: author processing based on LRC database

Table 1. Basic financial performance indicators for the period 2016-2018 for the group of selected large companies

Please note that the names of companies from both groups are omitted given the protection of business data and the individual views of the respondents. Table 1. shows that 10 selected companies in the period 2016-2018 have sales growth of 22% compared to the base year 2016. which means that they increased their market share in the observed period. With a total turnover of 1.852 million KM (or 947 million EUR). they represent a significant segment of the B&H economy.

For these reasons. their views on the correlation between digital marketing and company performance may be considered relevant and may reflect approximately the same views of other large private companies in Bosnia and Herzegovina. Although they show a significant increase in sales revenue. the profitability of selected large companies does not follow that growth. There was a cumulative decrease of 9% compared to the base year 2016.

Analyzing individual data on profit trends in the observed period. it is evident that the decline in profit was not pronounced with most companies. but larger “fluctuations” in profit were evident. This implies the conclusion that the selected large companies did not significantly improve their efficiency in the mentioned period. although they are all doing positive business.

The second group consists of the so-called medium-sized or mid-size companies. whose annual sales in 2018 were in the range of 8-60 million KM (4-30 million EUR). The financial performance indicators are given in Table 2:

No.	sales income				net profit			
	2016	2017	2018	2018/2016	2016	2017	2018	2018/2016
Medium_1	51.809.356	57.323.675	52.269.282	1,01	2.675.199	3.004.944	2.980.478	1,11
Medium_2	32.713.852	32.467.704	34.439.633	1,05	1.625.229	2.281.125	3.297.652	2,03
Medium_3	26.620.994	30.117.907	33.803.560	1,27	1.172.898	1.763.078	2.543.840	2,17
Medium_4	21.508.508	24.705.980	32.742.440	1,52	779.242	793.206	2.088.874	2,68
Medium_5	31.695.991	32.975.728	29.692.508	0,94	16.016	128.996	101.548	6,34
Medium_6	18.879.613	19.686.494	21.801.793	1,15	10.441	38.166	-75.112	-7,19
Medium_7	18.049.562	19.357.731	21.524.304	1,19	1.044.462	612.959	1.072.955	1,03
Medium_8	15.775.624	17.616.331	18.621.718	1,18	423.192	491.478	218.527	0,52
Medium_9	15.353.767	16.952.397	18.020.702	1,17	611.632	751.549	665.436	1,09
Medium_10	8.270.651	8.374.751	8.871.129	1,07	933.790	995.108	922.948	0,99
<b>Total_ Medium_size companies</b>	<b>240.677.918</b>	<b>259.578.698</b>	<b>271.787.069</b>	<b>1,13</b>	<b>9.292.101</b>	<b>10.860.609</b>	<b>13.817.146</b>	<b>1,49</b>

Source: author processing based on LRC database

Table 2. Basic financial indicators of business in 2016-2018 for the group of selected medium-sized companies

In contrast to the large companies in the first group, medium-sized companies recorded a smaller increase in sales revenues in the observed period (+ 13% compared to large companies which had a growth of + 22%). What is indicative of this group is a significant increase in profit of + 49%. This indicates that the surveyed companies in this group significantly increased their efficiency in the observed period. The primary theme of this research is the impact of digital marketing on the effectiveness and efficiency of domestic companies. It is evident that income in both groups was recorded, however, in the net income sphere; the first group recorded a decrease in net profit of -9% and the second one of + 49%. It is interesting to see whether, and to what extent, such business results were influenced by the so - called digital promotion and digital business of companies. Respondents were asked a total of 19 questions related to the correlation between digital marketing and business metrics. Most questions were asked in the ordinal scale, most appropriate for attitude measurement, except questions 15, 18 and 19 where dichotomous questions were asked with simple answers "YES" or "NO". The average response values are given in Table 3. For a more complete understanding, the mean response values, standard deviation, and variance individually for each group as well as for all subjects together are listed.

The first question asked the respondents to evaluate the stability of their own business over the last five years. As expected, both groups agree that their business is stable, with an average response value of 4.55. Large companies are more convinced of business stability (4.70) than medium-sized ones (4.40). Although there are minor differences in attitudes, these are high scores, so it can be concluded that companies consider that they are following a good development path in their business. Whether digital marketing will take precedence over traditional forms and activities of marketing and be a leading segment of domestic marketing, respondents in both groups have a consensus opinion (rating 4.50) and believe that marketing applications will develop in this direction. They also agree that digital marketing in all its forms (mobile marketing, internet marketing, social media marketing, YouTube marketing, etc.) is increasingly present in their day-to-day business. Interestingly, this question has been given the highest individual rating (4.60) over all other questions, further confirming the thesis that home-based companies are increasingly using digital marketing and consider it a major marketing alternative in the future.



Descriptive Statistics	All companies				Big companies			Medium size companies		
	N	Mean	Std. Dev.	Variance	Mean	Std. Dev.	Variance	Mean	Std. Dev.	Variance
Questions										
Q1_Business_stability	20	4.55	.510	.261	4.70	.483	.233	4.40	.516	.267
Q2_Future_of_digital_marketing	20	4.50	.513	.263	4.50	.527	.278	4.50	.527	.278
Q3_Digital_marketing_involvement	20	4.60	.503	.253	4.60	.516	.267	4.60	.516	.267
Q4_Digital_marketing_share	20	3.00	.795	.632	3.10	.876	.767	2.90	.738	.544
Q5_Impact_on_effectiveness	20	3.50	.607	.368	3.80	.422	.178	3.20	.632	.400
Q6_Impact_on_efficiency	20	3.35	.671	.450	3.70	.675	.456	3.00	.471	.222
Q7_Easier_tracking_of_effects	20	4.05	.605	.366	3.90	.568	.322	4.20	.632	.400
Q8_Share_of_digital_marketing_costs	20	3.25	1.251	1.566	2.90	1.449	2.100	3.60	.966	.933
Q9_Correction_of_website_content	20	3.55	.510	.261	3.70	.483	.233	3.40	.516	.267
Q10_Use_of_web_metrics	20	4.10	.852	.726	4.40	.516	.267	3.80	1.033	1.067
Q11_Use_of_social_networks	20	4.40	.883	.779	4.60	.516	.267	4.20	1.135	1.289
Q12_Social_network_metrics	20	4.10	.968	.937	4.40	.699	.489	3.80	1.135	1.289
Q13_Use_of_mobile_marketing	20	2.60	.883	.779	2.70	.675	.456	2.50	1.080	1.167
Q14_Mobile_marketing_metrics	20	2.85	1.137	1.292	3.30	.949	.900	2.40	1.174	1.378
Q15_Use_of_Youtube	20	1.30	.470	.221	1.20	.422	.178	1.40	.516	.267
Q16_Youtube_Usage_Periodic	20	2.95	1.191	1.418	3.50	.972	.944	2.40	1.174	1.378
Q17_Youtube_metrics	20	3.15	1.268	1.608	3.80	1.135	1.289	2.50	1.080	1.167
Q18_Use_of_online_sales	20	1.65	.489	.239	1.70	.483	.233	1.60	.516	.267
Q19_Tracking_conversion_rate	11	1.36	.505	.255	1.33	.516	.267	1.40	.548	.300
Valid N (listwise)	11									

Source: Author Processing in SPSS 21.

