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Socio-Cultural Effects of Tourism on Local People: Antalya Example*

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Abstract

The primary purpose of this study is to analyze how tourism movements in the centre and districts of Antalya affect the local people and their feelings and thoughts about tourism. The research population consists of local people born and raised in Antalya and people living there for a long time. The study determined face-to-face interviews with 82 participants by snowball sampling between 01.02.2024 and 01.04.2024. Content analysis and descriptive analysis were applied to the data. Participants' perceptions and support for tourism development were examined through variables such as gender, age, place of birth, education level, life expectancy, profession, and interaction with tourists, and the hypotheses were tested. According to the research findings, 31 participants do not work in a tourism-related job, while 51 participants work in the tourism sector. While 98% of the participants who have relations with tourism stated that they want tourism to develop further in the region, 42% of participants who have no connection with tourism stated that they wish for further tourism development in the area. Local participants in the area have a more antagonistic approach to tourism development and support tourism development less than those who are not local. In addition, in line with the research findings, it was observed that individuals who interact with tourists approach the development of tourism more positively, and their support for tourism development is higher than individuals who do not interact with tourists.

Key Words: Tourism, Local People, Socio-Cultural Impact, Effects of Tourism, Antalya.

1. INTRODUCTION

The tourism industry, which plays an active and effective role in developing societies as a determinant of economic development, is supported by many countries and communities in line with the perceived positive effects (Özgüç, 2007). The primary purpose of the initiatives and plans is to accelerate the society's economic and social development process by increasing the positive effects obtained. Uncontrolled tourism plans cause adverse effects. As a result, it grows and negatively affects the local people (Akiş, 1999, p. 42). Studies have shown that individuals who have never had the opportunity to go on vacation for various reasons throughout their lives isolate themselves from society, adopt various bad habits, decrease the productivity of working individuals, and have various feelings such as grudge and hatred towards tourists, and their inability to go on vacation are practical in their inability to do so (Gürbüz, 2002; Mesci & Dönmez, 2016; Ayazlar, 2016; Shobha, 2019, p. 147, Yavuz & Unur, 2021). For this reason, various practices should be implemented and integrated into society to ensure that all individuals can go on vacation. The stakeholders' tendencies should be arranged to appeal to all segments of society,

* Produced from Hande TOKDAŞ's master's thesis.

preventing individuals from being ignored. If the benefits for local people exceed the damages, their perception and attitudes towards tourism development become more negative over time. Successful tourism development is achieved when all tourism stakeholders in the sector work together effectively (Ersoy, 2017, p. 109; Sert, 2024). Sector representatives, policymakers, local services and people come together on common ground and play an active role in the success and sustainability of tourism development initiatives. This study was carried out to examine the perceptions of local people living in Antalya city centre regarding the positive and negative effects resulting from tourism development and their participation in tourism development through variables such as gender, age, place of birth, education level, life expectancy, occupation and interaction with tourists.

COVID-19, which affected the whole world in 2020, has created a milestone and brought tourism, travel and accommodation activities to a standstill and while it has begun to introduce the concepts of isolated holidays, social distance, virtual experience, online visits, and online event to tourism literature, it has been observed that it shows signs of change. The structure prioritizing social contact, sharing, and local culture until COVID-19 has suddenly reversed, and traces of a new change have begun. UNWTO (United Nations World Tourism Organization) describes the new tourist profile with the following keywords; "independent, experienced, compatible with technology, expecting quality products and services, more active, open to getting to know other cultures, able to vacation more frequently during the year, sensitive to the environment and culture" (Cabirini, 2005 cited in: Emekli, İbrahimov & Soykan, 2006, p. 11).

