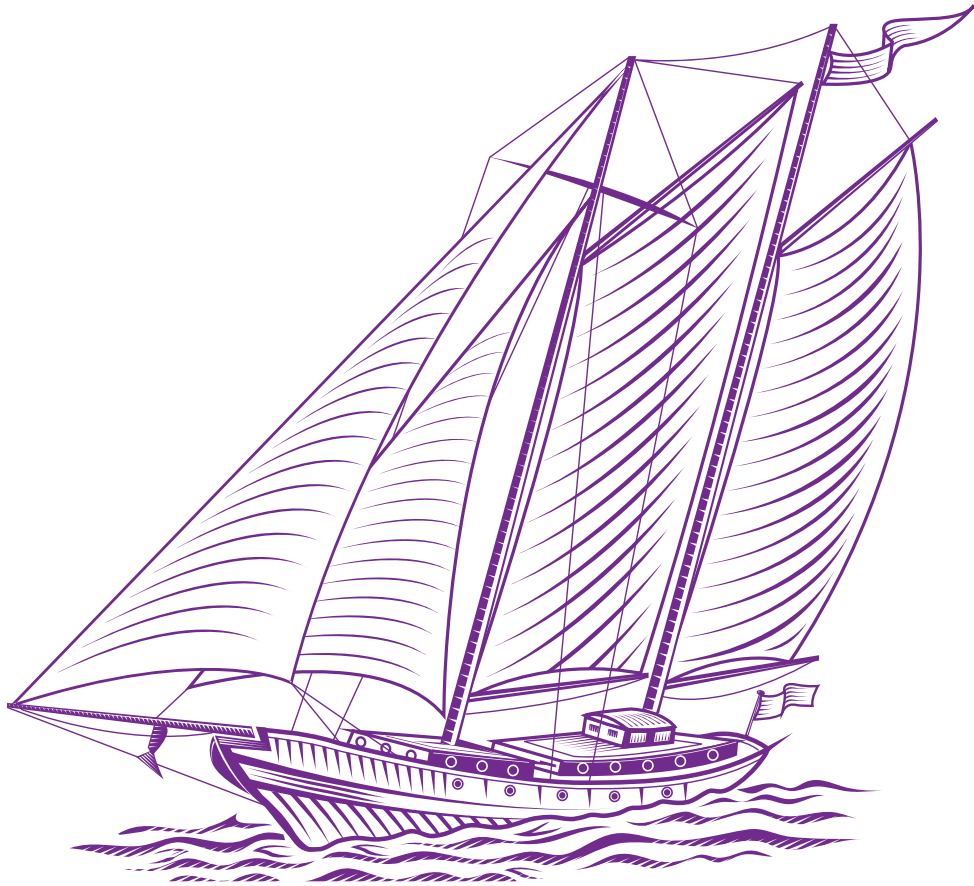




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## RURAL TOURISM DURING THE COVID-19 PANDEMIC: A CASE STUDY FROM NORTH-WESTERN TRANSYLVANIA

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EMANUEL-EMIL SĂVAN<sup>3</sup>, TUDOR ALEXANDRU CIUCIOIU<sup>4</sup>

**ABSTRACT.** The current restrictions imposed by the Covid-19 pandemic have a strong impact on all forms of tourism. Rural tourism holds certain advantages over alternative/classical forms, which reduce the risk of infection i.e. unpolluted air and tranquility, low population density, reduced human interaction, easy social distancing and smaller lodgings. This paper analyzes the rural tourism potential for a village situated in North-Western Transylvania (Romania): Mănăstireni. The data was captured by developing and distributing a questionnaire consisting of 34 question. The results indicate that, whilst the local infrastructure is deficient, respondents are generally satisfied or very happy with the rural tourism in the analyzed area. Among the most frequently quoted advantages were found to be tranquility, clean air, beauty of landscapes, and the hosts' hospitality. These identified characteristics represent clear advantages that rural tourism holds over classical/ alternative forms (e.g. city breaks), especially in the current pandemic conditions.

**Key words:** rural tourism, sustainability, Mănăstireni, Cluj County, COVID-19

**JEL classification:** *L83, Z32, L80.*

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## **Introduction and brief literature review**

Tourism was seen in many countries around the world as being a profitable business, even though the Travel and Tourism industry is facing nowadays the challenges of an unprecedented period, because this ongoing COVID-19 pandemic impacted it the most.

In many countries at global level, rural tourism became one of the most common forms of tourism, but different in what regards its stage of development. As long as rural tourism in these countries does not convert into mass tourism and continues to be practiced at a low level, it represents an important form of sustainable tourism. This means that tourism is and can be economically feasible without ruining the natural resources and the environment (human and physical) of host communities and of destinations.

According to the World Tourism Organization (UNWTO), “Sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems”.

Rural tourism represents a main form of sustainable tourism since it has a minimized negative impact on the natural environment, it ensures rational exploitation of natural resources, it facilitates the protection of cultural resources, and it contributes to the welfare of local communities.

Given the importance of rural tourism an increasing number of articles in the literature highlight an intense interest for this topic. Anghelache, Fetcu, and Anghel (2012) examined the evolution of tourism in 26 European Union countries, including Romania. Lane and Kastenzholz (2015) highlight that rural tourism has become popular ever since 1970s; the same authors, further analyzed its growth and change. Thus, since the

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1970s, tourism activities in rural areas have expanded obviously in many countries worldwide, and this has played a key role in their development both economically and socially (Perales 2002). The literature underlining rural tourism has faced a significantly increasing number of case studies in different countries (Devesa M. et al. 2010, Rønningen M. 2010, Duk-Byeong et al. 2012, Huang, R. and Chen, Y. 2016, Kumar A. 2019, Coroş, 2020).

Rural tourism is one of the main forms of tourism in Romania, providing local communities from rural areas good opportunities to promote attractions, events and activities that cannot be accessible in urban areas, to improve the quality of their life and to face economic growth, consequently, reducing the economic disparities between urban and rural areas. The UNWTO defines this form of tourism as “a type of tourism activity in which the visitor’s experience is related to a wide range of products generally linked to nature-based activities, agriculture, rural lifestyle/culture, angling and sightseeing” (UNWTO, 2021).

After 1990, rural tourism started to develop in Romania. The core was the Moieciu-Bran area, followed by destinations such as Bucovina, Maramureş or Mărginimea Sibiului; later on, the phenomenon spread throughout the country, as tourists began to orient towards regions featuring unpolluted air and tranquility in rural areas instead of hotel-based mass tourism (Bran et al, 1997, p.128; Marian I. 2017).

The present paper emphasizes the opportunity of developing rural tourism in Cluj county area, in the Mănăstireni village, as its neighboring destination, Sâncraiu, has proven to have grown into a successful rural tourism destination, highly attractive for international visitors (Coroş et al., 2017). The authors consider that tourism in Mănăstireni has a great potential due to its heritage, culture, rural life and art. Mănăstireni is a commune located in the western half of Cluj County, Transylvania, Romania. It comprises six villages: Mănăşturu Românesc, Mănăstireni (community center), Ardeova, Bedeciu, Bica, and Dretea. It is located in the South-Western part of the Păniceni Plateau, meeting to the South with the Gilău Mountains and towards the North of the plateau meeting with the hills of Cluj.

Mănăstireni is the only village in Northern Transylvania officially listed in the genealogical tree of the last seven generations of predecessors of the British Royal Family (Pop, Sălăgean, and Bolovan, 2005). Some of

the ascendants of the Royal Family are from Transylvania and it is certain that Kemeny family, ascendant of Queen Elizabeth II, originates from Mănăstireni.

This commune is a special place, full of cultural resources and well-preserved traditions, where ancient crafts are kept sacredly and carried from generation to generation. Over time, the basic occupations of the villagers have remained agriculture and livestock. Another particularity is the practice of the trade with animals, wood and household goods.

Based on the above-mentioned facts, rural tourism can have a successful development in this village.

Therefore, the purpose of the present paper is to investigate and identify the prospects for sustainable development of rural tourism in Mănăstireni village, considering at the same time its impact on the social and economic life of the commune, respectively the factors that may positively or negatively influence the whole process. The remainder of this paper is organized as follows: the second section describes the research methodology that has been employed, while the third outlines and emphasizes the research results, and finally, the last section of the paper points towards the most important conclusions of this research.

## **Data and methodology**

Considering the main objectives of the present paper we used as a method of research a questionnaire made up of 34 questions. The questionnaire consisted of two parts. The first one included questions aiming at gathering information about the respondents' preference in what regards tourism, with a special focus on their orientation towards rural tourism and remote destinations in the context of the COVID-19 pandemic situation, to finally asses their perception regarding Mănăstireni as a rural destination. The second part was designed with the purpose of collecting identification information regarding the respondents.

Different types of questions were used: both unstructured and structured ones, multiple choice questions, one dichotomous question, open-end questions, and a Likert scale question. When elaborating the questionnaire, the authors paid attention to the time needed for its completion, making sure that the responses provided were as accurate

as possible and could be collected within a reasonable time frame via a self-administered online survey tool. Involving an elaborated work, the research lasted more than four months and was performed right after the implementation of the state of emergency in the spring of 2020.

The questionnaire was conducted on a relatively small sample, adding up to 139 individuals and its role was to point towards the advantages and disadvantages of the Mănăstireni village from the touristic point of view and to assess the perception of individuals concerning a possible holiday in this rural area. The choice of the sample members was randomized, making it essential not to vitiate the results.

The structure of the investigated sample is further presented. From the total number of respondents, 47% are female and 53% are male. In terms of age, 46% are aged between 24 and 35 years old and 23% are between 36-45 years old. The predominance of young respondents and is not necessarily a bias of the research, as other studies have pointed towards the preference of young adults and younger generations for independent travel and remote rural destinations (Cozma, Coroş, and Pop, 2021). A positive and admirable element is that the majority of those who completed the questionnaire form a young majority aging up to 45 years. It is a dynamic majority, which can refresh the Romanian rural tourism, such tourists prefer rural tourism, expressing certain justified expectations and demands related to infrastructure and telecommunications but also hygiene.

Half of them are employed in the private sector and almost a third of them work in the public sector. Entrepreneurs represents a percentage of 9% and pupils and students only 3%. Therefore, employees in the private sector are more open to rural tourism, followed by state employees.

The favorite activities during a holiday of the people who completed this questionnaire are to relax in the fresh air, to visit tourist objectives in the area and to go hiking.

## **Results and discussions**

One of the first findings regards the frequency of choosing various types of destinations among the respondents. Thus, concerning the frequency with which the tourists visited rural destinations in Romania over the



past five years, from the total number of respondents, around 40% had opted for rural areas 2-3 times per year, while nearly 30%, had chosen such destinations more than 3 times per year. These results are very encouraging in terms of the perspectives of Romanian rural tourism development, as nearly 65% of the respondents had visited rural areas relatively often over the past five years. Those persons who had not been in a rural destination during the past years, explained their choice either through their busy schedules or due to the lack of information regarding the destinations available in their proximity, particularly in the Northern part of the County of Cluj.

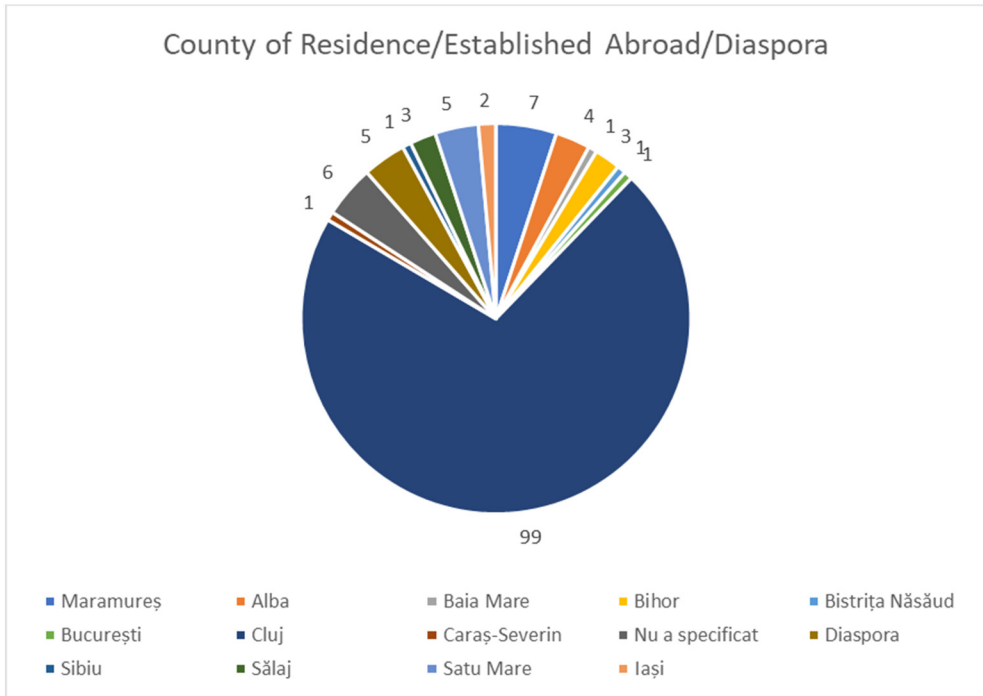
For the majority of the respondents (65%), the last level of studies graduated is the university, while 25% have a postgraduate degree, and only 10% of the respondents have only undergraduate studies. Hence, persons with higher education practice rural tourism and appreciate such destinations.

A very high percentage (86%) of all those interviewed live in urban areas, most of them being residents of the municipality of Cluj-Napoca (Figure no 1). This result it is understandable and consistent with their preference for rural destinations, as considering the alert rhythm of city life, congestion and pollution, more and more people prefer to go on holidays in a quiet and peaceful destination. Furthermore, with the health threat generated by the COVID-19 pandemic, one can easily understand the respondents' orientation towards nature-based tourism, less frequented, remote, and quiet areas.

Regarding tourists' residence, 99 respondents out of 139 were from Cluj County and the rest live in nearby counties. This emphasizes that the target market for an eventual accommodation unit in Mănăstireni commune would be represented by the young inhabitants of Cluj County.

The people who have responded to the survey questions have a relatively good financial power and are willing to go on holidays, vacations and short breaks. Most of them (41%) earn between 2500-4000 RON, a range that also includes the average net salary in Romania. At the same time, more than a third earn between 4000-7000 RON, above the average net salary of the country. In fact, this leads towards the fact that educated respondents, with a stable budget, afford mass-tourism destinations but prefer rural ones.

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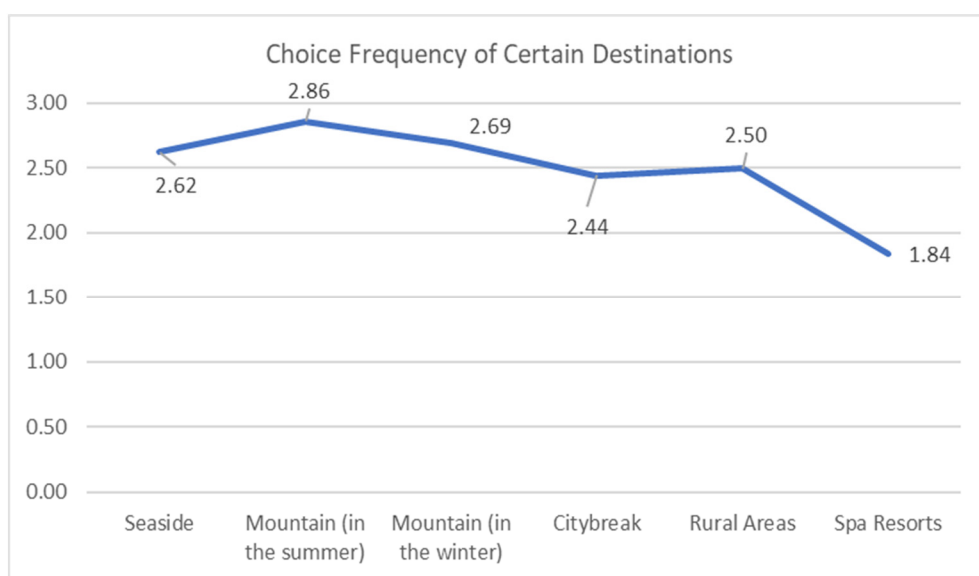
**Figure no 1. Respondents by Residence**  
Source: Authors' processing based on research data

In spite of the context generated by the COVID-19 pandemic, the interviewed tourists were not at all pessimistic. Thus, they indicated that, if travel restrictions would be imposed for international destinations and for 100 kilometers from home, most of them would not give up on their vacation plans, being willing to stick to nearby destinations and to travel for shorter distances, opting for close destinations.

Given the perception of the respondents regarding the COVID-19 pandemic, 63% of people would opt in the coming 2-3 years for small guesthouses, available for direct rentals in rural areas, trying to avoid meeting and interacting with other tourists as much as possible. Almost 20% declared that they would not be influenced by the effects of the pandemic, but this statement can be considered rather a wish than a fact, because the government of each country decides whether to relax or tighten safety measures and to allow or restrict international travel. A tenth of

the tourists would seize their holiday-travel until all epidemiological risks would be eliminated. Based on the effects of the pandemic on the medium and long term, the majority of the respondents, namely 81%, indicated they would opt for their future holidays to travel using their personal cars, regardless of the chosen destination.

In order to identify the destinations preferred by respondents in the case they would go on a holiday, a Likert scaled-question was introduced: it started from very often (5) to the never (1).



**Figure no 2. Frequency of Choice for Destinations**

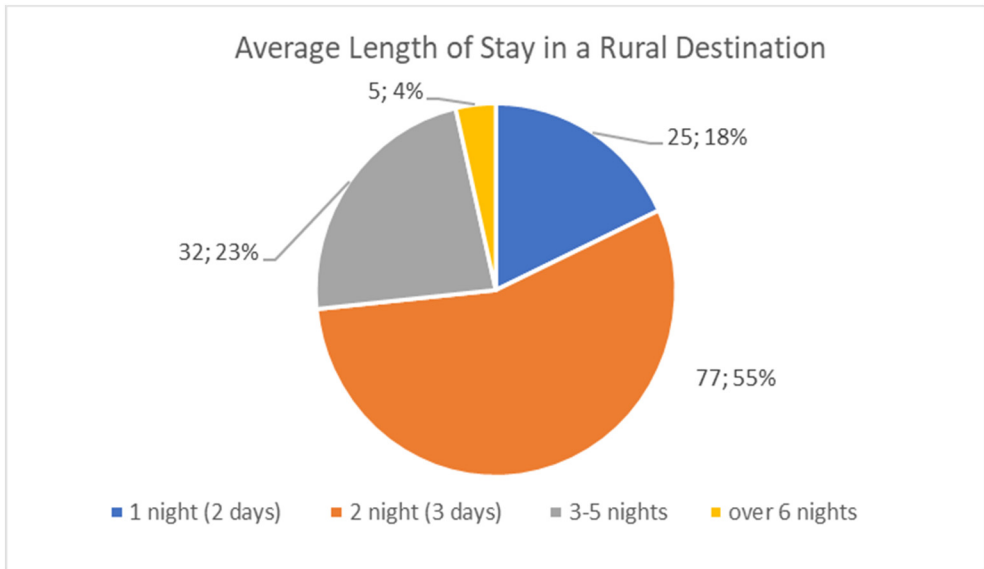
Source: Authors' processing based on research data

The findings of the study emphasize that mountain areas in Romania, regardless of season, are some of the most sought-after destinations at national level. Most of the tourists prefer *Mountain destinations during the summer*, followed by *Mountain destinations during the winter*. Together with the option *Rural Areas*, these preferences form the majority of the respondents' choices, as it is shown in Figure no. 2. The seaside, even if it has turned out to be the 3<sup>rd</sup> option, has not been chosen by most of the

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interviewed people, perhaps due to reasons such as: significant distance, services at the seaside are perceived as poor, and the destination is commonly overcrowded.