Table 3. Comparison of the average response values of both groups of respondents

Although they are aware of the increasing importance of digital marketing and are increasingly applying it when assessing the share of digital marketing in the overall marketing of a company, the average value for all companies is 25-50%. Therefore, it is still not the dominant segment of total marketing. It is important to point out that large companies have the view that participation is slightly higher (rating 3.10) than medium-sized companies (2.90). It can be concluded that digital marketing still has a share of less than 50% in total marketing. but the same is no longer negligible since the lower limit is 25%. Whether there was a direct impact of digital marketing on the effectiveness and economic efficiency of companies was checked through questions 5 and 6. The average answer for all respondents regarding effectiveness was somewhere in the half between “small” and “relatively large” (grade 3.50). However, large companies are much closer to “relatively large” (3.80) and medium-sized companies are “small” (3.20). This shows that larger

companies have a more systematic approach to implementing digital marketing and evaluating the results of its implementation compared to another group of companies. Similar views are expressed in the correlation between digital marketing and cost-effectiveness. although here the average scores are slightly lower than effectiveness. Large companies consider the current impact of digital marketing on economic efficiency to be “relatively large” (rating 3.70). while medium-sized companies have a more negative attitude and believe that this impact is small (rating 3.00). Considering that there are differences in attitudes, it is necessary to check whether there are statistical variations of the respondents’ answers, that is, whether there are statistically significant differences in the responses of both groups. Given that this is a relatively small sample of 20 companies, a T-test was used that is most suitable for this type of test. The results of the T-test are listed in Table 4:

Independent Samples Test	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Q1_Business_stability	0,750	0,398	1,342	18,000	0,196	0,300
			1,342	17,920	0,196	0,300
Q2_Future_of_digital_marketing	0,000	0,000	0,000	18,000	1,000	0,000
			0,000	18,000	1,000	0,000
Q3_Digital_marketing_involvement	0,000	1,000	0,000	18,000	1,000	0,000
			0,000	18,000	1,000	0,000
Q4_Digital_marketing_share	0,788	0,386	0,552	18,000	0,588	0,200
			0,552	17,497	0,588	0,200
Q5_Impact_on_effectiveness	1,231	0,282	2,496	18,000	0,022	0,600
			2,496	15,680	0,024	0,600
Q6_Impact_on_efficiency	2,078	0,167	2,689	18,000	0,015	0,700
			2,689	16,093	0,016	0,700
Q7_Easier_tracking_of_effects	0,447	0,512	-1,116	18,000	0,279	-0,300
			-1,116	17,794	0,279	-0,300
Q8_Share_of_digital_marketing_costs	5,625	0,029	-1,271	18,000	0,220	-0,700
			-1,271	15,680	0,222	-0,700
Q9_Correction_of_website_content	0,750	0,398	1,342	18,000	0,196	0,300
			1,342	17,920	0,196	0,300
Q10_Use_of_web_metrics	4,418	0,050	1,643	18,000	0,118	0,600
			1,643	13,235	0,124	0,600
Q11_Use_of_social_networks	8,361	0,010	1,014	18,000	0,324	0,400
			1,014	12,571	0,330	0,400
Q12_Social_network_metrics	0,180	0,677	1,423	18,000	0,172	0,600
			1,423	14,969	0,175	0,600
Q13_Use_of_mobile_marketing	3,093	0,096	0,497	18,000	0,626	0,200
			0,497	15,099	0,627	0,200
Q14_Mobile_marketing_metrics	1,097	0,309	1,886	18,000	0,076	0,900
			1,886	17,241	0,076	0,900
Q17_Youtube_metrics	0,331	0,572	2,623	18,000	0,017	1,300
			2,623	17,956	0,017	1,300

Source: Author Processing in SPSS 21.

Table 4. Results of the T-test

According to the T-test propositions. statistically significant differences exist in those cases where the value of  $p < 0.05$ . the value of Sig. (2-tailed) in Table 4. Based on the results of the T-test. it can be seen that there are significant statistical differences in respondents' attitudes regarding the issues related to the correlation of the impact of digital marketing on effectiveness and economic efficiency. On question 5. value  $p = 0.022$  (effectiveness) and on question 6. value  $p = 0.015$  (economic efficiency). This can be explained by greater fluctuations in the responses of both groups where they are not sure about the intensity of the correlation mentioned. It should be remembered that the average values of the answers to these two questions range from "small" to "relatively large". therefore in the middle of the impact assessment. There may be some "more extreme" response values. but they are certainly in the minority. To further confirm whether there is a significant statistical difference in the respondents' answers. a Hi-square test on questions 5.6 and 17. In addition to the T-test that tests arithmetic mean.

The Hi-square test tests for variance. As with the T-test. there are significant statistical differences here. if the value of  $p$  is Asymp. Sig. (2-sided) less than 0.05. The results of the Hi-square test for the above questions are presented in table number 5. The above table shows that in the case of assessing the impact of digital marketing on the effectiveness of the company there are no statistically significant differences (value  $p = 0.072$ ). while in the case of assessing the impact on the economic efficiency of the company it is still pronounced ( $p = 0.004$ ). It can be concluded that "fluctuations" are less about efficiency than about economic efficiency.

Q5_Impact_on_effectiveness	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.273a	2	.072
Likelihood Ratio	5.838	2	.054
Linear-by-Linear Association	4.886	1	.027
N of Valid Cases	20		
Q6_Impact_on_efficiency	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.889a	2	.004
Likelihood Ratio.	12.395	2	.002
Linear-by-Linear Association	5.444	1	.020
N of Valid Cases	20		
Q17_Youtube_metrics	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.333a	4	.080
Likelihood Ratio	10.411	4	.034
Linear-by-Linear Association	5.255	1	.022

Source: Author Processing in SPSS 21.

Table 5: Hi-square test results for questions 5. 6. and 17.

Based on the tests conducted, it can be conditionally concluded that the current impact of digital marketing on effectiveness is “relatively large”. which can be substantiated by the previously stated views regarding the future of digital marketing within the overall marketing of each company. On the other hand, the current impact of digital marketing on economic efficiency, taking into account all the differences in responses, can be generalized as “small”.

Interestingly, medium-sized companies, although they have slightly more negative attitudes toward large companies, are more convinced that the effects of digital marketing are easier to track (4.20) than large companies that also have high ratings about easier to track effects (3.90 rating). In both cases, these are high marks, which mean that everyone is convinced of the simpler evaluation of the effects of digital marketing. Greater differences exist in the estimation of companies’ allocations for digital marketing costs compared to the total marketing costs of companies. Both groups of respondents estimate that this share ranges between 3-10%, with medium companies valuing this share (3.60) over large companies (2.90). Although the statistical tests T-test and Hi-square test show that there is no statistically significant difference in the responses of both groups, it is worth noting that the standard deviation values for both groups are quite high (for large companies it is as high as 1.449, and for the average 0.966). The high standard deviation value

of large companies indicates the dispersion of the response and therefore the mean response value of 2.90 (3-10% participation) cannot be considered completely reliable. From all of the above it can be concluded that in this research digital marketing has justified one of its fundamental advantages over other forms and activities of traditional marketing, which is the lower cost of use. Also, with a relatively small share of 3-10% in the total marketing costs presented, a positive impact on the effectiveness and efficiency of companies can be confirmed.

