
NEW TRENDS OF BUSINESSES DIGITALIZATION IN ROMANIA AND THE BEHAVIOUR YOUNG CONSUMERS

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Abstract

The digitalization of business has become a reality worldwide, and companies must respond to the imperative of using digital media to interact with customers and business partners, so as to retain their relevance in a market marked by digital technology. The purpose of the research was to know and analyze the views of young people about changes in perception and behaviour determined by social and economic digitalization. Also, we intended to investigate the intensity of resistance to changes brought by the digitization of the market for goods and services, but also motivational factors that change the behavior of young people from Romania in a digitized society.

The methods used in this research were: online questionnaire, comparative and correlative analysis. For data analysis we used specific tools for automatic processing with setting pivotal data. The results of our research show that the business environment in Romania is adapting to the digital society. However, there are major changes that should still take place further in society and business. Our research base was composed by 1000 young students and graduates of higher education who received our questionnaire online. The response rate was 38.3%, that means that 383 filled in the questionnaire.

The results show that young people in the target group have confirmed their maximum receptivity to products and services of the digital society. They are receptive and motivated to exploit the advantages of the digital society. Our research has revealed that their behavior will adapt further depending on the digital service offers by organizations and the means they will use to promote digital products and services. The results of this research are interesting and useful both for companies operating on the Romanian market, but also for redefining government policies.

Keywords: digitalization, business environment; change; customer behavior.

JEL Classification: L1, M1.

Introduction

Nowadays, increasingly more aspects of every day life are captured and stored in digital form. The result, is a real-time exchange of information between interconnected tools, fixed or mobile. More and more organizations seek to identify a pattern of consistent and relevant interaction by integrating all channels. This process requires an agile strategy, which enables the adoption of the latest technologies and channels, calibrating the whole process while operating, by testing and feed-back from target groups (Bayar, 2016). Economic and social activities can not be conceived anymore without the inclusion of IT&C elements that contribute significantly at increasing the competitiveness and business development (Androniceanu, 2017). To support the progress of Romanian society comes the National Strategy regarding the Digital Agenda for Romania, elaborated by the Ministry for Information Society (ministerul pentru societatea informatională), in accordance with the European Digital Agenda, which aims at developing the Romanian IT&C sector, increasing efficiency, and reducing public sector costs (Androniceanu, 2015). An important benefit of the implementation of Romania's Digital Agenda is increased productivity in the private sector due to the reduction of administrative barriers and improving competitiveness of the workforce (Androniceanu, Ohanyan, 2016). Another effect of digitalization is an increased competitiveness coefficient. The competitiveness of a country refers to its ability, compared to others, to ensure an economic and social environment that supports the accelerated creation of added value (Virglerova, Dobes, Vojtovic, 2016). Digitalization creates accelerated added value. Using digital technology facilitates improved business performance (Androniceanu, 2017). Digitalization has an impact on consumer behavior and experience, streamline sales processes, reformats existing business models or formulates new ones. For Romania, digitalization is an opportunity to increase the competitiveness of companies active on the Romanian market (Lăzăroiu, 2015). Through research that underlies this work we have identified several elements of behavior profiles and expectations of young people aged 20-26 years (Generation Y) who expect appropriate behavior from the digital society and diversified and attractive digital products and services at an affordable price.

1. Literature review

Digitization is the effect of the Internet revolution and technological changes. For every industry this can mean something different, but the benefit is for the entire ecosystem, business or social. In the business environment there are more and more intensive discussions about how business models can be changed in a world where digital technologies cause major changes in various markets. According to the European Commission, Romania is ranked last (28), depending on the economy and information society index (DESI), as can be seen in figure no. 1.

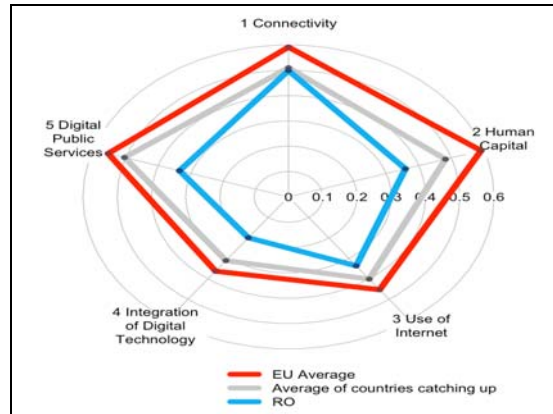


Figure no. 1: Comparative approach of composite index on digitalization in the EU si Romania

Source: European Commission, 2016

This composite index integrates a set of relevant indicators, structured around five dimensions: (1) connectivity; (2) human capital; (3) Internet usage; (4) the integration of digital technology; (5) digital public services. **Connectivity** refers to the coverage, speed and number of subscriptions in fast broadband. The coverage ratio of households with fixed line broadband is low (89% in Romania compared with 97% in the EU). The coverage by the network of next generation access (NGA) in Romania is 72%, similar to the EU average (Valter, Androniceanu, Dragulanescu Duca, 2016). Regarding the number of subscriptions to fast broadband (speed over 30Mbps), in Romania the percentage is 63%, 30% above the EU average (Popescu, 2016).