The average length of stay in rural destinations is shown in Figure no 3, below.



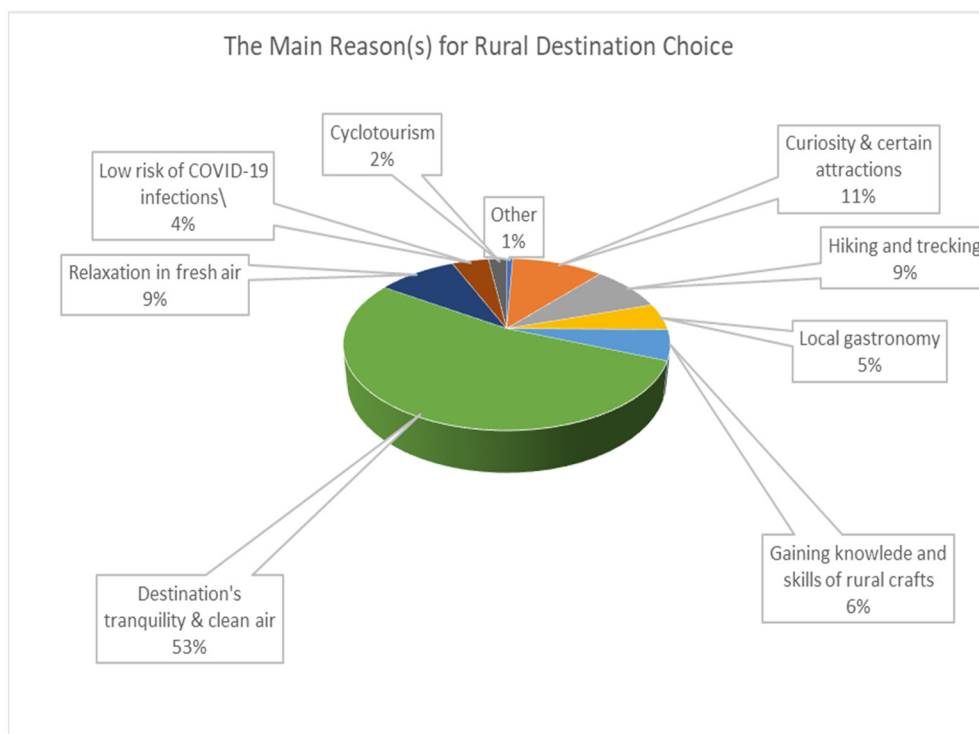
**Figure no 3. Average Length of Stay in Rural Destinations**

Source: Authors' processing based on research data

From the total number of interviewed individuals, 55% had accommodated for 2 nights during a holiday in a rural area, and nearly a quarter had stayed longer, for 3 to 5 nights. Almost 80% of them had stayed for at least 2 nights, which is a beneficial aspect for emerging destinations, because during a stay of at least three days tourists can visit many attractions and sites and can generate spending in the village, once the destination develops more amenities. The average budget per room, for two persons, per night amounts to approximately 240 lei and the average budget allocated per vacation is of 1,200 lei for a relatively short break, of 4 to 5 nights. Theoretically, Mănăstireni commune considers that it must fit in the average budget per night and per holiday taking into account the value of the area's natural and man-made attractions.

Holiday vouchers have been considered to be a stimulus for tourism and hospitality services. Therefore, the questionnaire also included a question meant to establish the proportion of those who receive such incentives and are influenced by them in terms of destination choice. The answers received were interesting, due to the fact that less than a quarter of the respondents had in fact received and benefited from holiday vouchers. One may practically presume that the Romanian state plays an important role in the development of tourism but often does not get involved to the extent of the country's tourism potential.

The most important reasons why tourists choose a rural tourist destination seem to be tranquility and the quality of the environment, as indicated by over a half of the respondents (Figure no 4).



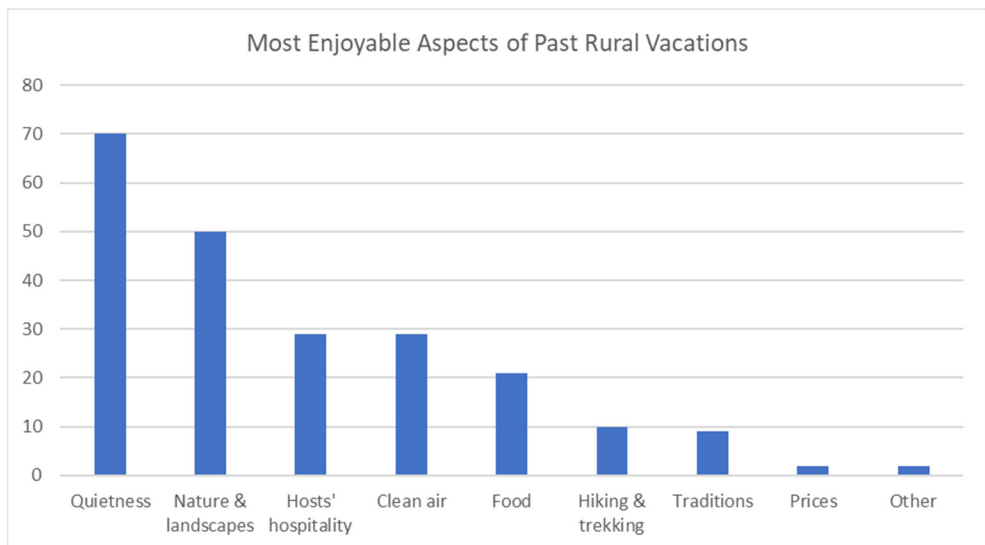
**Figure no 4. Reasons for Rural Destination Choice**

Source: Authors' processing based on research data

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Unfortunately, Romania is not among the countries that have cities with a low level of pollution, and one way to escape from such polluted areas is rural tourism. Thus, a bit more than a tenth of the respondents indicated curiosity for certain sights, so that one may only reinforce the idea that Mănăstireni presents an attractive potential, enjoying a rich tourist heritage. Hiking and local gastronomy were other triggering factors indicated by tourists and Mănăstireni enjoys the presence of such elements. Being one of the gateway entrances to the Apuseni National Park, the village proposes many hiking opportunities, and the multiculturalism of the commune can offer a lot from a gastronomic point of view. Other main reasons why they choose the rural tourist areas were different festivals or the practice of certain outdoor sports (Figure no 4).

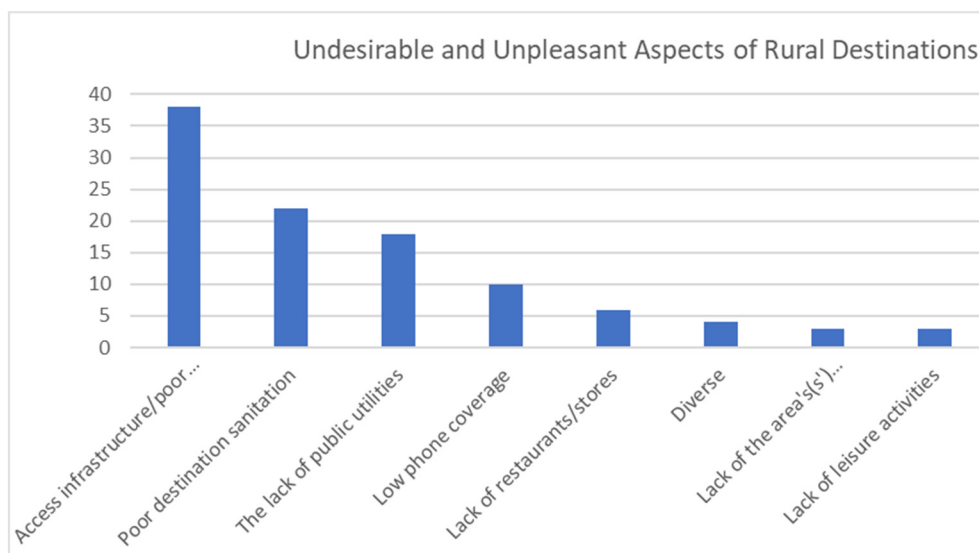
In terms of pleasant elements for tourists during holidays in rural areas, the study reveals that silence and quietness are the most important factors associated with such a holiday. In general, tourists who opt for rural tourism, seek the peace that villages provide. Of course, nature and landscapes are very important and, as one may notice in Figure no 5, the hospitality of the hosts, the clean air and gastronomy are indispensable ingredients of an enjoyable rural holiday and determine its success.



**Figure no 5. Most Enjoyable Aspects of Past Rural Vacations**

Source: Authors' processing based on research data

Obviously, aiming at improving the quality of rural tourism in the area, the unpleasant elements of such an experience must be also investigated.



**Figure no 6. Most Unpleasant Aspects of Past Rural Vacations**

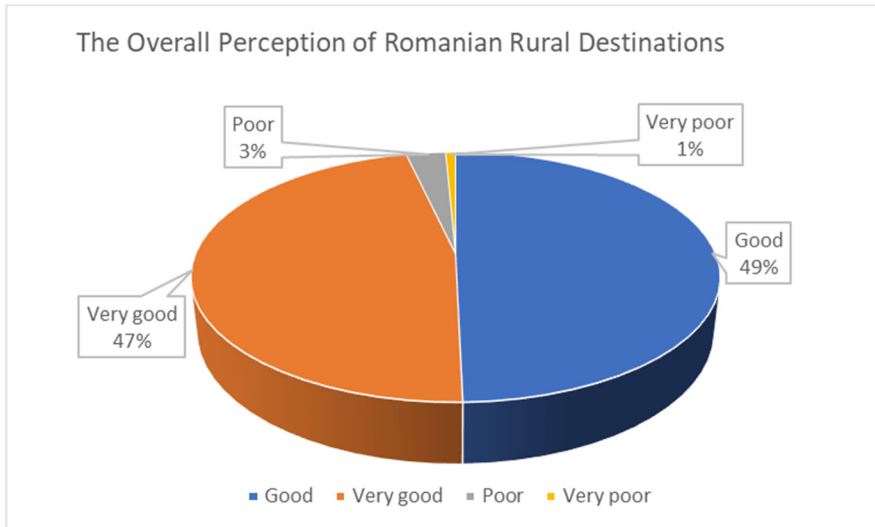
Source: Authors' processing based on research data

The main disadvantage of Romanian tourism regardless of destination is its access infrastructure. Most respondents have complained about poor roads to different rural tourist areas or tourist objectives and attractions. Mănăstireni commune enjoys an infrastructure that is good to very good, according to the official website of the Cluj County Council. Other factors that generated tourists' inconveniences were the presence of litter and garbage in the villages and the lack of a telephone signal. Fortunately, for Mănăstireni commune, the area enjoys relatively good telecommunication services, the players in the field being present in terms of infrastructure (Figure no 6).

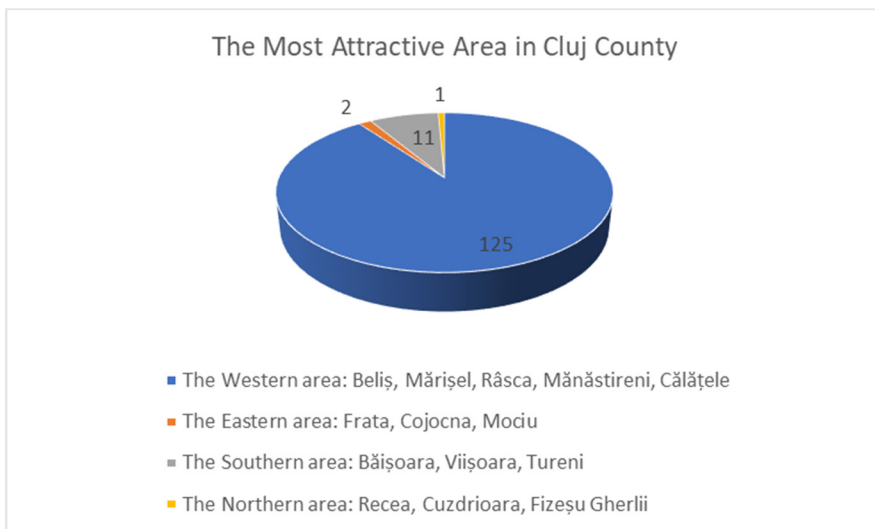
Despite the many indicated deficiencies connected to rural infrastructure, telecommunications, or cleanliness, close to a half of the respondents have a very good perception regarding their interaction with a rural tourist area. Practically, the advantages are the beautiful landscapes, the tranquility, and the friendly and hospitable villagers prevail (Figure no 7).

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Furthermore, it is obvious that except for 4% of the respondents who indicated dissatisfaction, the very large majority were contempt with the destinations they had chosen in the past.



**Figure no 7. The Overall Perception of Rural Destinations Visited in the Past**  
Source: Authors' processing based on research data



**Figure no 8. The Attractiveness of Cluj County Destinations, by Area**  
Source: Authors' processing based on research data



When asked to indicate the most attractive region in terms of rural tourism in Cluj County, the respondents' answers indicate without any doubt their categorical preference for the Western area, an area which also includes Mănăstireni commune (Figure no 8).

Even though the Western area enjoys the greatest appreciation of tourists from among all areas of Cluj County, Mănăstireni commune cannot say that it has the same success. Only 41 respondents are familiar with this village, so only a third of all tourists know something about and perhaps had visited Mănăstireni. Anyway, this is a cornerstone on which the commune can be build a beautiful project from a tourist point of view, focusing on the development of sustainable tourism and relying on the involvement of the local community members. Various fairs can be organized so that villagers can participate, supplying handcrafted products and local food, so that not only tourism develops but also the local economy. Those respondents who have indicated the commune of Mănăstireni, were asked to list a few positive aspects of the area from a tourist point of view. The most important advantage of the commune is described to be the very good position relative to the Apuseni Natural Park, which can be easily exploited. Tourists appreciate the good road to the commune and the fact that the village is very quiet. The church, the old buildings and the holiday traditions of the villagers are listed among other positive and attractive aspects.

## **Conclusions**

The results presented throughout this paper support the existing literature, which indicates that rural tourism represents an increasingly important form of tourism for Romania. A very encouraging 63.5% of the respondents indicated that they had visited rural areas fairly often over the past five years. It is expected that the percentage will rise, especially given the lasting effects and restrictions of the current pandemic.

A somewhat surprising finding is that only 4% of the respondents from the carried study indicated the low risk of Covid-19 infection associated with rural tourism, as the main reason for choosing it. Nevertheless, it can be observed that the most frequently indicated

response: the tranquility of the area, is a facilitator for social distancing and infection risk avoidance. This can have further inference from the main advantages indicated by the respondents, which were found to be centered on the same concepts: tranquility and clean air.

The present study highlighted that weaknesses of the tourism in the Mănăstireni commune are given by the following major disadvantages:

- the insufficient promotion of the tourist potential of the area due to the lack of a tourist information center;
- the lack of a zonal program that informs and motivates tourists to visit this area, on one hand, and organize residents such that to promote the tourism potential of the commune;
- the existence of a very small number of officially ranked lodgings in Mănăstireni commune.

In order to develop tourism in the commune of Mănăstireni and to make it more attractive, it is essential to launch a national advertising campaign promoting the sights in the area but also to develop a genuine destination offer, with appropriate lodging and food services, respectively with leisure activities and amenities. The key to success in rural tourism is to make areas known, to ensure the necessary price-related accommodation conditions and eliminate or reduce the indicated problems- mainly related to poor infrastructure: lack of roads, overall cleanness, lack of public utilities.

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## **NEW INSIGHTS FOR THE ZOOM PLATFORM – MOTIVATIONS BEHIND REUSE INTENTION**

**ANDREEA-IOANA ROMONȚI-MANIU<sup>1</sup>**

**ABSTRACT.** Video communication platforms have steadily risen in popularity in the last two decades, experiencing an exponential growth beginning with 2020 due to the Covid-19 pandemic. The main goal of this study was to explore the mechanism through which antecedents represented by utilitarian value, satisfaction, and privacy risk influence the reuse intention of the Zoom communication platform. A sample of 421 Romanian persons in the 18-26 age group was formed and data were collected using an online survey. Accounting for the reflective nature of the factors considered in this study, data analysis involved covariance-based structural equation modeling done in AMOS. Findings show that while utilitarian value and satisfaction both positively affect reuse intention, privacy risk negatively influences the same behavior. Thus, researchers and practitioners can better comprehend elements determining users' loyalty of the Zoom platform.

**Keywords:** Zoom platform, utilitarian value, satisfaction, privacy risk, reuse intention.

**JEL classification:** L86, M39.

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## Introduction

Social interaction and communication between people are fundamental aspects of human nature. The proliferation of solutions available to consumers with the advent of global communication and smartphone usage facilitated such interactions at a worldwide scale. Although, voice-based services have been developed first in the last two decades a shift to more complex products is observed. One such solution is represented by video conferencing.

Video communication platforms first appeared in the business-to-business environment and their usage has steadily been growing in the last two decades. The Covid-19 pandemic buckled this trend and in 2020 there was an exponential growth in number of users both in the B2B market and especially in the B2C market. For example, the global usage of the Zoom platform went from 10 million daily users in February 2019 to an average of 300 million daily users in April 2020 (Business Insider, 2020). Similar patterns of growth were observed in this time-frame for other service providers such as Microsoft (Microsoft Teams) or Google (Google Meet). Although this seems to be just an extraordinary event, several economic publications (Forbes, Business Insider, Bloomberg) predict that this trend will hold for the medium future. Due to the fact that Zoom communication platform is the worldwide leader in video communication services, with a market share of 48.7% in 2020 and positive outlook for 2021 (Emailtooltester, 2021), our study focused exclusively on it. Because of these, the mechanism and factors influencing platforms reuse intention are of particular interest to both academics and developers.

This study enhances the research literature focused on the nomological network represented by value-satisfaction-loyalty in a number of distinct ways. We show how the utilitarian facet of perceived value influences both customer reuse intention (a proxy for loyalty) and customer satisfaction. We explore the partial mediation through satisfaction of the positive relationship between value and loyalty. In addition, we report on the role that perceived privacy risk has on reuse intention, by focusing on the negative effect on this form of loyalty.

Furthermore, we explore how proposed relationships in the conceptual network change by considering gender and location as moderator elements. We focused on young Romanian users of Zoom communication platform. Therefore, the conceptual framework was studied from an online perspective based on lifestyles and culture not frequently studied. Thus, this study offers an exploration of the causal linkages between reuse intention and antecedents such as value, satisfaction, and risk, from a novel perspective.

After presenting these ideas, our paper continues with a section dedicated to literature review which provides the basis for the proposed conceptual framework and research hypotheses. Then, a methodological chapter follows. It deals with specific issues regarding target population, sampling, questionnaire development, and data collection. Data analysis, results presentation, and discussion logically follow the methodological part of our study. The paper ends with an overview of limitations, future research opportunities based on our model, and with a brief conclusion highlighting the main points of the study.

## **Literature review**

### ***Utilitarian value***

Research literature focused on perceived value suggests it can be considered both as a unidimensional construct – when viewed globally – and as a multidimensional one – when viewed granularly.

Over the decades, various research streams have emerged that consider the diverse facets of this construct. For example, Woodruff (1997) proposed the hierarchy of consumer values, Hartman (1967) developed the axiological perspective of value, and Holbrook (1996) considered value as an eight-dimensional construct. In addition, Sheth et al. (1991) developed the theory of consumption values, a five-dimensional approach to perceived value, and Babin et al. (1994) were early proponents of the two-dimensional study of value (functional and hedonistic value).

Irrespective of a particular research avenue, all of them consider the functional or utilitarian dimension of perceived value. This dimension refers to the cognitive, more tangible, and practical side of perceived value.