The next few questions were related to the emerging forms and activities of digital marketing that companies use in their businesses. Companies change the content of their websites relatively often (rating 3.55), although large companies are more up-to-date (rating 3.70), while medium-sized companies are relatively less up-to-date (rating 3.40). Although they find the effects of digital marketing easier to track, medium-sized companies rarely follow the usual web analytics on their pages (such as visitor counts, clicks, etc.) (rating 3.80). On the other hand, large companies monitor these analytics on an almost daily basis (rating 4.40), which supports the previously stated thesis that they have a more systematic approach to implementing and monitoring digital marketing in their business. Social networks are one of the main platforms for implementing digital marketing, especially when it is taken into account that it is controlled by users and customers, unlike traditional marketing where the

communication process is controlled by a company or marketers. Companies today seek to be an active interlocutor on social networks and not impose their own or ignore other communication processes on these platforms. In terms of assessing the intensity of using social networks to promote their business, both groups of companies, large companies often, almost daily (4.60) use Facebook, Twitter, Instagram, etc. to promote their business. In contrast, medium-sized companies rarely use them (rating 4.20). It should be noted that in both cases it is a very common use of social networks to promote one's business. As with tracking analytics on their own websites, so in the case of social networks, large companies are much more consistent in using analytics for marketing on social networks (Facebook Analytics, etc.) and use them very often (rating 4.40) unlike companies' mediums that do it less often (grade 3.80). One of the emerging forms of digital marketing is the so-called mobile marketing, which includes texting and advertising on mobile phones, etc. For the purpose of their own promotion, the surveyed companies in both groups used this form of marketing relatively rarely. The most common response from large companies is between "very rare" and "rare" (rating 2.70). Medium-sized companies use it less frequently because it has an average rating of 2.50. The conclusion is that mobile marketing is slowly losing importance over other forms and activities of digital marketing. And with regard to the use of mobile marketing metrics, large companies use them more often (3.30) than medium-sized companies, which rarely do so (2.40). Unlike the use of metrics in other forms, there is a greater fluctuation in the answers of the respondents because the standard deviation values are greater than 1 (for medium companies it is 1.174), which additionally speaks in favor of the fact that mobile marketing is rarely used in company promotion. One reason is certainly the relatively higher costs than other forms of marketing. This is in support of the thesis that companies are trying to find cheaper forms of digital marketing, which will indirectly affect business efficiency. Using video content and platforms to post them on the Internet is one of the current trends in marketing. The capabilities of video presentations are much greater than text or photo presentations. Because of this, they are also increasingly popular, and the development of technology and telecommunications has made them quickly and easily accessible. Only 6 out of 20 companies surveyed do not use YouTube or other video distribution channels to promote their own company or its products and services. This implies that the trend of video promotion content is on the rise in the market of Bosnia and Herzegovina. Large companies often use these types of promotions (rating 3.50), while medium-sized video content companies use it quite rarely (rating 2.40).

As in previous forms of digital marketing, it can be concluded that large companies are more systematic in implementing video content on YouTube and similar platforms. This was also confirmed by checking the use of metrics to monitor the effects of video promotion on the Internet, where large companies do this quite often (rating 3.80), while the medium ones are mostly reserved and use it very rarely (rating 2.50). Significant statistical differences are present on this question (see the results of the T-test in Table 4) but this is mainly due to the larger difference in the responses between the groups.

The last phase of the survey involved checking how much domestic companies sell online. Of the 20 surveyed, as many as 13 companies do not sell online. It is evident that domestic companies have not yet recognized the potential of the Internet as a sales channel, or are simply not ready to adapt their business to online sales. Undoubtedly, this transformation will have a more significant reflection on the established traditional way of doing business. Because of this, the few are hesitant about it, but it will certainly change over time, under pressure from consumers.

On a positive note, 6 out of 7 companies that use online sales are tracking conversion rates, or how many website views are converted to actual purchases.

## CONCLUSION

We conclude that marketing communication is a major component of modern marketing, while digital marketing has largely changed the way we communicate with consumers in the 21st century. Due to the significant use of digital media by consumers, a large number of global companies are using digital marketing communication methods in order to establish contact with targeted market groups. Digital marketing is the practice of promoting products and services through the use of digital distribution channels, that is, using digital or online advertising to communicate with consumers. The primary theme of this research is the impact of digital marketing on the effectiveness and efficiency of domestic companies. Both medium-sized and large companies from Bosnia and Herzegovina, which represented a representative sample in this empirical study, attach great importance to digital marketing, and agree with the hypothesis that digital marketing will take precedence over traditional forms and activities of marketing and become a leading segment marketing of domestic companies in their business operations and communication with targeted market groups of consumers. Respondents in both groups are of the same opinion (rating 4.50) and believe that

the application of marketing will develop in this direction. They also agree with the statement that digital marketing in all its forms (mobile marketing, Internet marketing, social media marketing, YouTube marketing, etc.) is increasingly present in their day-to-day business. Interestingly, this question was given the highest individual rating (4.60) over all other questions, further confirming the thesis that home-based companies are increasingly using digital marketing and consider it a major marketing alternative in the future. Although they are aware of the growing importance of digital marketing and are increasingly applying it, when assessing the share of digital marketing in the overall marketing of a company, the average value for all companies is 25-50%, so it is still not the dominant segment of total marketing. It is important to point out that large companies have the view that participation is slightly higher (rating 3.10) than medium-sized companies (2.90). It can be concluded that digital marketing still has a share of less than 50% in total marketing, but the same is no longer negligible since the lower limit is 25%.

Through empirical research and the questionnaire of the direct impact of digital marketing on the effectiveness and economic efficiency of companies, the average response for all respondents regarding effectiveness was somewhere between half a small and a relatively large (3.50 grade). However, large companies are much closer to "relatively large" (3.80) and medium-sized companies are "small" (3.20). This shows that larger companies have a more systematic approach to implementing digital marketing and evaluating the results of its implementation compared to another group of companies. Similar views are expressed in the correlation between digital marketing and cost-effectiveness, although here the average scores are slightly lower than effectiveness. Large companies consider the current impact of digital marketing on economic efficiency to be "relatively large" (3.70), while medium-sized companies have a more negative attitude and consider it to be small (3.00). Interestingly, medium-sized companies, although they have slightly more negative attitudes toward large companies, are more convinced that the effects of digital marketing are easier to track (4.20) than large companies that also have high ratings about easier to track effects (3.90 rating). In both cases, these are high marks, which mean that everyone is convinced of the simpler evaluation of the effects of digital marketing. Greater differences exist in the evaluation of companies' allocations for digital marketing costs relative to the total marketing costs of companies. Both groups of respondents estimate that the share ranges between 3-10%, but the mid-sized companies valued this share more than the large companies. From all of the above it can be concluded that in this research digital marketing has justified one of its fundamental advantages over

other forms and activities of traditional marketing, which is the lower cost of use. Also, with a relatively small share of 3-10% in the total marketing costs presented, a positive impact on the effectiveness and efficiency of companies can be confirmed. Businesses change the content of their websites relatively frequently, although large companies are more up-to-date, while medium-sized companies are relatively less up-to-date. Although they find the effects of applying digital marketing easier to track, mid-sized companies rarely follow the usual web analytics on their pages (such as visitor counts, clicks, etc.). On the other hand, large companies monitor these analytics on an almost daily basis (rating 4.40), which supports the previously stated thesis that they have a more systematic approach to implementing and monitoring digital marketing in their business. Social networks are one of the main platforms for implementing digital marketing, especially when it is taken into account that it is controlled by users and customers, unlike traditional marketing where the communication process is controlled by a company or marketers. Companies today seek to be an active interlocutor on social networks and not impose their own or ignore other communication processes on these platforms. In terms of assessing the intensity of using social networks to promote their business, both groups of companies, large companies often, almost daily (4.60) use Facebook, Twitter, Instagram, etc. to promote their business. In contrast, medium-sized companies rarely use them (rating 4.20). It should be noted that in both cases it is a very common use of social networks to promote one's business. As with tracking analytics on their own websites, so in the case of social networks, large companies are much more consistent in using analytics for marketing on social networks (Facebook Analytics, etc.) and use them very often (rating 4.40) unlike medium companies that do it less often (grade 3.80). One of the emerging forms of digital marketing is mobile marketing, which includes texting and advertising on mobile phones.