Human capital refers to the digital literacy of the population and the workforce in the field of information technologies (IT specialists 100,000). Statistics show that only 52% of Romanian use the Internet regularly (compared to 76% in the EU) and 32% have never used the internet (compared to 16% in the EU). Internet usage refers to the number of internet users in Romania, which increased mainly due to a greater participation of the population on social networks (Popescu G. N., Popescu C. R. Popescu V. A., 2016).

Integrating digital technology refers to the integration of information and communication technologies in the online services so they can be accessible to the population. Romania recorded results below the EU average and the progress is limited (Nica, 2016). Lack of budget at company levels, and the lack of confidence of the great mass consumers in online services, lack of a proper legal framework for the management of potential disputes between companies and consumers, and other concerns regarding encrypted communications and payments, leading to a poor rate of integration for digital technologies by companies and the banking system.

Digital public services in Romania are below the EU average, but significant progress is expected, especially by promoting an open data policy (Open Data type). Software companies in Romania are developing new design tools that facilitate the creation of electronic content (Burlacu, S, DS Grigorescu, Stefan, C., C. Popescu) However the use of e-government is the lowest in EU only 8% of users interacting with public authorities by submitting completed forms (Popescu CR, Popescu NG, Popescu, VA, 2017).

A global survey conducted by the consulting company Cap Gemini shows what the benefits of digitization in a company could be: increased profitability (EBIT) by 9-26%, increase asset utilization efficiency of 6-9%, and increase in the company's value by 7-12%. Given the fact that in 2015 the total turnover of the companies active in Romania was 275 billion euros, of which 500 top companies generate about 110 billion euros, by digitizing companies that value could increase by 2-5 times in the coming years which would produce a domino effect in other dimensions discussed above, particularly in terms of human capital and the integration of digital technologies. The DESI (Digital Economy & Society Index) report points out that Romanian organizations will find it difficult to compete in the global digital market, unless they use more e-commerce applications and cloud computing. Only 7.4% of SMEs sell online in Romania and only 1.9% of them sell online in other Member States. According to the DESI report, Romania belongs to the group of countries which are in a recovery phase in terms of the digital divide (LV, CY, IT, HR, SI). Romania is above the EU average in access to Internet, high-speed national networks offering speeds of 30Mbps to 72% of households, the EU average being 71%. A Commission report for 2016, stated that Romania has made most progress in the area of connectivity, finishing in 23rd place among member states (Andrew Galupa, Androniceanu, Georgescu, 2016). Currently, 59% of fixed Internet subscriptions are subscriptions to fast Internet connections, compared to 54% in 2013, which places Romania in second place, from this point of view, according to the document. The DESI report notes that Romanian companies will have difficulties in competing in the global market digital, if they do not use more e-commerce applications and cloud computing (Becerra, Androniceanu, Georgescu, 2016). Government services in Europe are being upgraded and transferred in the online environment for increased accessibility by people and companies, across borders, within a large-scale project that could result in savings of billions of euros over the coming years. For Digital Public Services Romania scores 0.33 in 2016 (up from 0.27 in 2015) and improved its ranking to the 27th position, as it can be seen in table no. 1.

Table no.1: The digital public services in the EU compared with Romania

Digital Public Services	Romania		Cluster	EU
	rank	score	score	score
DESI 2016	27	0.33	0.5	0.55
DESI 2015	28	0.27	0.45	0.54

Source: European Commission, 2016

In Romania, 41% of consumers are already digital consumers. These consumers search for information online and have easy access to information, and they can verify the veracity of marketing messages by accessing multiple sources, thus choosing the channel they wish to purchase from. In this context, 62% of consumers are getting informed exclusively online about the desired product or service, the buying decision is 56-67% based on advice given by friends and acquaintances, and only 21% are influenced by brand loyalty. Seeing how digitization is becoming more and more present in the business environment, not just the transformation in consumer behavior, but also the adoption of new technologies, tools and applications is highly disruptive, with an immediate impact on the activity of all companies. The next section of the paper contains the results of a research study focused on *the*

behavior of young Internet users, who have already become consumers of digital products and services.