It usually encapsulates benefits that can be easily measured (e.g., increase in efficiency or efficacy, added monetary value, added tangible product attributes), and, at the same time, sacrifices directly quantifiable (e.g., cost or price of a product, number of hours spent on acquiring or learning how to use the product).

Because of the omnipresence of utilitarian value in various research environments and corroborated with the focus on practicality associated with the Zoom communications platform, we decided to stick just to this dimension of the broader concept of value. We also acknowledge that our study could have been improved if we considered other facets such as hedonistic or social value.

Utilitarian value usually influences, both in offline and online environments, consumers satisfaction with an offer (Lee et al., 2009; Prebensen et al., 2014; Scridon et al., 2019). At the same time, it predicts, directly or by partial mediation through other concepts (e.g., trust, attitudes, satisfaction), different flavors of loyalty (Faroughian et al., 2012; Orero-Blat et al., 2020).

### ***Privacy risk***

Perceived risk is seen, according to Kogan and Wallach (1964), as two relatively different facets: a chance associated with a known probability and a danger which deals with the severity of the presumed negative consequences. Stone and Winter (1987) consider risk as an expectation of a loss, while Mitchell (1999) argues that it rises proportionally with the increase in the probability of a loss supported by consumers.

Due to the exponential growth and the nature of online services used by consumers, privacy risk has become an important dimension of the overall concept of risk. Privacy risk beliefs were explored by Raschke et al. (2014) as predictors of behavioral intention to use an online navigation platform. Also, Thomas et al. (2013) identified privacy risk as a salient variable influencing intention to use online services.

Furthermore, Wang and Lin (2017) considered perceived privacy risk together with perceived trust as antecedents of behavior intention to reuse a navigation app, and Scridon et al. (2019) embedded risk in a nomological network as an indirect predictor of intention to switch providers (in a business-to-business environment).

### ***Satisfaction***

Customer satisfaction represents a very comprehensive concept for which one can identify many definitions. Even so, when somebody is being asked to give a definition, this task becomes very difficult. Although satisfaction has been considered as a fulfillment response, intensifying or reducing different reactions (Oliver, 2015), more recently, a simpler version of defining it is preferred. Thus, according to Zeithaml et al. (2018, p.80) satisfaction represents “the customer’s evaluation of a product or service in terms of whether that product or service has met the customer’s needs and expectations”.

There are multiple research contexts (e.g., e-learning services, online traveling services, video on demand) concerned with the conceptualization and possibilities of measuring this concept, satisfaction being associated with contentment, pleasure, delight, and ambivalence (Zeithaml et al., 2018).

Considering possible antecedents, a good predictor of satisfaction is utilitarian or functional value. The relationship is usually characterized by a significant and positive association between this form of perceived value and satisfaction (Iyer et al., 2018; Jin and Xu, 2021). Researchers have also considered other antecedents that successfully help to explain satisfaction. These factors are related to: service quality (Ghane et al., 2011; Lien et al., 2011; Amin, 2016; Kaya et al., 2019), social identification (Chen and Lin, 2019), perceived value (Lien et al., 2011, Chen and Lin, 2019), hedonistic value (Iyer et al., 2018; Jin and Xu, 2021), social value, congruence (Iyer et al., 2018), confirmation, perceived usefulness, trust (Piriyakul et al., 2015), social dimension, environment structuring, meta-cognition strategies (Puška et al., 2021), site organization, user friendliness, personal need, efficiency, reliability, responsiveness (Raza et al., 2020).

Most studies focused on satisfaction highlight a positive relation with loyalty both in an offline and an online environment. Some of them (Luarn and Lin, 2003; Shankar et al., 2003; Ghane et al., 2011; Amin, 2016) tip the scale in favor of the second one, the positive effect of satisfaction on loyalty being stronger in the online medium. Also, referring to loyalty, other researchers tested the link between satisfaction and intention to reuse (Wang, 2008; Piriyakul et al., 2015; Alalwan, 2020), the results being significant and positive.



Loyalty is a salient consequence of satisfaction. Viewed granularly, of particular interest to researchers, were a number of proxies to loyalty such as commitment (Luarn and Lin, 2003), continuance, participate, and purchase intention (Chen and Lin, 2019), re-patronage intention (Iyer et al., 2018), behavioral intentions (Lien et al., 2011). It is worth mentioning that trust has been considered both as a determinant and a consequence of satisfaction (Ghane et al., 2011; Piriyaikul et al., 2015), thus, to avoid ambiguity, we decided not to include it in our study.

### ***Reuse intention***

Determining consumers to return is a key issue for companies today. Therefore, understanding how or why a customer becomes loyal remains one of the crucial challenges nowadays (Luarn and Lin, 2003). Consumer loyalty for e-services was mainly concerned with keeping consumers online (Raza et al., 2020). To explain, customer e-loyalty can be translated as consumer long-term engagement to reuse services from the same company (Pham et al., 2018). Other perspective of e-loyalty refers to consumers' willingness to recommend an e-learning program, state favorable things about it, and be more likely to return to the same e-learning platform (Kilburn et al., 2016). Jin and Xu (2021) also suggest that e-loyalty can be measured by continuing to use a knowledge platform, recommending it to others and not trying to use other similar knowledge platforms. These approaches are consistent with Hsiao and Chen's (2016) examination where online loyalty has been defined as a consumer's intention to buy from a website or to visit it again.

Consumer decision-making is a complex process, and it can be influenced by many different factors. Customers who are satisfied with a website or online platform will be more likely to trust and to reuse it (Jiang and Lau, 2021). Thus, customer satisfaction is an essential key element for continuance usage intention in terms of mobile news apps (Ye et al., 2019). In addition, perceived value, trust, and attitudinal commitment were found to be important determinants of e-service loyalty because of the highly valued relationships that are created (Luarn and Lin, 2003). In the same context, service quality is a strong determinant of customers' intention to revisit an internet website or to deliver favorable WOM (word of mouth) to other consumers (Carlson

and O’Cass, 2011). However, Amin (2016) has shown that internet banking service quality had no positive relationship with customer loyalty. Nevertheless, service quality has an indirect effect on customer loyalty via customer satisfaction, according to Amin (2016).

Existing research in relation to brand loyalty is also concerned with positive consequences for companies such as financial benefits, winning market share and developing sustainable competitive advantage (Luarn and Lin, 2003). Loyalty is also valuable for customers. When consumers are loyal to a product or service, they could save time otherwise spent searching and evaluating purchase options (Hsiao and Chen, 2016).

### ***Conceptual framework and research hypotheses***

Customer’s utilitarian value usually influences his/her satisfaction level. As perceived utilitarian value increases in a range of studies (Lee et al. 2009; Prebensen et al. 2014; Jin and Xu, 2021) is shown that there is also a higher degree of enjoyment or delight from the part of the consumer. Although at first glance, an incompatibility between utilitarian value – conceptualized and measured as a cognitive construct – and satisfaction – by definition, viewed as an affective construct – Lin and Wang (2006) and Hsu and Lin (2016) demonstrated empirically that perceived value had a significant effect on satisfaction. Therefore, we argue that:

*H<sub>1</sub>: An increase in perceived utilitarian value will have a positive effect on consumer satisfaction.*

A possible impact of satisfaction on reuse intention was highlighted by Jiang and Lau (2021) in the context of ride-sharing websites. They demonstrated that reuse intention was positively affected by both an increase in satisfaction and a decrease in perceived risk. Ye et al. (2019) also explored the relationship between customer satisfaction and continuance usage intention in terms of mobile news apps. Again, it was shown that customer’s experience of satisfaction positively influences usage intention in the near future. Raza et al. (2020) studied the influence of satisfaction on loyalty (reuse intention) in the context of internet banking services and came to the same conclusion as in the previous studies. Thus, we expect that:

*H<sub>2</sub>: An increase in consumer satisfaction will have a positive effect on reuse intention.*

Utilitarian value focuses on user's ability to work, learn, and communicate more effectively and quickly. Therefore, it is seen as an extrinsic factor positively influencing adoption and reuse intention of online platforms that help achieve these goals (Hsu and Lin, 2016). Luarn and Lin (2003) have studied the impact of perceived value on loyalty in an e-service environment and found a significant positive relationship between the mentioned factors. Luo and Ye (2019) also considered the utilitarian value – loyalty relationship and demonstrated that value associated with an online out-shopping platform affects in a positive manner customers' intention to reuse it. Based on these ideas, we propose the following hypothesis:

*H<sub>3</sub>: An increase in perceived utilitarian value will have a positive effect on reuse intention.*

Gupta and Kim (2010) have shown that perceived risk negatively affects behavioral intention to reuse an online navigation platform. In the online environment, consumers perceive a greater risk of illegal sharing of personal information by service providers with third parties (Zhou, 2011), therefore reuse intention of such services is negatively affected. Also, Wang and Lin (2017) indicated that perceived confidentiality risk is negatively associated with the predisposition of sharing personal information with online service providers. This has a negative impact on adoption and usage intention of online platforms because most of them, in order to work properly, require some personal information. Hence, we argue that:

*H<sub>4</sub>: An increase in perceived privacy risk will have a negative effect on reuse intention.*

Due to the fact that utilitarian value has an effect on both customer satisfaction and intention to reuse an online platform, and at the same time satisfaction is supposed to influence reuse intention, a partial mediation hypothesis arises. Formally, we state that:

*H<sub>5</sub>: Satisfaction partially mediates the positive relationship between utilitarian value and reuse intention.*

In a number of previous studies (Hsu and Lin, 2016; Wang and Lin, 2017) concerned with the proposed conceptual framework (partially or totally) gender is considered as a possible moderator of the paths in the structural model. Consequently, we decided to explore, in our study, the moderating effect of gender on all the proposed casual relationships. Thus, the following set of hypotheses emerges:

*H<sub>6</sub>: The relationship between utilitarian value and satisfaction is stronger for females.*

*H<sub>7</sub>: The relationship between satisfaction and reuse intention is stronger for females.*

*H<sub>8</sub>: The relationship between utilitarian value and reuse intention is stronger for females.*

*H<sub>9</sub>: The relationship between privacy risk and reuse intention is stronger for females.*

In a similar fashion and supported by the same studies mentioned for the previous set of hypotheses, consumers' location can also play a moderator role for all the relationships in the nomological network. Therefore, we formulate the next set of hypotheses:

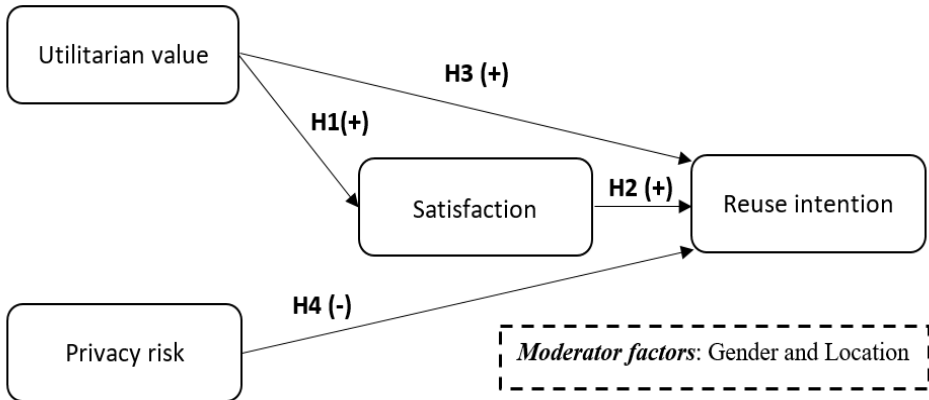
*H<sub>10</sub>: The relationship between utilitarian value and satisfaction is stronger for an urban setting.*

*H<sub>11</sub>: The relationship between satisfaction and reuse intention is stronger for an urban setting.*

*H<sub>12</sub>: The relationship between utilitarian value and reuse intention is stronger for an urban setting.*

*H<sub>13</sub>: The relationship between privacy risk and reuse intention is stronger for an urban setting.*

Concluding our presentation of the proposed conceptual framework, we graphically show in figure 1 the main factors and the relationships assumed to exist between them.



**Figure 1. Conceptual framework**

## Material and Method

### *Measurement scales*

Considering the reflective nature of the factors from the proposed conceptual framework, multi-item, seven point, Likert-type measurement scales were identified and adopted for each construct. Items from the measurement scales were translated in Romanian following the back translation method proposed by Brislin (1980). We mention that the complete measurement scales used in our questionnaire can be consulted in Appendix A at the end of this article.

Utilitarian value was measured at a global level using items adopted from Hsu and Lin (2016). We decided to measure value globally and not at a component level (benefits and sacrifices) because, in this study, it does not play center stage in the investigated nomological network. Also, we were more interested in its relationships with factors such as satisfaction and intention to reuse, than exploring value at a granular level. Furthermore, there are, as mentioned in the literature review chapter, research streams that consider value as a unidimensional construct, thus offering additional support for measuring it globally.

Satisfaction is a factor than can be successfully measured from a global or unidimensional perspective, but also as a difference between expectations and perceptions (the gap model). In this study, for parsimony, we consider satisfaction as a unidimensional construct. Considering the online context of our study, we adopted the measurement scales proposed by Hsu and Lin (2016), who also measured satisfaction but with online apps that facilitate micro-transactions or e-payments.

Perceived confidentiality or privacy risk represents a facet of the broader term of perceived risk. In the specific research literature, perceived risk, with its various dimensions (operational, functional, financial, etc.) is usually measured using multi-item scales. In our study, we did not deviate from this convention and adopted measurement scales developed by Wang and Lin (2017) in the context of location-based apps. These scales naturally necessitated adjustments to our research direction, by modifying some of the words to better reflect the online environment of our study.

Reuse intention as a proxy of loyalty was operationalized by adopting and modifying measurement scales also developed by Wang and Lin (2017). It is worth mentioning that, in our study, we did not observe actual behavior but instead the intention to engage in such behavior. Therefore, caution must be taken when considering the predictive power of the proposed model, because usually there is a discrepancy between intention and actual behavior.

Before implementing the main survey, the data collection instrument was validated using a pretest. In this phase, 8 respondents were involved, each of them being an experienced user of the Zoom platform. They were asked to critically review and comment on the content and wording of each question, as well as on questionnaire length and time to complete it. After reviewing their comments, we concluded that we achieved acceptable reliability and face validity for our questionnaire, hence we proceeded with the main survey.

### ***Method***

Based on our research objectives described previously, the target population in our study were Romanians graduating at least a high school and continue their education, in the 18-26 age group, all users of the online communications platform Zoom.

We defined our target population this way because we identified a lack of studies done in Eastern Europe referring to usage of online communications platforms (offering in an integrated way voice, video, file sharing and other productivity elements) in the young population. Zoom was chosen because it was the preferred platform, recently edging out other alternatives such as Microsoft Teams or Google Meet.

In the absence of an adequate sampling frame, we decided to choose a non-probabilistic sampling technique. Therefore, a sample was formed using judgmental sampling to select individuals from the target population described earlier.

Data collection was carried out for five days, in the first semester of 2021, using an online survey, developed on the SurveyMonkey platform. After cross-checks and data validation, 421 usable responses were retained for data analysis. The sample structure is shown in table 1, based on respondents' gender, location, and average time spent on the Zoom platform (daily and weekly).

**Table 1. Sample structure**

<b>Variable</b>	<b>%</b>
<i>Gender</i>	
Female	69.1
Male	30.9
<i>Location</i>	
Urban	67.7
Rural	32.3
<i>Time spent daily (on average)</i>	
< 1 hour	1.4
[1-2] hours	6.4
[2-4] hours	39.9
> 4 hours	52.3
<i>Time spent weekly (on average)</i>	
Daily	5.7
Between 5-6 days	44.7
Between 2-4 days	48.9
One day or less	.7

*Source: authors' own calculation*

One can easily observe an imbalance in the sample structure based on gender and location. This is due to the fact that in Romania a higher proportion of young women continue their education, than men (at the national level the split is approximately 65% in favor of women) (INS, 2017). Also, a higher proportion of young people from an urban area continue their education than from a rural population, therefore our sample approximately reflects the structure of the target population. Furthermore, considering how we defined our population – users of the communications platform Zoom and young people that continue their education – our sample includes respondents that on average use Zoom in a relatively intensive way (more than half use it for at least 4 hours a day). Additionally, weekly usage is high, 48.9% of respondents declaring they are using it between 2-4 days per week.

## **Results and Discussions**

### ***Data analysis***

#### *Measurement model*

Considering the proposed nomological network and the reflective nature of the factors within it, the data analysis process is based on covariance structural equation modeling (SEM). We mention that all data analysis was performed with support of IBM SPSS and AMOS version 20.

According to Hair et al. (2010) and Byrne (2013), the first step involves confirmatory factor analysis (CFA) in order to achieve an acceptable measurement model. Model fit is evaluated taking into account Chi-square/degrees of freedom ( $\chi^2/df$ ), Goodness-of-fit index (GFI), Adjusted goodness-of-fit index (AGFI), Comparative fit index (CFI), Root mean square error adjusted (RMSEA), and PClose. In table 2 values for the aforementioned model fit indicators are presented along with the recommended thresholds for them.

As one can observe in table 2, all goodness-of-fit indicators are in accordance with their threshold values, therefore acceptable model fit was achieved.



**Table 2. Measurement model fit**

<b>Indicator</b>	<b>Value</b>	<b>Threshold</b>
$\chi^2/df$	1.779	<3
GFI	.963	>.95
AGFI	.942	>.80
CFI	.990	>.95
RMSEA	.043	<.05
PClose	.795	>.05

*Source: authors' own calculation*

In addition to CFA performed in AMOS, we also did an exploratory factor analysis (EFA) to verify the factor pattern structure. EFA was evaluated with the Kaiser-Meyer Olkin (KMO) statistic ( $0.892 > 0.5$ ) and Bartlett's test of sphericity ( $p\text{-value} = 0 < 0.05$ ). Thus, the available data is useful in performing an EFA. The complete pattern matrix can be consulted in Appendix B.

Usually, the second step in covariance-based SEM involves evaluating measurement scales' reliability, convergent and discriminant validity. Reliability was evaluated using composite reliability (CR) values above 0.7 considered acceptable.

Convergent validity was deemed adequate if the average variance extracted (AVE) for each factor in the proposed nomological network was equal or greater than 0.5.

Discriminant validity was assessed using the technique first described by Fornell and Larcker (1981), according to which the square root of the average variance extracted for each individual construct should exceed the bivariate correlation between the respective construct and the other constructs within the measurement model. Additionally, we also considered other criteria for discriminant validity, such that the Maximum Shared Variance (MSV) for each construct should be smaller than their AVE.

Results for measurement scales' reliability and convergent validity are presented in table 3, and for discriminant validity in table 4.

Results in table 3 show no concerns relating to the measurement scales' reliability or convergent validity. Also, the values in table 4 do not indicate discriminant validity problems.

**Table 3. Measurement scales' reliability and convergent validity**

	CR	AVE
<b>Satisfaction</b>	0.942	0.801
<b>Utilitarian Value</b>	0.878	0.705
<b>Reuse intention</b>	0.918	0.789
<b>Risk</b>	0.907	0.764

*Source: authors' own calculation*

**Table 4. Measurement scales' discriminant validity**

	MSV	Satisfaction	Utilitarian Value	Reuse intention	Risk
<b>Satisfaction</b>	0.602	<b>0.895</b>			
<b>Utilitarian Value</b>	0.602	0.776	<b>0.840</b>		
<b>Reuse intention</b>	0.416	0.645	0.643	<b>0.888</b>	
<b>Risk</b>	0.012	0.003	0.041	-0.109	<b>0.874</b>

*Source: authors' own calculation*

Thus, based on results from tables 3 and 4, we confidently continue our data analysis process, translating from the measurement to the proposed structural model.