The companies covered by the research in this paper have relatively rarely used this form of marketing for their own promotion. The conclusion is that mobile marketing is slowly losing importance over other forms and activities of digital marketing. And with regard to the use of mobile marketing metrics, large companies are more likely to use them than medium-sized companies, which rarely do so. One reason is certainly the relatively higher costs than other forms of marketing. This is in support of the thesis that companies are trying to find cheaper forms of digital marketing, which will indirectly affect business efficiency. Using video content and platforms to post them on the Internet is one of the current trends in marketing. The capabilities of video presentations are much greater than text or photo presentations. Because of this, they are

also increasingly popular. and the development of technology and telecommunications has made them quickly and easily accessible. Only 6 out of 20 companies surveyed do not use You Tube or other channels to distribute video content as well as content to promote their own company or its products and services. This implies the conclusion that the trend of video promotion content is on the rise in the market of Bosnia and Herzegovina. Large companies often use these types of promotions. while medium-sized companies rarely use video content. As with previous forms of digital marketing. it can be concluded that large companies are more likely to use video content on You Tube and similar platforms. This was confirmed by checking the use of metrics to monitor the effects of video promotion on the Internet. where large companies do this quite often. while the medium ones are mostly reserved and use it very rarely.

The last phase of the survey involved checking how much domestic companies sell online. Of the 20 surveyed. as many as 13 companies do not sell online. It is evident that domestic companies have not yet recognized the potential of the Internet

as a sales channel. or are simply not ready to tailor their business to online sales. Undoubtedly. this transformation will be more reflective of the traditional way of doing business.

Because of this, the few are hesitant about it, but it will certainly change over time, under pressure from consumers. It is a positive fact that 6 out of 7 companies in Bosnia and Herzegovina that use online sales follow the conversion rate, i.e. how many website reviews are converted to actual purchases.

Based on the presented analysis of the empirical research conducted in this paper it can be concluded that medium and large companies registered in Bosnia and Herzegovina, operating in the regional as well as in the world market (which presented a representative sample in this empirical research), give great importance to digital marketing, and agree with the hypothesis that digital marketing will take precedence over traditional forms and activities of marketing, and become a leading segment of marketing domestic companies in their business and communication with targeted market consumer groups

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## ACTION OF COMMITTING THE CRIMINAL OFFENSE OF ABUSE OF POSITION OR AUTHORIZATION, ACCORDING TO THE CRIMINAL LEGISLATION OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

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### Abstract

*The inspiration for writing a paper on the topic, The act of committing a criminal offense of abuse of office or authority under the Criminal Code of the Federation of Bosnia and Herzegovina, comes from defining its basic form, where the intention of the legislator to elaborate within the being almost all possible forms of abuse of office or authority, which makes this crime one of the most general, and thus the most complex and meaningful in the Criminal Code. The broad formulation is a feature of this work, it is this feature that makes it a frequent qualification in practice. Likewise, the possibility that almost any factual situation, in which the characteristics of any criminal offense against official duty are acquired, can be subsumed under this legal qualification, additionally makes it "popular".*

*The aim of writing this paper is to commit the criminal offense in question. Although it is important to emphasize that for a comprehensive analysis it is necessary to process all its elements in order, so that we have dealt with the nature of the subject in previous work, while we will deal with guilt, consequence and confiscation of property in future work. But for the purposes of writing this paper, we decided on a theoretical - practical analysis of the act of doing, which is a very important element in the process of discovering and proving it (Praxis sine theoria est cesus via - practice is without theory blind). Hence the scientific and social significance of this paper. The work is without scientific and professional limitations and represents activities that can contribute to more efficient detection and proof of the criminal offense of abuse of position or authority. The presented conclusions present a comprehensive picture and identification of practical problems that will be important for both science and the profession.*

**Keywords:** Action of committing, criminal offense of abuse of position or authority, detection, proving.

### INTRODUCTION

The title of the paper on the topic, "The act of committing a criminal offense of abuse of office or authority under the Criminal Code of the Federation of Bosnia and Herzegovina", is conceived in such a way that the subject of the paper is presented through theoretical - practical interrelated parts. When it comes to the legal nature of the criminal offense of abuse of position or authority, it is necessary to emphasize the following; an official or responsible person in the Federation who, by exercising his official position or authority, exceeding the limits of his official authority or failing to perform

his official duties, obtains for himself or others any benefit, harms another or seriously violates the rights of another, shall be punished FBIH.<sup>1</sup> Paragraph 1 of Article 383 of the FBIH CC prescribes the basic form of this criminal offense, the interpretation of which may reveal all those general characteristics of

<sup>1</sup> Imprisonment from six months to five years. (2) If by the criminal offense referred to in paragraph 1 of this Article, a material gain exceeding 10,000 KM is obtained, the perpetrator shall be punished by imprisonment for a term between one and ten years. (3) If by the criminal offense referred to in paragraph 1 of this Article a material gain exceeding 50,000 KM is obtained, the perpetrator shall be punished by imprisonment for a term not less than three years. Article 383 of the FBIH CC.



the same. With this form of crime, the FBiH Criminal Code is on the same criminal law relationship with other criminal laws in BiH (except with the RS Criminal Code, which will be in the following parts of this, but also the works that will follow as a continuation). Paragraphs 2 and 3 of Article 383 of the FBiH CC determine the objective conditions of incrimination in the form of marked amounts of obtained property gain or damage,<sup>2</sup> which, in addition to a more severe criminal sanction (imprisonment), has other criminal consequences. Namely, for paragraphs 1 and 2, starting from the Law on Courts of FBiH,<sup>3</sup> for these forms of criminal offense, the municipal courts in the FBiH are really competent, while for paragraph 3, the cantonal courts in the FBiH are competent. Article 27 of the FBiH Law on Courts stipulates that municipal courts are actually competent for criminal offenses for which a fine or imprisonment of up to 10 years is prescribed as the main punishment, unless a special law determines the jurisdiction of another court, while Article 28 of the same Law prescribed actual jurisdiction of cantonal courts in criminal cases with a threatened sentence of over 10 years in prison. Amendments to the FBiH CC in 2010<sup>4</sup> paragraph 4 was introduced, which represents the realization of the fundamental legal principle that no one can retain the benefit obtained by committing a criminal offense. The provision of paragraph 1 of this Article contains the basis for prescribing a special measure of confiscation of proceeds of crime. It is in one of the basic legal principles that no one can keep the benefit he has illegally gained. Prescribing in the criminal law a measure of confiscation of proceeds enables, in cases of obtaining proceeds of crime, the realization of this basic legal principle in criminal proceedings in such a way that the same court decision determining the commission of a crime will determine confiscation of proceeds of crime. in part. By imposing a measure of confiscation of the proceeds of crime, the perpetrator of the criminal offense shall be deprived of the proceeds of crime. Explicitly stipulating in the criminal law that no one can keep the proceeds of crime has significant preventive effects, because in this way potential perpetrators of crimes are informed that they will not be able to keep the proceeds of crime. The purpose of prescribing and imposing a measure of confiscation of the proceeds of crime is, therefore, deterrence from committing criminal offenses.

2 (10.000 i 50.000) Član 383. KZ FBiH.

3 Zakon o sudovima FBiH (Službene novine FBiH, br. 38/05, 22/06, 63/10, 72/10).

4 Sl. novine FBiH, broj 42/10.

## ACTION OF CRIMINAL OFFENSE

The criminal offense of abuse of position or authority belongs to the group of criminal offenses which in theory are called *delicta propria*. It is a group of special or special works. Special or special criminal offenses are then offenses whose perpetrator can only be a person with a certain capacity specified in the legal description of the offense, so the possible circle of perpetrators of these offenses is limited only to those persons.<sup>5</sup> Action is a basic element in the notion of a crime. The act commits the criminal offense, ie the act participates in the criminal offense as a co-perpetrator, instigator or helper. It represents a higher gender concept, an element from which all other objective-subjective elements of every criminal offense, including the subject one, derive. We consider an action in the criminal law sense only as the activity that is desired, ie the voluntary activity of the perpetrator. Therefore, we understand the action in the criminal law sense objectively-subjectively.<sup>6</sup> It follows from paragraph 1 of Article 383 of the FBiH CC that the action of this criminal offense manifests itself in three modalities: exploitation of official position or authority, exceeding the limits of official authority, non-performance of official duty.