2. Survey on new trend of digitalization and the young consumer`s behavior

In this context marked by major and profound changes in the business environment, we conducted a research in which we intended to understand better the openness and receptiveness of young people on the digitization of Romanian society. The research had as target group young Romanians, aged between 20-26 years. Our research base was made up of 1,000 young students and university graduates. The number of subjects who directly participated in our research was of 383 people. Of these, 142 people were aged 18-23 years; 130 subjects aged between 23 years and 26 years and 111 people were over 26 years, but not more than 30 years. The response rate was 38.3%. Of the 1,000 people who formed the basis of research, only 450 have accessed the online questionnaire and 383 of them responded to the online questionnaire we proposed in this research. The research was conducted between February 27 to March 10, 2017.

2.1. Purpose and research objectives

The aim of our research was *to know the profile of young people in relation to the demands of the digital society and analyze their views on digital media and changes in behavior in the context of extending digitization in Romania*. Also, we proposed to identify and analyze the main needs of young people which can be satisfied by the digital society, and the *motivational factors* that may cause changes in their behaviour as consumers of digital products and services.

2.2. Research hypotheses

The main hypotheses were as follows:

Hypothesis 1: The young Romanians are willing to integrate in a digitized society and they have the appropriate profile.

Hypothesis 2: Young Romanians are motivated, responsive and flexible in their behavior as consumers of products and services offered by digital society.

2.3. Main results and analysis

The research was conducted in two distinct phases: (1) investigating the respondents' profile: qualities, knowledge, skills and abilities necessary for a consumer of digital products and services; (2) investigating youth behavior in a digital society and discovering the motivational factors of changing their behavior as consumers of digital products and services.

In the first stage, the research has shown that, most respondents aged up to 26 years believe that they have the knowledge, qualities, abilities and skills to an advanced level for using information and communication means (internet, computer, tablet, smartphone, etc.). The research also showed that experienced respondents, regardless of age, stated that rapid access to information is the main advantage of digitization, followed by quick access to various services. Noteworthy is the large number of respondents aged over 26 who abstained to indicate a primary advantage of digitization. The research results indicate that information, socializing, reading correspondence, doing shopping, some financial services, trade, health are the main reasons for accessing the Internet in equal proportions.

In the second stage of the research process we obtained interesting results which helped us to verify the two hypotheses. Regarding consumer willingness to make some changes in their behavior to adapt to a digitized society, as can be seen in figure no. 2, the research revealed that most of the young people involved in this research wish to make changes in their behavior as services consumers. The research also showed that most respondents had qualities, knowledge, skills and abilities required for the use of means to work within a digitalized society: Internet, tablets, smart phone, sites; social networks, etc. These results confirm the first hypothesis of the research.

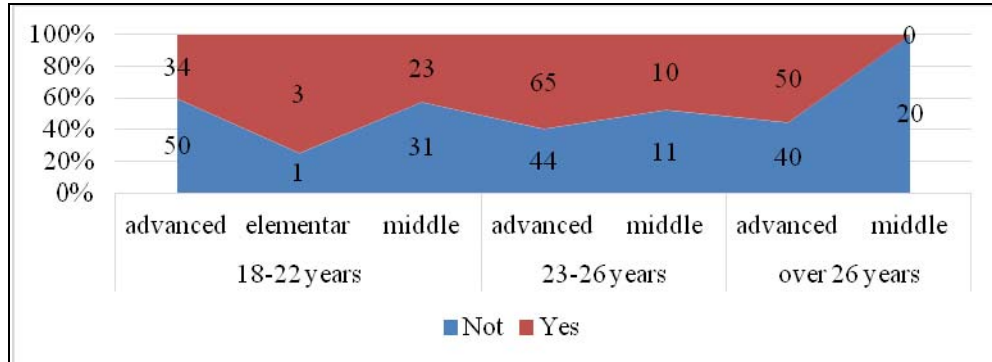


Figure no. 2: The desire of consumers to make some changes in their behavior to adapt to a digitized society

In figure no. 3 we can identify the main needs that determine the respondents to make changes in their behavior, consumer of products and digital services.