### *Structural model*

With the main aim of hypothesis testing for this part of the process, we start by evaluating once again model fit, this time for the structural model. We used the same goodness-of-fit indicators previously mentioned for the measurement model. Values for those indicators are presented in table 5.

It can be seen that all model fit indicators again are in accordance with their threshold values, therefore, structural model fit is considered adequate. Accordingly, we focus next on hypothesis testing.

**Table 5. Structural model fit**

<b>Indicator</b>	<b>Value</b>
$\chi^2/df$	1.759
GFI	.962
AGFI	.943
CFI	.990
RMSEA	.043
PClose	.815

*Source: authors' own calculation*

The hypotheses referring to direct relationships between factors will be confirmed if the associated standardized regression weights (SRW) have a p-value less than 0.05 and also have the expected sign. Results for this set of hypotheses are presented in table 6.

**Table 6. Standardized regression weights and hypotheses status**

<b>Independent variable</b>	<b>Dependent variable</b>	<b>SRW</b>	<b>p-value</b>	<b>Hypothesis status</b>
Satisfaction	Reuse intention	.360	.000	Confirmed
Utilitarian value	Reuse intention	.370	.000	Confirmed
Risk	Reuse intention	-.125	.002	Confirmed
Utilitarian value	Satisfaction	.776	.000	Confirmed

*Source: authors' own calculation*

As seen in the last column of table 6, all hypothesis referring to direct relationships between factors were confirmed.

To better understand the proposed conceptual framework, we continue with the hypothesis involving partial mediation of the relationship between utilitarian value and reuse intention by satisfaction. Using bootstrapping (2000 samples) and bias-corrected confidence intervals (95%), we arrived at an estimate for the indirect effects of 0.264 (p-value=0.001, 0.122 lower bound, and 0.427 upper bound for the confidence interval). Thus, satisfaction partially mediates the positive effect of utilitarian value on reuse intention.

We finalize the data analysis process with the proposed hypotheses referring to the role played by gender and respondents' location (urban or rural) as moderators. In this regard we used the built-in multi-group function of AMOS, which is based on the chi-square approach of testing multi-group differences. The outputs of this function are shown in tables 7 (gender) and 8 (location).

**Table 7. Standardized regression weights and hypotheses status (gender as moderator)**

<b>Independent variable</b>	<b>Dependent variable</b>	<b>SRW</b>	<b>p-value</b>	<b>Hypothesis status</b>
<b>Female</b>				
Satisfaction	Reuse intention	.256	.002	Not confirmed
Utilitarian value	Reuse intention	.466	.000	Confirmed
Risk	Reuse intention	-.094	.054	Not confirmed
Utilitarian value	Satisfaction	.766	.000	Not confirmed
<b>Male</b>				
Satisfaction	Reuse intention	.576	.000	Confirmed
Utilitarian value	Reuse intention	.165	.215	Not confirmed
Risk	Reuse intention	-.165	.026	Confirmed
Utilitarian value	Satisfaction	.784	.000	Confirmed

*Source: authors' own calculation*

We mention that the chi-square value is 22.137, with 13 degrees of freedom, and an associated p-value of 0.053 (the null hypothesis cannot be rejected at the 95% confidence level, but is rejected at the 90% level), thus indicating differences between females and males.

**Table 8. Standardized regression weights and hypotheses status (location as moderator)**

<b>Independent variable</b>	<b>Dependent variable</b>	<b>SRW</b>	<b>p-value</b>	<b>Hypothesis status</b>
<b>Urban</b>				
Satisfaction	Reuse intention	.389	.000	Confirmed
Utilitarian value	Reuse intention	.334	.000	Not confirmed
Risk	Reuse intention	-.169	.000	Confirmed
Utilitarian value	Satisfaction	.757	.000	Not confirmed
<b>Rural</b>				
Satisfaction	Reuse intention	.177	.293	Not confirmed
Utilitarian value	Reuse intention	.568	.002	Confirmed
Risk	Reuse intention	.001	.987	Not confirmed
Utilitarian value	Satisfaction	.831	.000	Confirmed

*Source: authors' own calculation*

The chi-square value is in this situation equal to 27.722, with 13 degrees of freedom, and a p-value of 0.010. Therefore, significant differences between respondents from urban locations and rural ones are observed.

In the next section of this paper, we will discuss the main results of the data analysis process referring to other studies with a similar topic.

### ***Discussion***

Considering the main aim of our study, namely, to explore several factors' (utilitarian value, satisfaction, and risk) influence on reuse intention of the Zoom communications platform, we have shown how this form of loyalty is influenced, either directly or indirectly, by each of the mentioned predictors.

First, the collected data supports the presumed relationship between utilitarian value and reuse intention. Hence, if Zoom communication platform is perceived as providing a greater utilitarian value to its customers than other alternatives, its reuse intention will probably increase or, at the least, remain constant in the near to medium future.

This finding is similar with the results from Lee et al. (2009) which demonstrated that only utilitarian value has a direct effect on behavioral reuse intention in the online auction shopping environment. Furthermore, Prebensen et al. (2014) also showed that utilitarian value is a strong predictor of loyalty in the holiday market when choosing a tourist destination through online recommendations websites.

Therefore, the developers of the Zoom platform should try to maximize utilitarian motivations such as efficiency, quality, and rapid response time in order to increase users reuse intention. A clear and concise layout of the different functions of the Zoom platform together with an intuitive menu will, for sure, facilitate these utilitarian goals.

Second, our model considers satisfaction as playing two roles. It is a salient predictor of reuse intention having a strong positive effect on this form of loyalty. At the same time, satisfaction partially mediates the positive effect of utilitarian value on reuse intention. Our results are in line with those of Lien et al. (2011) that showed the dual role played by satisfaction in an online shopping context and Hsu and Lin (2016) which studied the similar perspective in an e-payment environment.

Given the competition, based on functionality and price (usually free), developers should be aware of the importance of satisfaction among Zoom users. Thus, developers should strive to manage consumers' expectations

and, at the same time, offer not just functional experiences, but also emotional ones. These expectations could be managed using targeted advertising (preferably online) plus facilitating and encouraging positive word of mouth on various social media platforms. Furthermore, expectations should be consistently met and even outdone by what is delivered in terms of experiences to the end users. Doing this, it will not only create satisfaction, but also drive reuse intentions for the Zoom platform.

Third, our results highlight the negative effect of perceived privacy risk on reuse intention. Similar findings were reported by Zhou (2011) in the context of websites targeting smartphone users, and Wang and Lin (2017) for navigation apps. All of them bring forward the importance of privacy for users of online services. Reuse intention will consistently drop if customers consider that their personal information is not treated as confidential or even sold to third parties by such platforms.

With this in mind, providers of online communication services should emphasize the care and security for the personal data of their users. Also, by default explicit consent should be obtained for each user if personal information will be used in other contexts than to access the primary service offered. Additionally, in the event of users data breaches, the providers of these services should adopt a clear and transparent policy to swiftly address such inconveniences for the consumers.

In addition to the direct effect relationships previously discussed, our model included two variables – gender and location – as moderators of the causal paths already explored. Results show that for some relationships, there is a moderator effect from both variables. For example, the positive relationship between satisfaction and reuse intention is stronger for females indicating the higher importance of managing emotional motivations for this group of users. Another example shows that urban users have greater concerns for privacy when using such online services and their reuse intention will be lower if not properly addressed. Also, urban consumers perceive higher levels of utilitarian value when using online communication services, thus, it is more likely that this group will reuse such platforms.

#### *Limitations and future research*

The main findings of this study should be interpreted with caution because of several considerations. Firstly, the sample used is a non-probabilistic one and results should not be generalized to the whole target population, but used as guidelines or indications of the relationships

between the factors considered. When an adequate sampling frame becomes available, stratified sampling could be used to form a representative group of persons and to study it.

Secondly, a number of factors that are antecedents of loyalty were omitted from our model. We acknowledge that trust, attitudes, perceived quality, or social norms play an active role in shaping consumers intention and loyalty. In future studies, one or two additional concepts could be included in order to better explain consumers' reuse intentions of the Zoom platform.

Thirdly, this study did not consider the impact of reuse intention on the service provider. Therefore, a possible avenue of research could explore the specific influence that loyalty manifested to reuse intention has on company's profitability and costs of doing business.

Fourthly, the subjects were users of Zoom services in Romania, all of them being young and relatively well educated (at least a high school diploma). Considering these, lifestyles and culture may differ between groups of consumers and countries. Future research may incorporate the additional variables in order to better explain the main relationships from the model.

## **Conclusions**

In this article, we wanted to explore the mechanism through which utilitarian value, satisfaction, and privacy risk influences reuse intention of the Zoom communication platform. Based on the collected data, results show that perceived utilitarian value influences both directly and indirectly (partial mediation by satisfaction) the intention to continuously use Zoom by end consumers. At the same time, there is also a strong positive effect of satisfaction on loyalty (manifested as reuse intention). Juxtaposed, perceived privacy risk has negative effect on consumers' motivations to reuse such online services as provided by Zoom. Furthermore, in our model there are multi-group differences (based on gender and location) for the analyzed paths, some of them being irrelevant for particular groups (e.g., rural users).

Our study could provide some valuable insights for practitioners interested in enhancing their customers' loyalty by explaining how they should integrate the main findings of this research in the overall customer experience strategy.

## Appendix A. Measurement scales

Construct	Item
<i>Utilitarian value</i> <sup>a</sup>	
	Using Zoom enables me to accomplish work, learning, and communication more quickly. (UV1)
	Using Zoom enables me to accomplish work, learning, and communication more effectively.(UV2)
	Using the app improves the quality my work, learning, and communication.(UV3)
<i>Satisfaction</i> <sup>a</sup>	
	Using Zoom makes me feel very satisfied. (SAT1)
	Using Zoom gives me a sense of enjoyment.(SAT2)
	Using Zoom makes me feel very contented.(SAT3)
	Using Zoom makes me feel very delighted.(SAT4)
<i>Privacy risk</i> <sup>b</sup>	
	Providing Zoom with my personal information would involve many unexpected problems. (Risk1)
	It would be risky to disclose my personal information to Zoom.(Risk2)
	There would be a high potential for loss in disclosing my personal information to Zoom.(Risk3)
<i>Reuse intention</i> <sup>b</sup>	
	Given the chance, I intend to reuse Zoom.(R1)
	I expect my reuse of Zoom to continue in the future.(R2)
	I intend to reuse Zoom.(R3)

Source: adapted from Hsu&Lin (2016)<sup>a</sup> and Wang&Lin (2017)<sup>b</sup>



**Appendix B. EFA Pattern Matrix**

	Factor			
	1	2	3	4
UV1				.623
UV2				.920
UV3				.755
SAT1	.849			
SAT2	.907			
SAT3	.773			
SAT4	.956			
R1		.851		
R2		.831		
R3		.947		
Risk1			.886	
Risk2			.833	
Risk3			.903	

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalization.

*Source: authors' own calculation*

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## **INA FOOD INDUSTRY: A COMPANY THAT MAKES EMPLOYEES HAPPY**

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TORU TAKAHASHI<sup>4</sup>, SEIKO ADACHI<sup>5</sup>**

**ABSTRACT.** This research illustrates how a traditional Japanese company, Ina Food Industry, focuses on talent operations, engagement, their well being and social innovation. The authors worked with key executives and talent operators from Ina Food Industry to underpin the main characteristics of their talent operations strategy and to determine how the organization draws from its corporate philosophy and core elements of traditional Japanese culture to create sustainable user engagement and to develop a unique employee value proposition.

**Keywords:** Innovation, Japan, Organization, Transformation, Sustainability, Talent, Strategy, Ethics

**JEL Classification:** M10, L66

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## Background

Ina Food Industry Co. Ltd. (hereinafter, “Ina Food”) is headquartered in Ina City (Nagano Prefecture) and it the largest manufacturer and seller of *agar-agar* in Japan. *Agar-agar* is a traditional vegetable gelatin made from seaweed. Ina Food’s leading product has been commercial *agar-agar* for food manufacturers. Ina Food has also launched numerous products for household use, such as jellies, seaweed salads, Bavarian cream and various soups commercialized under the “Kanten Papa brand name,” products which account for 30% of the company’s sales. Although this brand is not widely known throughout the world, as its products are being sold mainly in select stores in Nagano and Yamanashi prefectures in Japan, the company has many customers and fans across Japan, many of who purchase products through direct sales channels. In addition to food, Ina Food also sells a range of *agar* products for other household and agricultural uses.

In 2015, Ina Food held approximately an 80% share of the domestic Japanese market and a 15% share of the global market of commercial-use agar products. The company achieved growth in revenue and profit for the 58th consecutive year from its foundation in 1958 until 2015, while its operating profit ratio also exceeded 20% increase.

Despite its continuous growth and its remarkable business results, Ina Food has never set an annual sales target. As a general guideline, it aims to slightly increase their sales number in comparison with that of the previous year. Hiroshi Tsukakoshi, the founder of the company, said, “I want Ina Food to improve little by little every year, and I want my employees to become a little happier every year. Because that is what I would like to achieve, I am committed to the gradual growth and solid management of the company.”<sup>6</sup>

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<sup>6</sup> “Chōrō no Chie (The Wisdom of Elders) Part 1 of 4 — Hiroshi Tsukakoshi — Making Employees and Society Happy: That is the Way a Company Should Be”, in *Shukan Toyo Keizai*, April 23, 2011 edition.

## Research Methodology

We conducted research based on an actual business case study. The authors of this research also engaged in first-hand participatory observation, working as in-house consultants, organizational performance assessors and talent review officers for the organization. Therefore, we could observe directly various decision-making processes, managerial initiatives and we could engage in executive conversations with key decision makers (Yin 2003). In addition, we conducted 568 surveys, 8 focus group interviews and 26 focus group interview (FGI) sessions comprising of talent managers, project owners, organizational architects, chief engineers and corporate executives.

## Hiroshi Tsukakoshi, the “Real” Founder of the Company

Hiroshi Tsukakoshi was born in 1937 in Nagano Prefecture. His father, an artist of Western paintings, passed away when Hiroshi was two years old, so he was raised by his mother. His mother had multiple jobs in addition to farming, and Hiroshi helped her farm work. Life was not easy; he spent his days busy back and forth between home and school during school hours to help his mother out with farm work. Stricken by tuberculosis at the age of 17 due to overwork and malnutrition, he was forced to spend as long as three years in the hospital and ended up dropping out of high school despite his excellent grades in school.

After being discharged from long-term hospitalization, Tsukakoshi joined a lumber company in the Ina region. His diligent work caught the president’s attention, and a year and a half later in 1958, he was put in charge of the management of an affiliated agar factory, a small-sized corporation called “Ina Chemical Agar Co., Ltd.,” which produced agar-agar and was the predecessor of Ina Food. Hiroshi Tsukakoshi was dispatched as “acting President” to rebuild the company that had been under the control of a bank due to its poor performance.<sup>7</sup> This year was the year

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<sup>7</sup> “Management Strategies — Special Feature on a Leading Small Company — Find Opportunities through ‘Unconventional Management’ — Conviction, Persistence and Eye-Opening Ways of Thinking: *Ina Food Industry’s Agar Manufacturing*,” *Nikkei Business*, January 8, 2001.



the current Ina Food incorporated (1958). At that time, Tsukakoshi was a mere 21 years old. The company had 17 employees and sales of \10 million but a multi-million yen loss every year. Tsukakoshi stayed at the factory for two months to have a grasp of the work. However, despite his enthusiastic attitude, the employees didn't improve their attitude that easily. Tsukakoshi said that he just continued to have empathy with their suffering.

Tsukakoshi recounted, "In those days, you could not just keep saying idealistic things. We feverishly earned money. Even when we went to sell our products or to buy raw materials, we had neither name recognition nor credit. In order to build credibility, we had to keep our promises, and we carried through this much."<sup>8</sup> Tsukakoshi had no knowledge of agar-agar but learned it by self-study with the help of high school reference books. In the same way, he taught himself accounting and production engineering.

"I gave the employees much trouble in the process of developing the company. Without having money, we even made machines on our own; to do that, we worked around the clock for four days while female employees cooked food for us. Much work was accomplished because everyone worked together as a team. I repeatedly asked myself what I could do for the employees and what would be the right thing to do," said Tsukakoshi.<sup>9</sup> As he managed the company, he began to think seriously about where employee motivation came from.

This way, the company's mission statement was formed: "Let's build a good company — strongly yet gently."

What does Tsukakoshi mean by "a good company"? According to Ina Food's website, it is described by "not just having good management indices, but also having all the people associated with the company give compliments that it is a good company in ordinary conversations. A good company makes everyone happy, including those who work there. That is the real meaning of 'good company.'"<sup>10</sup>

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<sup>8</sup> "Yukun Mukun (Column: Words of Wisdom) — People — Prioritize 'Employee Happiness' without Being at the Mercy of Trends: Hiroshi Tsukakoshi, Chairman of Ina Food Industry," *Nikkei Business*, September 3, 2007.

<sup>9</sup> "Ikujiro Nonaka's Essence of Success, Vol. 63, Ina Food Industry", Recruit Works Institute, October–November 2012.

<sup>10</sup> from Ina Food Industry management philosophy on its official website

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The following words by Sontoku Ninomiya have become the basis for such ways of thinking: “Those who plan for the distant future will be rich and those who plan for the near future will be poor.” (See Exhibit 1) “Economic activity without morality is criminal; morality without economic activity is nonsense.” Tsukakoshi often quotes Ninomiya when discussing his own ideas about management.

**Exhibit 1**

The Words of Sontoku Ninomiya

Those who plan for the distant future will be rich and those who plan for the near future will be poor.  
Those who think far ahead plant pine and cedar seedlings for 100 years into the future.  
Even more so will they do what needs to be done to take care of things that are sown in spring and bear fruit in fall.  
That is why they will be rich.  
Those who think only of the near future do not even plant things in spring that will bear fruit in fall, thinking that as too far away.  
They are led astray by profit that is directly in front of them, with eyes only for things that will provide a crop without sowing seeds, and things that can be harvested without planting seedlings.  
That is why they will be poor.

— Sontoku Ninomiya

Sontoku Ninomiya was an agricultural administrator in the late Edo period, known for rebuilding many poor farming villages through thrift and diligence. In 1904, he was depicted as a person who represented four virtues of “filial piety, diligence, scholarship and self-reliance” in Japan’s first national textbook for ethics education in elementary school called “Jinjo Shogaku Shushinsho (shushin).” From around 1932, bronze statues of Sontoku (childhood name Kinjiro) reading a book while carrying firewood on his back to sell were built at elementary schools throughout Japan, and his diligence became a good example for elementary school students across the country. However, many of the statues have now been removed, and the school subject of shushin was also eliminated after Japan’s defeat in the Second World War.

Tsukakoshi says, “A company exists not for its managers or shareholders but for the happiness of its employees.”<sup>11</sup> He believes, “To continue to make employees happy, above all things, the company must be able to exist for a long time.”<sup>12</sup> “That is because I (Tsukakoshi) have always thought that a company, unlike living creatures, is based on a major premise and an ideal that it will last forever without end, and that the very essence of management lies in a thought about what should be done to achieve that. I feel that, in order for a company to last permanently, the company should not be in a rush to grow once it has reached a certain size.”<sup>13</sup> Tsukakoshi expressed these ideas in the term “nenrinkeiei [tree-ring management],” overlapping the growth of a company with the way that trees gradually accumulate annual rings as they grow.

With respect to profits, as with sales, Tsukakoshi would not pursue numerical targets. He regards profits as “excrement from management” or “dregs.” He believes that profits are something that would be naturally produced if a company is sound and healthy.