### Exploitation of official position or authority

The exploitation of an official position or authority exists when an official undertakes actions that are formally within the limits of his authority, but are illegal in the material sense, because they are contrary to the interests and tasks of the service. In his actions, the perpetrator neglects the interests and goals of the service and replaces them with his own or the interests of another person.<sup>7</sup> A common example of this mode of action is the various abuses of discretionary powers. These are situations when an official is not guided by the interests of the service or the public interest when making a decision (say in an administrative procedure), but is guided in that process by his own or another person's interest. In this situation, although the person acts within the scope of his official duty, he abuses it. This issue becomes extremely interesting in practice when trying to determine this form of action in which the perpetrator acts within the given powers. However, in order to properly understand, and thus later discover and prove, it is necessary to start by distinguishing between the concepts of position and

5 Babić, M., Marković, I., *Krivično pravo*, Opšti dio, Pravni fakultet u Banjoj Luci, Banja Luka 2009., str. 167.

6 Srzentić, N., Stajić, A., Lazarević, Lj., *Krivično pravo Jugoslavije*, Opšti deo, Savremena administracija, Beograd 1998., str. 141.

7 Babić, M., Marković, I., *Krivično pravo*, posebni dio, Pravni fakultet u Banjoj Luci, Banja Luka 2005. godine. str. 248.

authority. The reason for this is more the legal nature of the crime itself in which these terms are set alternatively. According to certain understandings, in theory, a position is a set of rights and obligations of an official or responsible person that determines what is allowed and what is prohibited behavior of those persons, while authority represents the possibility of performing legal business for another. This means that position is a general term, and authority a special term, from which it follows that authority a *limine* is sublimated in the term position. The second theoretical understanding considers the position as a set of rights and obligations, and the authority of the rights and obligations of a person who is not in employment with the legal person whose powers he has. This differentiation has been criticized by theorists, so Nosovelec (2008) proposes to abandon the distinction between abuse of office and abuse of power and suggests that the official incriminate the abuse of power, and the responsible person abuse the trust of the person whose interests the perpetrator must represent.

Lazarević has a different opinion from Novoselac, who believes that it is necessary to distinguish these terms in the spirit of the principle of *nullum crimen sine lege stricta*. Namely, he believes that the position is a set of powers of an official related to his position within the organizational structure of the service and that the commission of the act is related to the service, while the abuse of authority may arise from the authority given in the service, so it is necessary to differentiate of these terms.<sup>8</sup> Thus, abuse of authority is defined to sanction the behavior of those individuals within the service who do not have a specifically defined official position, but to whom certain powers have been delegated or they actually have or exercise them. The exploitation of official position exists when the position in the service is used, especially due to the hierarchical structure of the administration, while the exploitation of official authority implies abuses arising from the very capacity of an official.<sup>9</sup> In practical terms, differentiating the use of a position or authority does not play a significant role. The reason for that is only the question of whether one or the other action is done illegally and against the interests of the service. Thus, by exploiting an official position or authority, we mean taking certain actions within the position or authority of an official. An official position is used when an official person uses the powers related to his position in the organization, in order to, acting against the interests of the service, realize some of his own or someone else's interest.<sup>10</sup> The

8 Srzentić, N. et. al. op.cit. str. 569.

9 U tom smislu i: Mrvić-Petrović, N., *Krivično pravo*, Opšti i posebni deo, Službeni glasnik, Pravni fakultet Univerziteta Union, Beograd 2006., str. 330.

10 Pavišić, B., Grozdanić, V., Veić, P., *Komentar kaznenog zakona*, Narodne novine, Zagreb 2007., str. 713.

perpetrator, as an official, acts within his powers, i.e. it formally remains within the scope of its position or authority, however, it does so in a way that benefits or harms itself or others. Therefore, he still abuses those powers by not acting in accordance with the needs of the service, with the tasks of the institution, with the true meaning and purpose of the institution or the measure that he is authorized to apply.<sup>11</sup> Both modalities within an act of exploitation (exploitation of position or exploitation of authority) operate formally within the limits of that position or authority, but the most important determinant of both forms is that these actions are contrary to the interests of service or responsibility; that one's own or another's interest in these situations outweighs the interests of service or responsibility. It is important to note that the process of discovering this form of action would be more successful, because it is necessary to analytically approach deeper into something that from the outside formally and legally may seem quite regular, while within it is the motive and direction of the action to gain interest in others. account of the interests of the service based on laws and bylaws. In practice, as we have said, it is most often an abuse of discretion or authority. Novoselec considers that any action of an official or responsible person is an exploitation of an official position or authority, but adds that the existence of criminal intent turns such a regular form of a person's action into a criminal act. In addition to situations when using the discretionary right, the realization of this form of action is also possible in those situations when violations of the law are committed in a way that the legal conditions are not met in the procedures of passing administrative acts and the like. Of course, there is a wide range of practical examples in which the use of position or authority is used to obtain various forms of benefit to oneself, another or with the aim of harming another, but we will agree with Professor Novoselac in the opinion that criminal intent differentiates this form of action. in the criminal sense than in the civil, disciplinary, misdemeanor and any other sense.

#### Case law (use of position or authority):

"The accused E.M. As a responsible person, the director of the branch of Raiffeisen bank Bosanska Krupa, in the premises of the same branch on 16.05.2008. used his official position and exceeded the limits of the same by receiving from the client MH, which had in this bank an open savings book series B number 156521, account number 193511723-2, money in the amount of 50,000.00 and 20,000.00 EUR - and in order to deposit it in her savings account, so in order to obtain illegal property gain for herself, not taking into account

11 Bačić, F., Pavlović, Š., *Komentar Kaznenog zakona*, Organizator, Zagreb 2004., str. 1162.

the interests of the bank and the client but his own contrary to point 3 of the Ordinance for opening and maintaining personal accounts of individuals number 12020 -A / 07-1 / 8 dated 30.10.2007, items 3.2.1.5 items 2,6,9 and 11 of the Rulebook on treasury operations number 262-13A / 08 - 1/4 dated 15 January 2008. year and Article 4 of the Agreement on Rights and Obligations (managerial agreement) from 01.04.2007. Knowing that he, as a responsible person, was prohibited from working, managing and organizing business for his own benefit, he personally entered and certified in the savings book these two payments in the stated amounts in his savings book, without registering them and physically depositing them. the stated amount of money in the vault has already appropriated it for himself in which way he obtained illegal property gain and damaged the client MH in the amount of 70,000 EUR, ie Raiffeisen Bank Sarajevo, which reimbursed this amount to the client.<sup>12</sup>