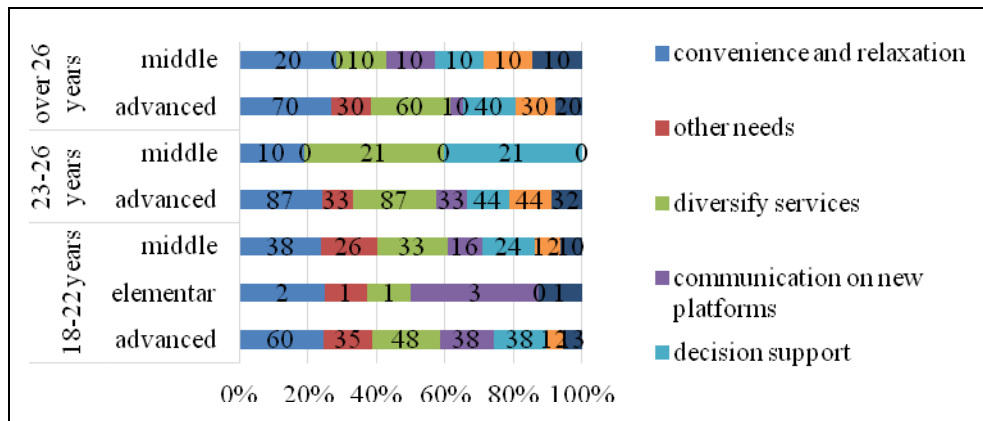


Figure no. 3: The main needs that determine consumer behavior changes in a digitized society

It can be ascertained that there is a diversity of needs that really motivate young people to show responsiveness to the majority of changes brought by the digital society. Also, our results reveal major motivational factors that lead to youth behavior change, for increasing their receptivity towards digitalization. A synthesis of research findings related to

motivational factors is presented in figure no. 4 thus confirming the second hypothesis of the research.

The diversity of motivation factors considered in the process of research shows the availability of Romanian youth, to integrate within a digital society, and to use its advantages. These results show that the digital society is desired by young Romanians and will be harnessed by them in order to satisfy a variety of personal, social and professional needs.

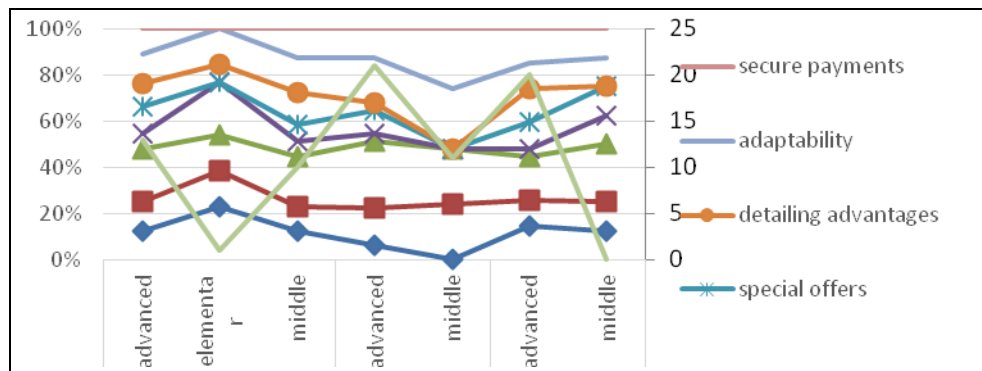


Figure no. 4: The main motivational factors for changing the behavior of young consumers of digital services

The results of our research show that the digitalization of economic, social, banking, education etc. activities will cause major changes in youth behavior. Also, the results of our research highlight that young Romanians want to make these changes in their behavior as consumers of digital services and products, and show maximum responsiveness to all the advantages of digital technology. The profile of training of young Romanians to live in a digitalized society is adequate, and the various advantages of the digital society motivates them to adapt their behavior further for integrating into the new social, economic, informational system that comes with the digital society.

Conclusions

Digitalisation has become a priority for all industries amid rapid technological advances, changing business models. Digitalization in people's personal lives has already begun through smartphones, fast Internet connections and increasingly more mobile content is being consumed. Now is the time for businesses to adapt to these changes. Our research has shown that young people are prepared to integrate into the digital society, and are open to receiving diverse and attractive offers from the business environment.

Our research confirmed that young people want to move from communicating through Facebook, Instagram or Snapchat to the use of diversified applications created by different companies through which people can make shopping easier by paying with their smartphone. Our analysis showed that businesses with a turnover of hundreds of millions of euro are struggling to keep up with technological changes and try to become more present in the eyes of consumers, to be closer to them, thus strengthening their image.

The “digital” is an essential component that has changed and will continue to radically change the way business is carried out in Romania. Large companies have already created

specialized departments with digital experts who grew their brands recognition in social media. The budgets of large companies operating in Romania have tripled in the past three years, which confirms that digital products and services will develop and diversify further at a rapid pace in the Romanian market.

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