In accordance with his idea of “a company that makes its employees happy,” Ina Food has returned the profit to employees as much as possible and has offered good wages and benefits. Salaries and bonuses of Ina Food were at the highest in the prefecture and have continued to rise year on year without exception even when revenue and profit declined.<sup>14</sup>

Tsukakoshi has said, “I even think that an unlisted company may not necessarily have to make a profit. Having zero profit after paying labor costs is nothing to be ashamed.”<sup>15</sup> “A company’s profit is nothing more than a means to make its employees happy. A company earns profit

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<sup>11</sup> “Special Topic — A Company Makes Money Because its Employees Work Hard, Steer the Way of Management toward Employees First Policy— Ina Food Industry (Manufacture and Sales of Agar Products, Ina City, Nagano Prefecture) has been a Gradual Increase in Employee Satisfaction according to its Growth,” *Nikkei Venture*, May 1, 2007.

<sup>12</sup> *Ibid.*

<sup>13</sup> “Dialogue: Akio Toyoda (President of Toyota Motor Corporation), Hiroshi Tsukakoshi (Chairman of Ina Food Industry),” in *PHP Matsushita Konosuke Juku*, January–February 2015 edition, Vol. 21.

<sup>14</sup> See footnote 4

<sup>15</sup> “Isetsu Iron [Different Views, Different Arguments] — Profits Are Leftover Dregs of Company; Company Exists Only in Paying Wages — Hiroshi Tsukakoshi, Chairman of Ina Food Industry” in the December 1, 2014 issue of *Nikkei Business*

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in order to pay labor costs. Cutting labor costs in order to make a profit is putting the cart before the horse.”<sup>16</sup>

Tsukakoshi, who puts employee happiness first, thought of the workers as family. When an employee’s house caught fire, Tsukakoshi rushed to the scene before anyone else as soon as he heard from the fire department. He spearheaded preparation for meals and donations of clothing and furniture. He also gave an interest-free loan for rebuilding. However, as the president, he has refrained from behaviors showing favoritism toward particular employees and strove not to cause unnecessary concern to the employees. He said, “Even though I say I think of them as family, I do not go out drinking with particular staff members, and I avoid attending staff weddings as much as possible because it would be impossible to attend them all. In addition, our company has a rule prohibiting junior employees from making gifts to their seniors, but on the other hand, it is perfectly fine for senior staff to treat their subordinates to lunch/dinner or to give them presents. Go ahead and do it, I tell them.”<sup>17</sup>

Tsukakoshi has supported the company’s management as Chairman after serving as President of Ina Food from 1958 to 2005. His management ideas and methods have garnered wide attention of the business community throughout Japan, and many corporate managers, including Akio Toyoda, the president of Toyota Motor Corporation, seek advice from him.

### **Characteristics of the Product called Agar-agar — No Longer a Market-Driven Commodity—**

Agar is an original product of the local industry of the Ina region. Farmers have produced agar-agar using the winter climate for 400 years. Agar-agar is made of agar solution extracted from red algae such as tengusa [Gelidium] and ogonori [Gracilaria] through freeze-drying. When Tsukakoshi was tasked with the management of Ina Food, agar was on the verge of crisis as a local industry.

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<sup>16</sup> Ibid.

<sup>17</sup> “Even Toyota Was Amazed! Secret behind Ina Food Industry’s 48th Consecutive Annual Revenue and Profit Increase,” *PRESIDENT*, December 1, 2008.

One of the reasons that the agar industry fell into difficulties was the popularity of Western sweets after the Second World War. Agar-agar is used in a lot of Japanese confectionery but is not used in Western sweets. Demand for agar fell as consumer needs shifted from Japanese confectionery to Western sweets and snacks.

Another reason for the decline in demand for agar was the severity of fluctuations in its price. Because agar was freeze-dried with use of the cold winter air, a warm winter would spoil agar and cause a decrease in the supply of agar; therefore, the price of agar soared when the winter was warm. On top of that, wholesalers sometimes deliberately limited the supply of agar in order to drive the price up. Agar-agar, thus, was considered to be a “market-driven commodity,” and was a source of concern for confectionery manufacturers.

In addition, a decrease in the amount of domestically harvested tengusa, the raw material for agar-agar, led to the unstable supply of agar. Tengusa was collected by female divers who made a deep-sea dive for algae, but the amount of harvest was on the decline with the aging of those female divers.

In order to keep the confectionery industry from abandoning agar, its nature of a market-driven commodity had to be changed. Ina Food, therefore, mechanized the agar manufacturing process. They were successful in developing technology, making it possible to carry out the freezing and compression/dehydration process in the factory by powdering agar-agar (traditionally, agar was in the form of a stick). With this, Ina Food was able to increase the yield of raw materials and produce agar-agar regardless of the season. The company also promoted the construction of a raw material warehouse and factory automation to provide a stable supply of agar-agar all year around.

Furthermore, the company developed suppliers in some 30 countries worldwide in order to secure a steady supply of raw materials. Ina Food said that it has valued the position of its partner companies more than its own position when partnering with local companies; the company did not interfere with its partners except for giving them technical guidance. Ina Food never asks its suppliers for a discount, saying that “a profit that is gained by the sacrifice of others is not a profit.” Ina Food has built trusting relationships with its partners through such an attitude and currently has partner companies with whom it has been doing business for long periods of time in four

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countries. Currently, Tengusa gathered from around the world is being stored in the basement of the company headquarters. There are differences in the degree of hardening of tengusa depending on where it comes from. Without knowing the characteristics of tengusa from each production area and being creative with production accordingly, it is impossible to produce agar-agar of stable quality, but Ina Food has the accumulated know-how on the production of stable quality.

Since Ina Food was able to secure a steady supply of raw ingredients, the company worked on the stabilization of the price of agar-agar by releasing large amounts of stored agar when the agar market spiked. Through these efforts, agar-agar has ceased to be a market-driven commodity. A newspaper advertisement on August 16, 1977 stated, "Agar is no longer a market-driven commodity"<sup>18</sup> (see Exhibit 2).

**Exhibit 2**

Advertisement in the Japan Food Journal

"Agar is no longer a market-driven commodity.."

Agar has a long history as a naturally gelling agent extracted from seaweed. Because it has been manufactured by farmers as their side business only during a short period of time in the winter, agar production retains the nature of an extremely old industry, even today when year-round manufacturing of powdered agar-agar has become predominant.

The most fundamental position of food ingredient manufacturers ought to be stabilized supply and price. However, it can be said that such efforts were missing in the past.

In order to maintain its pride and fulfill its responsibilities as the industry's top manufacturer, Ina Food Industry is making positive efforts toward a large stock of raw material seaweed, the development of raw material producers overseas, cost-cutting, quality improvement and application research.

Please, make use of agar-agar, which has numerous outstanding characteristics, to develop new foods and other products.

Source: *The Japan Food Journal*, August 16, 1977, JAPAN FOOD JOURNAL CO., LTD.

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<sup>18</sup> See footnote 2.

## Product Development and R&D

Ina Food has allocated 10% of profits and has assigned approximately 10% of its employees to research and development (R&D). As a result of its R&D efforts, agar-agar began to be used in products that did not use it as an ingredient before; for example, sauce for mitarashidango [dumplings on skewers with sweetened soy sauce] that previously used potato starch for sauce, jelly drinks and cosmetic foundations that utilized the water-retention properties of agar.<sup>19</sup>

In recent years, new agar products, including agar filters; “Agarose,” a special agar used in DNA testing; “Inagel,” a gelling agent for industrial-use; and agar sheets known as “edible films,” have come out. One of these new products “edible films” became a hit; consequently, the company built a new factory in Fujisawa, Nagano Prefecture at a cost of two billion yen. An edible film melts when heated and has no taste or odor, thus it does not have an effect on flavor, scent or calories. It also attracted attention from an environmental point of view due to the fact that it produces no waste and has been used in chilled cup noodles as a separator for noodles and soup, as well as being used as a wrapper of small ingredients at the time of cooking.<sup>20</sup>

It is said that Ina Food started R&D activities without specific targets and many of its new technologies were brought out through hit-and-miss approaches. A plaque saying “SERENDIPITY,” which refers to the ability to take advantage of accidental discoveries, is displayed on the wall of the research building at the headquarters of Ina Food.<sup>21</sup>

Katsuhiko Shiba, Director of the R&D Department at Ina Food, said, “Let’s say, agar’s properties are 10 to 20. You would find a new use for agar by trying to expand its properties up to 100. What is important in doing so is how to make good use of failure. If you have made agar-agar that would not solidify, it would normally be bagged and trashed, but if you look at it from a different angle, you might come up with new usage and open up broader possibilities. In fact, agar-agar is now being

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<sup>19</sup> See footnote 2.

<sup>20</sup> “Agar Special: Ina Food Industry Constructs New Building at Fujisawa Plant, Aiming to Begin Operations in November,” *The Japan Food Journal*, July 8, 2015, p.9.

<sup>21</sup> See footnote 4.

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used in ways that were unthinkable in the past; for example, it is used as a substitute for oil in cosmetics. If you can make the same mistake twice, that would be a discovery, and if you can repeat the same mistake steadily, that would become a product. Many people may think that once they have failed, that will be the end of it, but at Ina Food, we show our results to our seniors or bosses, particularly when we have failed. That is our corporate culture.”<sup>22</sup> Ina Food files as many as 20 patent applications per year, but the main developers do not receive a reward as a rule.<sup>23</sup> That is because the company believes these results are the fruit of everyone’s collective efforts.

### **Management Suited to Size**

Ina Food has repeatedly rejected approaches from national supermarket chains in the past. There is a product called “Cup Jelly 80°C” in the Kantan Papa brand. As the name suggests, this is the product that you can make jelly just by mixing with hot water at 80 degree C and letting it sit. Ina Food received a proposal from a major supermarket to roll out the product nationwide when they put this product on the market in 1981. If the product had been sold across the country, company’s sales would have increased immediately. All of the executives agreed to its nationwide roll-out. However, Tsukakoshi turned the offer down<sup>24</sup> because he would have to rapidly expand production facilities and the work force when it comes to supplying the product to a national chain, and if that was the case, he would violate the principle of “management suited to size.”

However, Ina Food has broken the “management suited to size” principle just once in the past. In 2005, when a TV program sparked an agar boom in Japan, Ina Food decided to increase the production of agar-agar. Tsukakoshi was actually against increased production but decided to leave it up to the employees, since they said, “We really want to do it.

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<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> “A Company that Openly Pursues Employee Happiness, Seniority System, Lifelong Employment, Low Growth — Ina Food Industry Asks ‘What Is a Company?’,” *Nikkei Business Online*, April 13, 2009



Let us try!”<sup>25</sup> Without making capital investment or adding staff, they decided to work around the clock in three shifts with the existing facilities and staff. However, the workers showed signs of cumulative fatigue conspicuously in three months; therefore, Tsukakoshi put a stop to the three-shift system (the three-shift system was originally prohibited in the company because it was not good for employees’ health). The boom began to recede just around that time, so they didn’t have to carry a large volume of inventory. The damage was also limited because they did not make new capital investment. Nevertheless, as a result of this, the company’s revenue and profit went down for three consecutive terms from 2006 to 2009. Ever since, Ina Food has banned cashing in on that kind of boom. Tsukakoshi commented, “The after effects were not so bad since we did not make excessive capital investment. If we did make such an investment, the company would have carried out a restructuring and would have been endangered, which would have plunged the employees into unhappiness. Through this experience, I reconfirmed the fact that a company should not expand its scale to rapidly grow in a real sense.”<sup>26</sup>

Incidentally, Ina Food does very little business with supermarkets, not only with national chains, for various reasons besides the size of the company. According to Tsukakoshi, he feels that supermarkets lack a mindset toward nurturing products; they believe that simply having hot-selling products that are advertised on TV and other media outlets on display will be good enough. Actually, certain convenience store chains actually said, “If you want us to carry your product, give it to us for one yen in the beginning,” or oftentimes, “at half price.”<sup>27</sup> This goes against Ina Food’s pricing policy.

Ina Food never gives a discount and asks its partners for a discount in reality. Tsukakoshi said as follows, “A regular price is the price of a product asked by its manufacturer so that the company can carry out normal business activities, which should be primarily complied with. Setting a high price in advance and then discounting a certain percentage

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<sup>25</sup> “Chōrō no Chie (The Wisdom of Elders), Part 3 — Hiroshi Tsukakoshi — Food Is Culture of Each Country, Should We Export It to Make Money?” *Shukan Toyo Keizai*, May 14, 2011.

<sup>26</sup> See footnote 10.

<sup>27</sup> See footnote 20.

at the time of sales is a deception. That is why we do not give discounts; instead, we set a fair price that allows us to carry out normal operations. Since we do not mass produce, and our production volume is low, we can just sell them on our own.”<sup>28</sup>

Moreover, Ina Food has a policy of not exporting its products overseas. According to Tsukakoshi, “Ina Food does not export to overseas countries because it would encroach on the territory of people in the country. The food industry should be run by people in the country. You should not do anything that would encroach on a country’s culture. It does not make sense to go to another country to make money. We have four partner companies overseas, and I am constantly telling them to develop demands, and we keep teaching them our know-how that they need in order to do so. If the market is limited to Japan, of course, the growth rate of the company will be bad. But the food market in Japan alone is worth ¥70 trillion. Our sales are only ¥17 billion of that. Agar is good for your health, so if we continue to make a case for that, everyone will become happy. We have more than enough room for growth to cover the ceiling, you know.”<sup>29</sup>

## **Talent Operations System**

More than 400 people work for Ina Food, including factories, sales and head office staff, R&D personnel, as well as chefs at the restaurant, managers and clerks at direct-sale outlets. Basically, most of them are regular employees (433 as of 2015) hired under the lifetime/life-long employment system.<sup>30</sup> The company hires approximately 20 to 30 new graduates each year.

The retirement age at Ina Food is 60, but the company provides opportunities for post-retirement work at a farm in Ina City, called “PaPana Farm,” which was established to leverage unused farmland in

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<sup>28</sup> See footnote 20.

<sup>29</sup> Ibid.

<sup>30</sup> Life-long employment is the system that was adopted in postwar Japan primarily for white-collar workers at major companies. As long as the company continues to exist, and the employee does not cause a scandal or other major problems, employment is essentially guaranteed until the company’s specified retirement age (usually 60 to 65, with the exception of directors); it is not a contract for lifelong employment.

the neighboring area. This farm organically grows various crops using “Agarlite,” a soil improver made from the agar dregs produced during the process of manufacturing products of Ina Food. These crops are being used at the restaurant run by Ina Food. Although the business itself is in the red, employees can work there as long as they wish.

Furthermore, the company adopted the seniority system,<sup>31</sup> and advertises that it has been maintaining the principle of the system.

The reason why Ina Food has maintained the seniority system is that; “It represents the form of a natural management stance that grows business increasingly successful. In addition, at Ina Food, we have an expression ‘the Ina Food family,’ which means human relations within the company are friends and family. Therefore, we do not ask our employees to retire due to company circumstances. Vertical relationships are not determined purely by ability.” “People build up their experience with age. We think that whether or not a person can demonstrate judgment or wisdom at a critical moment is not determined by performance on written tests. I think that it often depends on experience.” “In addition, young employees get married and raise children. They have to pay for their kids’ education and start paying home mortgages. Looking at the seniority system from a long-term point of view, in terms of leading a happy life like other people and having a family to nurture the next generation, this system, which increases wages along with age, is believed to be essential for the enduring existence of a sound Japan.” (Ina Food public relations materials)

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<sup>31</sup> Japan’s seniority system is a system in which salary and rank increase according to an employee’s years of service at the company; like life-long employment, it was widely adopted mainly at large companies in postwar Japan. However, the starting salary differs depending on whether the employee graduated from high school, community or technical college, university or graduate school. In many cases, there are differences in the level of annual salary increases and in the career track available to high school and university graduates. In general, salaries are kept low during the first ten years of employment, but begin rising steadily when employees are in their mid-30s, when they are married and have children. Almost all employees advance to management positions (although they do not necessarily have staff under them). However, there is competition for the limited number of upper management posts at the general manager level. The fact that base salary is determined by differences in length of employment in addition to differences in position is a distinctive feature of this system.

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By the way, a growing number of companies in Japan have been re-evaluating their seniority system since 2000 due to reasons that companies are no longer able to support the burden of labor costs in step with the aging population and the seniority system becomes an obstacle when hiring mid-career executive employees or promoting capable young employees. There are concerns that maintaining the seniority system is likely to diminish the motivation of capable young and middle-aged employees. However, Tsukakoshi made the following comments on this trend:

“Some people may think that the seniority system lowers employees’ motivation. But I cannot agree with the merit-based or performance-based pay system that dangles salary or positions in front of employees, like dangling a carrot before a horse’s nose to make it run. I do not exactly go easy on employees. I want them to have self-discipline and to constantly challenge high goals. Even under the seniority system, it is possible to motivate them to do such things. If employees gradually become happier by being attached to the company by saying, “I have more opportunities to feel happy this year compared to last year. I will probably be even happier next year,” they will want to do their best. When you raise salary little by little according to the number of years a person has been with the company in order to increase the happiness of employees, you also raise employee motivation. Employees feel happiness not only when their salary increases. Gradually improving the workplace environment, such as building gardens around the company, is also linked to an increase in their happiness. You can bring out employees’ desire to work without goading by the merit system or performance-based salary. The seniority system is perhaps an old yet most-advanced personnel system.”<sup>32</sup>

Tsukakoshi also cited increased teamwork and harmony as the effect of the seniority system: “I believe that a company can demonstrate its greatest capacity precisely when the entire company works as one, but, with the merit system or performance-based pay systems, it cannot maintain harmony and will have difficulties in bringing the whole organization together for doing something. In the first place, an outstanding result is not produced by an individual or a team alone; it is rather based

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<sup>32</sup> “Isetsu Iron [Different Opinions, Different Views] — The Seniority System at the Forefront of the Era Increases Motivation by Respecting Senior Employees — Hiroshi Tsukakoshi, Chairman of Ina Food Industry,” *Nikkei Business*, March 23, 2015

on the company's credibility and brand name built up over many years by senior and former employees and the backup of the surrounding staff. The person who has nurtured talented human resources is also those surrounding the talented personnel, so I believe it is a mistake to have a system that rewards only the individual or the team involved when long years of accumulated efforts finally have come to fruition. That is why we strictly adhere to this old-fashioned seniority personnel system here at Ina Food. By paying a higher salary to employees with more years of service, we have created a workplace where employees can work with an easy mind."<sup>33</sup>

In fact, the spirit of "Ina Food family" has been naturally cultivated while helping one another in Ina Food. "When one person is away from work, everyone fills in the gaps for him or her. This results in a relationship that a person who is going to be away can ask for help easily, and those who stay behind send the person off cheerfully, which enhances the awareness of employees that they are part of the Ina Food family. At our company, everyone quickly gives a hand in busy places. It means that even researchers or executives will naturally go to the restaurant to help out during busy times."<sup>34</sup>

## **A Company with Morals**

Ina Food's employees start each morning with cleaning the gardens on the premises. According to the company, "Employees arrive voluntarily before the start of work hours and spread out here and there, one with a bamboo broom, one with a rake. There is no particular roster and assigned area. Each person decides for him or herself and cleans where they think is necessary almost every day."<sup>35</sup>

Employees arrive at the company roughly 30 minutes before the start of work to do the cleaning. A few volunteers come even on holidays to just clean up. They randomly clean wherever they want without any rule about who cleans where.<sup>36</sup>

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<sup>33</sup> Ibid.

<sup>34</sup> "Chōrō no Chie [Wisdom of Elders] Part 4 — Hiroshi Tsukakoshi — 'The 100-Year Calendar' and the Imperial Rescript on Education, Teaching Employees How to Live," *Shukan Toyo Keizai*, May 21, 2011

<sup>35</sup> See footnote 5.