### Exceeding the limits of official position or authority

Exceeding the limits of official position or authority is another form of action of the criminal offense in question. It exists when an official or responsible person exceeds the limits of his real authority, ie his real competence. The perpetrator in this situation exceeds the limits of his official powers, since he undertakes an official action that belongs to the competence of another official or belongs to a completely different service. An act will also exist when an official acts without the prior approval or consent of another official, which was necessary in the given case. For the existence of this type of abuse, it is necessary to determine the limits of the authority of the official, for which the regulations relating to that service are relevant.<sup>13</sup> Older theorists, such as Tahović, believe that this criminal offense in this form of action exists only in the case when the violation was committed by an act within the competence of a higher, superior official body.<sup>14</sup> Contrary to this, there is a much more widespread legal understanding where the overstepping of official duty is manifested in all those actions when an official action is taken outside the scope of one's official duty, be it by another person or body. In this understanding, we start from the protective object, and that is the official duty and its legal and correct performance.<sup>15</sup> The basic premise that must be established in the process of determining whether a certain person has exceeded the given authorizations is a clearly

defined circle of his authorizations. This arises from the regulations which determine the same (internal regulations of bodies or persons, decisions on appointments, employment contracts, etc.), which clearly show the scope of rights and obligations of persons. Taking into account the second mentioned legal understanding of the concept of this form of action, which is much more accepted in theory and practice, it is determined whether the actual action of a person in a particular case exceeds the limits of his authority and thus becomes a criminal offense. It should be noted that any violation of authority does not have to be criminally relevant, but may have disciplinary or misdemeanor repercussions. Only when, in addition to this form of action, other elements of this act are realized, it is possible to speak of the realization of all its features from the law, including Article 383 of the FBiH CC. In practice, this type of action is common in situations when activities are performed within the competence of another person in order to obtain a certain benefit, and various forms of action or acts of counterfeiting are common. . Thus, the practice knows frequent cases when lower-ranking employees act without the authorization of the manager, or in the economic sector, when employees exceed the authorizations given by the director of the company and the like. As before, the case law most vividly and best practically indicates various forms of abuse of power.

Judicial practice (exceeding the limits of official authority)

"In the period of December 2006, as an official as the head of the Group for re-education - treatment of convicted persons, and also as an educator of the convicted A.Š., he asked him for money in return for withdrawing his passport from the prison deposit, because A .Š. handed over by I.K. as an educator, a request to pick up a passport in order to travel during the right to use the annual leave and personally told him that he would travel to his sister outside the borders of BiH - Germany, which is why at the initiative of I.K. wrote a petition stating such intent for the reason that he knew that the prisoner was not allowed to leave the state and I.K. had to, in accordance with his official authority within his official position, give positive or negative consent to the request and in accordance with the existing order of the director of the institution MB, forward it to the approval of the director of the prison, so that K.I. although he knew that the collection of such a document was approved by the director and that he was not authorized by the director, by a specific act, to hand over such a document to A.Š., he personally, giving consent at the request of the convict, approved the submission of the document from the prison deposit. because he knew how the document

12 Judgment of the Cantonal Court in Bihać no.01 0 K 006392 12 K od 23.10.2012. godine

13 Babić, M., Marković, I. op.cit. str. 249.

14 Tahović, J., Krivično pravo, posebni deo, Savremena administracija, Beograd 1961., str. 463.

15 U tom smislu: Lazarević, L.J., Bačić, F., Novoselec, P. et al.

would be used also considering the provisions of the Criteria for granting benefits to convicted persons in KP-Prisons - paragraph 3, item g. which established that the annual leave is used in the family circle where the convict resides, and upon the convict's return from vacation for this action he received money from him in the amount of 100 euros."<sup>16</sup>

### Failure to perform official duties

Failure to perform official duty exists when an official person fails to perform his / her official duty, ie when he / she fails to perform the act to which he / she is obliged by his / her official position or authority. It is about the lack of fulfillment of their obligations, failure to take those actions that are in the interest of the service and to which the official is obliged by law, bylaws, authority, and even the interest of the service, which means that in certain situations there is no formal obligation to act in order to omit a certain obligation. Thus, the perpetrator fails to do something he is otherwise obliged to do, which falls within his competence, refuses to do something he is obliged to do, does not regulate where he should obviously intervene immediately, delays undertaking or performing some of his official duties.<sup>17</sup> However, it is important to point out that this mode of action of the criminal offense under Article 383 of the FBiH CC can be performed by a formal act. This is the case when an official performs a certain duty, but in such a way and with such a motive that this action cannot achieve the desired official goal, which equates this effect with the effect of classic inaction, passive behavior. Eg. the official does not pass the act that he was obliged to pass or (in another situation as previously elaborated) passes it at a time when it can no longer be expedient or is unusable in legal transactions. Thus, non-performance of official duty exists in those cases when an official person does not perform an official action within the scope of his / her authority that he / she was obliged to perform (it is formal and immaterial performance of official duty)<sup>18</sup> or when he / she performs this action in such a way that the goal cannot be achieved. which should have been achieved by its undertaking (then there is a formal performance, and a material non-performance of official duty). As we can see, the act of a criminal offense under Article 383 of the FBiH CC in its last form finds its third dimension in the form of omission of a duty or formal act but material inaction, which, starting from the act as a basic element, reflects the complexity of the offense. right

16 Judgment of the Municipal Court in Mostar no.58 0 K 061390 10 K od 22.11.2010. godine

17 Bačić, F., Šeparović, Z., Krivično pravo, posebni dio, peto izmijenjeno i dopunjeno izdanje, Informator, Zagreb 1997., str. 369.

18 Stojanović, Z., Komentar Krivičnog zakona SR Jugoslavije, Službeni list SRJ, Beograd 1997., str. 232.

here all forms of action in the criminal law sense are possible. This means that this crime is a commission-omission offense. Some theorists criticize the introduction of non-performance of official duties as a form of action in the essence of this criminal offense, because they believe that the provisions of the general offense of criminal law where inaction is equated with committing this aspect is covered, so alternative placement of this form of action in the legal being is unnecessary.<sup>19</sup>

Judicial practice (failure to perform official duties):

"Considering that, the correctly challenged verdict concludes that the accused, as the general director of Rudnik, did not take any action in order to challenge the merits of the claim and the payment of funds awarded to prosecutor M.K. in the name of compensation for damages, due to which he did not perform an official duty as a responsible person, and in that way he obtained another property benefit of over 50,000 KM. Therefore, the allegations of the appeal that the accused as the plaintiff's attorney was not obliged to challenge the claim and payment of damages were excluded. Contrary to the allegations of the appeal, the accused as the general manager was obliged to protect the interests of the company and prevent damages these obligations arise from the laws and acts of the company, whose obligations he was not released in the specific case when he appears in the role of his mother's attorney, so the impugned verdict was not wrong when it determined that the accused intentionally enabled MK to obtain illegal property gain, because as a responsible person he did not perform his official duty"<sup>20</sup>

19 "A criminal offense is committed by omission when the perpetrator who is legally obliged to prevent the occurrence of the legally described consequences of the criminal offense fails to do so, and such omission is equal in effect and meaning to the commission of that criminal offense by committing." Article 22, paragraph 2 CC FBiH.

20 Judgment of the Supreme Court of FBiH no.070-0-Kž-00055 od 07.06.2006. godine

## CONCLUSION

As can be seen from the above, the criminal offense of an official or responsible person is one of the basic and starting elements of this criminal offense, so the first step in proving it after determining the fact whether the perpetrator has the required property is the act of committing which is the basic element in the notion of this crime. The act commits the criminal offense, ie the act participates in the criminal offense as a co-perpetrator, instigator or helper. Thus, the element from which all other objective-subjective elements of every criminal offense, including the one in question, derive. The prosecution and later the court must determine the element of the act in order to continue the process of determining other elements of the act, as in other criminal acts (illegality, guilt, etc.).

From all the above, we believe that the goal of writing this paper is absolutely justified, and that the analysis of the act of committing a crime is adequately elaborated, which is a fundamental starting point in the process of discovering and proving it. While a more comprehensive analysis awaits us in the sequels that follow, in which it is necessary to process all its remaining elements in order. The scientific and social significance of this paper will contribute to more efficient detection and proof of crime. That, "practice without theory is blind - praxis sine theoria est cesus via." Confirms the case law, presented through this paper, where through practical examples revives the legal norm defined in criminal law, and thus the concepts of Article 2, paragraph 3, and 6th FBiH CC. Also, the case law is immeasurable in the correct understanding of the act committed and the correct connection with other elements of the criminal offense in question. Therefore, examples from case law aim to practically indicate the nature of the perpetrator as a constitutive element of the act.