<sup>36</sup> "Hidehiro Tsukakoshi in Ina Food Industry," *TKC The Strategic Manager*, April 1, 2015

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Employees at Ina Food say that they have trouble in answering when asked why they do this voluntary cleaning because they think that this is their daily routine. In light of the company slogan “Let’s build a good company,” they seem to feel that cleaning the company grounds is something they do as a matter of fact like cleaning their own home.

The employees even clean restrooms in the company by themselves. Tsukakoshi said in one of his books, “There has been no trace of a single drop of urine fallen on restroom floors in the headquarters of Ina Food for 13 years since it was built. Of course, in order to keep the restrooms clean without a splash of urine, it is not enough to work only on the psychological aspect by telling people to ‘keep it clean.’ The technical aspect is also necessary. ... That is to say, if you keep toilet bowls sparkling clean, you can keep people from spilling even a drop on them. Ina Food employees clean the toilet bowls with their bare hands every day. That is why they are extremely clean. Even if your pants touch the bowl, it is fine. ... If you hire a cleaning agency to entrust the restroom cleaning, employees would not think of immediately wiping it up even if a visitor splashed a drop.”<sup>37</sup> “In fact, when a restroom gets dirty after visitors, the first employee who has noticed it cleans the restroom,” he said.

There are many similar examples. In case of rental umbrellas for moving around the garden on rainy days, if the handles are not neatly lined up, employees who have noticed this straighten them out so that they all face the same direction. Even if the company does not make a big fuss about “conserving energy,” employees take the stairs instead of using elevators. “Kanten Papa Garden” has neither security guards nor fences. The company’s cleaning equipment and tools are available for private use, but there is no need to check with anyone when borrowing or returning them.<sup>38</sup> In addition, all cars in the company parking lot are parked facing backwards so that exhaust gas from cars do not damage the flowers around the parking lot. Likewise, each employee acts independently to build a good company. Tsukakoshi said, “If you manage your company based on the theory that human nature is fundamentally good, costs will be lower.”<sup>39</sup>

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<sup>37</sup> Tsukakoshi, Hiroshi, “‘Annual Growth Ring Management’ without Restructuring,” *Kobunsha*, 2009.

<sup>38</sup> See footnote 4.

<sup>39</sup> *Ibid.*

Ina Food employees keep these morals in mind not only within the company but also in their lives in the local community. For example, in order to avoid traffic congestion on roads near the company during commuting hours, employees avoid making right turns to come into the company property. According to the company, “Ina Food has a two-lane street in front of the company, so when you are waiting to make a right, there will be a long line of cars waiting for your turn behind you, and this can cause a traffic jam. Employees, therefore, pass the company once and make a detour for a left-hand turn into the entrance.” Furthermore, according to the company, employees try to park as far as possible from the store entrance so as to leave the closer parking spaces for pregnant women or the elderly when going to a supermarket for personal shopping.

These morals have been cultivated through daily work but also have been conveyed through training opportunities.

Training workshops for new employees start from teaching about how to live and think as human beings before briefing company systems and business skills. On the first day of a workshop, without fail, new employees are brought in front of the “100-year calendar,” which was a calendar where all the dates up to the next 100 years were written. New employees are made to stand in front of the calendar to mark the date of their own deaths.<sup>40</sup> The purpose is to make them think about the meaning of the amount of time they have left in their lives. “All of our employees’ dates of death can be found on this one piece of calendar. Life is finite, so you would be disadvantaged if you don’t try everything you could do while alive. If you really want to become happy, do something that is helpful to people to make them happy. That is what we teach our employees.” (Tsukakoshi)

Tsukakoshi said that they also use the “Kyoiku Chokugo [Imperial Rescript on Education]” in training. The Imperial Rescript on Education is a document promulgated in 1890 by the Meiji government, stating the policy on the education of children. The document comprises 12 virtues and is said to reflect Confucian morality. The reason why the Rescript is used in training at Ina Food is that: “These are the virtues that are expected for human beings as a matter of course and the backbone of the Japanese people. Be good to your parents; get along with your siblings;

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<sup>40</sup> See footnote 19.

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friends should believe in each other; develop your characters and contribute to society and so on. Some people in postwar democratic education deny these, but there are good things in them.” (Tsukakoshi)

### Kanten Papa Garden and Contribution to the Local Community

Ina Food’s head office is located at the foot of Mt. Komagatake and is surrounded by Mother Nature with a lot size of approximately 30,000 tsubo [nearly 100,000 square meters], which is an area approximately twice the size of Tokyo Dome (a baseball stadium and concert hall in Tokyo). The whole property, known as “Kanten Papa Garden,” has a range of facilities (see Exhibit 3). The head office building is the one with a lodge-style structure among them. In addition to the head office, facilities including a factory, an imported goods shop, three restaurants, a coffee shop, art museum, and health pavilion were built as annexes on the property. Kanten Papa Garden is open to the public free of charge, receiving 300,000 visitors per year. Many people come to draw spring water from a well dug on the premises.

Exhibit 3  
Guide Map of Kanten Papa Garden



Source: Company’s website



The company was created to resemble a park in order to make the employees happy, based on the idea that “if you make the workplace a pleasant environment, the employees are sure to feel happy.” In addition, a “good company” described by Ina Food is a company considered to be good by the local people as well; therefore, Kanten Papa Garden was created as a contribution to the local community.

An event known as “Kanten Papa Festival” takes place in June each year. It is a lively occasion with numerous food stalls in the garden and dance and music performances in the square. The venue is crowded with full of families. All Ina Food employees are involved in planning, running the festival and welcoming guests. In addition to the locals, people from far away take bus tours to visit this festival; thereby, Kanten Papa Festival has become one of the two major festivals in Ina City along with “Ina Festival.”

## **Employee Welfare and Benefits**

### ***Company Trip***

Company trips have been held every year since 1973. Destinations alternate between overseas and domestic sites, and overseas company trips have been held every other year since 1969. The company paid ¥90,000 per person for an overseas trip and ¥50,000 per person for a domestic trip, while employees saved ¥2,000 per month. Employees are divided into 10 to 20 groups, and each group travels sometime between September and November. When choosing destinations for travel, requests are collected from 500 employees. After candidate sites are narrowed down to 12 or 13 places, employees are divided into a dozen groups or so to decide and collect preferred destinations and travel period again. In this way, each group would naturally contain a mix of employees from various departments. Employees are basically free to use their time as they wish on the trip, but there is always one party that everyone should attend during their two-night three-day stay. Seating at the party is assigned by lottery. As a result, the chairman might be seated at the foot of the table, and a new employee could be next to a board member.<sup>41</sup>

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<sup>41</sup> “Kenjin no Keisho (Wise Men’s Warnings) — ‘Enjoyable Company Trips Benefit Japan’s Economy: If They Are Not Fun, You Are Doing Something Wrong,’ Hiroshi Tsukakoshi, Chairman of Ina Food Industry”, *Nikkei Business*, July 13, 2015

### ***Garage Allowance and Studless Tire Allowance***

Employees, who built garages at their homes, are given an allowance of 70,000 yens. Tsukakoshi said, "The snow piles up around here in the winter. If you have a garage, it takes less time to warm up the car, and it is also better for the environment." The company also offers an allowance for studless tires. Employees who submit a receipt after purchasing studless tires receive 20,000 yens. The allowance could be applied every two years. For safety considerations, employees are encouraged not to use the same tires for more than three years.<sup>42</sup>

### ***Family Allowance***

The company gives employees a family allowance until their children graduate from junior high school. Tsukakoshi's thought was that "it cost money one way or another until children grow up." In 2004, the company increased the retirement allowance by 25% so that employees can live more peacefully in post-retirement years.

### ***Snack Break***

There are 15-minute breaks at 10:00 a.m. and 3:00 p.m., during which hot tea and sweet snacks are served. Although it is only a small amount of money, employees receive a "snack subsidy" of ¥500 per month. The factory assembly line stops during breaks, and all employees go to the cafeteria at the same time to have their tea. Despite the inefficiency of stopping the line, the company gives priority to these all-hands breaks.

### ***Illness Allowance***

All employees take out cancer insurance at the company's expense. If an employee's family member suffers from an intractable illness or has a serious handicap, the company provides a full range of support.

### ***Company Meals***

Company meals, cooked at the Ina Food restaurants using ingredients grown on the company farm, are provided.

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<sup>42</sup> See footnote 6.

***Company Savings/Company Loan System***

Savings and loans are available at far more favorable interest rates than those at financial institutions.

***Support System for Family “Refresh” Trips***

Special vacation leave and a subsidy are given to employees on their 10th, 20th and 30th year of employment to help pay for their family trips.

***Employee Dormitory and Rented Company Housing (for sales staff)***

Company housing is provided in Ina City where the head office and factory are located. The company condominium with reinforced concrete has 46 units for singles and 13 units for married couples. When employees are transferred to a branch or business office, the company rents local housing for them.

***Looking to the Future***

Almost 60 years have passed since Hiroshi Tsukakoshi was in charge of the management of Ina Food. How would this “good company” that was established under the leadership of Tsukakoshi acquire its annual growth ring in the years to come? The senior executive director, Hidehiro Tsukakoshi, is considered to be the successor to Hiroshi Tsukakoshi. What kind of course would Ina Food’s management team take to lead the company in the future?

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HIROAKI KANEKO, CRISTIAN VLAD, LUIZA GATAN,  
TORU TAKAHASHI, SEIKO ADACHI

Exhibit 4  
Balance Sheet – Assets

	12/2014	Component ratio	Ratio to previous period	12/2013	Component ratio	Ratio to previous period	12/2012	Component ratio	Ratio to previous period	12/2011	Component ratio	Ratio to previous period	12/2010	Component ratio	Ratio to previous period
Assets															
Current assets	17,967,857	59.7	9.5	15,863,580	57.5	4.7	15,972,007	58.1	3.9	15,753,381	60.4	7.4	14,924,415	59.2	10.4
Overseas assets	17,459,549	47.7	5.8	11,826,064	41.1	-4.8	11,896,571	42.2	5.7	11,921,991	44.2	11.7	10,070,884	41.6	28.3
Cash and deposits	8,388,130	26.1	34.5	7,780,424	26.4	3.3	8,780,851	31.9	6.5	8,217,392	32.4	38.0	6,986,986	28.3	39.9
Notes receivable - trade	1,079,320	3.7	2.2	1,064,474	3.8	38.3	372,968	1.4	-16.0	444,354	1.7	-3.9	462,235	1.8	-4.6
Accounts receivable - trade	2,948,404	10.1	1.0	2,971,160	10.6	7.0	2,727,432	9.9	7.1	2,546,954	10.0	-2.4	2,609,319	10.3	12.3
Securities	69,244	0.2	2.0	68,000	0.2	38.9	15,133	0.1	11.2	13,769	0.1	11.9	12,393	0.1	13.4
Inventories	4,984,427	15.8	13.2	4,629,092	14.7	20.3	3,374,166	12.3	-0.8	3,400,787	13.4	-6.1	5,610,075	15.0	-20.2
Merchandise	34,823	0.1	-2.4	31,669	0.1	0.7	31,669	0.1	-2.7	36,482	0.1	-1.2	56,881	0.2	-
Finished goods	4,956,642	16.6	-14.5	3,838,798	13.1	517,020	1,9	21.6	4,456,692	17.7	8.3	3,933,007	16	10.9	
Work-in-process	870,140	3.0	26.2	689,721	2.5	22.1	564,813	2.1	-23.3	644,077	2.5	1.8	633,886	2.6	-
Raw materials	3,218,334	11.1	15.6	3,839,606	10.1	23.9	2,245,028	8.2	-1.6	2,231,027	9.0	-10.2	2,539,402	10.5	-28.6
Stocks	15,784	0.1	-3.0	16,724	0.1	55.5	10,466	0.0	-39.2	12,987	0.1	-31.2	18,838	0.1	263.6
Other current assets	369,130	1.3	-27.5	509,247	1.8	-30.2	729,044	2.7	-2.7	749,411	2.9	14.0	657,320	2.7	7.5
Advance payments - trade	277,426	0.9	40.7	39,680	0.1	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	3,478	0.0	48.1	2,483	0.0	60.4	1,316	0.0	-37.5	2,426	0.0	-	-	-	-
Accounts receivable - other	1,834	0.0	-99.2	35,072	0.9	61.0	463,112	2.2	-2.7	601,150	2.4	19.0	520,940	2.1	9.4
Supplier payments	14,527	0.0	2.8	14,136	0.1	-29.3	19,728	0.1	42.5	13,841	0.1	-	-	-	-
Deferred tax assets	364,800	0.3	20.3	69,489	0.2	39.1	104,944	0.4	-7.4	117,588	0.4	-9.0	133,735	0.5	-0.1
Cash deposits in trust and deposits paid	482	0.0	4.1	484	0.0	-1.6	441	0.0	-2.9	454	0.0	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for doubtful accounts	39,220	0.1	-	39,833	0.1	-	27,025	0.1	-	27,100	0.1	-	17,884	0.1	7.0
Non-current assets	11,221,114	49.3	0.3	11,764,453	42.5	1.6	11,584,151	49.9	14.6	10,699,287	39.6	2.0	9,857,588	40.3	2.9
Property, plant and equipment	9,099,430	36.3	-3.8	9,265,716	34.0	0.6	9,338,713	38.8	0.3	7,931,326	31.2	2.1	7,711,089	32.1	2.1
Patents	4,758,998	19.3	4.1	4,447,070	17.2	14.1	4,138,927	15.1	-0.3	4,107,473	16.4	2.9	4,094,642	16.7	-0.8
Intangible benefits	710,452	2.4	4.5	46,670	0.2	13.1	64,965	0.2	8.4	70,287	0.3	-5.2	84,019	0.3	-10.9
Stocks	583,426	1.2	6.9	38,383	0.1	53.3	33,819	0.1	5.4	338,249	1.3	-5.0	353,396	1.3	-4.9
Machinery and equipment	957,075	3.3	-1.4	1,309,953	4.1	19.3	472,995	1.7	3.6	430,073	1.8	-1.4	462,416	1.9	-8.5
Vehicles	57,173	0.1	5.1	51,177	0.1	-15.3	58,770	0.1	-27.1	50,429	0.2	-2.2	64,741	0.3	57.2
Tools, fixtures and fixtures	294,600	0.8	7.2	209,952	0.8	-3.9	222,994	0.8	10.8	201,150	0.8	16.7	174,487	0.7	6.0
Lease	1,583,241	5.4	0.6	1,490,049	5.6	-1.8	1,577,088	5.7	-3.1	1,677,211	6.4	3.9	1,565,966	6.5	17.0
Construction in progress	4,836	0.0	-90.6	7,658	0.0	95.1	1,488,616	5.4	*	1,069,889	0.0	-7.6	45,400	0.2	-
Other property, plant and equipment	516,390	1.8	-6.1	549,977	2.0	40.7	390,377	1.4	2.6	300,781	1.5	20.0	317,389	1.3	13.5
Intangible assets	276	0.0	-17.4	334	0.0	-15.0	993	0.0	-21.9	451	0.0	16.0	200	0.0	-35.7
Trade receivables	276	0.0	-17.4	334	0.0	-15.0	993	0.0	-21.9	451	0.0	16.0	200	0.0	-35.7
Financial assets	2,647,427	9.1	14.6	2,139,357	8.5	5.5	2,227,546	8.1	4.2	2,137,538	8.4	2.0	2,095,278	8.7	6.0
Investment securities	471,125	1.6	0.0	471,125	1.7	0.5	471,125	1.7	0.5	448,619	1.8	0.0	468,667	1.9	0.1
Investments in capital	4,831.5	0.2	-3.0	45,190	0.2	32.1	34,215	0.1	-1.7	34,815	0.1	-1.7	35,415	0.1	-4.3
Shares and bonds, etc. of subsidiaries and associates	13,334	0.0	29.7	10,300	0.0	10.0	10,000	0.0	0.0	10,000	0.0	0.0	10,000	0.0	0.0
Long-term loan receivable	281,806	1.0	141.5	116,700	0.4	-13.2	134,438	0.5	-11.1	113,403	0.6	-11.8	171,741	0.7	-1.0
Long-term prepaid expenses	10,473	0.0	-11.3	11,940	0.0	39.3	2,471	0.0	-9.1	77,021	0.3	511.8	45.5	0.0	-22.1
Long-term deposits	857,136	2.9	1.3	146,210	0.5	3.1	82,971	0.3	5.1	70,101	0.3	-5.0	838,847	3.4	9.0
Loans and other funds	20,294	0.1	6.8	20,872	0.1	-6.2	22,067	0.1	-6.2	25,529	0.1	-6.3	25,099	0.1	-10.1
Allowances for doubtful accounts	946,638	3.3	14.5	831,113	3.0	14.2	726,137	2.6	14.3	665,220	2.5	14.8	583,545	2.3	11.4
Allowances for doubtful accounts	-2,238	0.0	-	-	0.0	0.0	-1,075	0.0	-	-1,133	0.0	-	-3,373	0.0	-
Deferred assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	29,114,971	100.0	5.6	27,587,033	100.0	0.3	27,566,173	100.0	8.1	25,444,668	100.0	5.2	24,180,004	100.0	7.2

Source: Teikoku Databank

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**Exhibit 4 (Continued)**  
**Balance Sheet - Liabilities and Net Assets**

(Unit: ¥ thousand)

	12/2014	Ratio to previous period	Component ratio	12/2013	Ratio to previous period	Component ratio	12/2012	Ratio to previous period	Component ratio	12/2011	Ratio to previous period	Component ratio	12/2010	Ratio to previous period	Component ratio
<b>Liabilities</b>															
Current liabilities	3,467,997	11.8	10.9	2,894,865	10.9	10.9	3,487,839	13.0	11.1	3,079,322	11.6	11.1	3,174,728	11.8	11.0
Notes payable - trade	490,291	1.7	2.2	89,544	0.3	0.3	-	-	-	-	-	-	-	-	-
Accounts payable - trade	1,800,701	3.7	3.7	1,020,100	3.7	3.7	849,714	3.5	3.0	739,455	2.9	3.1	831,663	3.4	3.7
Accounts payable - other	84,700	0.3	0.2	44,661	0.2	0.2	862,024	3.5	19.4	802,382	3.2	19.4	832,207	3.1	17.6
Accrued expenses	431,722	1.5	-0.3	431,729	1.6	0.7	457,213	1.6	0.7	434,351	1.7	-0.1	443,661	1.8	20.3
Deposits received	773,537	2.7	2.7	754,031	2.7	2.7	653,807	2.3	2.1	529,655	2.0	2.4	444,683	2.0	6.5
Short-term deposits	688	0.0	0.0	666	0.0	0.0	790	0.0	0.0	1,189	0.0	0.0	-	-	0.0
Provision for bonuses	117,718	0.4	0.4	114,433	0.4	0.4	110,888	0.4	0.4	107,151	0.4	0.4	101,660	0.4	0.2
Income taxes payable	17,025	0.0	0.1	25,250	0.1	0.1	36,626	0.1	0.1	38,973	0.1	0.1	44,730	0.1	0.1
Accrued retirement tax	65,981	0.2	0.0	103,815	0.4	0.4	109,267	0.4	0.4	109,493	0.4	0.4	125,998	0.5	0.3
Accrued consumption taxes	222,470	0.8	-	-	-	-	27,246	0.1	-	-	-	-	63,721	0.3	-35.6
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	861	0.0	-
Non-current liabilities	3,165,990	10.8	10.3	2,805,321	10.3	10.3	2,651,549	10.7	9.7	2,690,873	10.6	11.1	2,421,029	10.0	9.3
Long-term loans payable	1,127,694	3.9	39.3	807,796	2.9	26.9	1,104,398	4.0	24.2	839,440	3.5	17.8	754,820	3.1	17.8
Liabilities to banks	546,457	1.9	-1.5	577,471	2.1	40.7	410,468	1.5	-0.8	413,844	1.6	-2.1	316,622	1.4	15.1
Provision for retirement benefits	1,484,418	5.1	2.5	1,400,470	5.3	1.0	1,434,762	5.2	3.5	1,337,384	5.5	3.8	1,314,323	5.5	4.9
Provision for share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	6,633,987	21.7	13.2	5,699,186	21.1	-0.3	6,139,388	23.3	13.3	5,769,195	22.7	-0.5	5,306,758	24.0	3.9
<b>Net Assets</b>															
Retained earnings	22,100,013	77.3	3.5	21,247,423	78.9	3.7	20,967,266	76.2	6.6	19,675,471	77.3	7.0	18,917,215	76.0	7.9
Shareholders' equity	22,100,013	77.3	3.5	21,247,423	78.9	3.7	20,967,266	76.2	6.6	19,675,471	77.3	7.0	18,917,215	76.0	7.9
Capital stock	96,900	0.3	0.0	96,900	0.4	0.0	96,900	0.4	0.0	96,900	0.4	0.0	96,900	0.4	0.0
Deposits for subscription to shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital surplus	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.2	0.0
Legal capital surplus	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.2	0.0
Reserve surplus	22,771,113	78.9	3.5	21,667,355	78.4	3.7	20,832,652	75.7	6.6	19,246,921	76.8	7.0	18,246,352	75.5	8.0
Legal reserve surplus	24,200	0.1	0.0	24,200	0.1	0.0	24,200	0.1	0.0	24,200	0.1	0.0	24,200	0.1	0.0
Other reserve surplus	22,529,913	78.8	3.5	21,588,335	78.3	3.7	20,808,452	75.6	6.6	19,164,921	76.7	7.0	18,212,152	75.4	8.0
Voluntary reserve surplus	31,600,000	111.7	41.1	20,620,660	74.8	6.1	18,220,660	70.2	7.2	18,020,660	70.8	8.4	16,020,660	68.7	21.1
Retained earnings through transfer (of minority profit)	892,933	3.1	-2.9	897,573	3.2	-35.0	1,487,823	5.4	-0.5	1,645,733	5.9	-2.2	1,611,453	6.7	18.7
Treasury shares	7,429	0.0	2.9	79,184	0.3	-89.3	1,394,921	4.7	0.6	1,246,246	5.1	-0.1	1,345,644	5.6	21.7
Value-added certificate adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subscription rights to shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets	29,149,711	100.0	100.0	27,878,313	100.0	0.3	27,596,712	100.0	8.1	25,444,683	100.0	5.2	24,190,004	100.0	7.2

Source: Teikoku Databank

HIROAKI KANEKO, CRISTIAN VLAD, LUIZA GATAN,  
TORU TAKAHASHI, SEIKO ADACHI

**Exhibit 4 (Continued)**  
**Statement of Income**

(Unit: ¥ thousand)

	12/2014	Component ratio	Ratio to previous period	12/2013	Component ratio	Ratio to previous period	12/2012	Component ratio	Ratio to previous period	12/2011	Component ratio	Ratio to previous period	12/2010	Component ratio	Ratio to previous period
Operating revenue	17,997,705	100.0	4.5	17,661,336	100.0	1.3	17,449,671	100.0	0.3	17,269,916	100.0	1.5	17,132,225	100.0	7.7
Operating expenses	16,433,816	93.4	0.4	16,495,368	93.3	8.5	13,200,514	87.1	0.9	13,071,077	86.6	1.7	14,811,664	86.5	4.9
Cost of sales	11,331,769	63.1	4.7	12,024,494	68.0	1.1	10,739,019	61.5	0.1	10,720,410	61.6	1.4	10,510,113	61.7	5.9
Gross profit	5,765,956	32.7	2.0	5,636,972	32.0	-1.3	6,711,651	38.5	0.3	6,655,505	38.4	1.7	6,330,102	38.3	10.3
Selling, general and administrative expenses	4,601,046	26.1	3.1	4,466,094	25.2	-0.1	4,446,495	25.6	2.6	4,346,666	25.0	2.4	4,244,481	24.8	2.6
Operating income	1,164,889	6.6	-2.4	1,189,867	6.7	-0.1	2,265,156	12.9	-3.4	2,279,839	13.4	0.4	2,106,621	13.5	29.9
Non-operating income	81,855	0.5	-39.1	134,496	0.8	8.8	113,380	0.7	-11.1	139,061	0.8	32.0	91,467	0.5	-42.1
Interest income	5,518	0.0	21.0	4,590	0.0	-11.6	3,159	0.0	-23.9	6,781	0.0	-24.5	3,896	0.1	-13.7
Dividend income	4,891	0.0	2.8	4,790	0.0	2.1	4,664	0.0	-2.9	4,804	0.0	14.1	4,211	0.0	-46.5
Real estate rent	3,166	0.0	13.1	6,134	0.0	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains	3,612	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	59,666	0.3	-49.9	119,014	0.7	4.6	113,756	0.7	-10.8	127,473	0.7	62.9	13,269	0.5	-63.9
Non-operating expenses	29,284	0.2	-31.8	47,999	0.3	-46.7	39,667	0.3	29.9	62,992	0.4	14.0	54,445	0.3	-49.1
Interest and discounts expenses	13,145	0.1	-3.8	13,930	0.1	-19.7	17,372	0.1	13.9	15,250	0.1	-3.4	19,914	0.1	-30.1
Loss on sale of non-current assets	199	0.0	-44.8	395	0.0	-45.0	555	0.0	-4.1	579	0.0	-22.4	746	0.0	-3.7
Loss on valuation and accumulation of inventories	1,800	0.0	404.3	330	0.0	-41.7	690	0.0	-7.3	647	0.0	33.2	148	0.0	-380.1
Loss on valuation of other assets	13,840	0.1	-31.1	28,319	0.2	-34.3	61,000	0.4	51.2	41,000	0.2	34.6	26,515	0.2	6.1
Foreign exchange losses	-	-	-	-	-	-	-	-	-	1,734	0.0	-46.3	5,501	0.0	-
Miscellaneous loss	399	0.0	388.3	34	0.0	-71.5	139	0.0	-9.2	237.9	0.0	71.7	1,620	0.0	-44.1
Ordinary income	1,144,520	6.9	-5.2	1,381,377	7.2	-44.1	2,291,069	13.1	-4.7	2,404,809	13.8	2.0	2,136,643	13.8	25.0
Extraordinary income	1,627	0.0	41.0	1,134	0.0	-33.4	6,932	0.0	182.4	2,462	0.0	30.1	1,893	0.0	-86.6
Gain on transfer and disposal of non-current assets	1,627	0.0	41.0	1,134	0.0	-33.4	6,932	0.0	182.4	2,462	0.0	30.1	1,893	0.0	-86.6
Extraordinary losses	30,521	0.2	-31.7	33,976	0.2	-47.8	7,623	0.0	7.9	69,171	0.4	-12.4	78,931	0.5	23.7
Loss on retirement of non-current assets	30,521	0.2	-31.7	33,976	0.2	-47.8	7,623	0.0	7.9	69,171	0.4	-12.4	78,931	0.5	288.3
Income before income taxes	1,183,526	6.7	-4.7	1,347,341	7.0	-44.1	2,223,398	12.7	-4.9	2,338,100	13.4	2.6	2,279,603	13.3	21.3
Income taxes - current	434,849	2.5	1.3	429,244	2.4	-34.9	951,831	5.5	-3.8	980,381	5.7	0.7	992,766	5.7	18.3
Income taxes - deferred	-21,891	-0.1	-268.4	21,461	0.1	-	-32,225	-0.2	-162.0	32,462	0.2	-	-68,804	-0.4	-
Profit	716,588	4.4	-2.1	791,849	4.5	-39.3	1,360,952	7.5	10.6	1,287,236	7.5	-3.1	1,365,644	8.0	21.7

Source: Teikoku Databank

INA FOOD INDUSTRY:  
A COMPANY THAT MAKES EMPLOYEES HAPPY

**Exhibit 4 (Continued)**  
**Schedules**

(Unit: ¥ thousand)

	12/2014	Ratio to previous period	12/2013	Ratio to previous period	12/2012	Ratio to previous period	12/2011	Ratio to previous period	12/2010	Ratio to previous period
[Schedule of operating revenue]										
Net sales	17,597,705	-0.5	17,685,116	1.3	17,449,671	0.3	17,398,916	1.3	17,182,660	8.0
Sales allowance and returns	-	-	-	-	-	-	-	-	-47,404	-
[Schedule of cost of sales]										
Beginning merchandise	35,691	0.7	35,417	-2.7	36,432	-1.2	34,861	-12.7	42,218	-
Beginning finished goods	533,798	3.1	517,200	21.6	425,692	8.3	391,007	8.3	362,942	-
Cost of purchased merchandise and finished goods	788,789	5.5	747,882	11.7	669,646	-9.1	737,029	1.4	726,668	8.1
Cost of products manufactured	10,967,956	-3.0	11,303,104	11.3	10,159,205	1.4	10,017,637	1.5	9,868,192	7.0
End merchandise	-34,823	-	-35,691	-	-35,437	-	-34,432	-	-34,861	-
End finished goods	-456,642	-	-533,798	-	-517,520	-	-425,692	-	-393,007	-

Source: Teikoku Databank



**Exhibit 4 (Continued)**  
**Others**

	12/2014	Ratio to previous period	12/2013	Ratio to previous period	12/2012	Ratio to previous period	12/2011	Ratio to previous period	12/2010	Ratio to previous period
(Others)	459	1.2	424	1.9	426	4.2	409	4.1	393	1.6
Number of employees (persons)										
(Statement of changes in equity)										
Capital stock at end of previous period	96,800	0.0	96,800	0.0	96,800	0.0	96,800	0.0	96,800	0.0
Capital stock at end of current period	96,800	0.0	96,800	0.0	96,800	0.0	96,800	0.0	96,800	0.0
Legal capital surplus at end of previous period	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0
Legal capital surplus at end of current period	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0
Capital surplus at end of previous period	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0
Capital surplus at end of current period	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0	38,080	0.0
Legal retained earnings at end of previous period	24,100	0.0	24,200	0.0	24,200	0.0	24,200	0.0	24,200	0.0
Legal retained earnings at end of current period	24,100	0.0	24,200	0.0	24,200	0.0	24,200	0.0	24,200	0.0
Voluntary retained earnings at end of previous period	20,620,660	6.7	19,220,660	7.2	18,020,660	8.4	16,620,660	7.1	15,521,136	6.8
Voluntary retained earnings at end of current period	839,140	-35.4	1,200,000	0.0	1,300,000	-7.1	1,400,000	27.3	1,699,333	10.6
Changes of voluntary retained earnings during current period	21,460,000	4.1	20,020,660	6.7	19,320,660	7.2	18,020,660	8.4	16,620,660	7.1
Retained earnings brought forward at end of previous period	967,615	-35.0	1,487,825	-0.5	1,495,732	-7.2	1,611,475	18.7	1,357,665	9.3
Retained earnings brought forward at end of current period	-76,141	-	-520,150	-	-1,907	-	-315,743	-145.5	234,130	119.8
Charges of retained earnings brought forward during current period	-12,000	0.0	-42,000	0.0	-42,000	0.0	-42,000	0.0	-12,000	0.0
Dividends of surplus	-	-	-	-	-	-	-	-	-	-
Transfer from voluntary retained earnings	-	-	-	-	-	-	-	-	-	-
Transfer to voluntary retained earnings	-339,140	-	-1,200,000	-	-1,200,000	-	-1,400,000	-	-1,100,000	-
Profit or loss	774,398	-2.2	791,849	-39.3	1,304,092	0.6	1,296,256	-5.1	1,365,644	21.7
Retained earnings brought forward at end of current period	890,333	7.9	967,615	-35.0	1,487,825	-4.5	1,495,732	-7.2	1,611,475	18.7
Retained earnings at end of previous period	21,612,335	3.7	20,832,685	6.6	19,540,592	7.0	18,254,333	8.0	16,902,691	7.0
Retained earnings at end of current period	762,988	-2.2	779,849	-39.6	1,292,092	0.6	1,284,256	-5.1	1,333,644	22.0
Changes of retained earnings during current period	20,375,133	3.5	21,612,335	3.7	20,832,685	6.6	19,540,592	7.0	18,254,333	8.0
Shareholders' equity at end of previous period	21,747,415	-2.2	20,967,565	-6.6	19,675,472	7.0	18,391,215	7.9	17,037,571	7.0
Shareholders' equity at end of current period	762,988	-2.2	779,849	-39.6	1,292,092	0.6	1,284,256	-5.1	1,333,644	22.0
Changes of shareholder equity during current period	20,310,013	3.5	21,747,415	3.7	20,967,565	6.6	19,675,472	7.0	18,391,215	7.9
Shareholders' equity at end of current period	21,747,415	-2.2	20,967,565	-6.6	19,675,472	7.0	18,391,215	7.9	17,037,571	7.0
Net assets at end of previous period	762,988	-2.2	779,849	-39.6	1,292,092	0.6	1,284,256	-5.1	1,333,644	22.0
Net assets at end of current period	20,310,013	3.5	21,747,415	3.7	20,967,565	6.6	19,675,472	7.0	18,391,215	7.9

(Unit: thousand)

Settlement type: Non-consolidated, year-end

Source: Teikoku Databank

**INA FOOD INDUSTRY:  
A COMPANY THAT MAKES EMPLOYEES HAPPY**

**Exhibit 4 (Continued)**  
**Management Index on an Accounting Period Basis**  
**(Industry Type: 2020 Fishery Food Manufacturing)**

Settlement type: Non-consolidated, year-end

(Unit: %, month)

	The Company 12/2014	Industry average -	The Company 12/2013	Industry average 10/2013-09/2014	The Company 12/2012	Industry average 04/2012-03/2013	The Company 12/2011	Industry average 04/2011-03/2012	The Company 12/2010	Industry average 04/2010-03/2011
<b>[Scale]</b>										
Gross capital (¥ million)	28,114	-	27,578	2,177	27,506	2,280	25,444	2,081	24,190	2,157
Equity capital (¥ million)	22,510	-	21,747	770	20,967	811	19,675	782	18,391	762
Net sales (¥ million)	17,597	-	17,685	2,907	17,449	2,869	17,398	2,791	17,135	2,940
<b>[Growth potential]</b>										
Net sales growth rate (year-on-year)	-0.49	-	1.35	4.99	0.29	3.05	1.54	2.46	7.73	-1.77
Three years' average growth rate of net sales	0.42	-	0.82	3.00	0.91	0.87	4.59	-0.02	3.69	-3.54
Gross capital growth rate (year-on-year)	5.57	-	0.26	2.57	8.10	4.10	5.19	2.93	7.23	-0.22
Three years' average growth rate of gross capital	2.88	-	4.11	2.01	6.64	3.14	6.20	1.22	5.28	-0.14
Ordinary income ratio (year-on-year)	-5.22	-	-44.07	39.35	-4.73	34.28	2.04	-36.64	24.97	-28.32
Three years' average growth rate of ordinary income	-27.19	-	-27.00	12.25	-1.40	3.06	12.93	-5.91	21.45	-4.86
Equity capital growth rate (year-on-year)	3.51	-	3.72	9.74	6.57	7.30	6.98	0.95	7.95	-0.26
Three years' average growth rate of equity capital	3.61	-	5.13	5.10	6.77	-3.72	7.46	-3.71	7.46	-3.33
<b>[Comprehensive profitability]</b>										
Ordinary income to gross capital ratio	4.17	-	4.65	1.53	8.33	1.31	9.45	1.10	9.74	0.76
Corporate income to gross capital ratio	4.22	-	4.70	2.69	8.39	2.61	9.51	2.27	9.83	2.02
Income before income taxes to gross capital ratio	4.07	-	4.51	1.33	8.08	1.16	9.19	-0.06	9.42	-0.30
Ordinary income to equity capital ratio	5.40	-	5.89	12.22	10.93	8.65	12.22	10.14	12.81	3.19
Profit to equity capital ratio	3.44	-	3.64	5.58	6.22	4.22	6.59	3.99	7.43	-4.31
<b>[Profitability]</b>										
Operating expenses to net sales ratio	93.40	-	93.27	99.70	87.12	99.61	86.62	99.44	86.46	99.24
Cost of sales to net sales ratio	67.25	-	68.05	80.48	61.54	79.25	61.63	80.13	61.69	79.87
Selling, general and administrative expenses to net sales ratio	26.15	-	25.22	19.36	25.58	20.53	24.99	19.30	24.78	19.29
Non-operating income to net sales ratio	0.47	-	0.76	1.35	0.71	1.36	0.80	1.14	0.53	1.10
Non-operating expenses to net sales ratio	0.17	-	0.24	1.07	0.46	1.27	0.36	1.34	0.32	1.40
Ordinary income to net sales ratio	6.90	-	7.25	0.58	13.13	0.56	13.82	0.91	13.75	0.53
Income before income taxes to net sales ratio	6.74	-	7.03	0.49	12.74	0.45	13.44	0.16	13.30	0.06
Profit to net sales ratio	4.40	-	4.48	0.05	7.47	-0.06	7.45	-0.33	7.97	-0.47
Financial account balance to net sales ratio	-0.02	-	-0.03	-0.74	-0.05	-0.84	-0.02	-0.81	-0.04	-0.91
Interest and discount expenses to net sales ratio	0.08	-	0.08	0.86	0.10	0.96	0.09	0.93	0.12	1.00
Investment and loan efficiency	0.11	-	0.12	0.39	0.10	0.47	0.13	0.40	0.17	0.43
Average interest rate of interest-bearing debts	0.80	-	1.03	1.69	1.18	1.81	1.21	1.94	1.90	2.12
Break-even point sales ratio	90.98	-	-	89.28	-	90.51	24.34	93.47	64.11	94.80
Capital stock multiple rate	232.54	-	224.66	15.32	216.61	15.61	203.26	14.52	189.99	15.65
<b>[Asset efficiency]</b>										
Total assets turnover (times)	0.60	-	0.64	1.74	0.63	1.66	0.68	1.71	0.71	1.71
Total assets turnover period	19.85	-	18.71	9.68	18.92	9.98	17.55	9.75	16.94	9.46
Non-current assets turnover period	8.01	-	7.95	4.23	7.93	4.44	6.94	4.13	6.91	3.96
Turnover period of property, plant and equipment	6.20	-	6.35	3.24	6.40	3.52	5.47	3.29	5.44	3.14
Turnover period of accounts receivable - trade	2.01	-	1.98	1.31	1.88	1.30	1.76	1.33	1.83	1.27
Inventory turnover period	3.13	-	2.75	2.00	2.32	2.08	2.35	1.98	2.54	2.08
Turnover period of merchandise and finished goods	0.34	-	0.39	0.98	0.38	0.99	0.32	0.95	0.30	1.04
Turnover period of payables	1.07	-	1.10	0.84	0.65	0.80	0.50	0.84	0.58	0.78
Turnover period of notes payable - trade	0.33	-	0.40	0.12	0.00	0.13	0.00	0.13	0.00	0.13
Turnover period of accounts payable - trade	0.74	-	0.69	0.71	0.65	0.65	0.50	0.69	0.58	0.63
<b>[Productivity] (¥ thousand)</b>										
Net sales per capita	40,085	-	40,749	76,703	40,961	72,984	42,540	72,384	43,601	72,369
Gross profit per capita	13,127	-	13,019	11,626	15,755	11,997	16,323	11,647	16,705	11,583
Selling, general and administrative expenses per capita	10,480	-	10,278	10,786	10,477	11,043	10,632	10,687	10,802	10,732
Ordinary income per capita	2,766	-	2,992	884	5,378	963	5,879	851	5,996	482
Labor equipment ratio	20,727	-	21,575	15,017	21,846	15,350	19,391	15,002	19,773	13,819
<b>[Liquidity]</b>										
Current ratio	503.71	-	529.69	200.25	445.20	206.57	499.47	214.60	424.15	200.38
Quick ratio	360.57	-	378.15	124.39	331.60	122.88	365.54	127.75	298.24	122.26
Receivable to payable ratio	256.17	-	245.96	304.66	326.46	329.85	409.50	302.12	369.78	377.14
Days of cash and deposit on hand (days)	172.95	-	150.32	45.61	184.17	47.31	173.02	45.94	148.83	46.92
Ratio of ordinary income to expenses	*	-	*	*	*	0.00	*	0.00	*	0.00
Ratio of ordinary profit to loss	107.38	-	107.75	100.77	114.99	100.89	115.89	101.05	115.85	100.69
<b>[Safety]</b>										
Debt ratio	29.34	-	26.81	520.82	31.19	557.17	29.32	539.25	31.53	486.05
Equity capital ratio	77.31	-	78.86	20.59	76.23	22.02	77.33	21.99	76.03	23.31
Years to reach insolvency (years)	*	-	*	48.35	*	16.26	*	42.90	*	66.63
Fixed ratio	52.19	-	53.87	304.79	55.01	341.33	51.18	322.40	53.65	286.97
Ratio of fixed assets to long-term capital	45.77	-	47.65	71.67	48.22	76.21	45.02	73.00	47.41	78.47
Growth rate of property, plant and equipment	-2.82	-	0.61	3.16	17.34	6.86	2.06	3.25	2.12	0.69
Interest coverage	87.84	-	84.12	16.05	125.94	8.29	147.78	13.31	112.91	13.69
<b>[Others]</b>										
Provision ratio of income taxes	34.66	-	36.32	19.22	41.35	20.39	44.56	21.52	40.09	23.42
Average interest expense rate	0.80	-	1.03	1.69	1.18	1.81				

Source: Teikoku Databank



## IS LOVE IN THE AIR?

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**ABSTRACT.** Love and romance have always been very popular in the history of mankind, as a result of which participation in romantic tourism is not new to tourists. The best known types are the wedding and honeymoon tourism. It is also a known fact that changes in the macro environment have a significant impact on tourism. Terrorist acts, particular speeches of a politician, the instability of the political environment, forms of governments can affect the number of tourists visiting a given country. Of course, the natural environment can also significantly influence the entrepreneurial spirit of tourists, not only in a negative but also in a positive way: disaster tourists travel specifically to places where there has already happened or may happen a natural disaster. However, a pandemic is a phenomenon which impact on tourism is a dramatic one. The aim of this paper is to answer the following questions: (1) can the demand for romantic tourism be perceived via advertising campaigns made during the pandemic? Furthermore, (2) what are the criteria of differentiation of the most popular four-star hotels for wedding venues or accommodation compared to their rivals? More specifically, what can create the added value of hotels?