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## CATEGORIES OF MANAGEMENT IN RETAIL ENTERPRISES

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### Abstract

*Category management in retail businesses is one of the points that needs to be well defined and implemented in order to reach the level of perfect business within retail. The term management of the assortment is considered to be its procurement, positioning, presentation or advertising and finally the final act, ie the sale of the assortment. The aim of the paper is to show: how the management and planning of the range is used in various areas and jobs, with all its characteristics and elements, advantages, disadvantages. The conclusions of the research speak about the connection between the observed variables that can be useful in making final decisions. The paper tests the hypothesis where H0- Assortment management in retail companies leads to the adjustment of the assortment to consumers to meet their wishes and needs.*

**Keywords:** assortment, management, company.

**Category:** Review paper

### INTRODUCTION

For a long time now economic literature has considered the retail trade as a residual sector, not very competitive and innovative, and protected from international competition. The two great poles of the retail trade, food and non-food, have shared the same fate, but at different time. (Luceri, Sabbadin, & Zerb, 2017) Large retailers have been taking an increasing interest in sustainable development for the past 20 years. Although retailers play a central role in supply chains, research into sustainability within retailers' supply chains has been limited. (Jones & Comfort, 2020)

Category management is essential for the realization of efficient management of the product range in facilities. By optimizing the content, ie. offers of each individual product category, the range on the shelves will more faithfully reflect the specific requirements of consumers. Category management has been developed as a strategy intended for traders in the function of more efficient competition in the field of sales of each individual category, and at the same time to achieve maximum consumer loyalty. Successful category management at the point of sale implies full chronological realization of systematized customer service tasks.

### LITERATURE REVIEW

An efficient assortment of a retail facility refers to a well-used shelf space, i.e. to respond to consumer demands as successfully as possible, while minimizing the possibility of lost sales or unsold items. The layout of the items needs to be very clear so that consumers have a good insight into where what is located and of course time is extremely important. Effective product promotion is key to market sustainability and supply chain profitability.

Category management is based on combining four very important concepts, namely:

- Efficient assortment of retail facility,
- Efficient planning of stocks and layout of items on the shelf,
- Efficient product promotion,
- Efficient introduction of new products." (Ristić, 2008)

The management of the category expects a development phase in which action solutions should be primarily submitted per sales facility and according

to the requirements of competitive consumers. In this direction, strategic alliances of retailers and suppliers will be developed, which strive to achieve the greatest benefits from the otherwise productive management concept. (Trninić, 2019)

Innovations in information technology have helped and made a significant contribution to the management of the category to get closer and even closer to the consumer. Then the strategy becomes much closer to full realization at the level of specific consumers, categories and sales facilities. (Singh & Blattberg, Next generation category management: The power of information technology to focus on the consumer, 2001). Category-based partnership management and supply chain integration provide a good basis for achieving consumer loyalty. (Bogetić, 2007)

“With the development of the trade structure, the strategy of differentiating the “supply package” according to the respective market segments has been increasingly emphasized. From small and locally specialized retailers, the development took place in the direction of the emergence of large multi-product retail trade companies.” (Lovreta, 2009). The study of category management should be continued within the food industry but also within other industries such as the Hi-Tech industry or catering. Thus, for example, the management of perishable products in traditional food marketing channels remains insufficiently studied, which is a significant area of competitive competition of modern supermarkets. (Bogetić, 2007). Many retail companies systematically monitor prices at the points of sale of their competitors, depending on the pricing strategy, the prices of certain products are then set at or below the price of the competitor. In this situation, the company must anticipate the potential reaction of a competitor to its own moves, before setting or changing and prices. Game theory has developed a framework for this type of analysis that traders have been implicitly applying for some time. (Zentes, Morschett, & Schramm, 2007)

Category management must be an imaginative use of information because information is worth more than money. Yesterday’s news about consumer expectations and experiences is a thing of the past. Those who have the right information can control everything and make the right decisions. (Biondić Vince, 2014). It is of great importance to customers to be able to freely express their views on the products or services provided by a particular trading company, customers give suggestions on what should be improved. (Vidović A., 2020). Online media as well as new technologies like augmented and virtual reality, live and video chats will increasingly take center stage regarding customer interaction. (Natalie Bacher & Adam-Alexander Manowicz, 2020)

The various benefits that have occurred in technology and applications have made category management successful but what is expected is a whole new wave of advanced innovations that will make category management even more possible and better.

The development of new innovations creates a new impetus for:

- Development of category management strategy;
- Redefining the relationship between producers and retailers and
- Changing the nature of marketing in marketing channels.

Retail formats and the sometimes blurred boundaries between retail channels create fiercer retail competition around the voices of increasingly discerning consumers. This leads to pressure on modern retailers to introduce new, more creative and better ways of market positioning and differentiation. (Trninić, 2019). Niche marketing is becoming a strategy to differentiate modern retailers. A niche market is that part of customers who have a need for a specific product or service, and the competition has not yet covered that need. A niche market is an ideal opportunity to enter the market because it guarantees revenue in the short term, but competition is likely to gain in the longer term. Therefore, it is necessary to react in time and gain the trust of customers in order to gain the best possible position in the future in relation to the incoming competition. (womeninadria.com, no date)

These trends in marketing channels are encouraged by the following advantages of new technologies, information and applications:

- Enable customized merchandising plans for individual stores and individual categories within each store.
- They enable manufacturers to develop customized marketing and merchandising strategies for individual categories, of each channel.
- They provide specific data on consumer purchases. This means shifting the focus of category management from the impact of the individual product on the overall category, on the effect on the overall consumer transaction, the overall store result to the total trading company result.
- Make up-to-date, timely data and customized information available to production and retail managers at all levels.

- They enable the management of an increasing number of data, the analysis of that data and the acceleration of decision-making. (Bogetić Z., 2007)

Innovations in information technology have helped and made a significant contribution to the management of the category to get closer and even closer to the consumer. Then the strategy becomes much closer to full realization at the level of specific consumers, categories and sales facilities. In this, the authors Singh and Blattberg, see room for a new direction in the development of category management strategy in the direction of integrating this concept with the approach of customer relationship management. (Singh & Blattberg, Next generation category management: The power of information technology to focus on the consumer,, 2001).

Category management and shopper marketing need improvements and development of theory and practice in the future. It is believed that in the future a stronger connection between these two concepts and their development is expected, because as such they would bring numerous benefits for the retailer and the retailer. Category management should include its views on the future in order to better profit from upcoming trends. What is needed is to understand what will be important to customers in the near future and how to properly adjust the offer of categories in accordance with trends. (Trninić, 2019).

The concept of need states has recently become an increasingly popular concept. It is a marketing concept that suggests that FMCG activities should be based on the specific needs of consumers. But this concept also suggests that consumers are generally very vague about the products that are associated with their needs. For example, if one of the needs of consumers is to quench their thirst, this need can be met by drinking water, tea, milk, carbonated juices, non-carbonated juices and various other liquids. Behavior of consumers consists of a series of psychological and physical activities in individual process of selecting, purchasing and consuming the products. Selling something, especially in a time in which the whole psychology is involved, must be designed to the smallest detail to be adequately brought to the attention of the buyer. (Vidović A. , 2019)

## METHOD AND FINDINGS

The aim of this paper is to determine the attitudes of the respondents regarding the category of management that influences the final decision on the purchase.

The research was performed on a sample of respondents in Banja Luka, aged 18-65 years, male and female, selected by random sampling. The technique used in the research function is the method of anonymous filling in of questionnaires and interviews, in addition to the basic social - demographic questions, there was also a question related to obtaining data related to the set null hypothesis. The research was done in the time period from 01.05. - 30.05. 2021, 90 participants took part in the survey. After editing the questionnaires, it was determined that 10 ballots were incorrect and were rejected on that occasion. The sample on which the research was completed is 80 participants.

After completing the survey, it was determined that according to the social - demographic structure, there are 62 female respondents and 18 male respondents, which is 77.5%: 22.5%. According to the level of education, most of them had 55 with secondary education and 25 with higher education, which makes a ratio of 68.75%: 31.25%. According to age, most of the respondents were of medium age of 25-45 years, 42 of them, over 45 years of age 20 of them and under 25 years of age 10 of them, which makes a ratio of 52.5%: 31.25%: 16.25%. The survey was completed in May and the results were processed in June 2021. An overview of the obtained data can be found in the table.

Demographic variables	Respondents	Percent
<b>Gender</b>		
Male	18	22,5
Female	62	77,5
<b>Age</b>		
Under 25	13	16.25
25-45	42	52,5
45 - more	25	31.25
<b>Education</b>		
High school	55	68,75
Faculty	25	31,25

Figure 1-Author calculation



The answer to the set null hypothesis - was obtained by asking questions related to: Innovation in information technology, finding niche markets, opinion on shopper marketing and using the concept of need states.

With the application of the appropriate test, ie. X2 - feature independence test and with a probability of 95% the set null hypothesis was tested. For the hypothesis: Assortment management in retail businesses leads to adapting the assortment to consumers to meet their wants and needs;

Starting data: Number of rows m = 3, number of columns k = 2.

$$r = (m-1)*(k-1) = (4-1)*(3-1) = 3*2 = 6, X2(\alpha;r) = X2(0.05,6) = 12.59$$

When calculating the theoretical probabilities, the table is used:

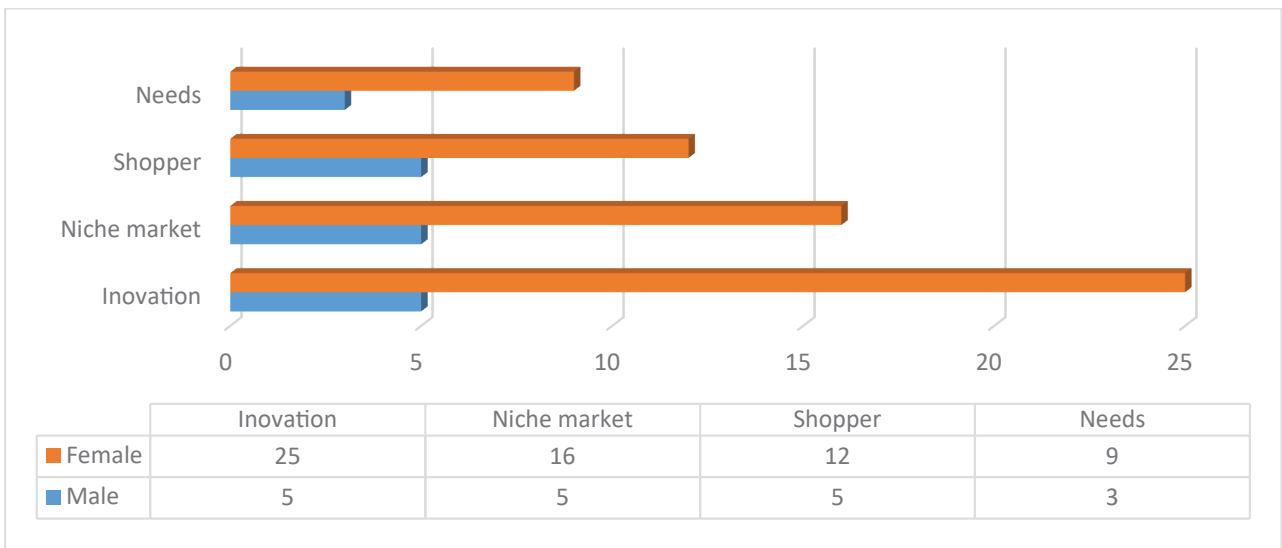


Figure 2- Author calculation

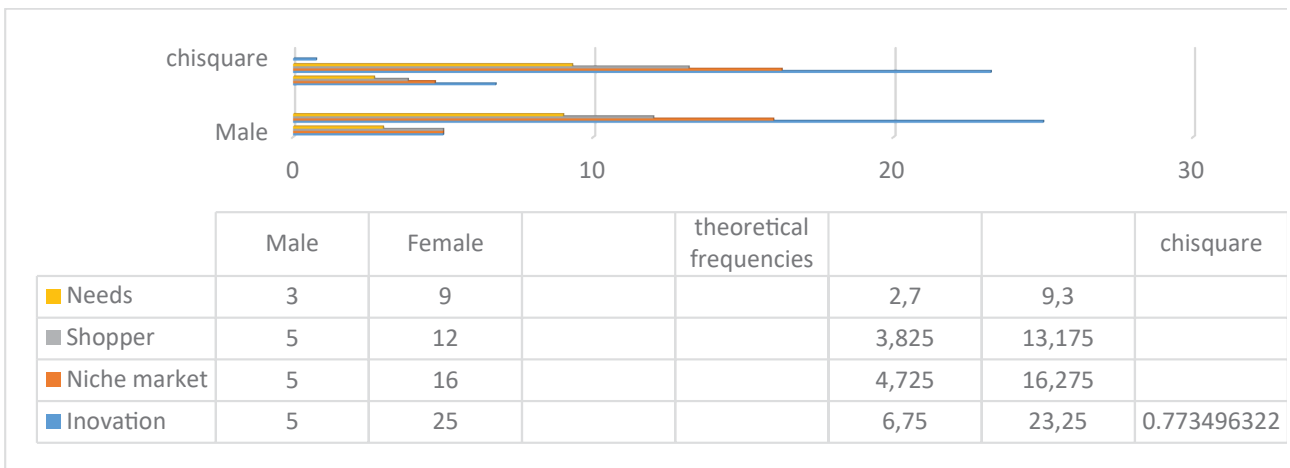


Figure 3- Author calculation

It can be concluded that considering the calculated value of the chi-square test:  $X^2 = 0.7734 < 12.59$ , which is less than the tabular critical value, we say that the set null hypothesis is accepted, i.e. the views of the respondents are closely related but do not exist statistically significant difference. Users believe that both innovation and niche markets and shopper marketing as well as the concept of need states lead to the adjustment of the range to customers and believe that there is no significant difference between these elements. (Figure 2,3) The research was performed on a sample of respondents in Banja Luka, aged 18-65 years, male and female, selected by random sampling. The technique used in the research function is the method of anonymous filling in of questionnaires and interviews, in addition to the basic social - demographic questions, there was also a question related to obtaining data related to the set null hypothesis. The research was done in the time period from 01.05. - 30.05. 2021, 90 participants took part in the survey. After editing the questionnaires, it was determined that 10 ballots were incorrect and were rejected on that occasion. The sample on which the research was completed is 80 participants.

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## CONCLUSION

As mentioned earlier, the rapid advancement of technology leads to a faster way of life because various things can be done easier and faster, so accordingly, retail has decided to enter the race and provide retailers with another tool to win matches in competition. It is the possibility of contact less payment and even the choice of items. The development of category management in the direction of marketing activities relies on connecting with the concept of frequent shopping programs that help in identifying and retaining the most valuable consumers. It is of great importance for retailers to follow trends and improve their employees in order to always be up to date with trends and to find out all possible current events and to find a way to find out how competition attracts customers, how it keeps them and how competition forms categories in to its retail facility. In general, the management of the category brings better quality business of the retail company, whose effects are multiple. By focusing on consumers, category management maximizes category potential, improves sales and profits, while protecting the market share of retailers and suppliers.

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ISSN 2045-810X