**Key words:** destinations, wedding and honeymoon tourism, advertisements, hotels

**JEL classification:** M37, L83

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## Introduction and review of literature

In addition to classic romantic destinations - such as Paris and Verona -, the exotic islands - such as the Caribbean (Bahamas, Greater and Lesser Antilles) or the Maldives-, also occupy a prominent place. In countries with these destinations tourism makes a significant contribution to the GDP. In Italy the direct contribution of travel and tourism to GDP was 119.7 billion US dollars in 2019, while in France it was 112 billion US dollars (Tourism worldwide, Statista, 2020). In the case of the Maldives, the share of GDP generated by direct travel and tourism worldwide was 32.5% in 2019, and in the Bahamas it was 19.5% (Tourism worldwide, Statista, 2020). The islands are very popular among tourists because they enhance the trip with an exclusive character due to their unique culture and local environmental conditions (Hall, 2010).

Paris and romance are two inseparable concepts, perhaps nothing better proves this than the fact that part of the parapet of the world famous Pont Des Arts in Paris collapsed under the weight of the growing number of locks that had been attached to it (<https://voila.cafeblog.hu/2015/05/29/szerelmesek-hidja-parizsban-vegleg-vege/>). At the same time, there are such high expectations regarding Paris, especially of Japanese tourists, that reality comes as a shock when they finally meet it. This phenomenon is known as the Paris Syndrome: it is mainly due to cultural differences (Hegyeshalmi, 2016, [https://index.hu/tudomany/til/2016/02/17/amikor\\_a\\_japanok\\_rajonnek\\_hogy\\_nem\\_a\\_meseben\\_vannak/](https://index.hu/tudomany/til/2016/02/17/amikor_a_japanok_rajonnek_hogy_nem_a_meseben_vannak/)).

Verona became world-renowned for Shakespeare's drama *Romeo and Juliet*. The city may also be familiar to modern society from the movie *Letters to Juliet*. In addition to the many notable sites and buildings that appear as tourist attractions for participants in romantic tourism, the city celebrates Lover's Day on February the 14<sup>th</sup>, when a special festival is organized for lovers (<https://www.thetravel.com/20-reasons-why-verona-is-the-most-romantic-city-in-italy/>).

In terms of wedding tourism, Italy was characterized in 2019 by some interesting facts, namely:

- arrival of a total of 18,037 individuals, who got married, and 137,081 guests were invited,
- a total of 422,065 guest nights for individuals and 1,646,055 for guests were recorded,
- there was a recorded “continuous” growth of the turnover of the wedding tourism sector from 2015 to 2019,
- arrival of the majority of tourists (23.1%) from the UK in 2019, with the aim of getting married,
- ranking large hotels as the 5th most popular international wedding celebration locations,
- regarding the profession of those who were to be married, the proportions were as follows: freelancer (14.5%), business manager (11.1%), industrialist (10.6%), lawyer (7.2%), moreover,
- the most preferred marketing channels of wedding locations to reach wedding tourists in Italy in 2018 was the search engine (23%). At the same time, advertisements and magazines also appear as marketing channels (Wedding tourism in Italy, Statista, 2020).

Not only France and Italy boast about the most romantic destinations in Europe, but Portugal (Sintra), Greece (Santorini), Belgium (Bruges) and Hungary (Budapest) as well. In fact, France and Italy rank first with 3-3 destinations, (<https://www.europeanbestdestinations.com/top/best-romantic-destinations-in-europe/>).

For honeymoon couples, “safety”, “excellent quality of accommodation” and “reasonable travel cost” appear as important selection criteria when selecting a particular destination (Lee et al., 2010, p. 676). At the same time, honeymoon couples are more flexible, less worried about their trip budget (Winchester et al., 2011), as the goal is to have a lifetime romantic experience (Fakfare and Lee, 2019) which largely depends on the nature of the tourist destination. The choice of the ideal destination is therefore a priority, even if it is far from the permanent residence (Kim and Agrusa, 2005). It is a fact, that “honeymoon tourism market under the background of experiential tourism should be developed to high-quality standard” (Liu et al., 2019, p. 327) “because of its increasing

economic importance for host destinations and their specific niche market characteristics” (Ünal, et al., 2017, p. 65). Honeymoon tourism participants choose their destinations based on the following criteria:

1. “long duration and plan process”,
2. “own period”,
3. “young target”,
4. “particular needs”, as well as
5. “shared decision making process.” (Jericó and Wu, 2017, p. 639)

In case of honeymoon tourism “people, place, and preparation are the foundation of the wedding, as couples design a ceremony that tells their story” (Breg, 2013, p. 1).

As already mentioned, the role of movies is significant in terms of positioning a particular destination in the tourism market. It is enough to think of the movie *Blue Lagoon*, as it was this particular movie that positioned Turtle Island as a romantic destination; therefore, now the island specifically tailors its offerings to fully accommodate the needs of couples in love. Of course, the natural environment also plays a significant role in triggering the satisfaction of the target group. Guests are accommodated in small luxury bungalows (Kiss, 2006). At the same time, hotels are also very popular: let it be a location for a wedding, a honeymoon or a bachelor party. For the latter, it is enough to recall the scenes from *The Hangover*, which were shot at the Caesars Palace Hotel.

## **Material and method(s)**

- Advertising campaigns aimed at promoting Hungary as a tourist destination were analyzed.
- We chose Hungary because,
  - it has recently become increasingly popular with regard to romantic tourism. Moreover,
  - the Hungarian government has a strong immigration policy, which increases tourists' sense of safety. Sense of safety has proved to be one of the most important selection criteria among romantic tourism participants.

- Only advertising campaigns that were created during the pandemic were included.
- The following advertising campaigns were analyzed:
  - A. From the *'Wonderful Hungary'* series:
    - Tokaj and Nyíregyháza  
[https://www.youtube.com/watch?v=k3VLZ7WA\\_Wg](https://www.youtube.com/watch?v=k3VLZ7WA_Wg)
    - Balaton  
<https://www.youtube.com/watch?v=HyRO-qgU3QY>
    - Pécs – Villány  
<https://www.youtube.com/watch?v=nqkk4y0vUkU>
  - B. *Carry on with your adventure at home, even in autumn!*  
[Folytasd a kalandozást itthon, ősszel is!]  
<https://www.youtube.com/watch?v=z4SZtsdVHr0> – rural region  
<https://www.youtube.com/watch?v=nqYGmvBUke0> – urban region
  - C. *Let us take care of each other and we will succeed!*  
[Vigyázzunk egymásra, és sikerülni fog!]  
<https://www.youtube.com/watch?v=i-vGT5FaDMI>
  - D. *Hungary welcomes you back!* [Magyarország visszavár!]  
<https://www.youtube.com/watch?v=fOuL5gWQFnQ>
  - E. *Budapest welcomes you back!* [Budapest visszavár!]  
<https://www.youtube.com/watch?v=y5nbIXdJIG4>
- Content analysis was carried out in order to analyze the presence or absence of romantic tourism during the pandemic with the help of the advertising campaigns involved in the analysis.
- The analyzed advertisement campaigns are available on the YouTube video-sharing website.
- The content analysis was performed by the same person to avoid multiple interpretations.



- In case of each advertising campaign, only factors related to romantic tourism were listed, and these elements are considered to be the essential components of romantic tourism.<sup>5</sup>
- Content analysis does not assume opinions about advertising campaigns, but examines the series of images displayed in advertisements. An exception is the *Let us take care of each other and we will succeed!*, and *Hungary welcomes you back!* advertising campaigns. The results obtained via the analysis of the two advertising campaigns are presented in the Conclusions.
- We chose four-star hotels because they are popular among romantic tourism participants. Based on literature data, participants in romantic tourism are flexible in terms of their budgets.
- However, only hotels recommended by the European Best Destinations website were included in the analysis. These hotels are listed in the *Most romantic destinations in Europe* section. Furthermore, it should be noted that only the four-star hotels on the first page of the website were analyzed, based on the variables that can be found in a structured way on the websites of each hotel. A total of eight hotels were included in the analysis. Furthermore, the hotels are analyzed in the order in which they appeared on the European Best Destination website.

## Results and discussions

As a first step, the results obtained through content analyzes based on advertising campaigns will be presented. As a second step, four-star hotels will be analyzed in order to present and describe all the criteria that are valued as outstanding ones by tourists.

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<sup>5</sup> Of course, these elements also apply to other tourist segment(s), as well as to honeymoon and wedding tourism participants. It should also be noted that they were only identified as elements of romantic tourism if they were presented by young couples in advertisements.

### ***Advertising campaigns created during the pandemic: Hungary***

#### ***A. Wonderful Hungary: Tokaj and Nyíregyháza***

Young couples participate in leisure activities such as the following:

- walking,
- wellness,
- Nordic walking.

The following elements appear in the advertising campaign:

- use of meals/gastronomic offer for two, as well as
- a church, being a significant component of wedding tourism.

#### ***Wonderful Hungary: Balaton***

Young couples participate in leisure activities such as the following:

- biking,
- cruising,
- going on boat trips,
- sightseeing by horse-drawn carriage / walking.

A church also appears in the images of the advertising campaign.

#### ***Wonderful Hungary: Pécs-Villány***

Young couples participate in leisure activities such as the following:

- revitalization of children's dance,
- walking,
- stone throwing into the water,
- motorcycling.

The church is an integral part of the advertising campaign.

#### ***B. Carry on with your adventure at home, even in autumn!***

##### **Rural region**

Young couples participate in leisure activities such as the following:

- "tree climbing",
- wine tasting,
- enjoying the scenery (lookout).

##### **Urban region**

Young couples presented as actors in the following scenes:

- visiting churches,
- visiting built heritage tourist attractions,
- going on boat trips.

*C. Let us take care of each other and we will succeed!*

The advertising campaign lists elements that refer to romantic tourism:

- arrangement of a table with two chairs,
- presence of two young couples in a church,
- kissing at sunset,
- sightseeing – selfie-taking.

*D. Hungary welcomes you back!*

The advertising campaign lists the elements that make up the toolbox of romantic tourism:

- red hearts lying on a table,
- a table with two chairs,
- a huge red heart at the end of a bridge,
- a key-chain with a heart,
- two red sunbeds,
- a vase with red roses,
- a young couple with travel bags,
- a young couple dancing: with a church in the background,
- a young couple as guests of a tree-house accommodation.

*E. Budapest welcomes you back!*

The advertising campaign includes the following:

- a young couple cycling with pink balloons in their hands (the balloon is an element of celebration),
- concrete wedding image: one in the middle of the advertising campaign, one at the end,
- a young couple drinking champagne with fireworks in the background (both components are typical elements of a celebration).

***Evaluation of four-star hotels in Budapest***

Hotels can differentiate themselves from their competitors in many ways. These accommodation units can differentiate themselves primarily through their employees (Kulcsár, 2014) and the physical environment (Kulcsár and Majos, 2014). At the same time, the physical attributes of hotels can also indicate the quality of the service, although

the external environment of hotels is not yet part of the front line, but they have the opportunity to make the first impression on the guests. Consequently, their role is indisputable in case of romantic tourism, as the location and the façade of the hotel greatly contribute to the quality of the experience.

A total of 3,170 hotels await those who are participants in romantic tourism in Budapest<sup>6</sup> (<https://www.europeanbestdestinations.com/top/best-romantic-destinations-in-europe/>).

In the following, the four-star hotels included in the analysis will be examined based on the variables that play a significant role in the assessment of the services provided by a particular hotel. The Monastery Boutique Hotel Budapest (Table 1), despite having one of the lowest scores on the location criterion (9.5), still managed to rank on second place, as the hotel management was able to successfully compensate for this "weakness" with facilities, cleanliness, comfort and price-quality (value for money) balance.

**Table 1.** Evaluation of four-star hotels (1)

	<b>Barceló Budapest</b>	<b>Monastery Boutique Hotel Budapest</b>	<b>Stories Hotel</b>	<b>Hotel Clark Budapest**</b>
<b>Facilities</b>	9.2	9.3	8.9	9.2
<b>Cleanliness</b>	9.3	9.6	9.2	9.4
<b>Comfort</b>	9.4	9.5	9.2	9.3
<b>Value for money</b>	9.1	9.3	8.8	8.6
<b>Location</b>	9.8	9.5	9.7	9.7
<b>Total</b>	9.3 (1,483)*	9.4 (1,117)	9.1 (1,181)	9.2 (2,944)

\* reviews, \*\* adults only

Source: References \*

Interestingly, in the case of Maison Bistro & Hotel (Table 2), there is not a single variable that indicates that the hotel received the best rating, and yet it is one of the hotels that has proven to be the most successful among tourists, as it received a score of 9.5 out of 10. Hotel Moments (also noted one of the highest ratings: 9.5) outperformed its competitors based on two variables, it received the same ranking based on two very same variables as its competitors, while receiving the lowest score on the *Value for money* criterion.

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<sup>6</sup> Hungary's most romantic destination.

**Table 2.** Evaluation of four-star hotels (2)

	<b>The Three Corners Lifestyle Hotel</b>	<b>Callas House</b>	<b>Maison Bistro &amp; Hotel</b>	<b>Hotel Moments Budapest</b>
<b>Facilities</b>	9.2	9.0	9.4	9.5
<b>Cleanliness</b>	9.5	9.3	9.7	9.7
<b>Comfort</b>	9.5	9.3	9.6	9.6
<b>Value for money</b>	9.0	8.9	9.3	9.2
<b>Location</b>	8.6	9.7	9.6	9.9
<b>Total</b>	9.1 (2,483)	9.2 (1,258)	9.5 (1,819)	9.5 (2,621)

Source: References \*\*

Based on the values of the two tables, the following conclusions can be drawn:

- the outstanding value of a variable, such as *Location*, does not compensate for other shortcomings of the hotel, even if this appears as an important selection criterion among tourists interested in romantic tourism,
- in case of tourism services, an even evaluation<sup>7</sup> is necessary for all the criteria that fundamentally determine the level of tourist satisfaction.

The two tables below present the structured variables that ranked best for the hotels included in the analysis. Based on the data presented (Tables 3 and 4), it is the human factor that constitutes the added value of a hotel.

**Table 3.** Added value of hotels (1)

<b>Barceló Budapest</b>	<b>Monastery Boutique Hotel Budapest</b>	<b>Stories Hotel</b>	<b>Hotel Clark Budapest</b>
"friendly staff" (53)***	"friendly staff" (45)	"helpful staff" (38)	"river view" (137)
"comfortable bed" (39)	"perfect location" (41)	"perfect location" (36)	"friendly staff" (132)
"excellent location" (39)	"great breakfast" (30)	"comfortable bed" (28)	"perfect location" (128)

\*\*\* related reviews

Source: References \*

<sup>7</sup> Even evaluation in this case means that the difference between the rankings obtained is minimal or very small.

In addition, based on order of importance (Tables 3 and 4): hotel location, breakfast quality/variety, cleanliness, comfort, and view are also criteria that increase the value of hotel services. And this value is reflected in the loyalty of tourists.

**Table 4.** Added value of hotels (2)

<b>The Three Corners Lifestyle Hotel</b>	<b>Callas House</b>	<b>Maison Bistro &amp; Hotel</b>	<b>Hotel Moments Budapest</b>
"clean room" (80)	"friendly staff" (66)	"friendly staff" (80)	"friendly staff" (192)
"friendly staff" (76)	"perfect location" (54)	"great breakfast" (73)	"great breakfast" (160)
"great breakfast" (71)	"great breakfast" (47)	"clean room" (50)	"excellent location" (129)

Source: References \*\*

Consequently, the results of Breg's (2013) research are valid up to this day, since even in the case of four-star hotels included in the analysis, the quality of people (employees), place and breakfast is what primarily adds value to a given hotel.

## Conclusion

It is a fact that a pandemic has a significant impact on the tourism sector, but that does not mean that no tourism advertising campaigns are made during the pandemic. These campaigns are primarily designed to raise awareness of the country as a tourist destination among both international and domestic tourists. Furthermore, they are designed to introduce new landscapes, new values, and to stimulate domestic tourism and, last but not least, to strengthen self-image.

In case of the advertising campaigns *Let us take care of each other and we will succeed!*, and *Hungary welcomes you back!* this kind of aspiration can be perceived, as several people who expressed their opinions felt that these advertising campaigns had awakened in them a love for their homeland. Strengthening self-image is also important because in this way the population also participates in the promotion, and thus they become "propagandists" of the given destination (Kovács, 2004).

Based on the advertising campaigns included in the analysis, factors have been identified that invite and attract the audience to engage in romantic tourism. However, the *Budapest welcomes you back!* advertising campaign not only listed references, but it also illustrated specific wedding moments.

Hotels play an important role in romantic tourism, as they not only provide accommodation for guests, but can also provide a venue for the wedding. Hotels must continue to focus on their staff, accommodation/physical environment and gastronomic offers as these are the elements that add value not only to tourist experiences but also to hotels.

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**\* (Table 1, Table 3)**

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**\*\* (Table 2, Table 4)**

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