2. CONCEPTUAL FRAMEWORK

The growth and development of tourism as a social, economic and environmental activity, the change in its definitions and practices, and the diversification of geographical distribution date back to the 1950s. In these years, when the modern tourism paradigm was strengthened, vacationing, devoting time to tourism and vacation, having sufficient income, and having a suitable education and cultural level played an important role in this development. However, the developments in transportation and communication tools, the diversification of tourism organizations, the spread of industrialization and urbanization, and the ease of payment in holiday expenses (paid holidays, credit cards, instalments, and the increase in social tourism facilities) have added a different dimension to tourism in the increase and change of tourism demand (Zoğal & Emekli, 2017).

Tourism, also called the smokeless industry, is an important economic activity for many countries, with both positive and negative effects. If they have tourism potential, countries trying to industrialize turn to tourism, which is a part of the service sector, due to the foreign exchange requirement required to finance industrialization (Akış, 1996, p. 36; Sert & Sağlam, 2023).

The worldview and trends that emphasize individuality have paved the way for the differentiation of accommodation and travel demands in tourism, accelerating the emergence of some innovations other than traditional tourism practices and starting the post-modern era in tourism. Today, where the effects of globalization have strengthened, these differentiations have affected tourism as a concept in terms of supply, quality and quantity, changed the relations between place-local people and tourists, production and consumption patterns, and caused the emergence of new practices (Zoğal & Emekli, 2017; Dündar & Sert, 2018; Rol & Sert, 2023).

One of the first studies to systematically address the relationship between tourism development and the attitudes and behaviours of local people towards tourists was Butler's study, published in 1980, which attracted a lot of attention (Butler, 1980, p. 10). According to Butler's (1980) hypothesis, as the number of tourists coming to a region increases (as tourism develops), the public, who initially treated tourists with extraordinary tolerance, gradually becomes more

remarkable about the long-term benefits of tourism in economic, social and environmental terms. Therefore, their attitudes towards tourists change negatively. This is because even if the expected economic benefits from tourism development are obtained, the social and environmental costs, never considered or given much importance at the beginning, gradually come to the fore. Therefore, the public has become sceptical that tourists are a blessing. The result is that tourism in the region in question will begin to decline.

Parallel to the development of tourism, the view that the friendly interest shown by the local people to the tourists at the beginning turns into a negative attitude after a particular stage and from that point on, tourism starts to decline in that region has also been addressed in the models developed by Doxey and Murphy (Doxey, 1975, p. 196; Murphy, 1981, p. 190). Although it is possible to criticize such models in general because they evaluate the reaction of the local people in a straightforward framework, it can be said that they are helpful in systematically showing the attitude displayed (Akış, 1996, p. 15).

Tourism provides more employment for the local people, increases the real estate values in the destination, provides the opportunity for tax revenues to increase, contributes to the creation of more entertainment opportunities, provides the opportunity for the visual beautification of the region, helps to increase transportation opportunities in the destination, increases the opportunities of airports, allows for the increase of education opportunities at different levels, and contributes to the increase of the clothing and food sector. On the other hand, it requires additional infrastructure in the relevant destination (sewerage, police, fire department, school, airport works, etc.), causes an increase in crime rates, causes air, water and noise pollution as a result of crowding in the tourist area, causes divorces and social displacements in the society, causes living conditions to worsen, and causes an increase in expenses such as food, rent and transportation (Korkmaz, 1990, p. 407). Tourism's positive impact is evident in the balance of payments, employment, income, and production. Since tourism is a multidisciplinary activity involving various sub-industries and based on various skills, its benefits are spread to a broader section of society compared to other sectors of the economy (Saridoğan, 2019, p. 1310).

Failure to take measures to prevent tourism from causing such damage to the natural environment means that the country that hosts tourists is destroying the values that constitute its tourism supply with its own hands. In other words, the region will have consumed its tourist raw material and given up the economic, social and cultural benefits it will obtain from tourism (Güngör & Karakaş, 2015, pp. 24-25).

Some models have been developed to explain the relationship between tourism and the local people living in the region where it takes place. Doxey (1975) proposed the Tolerance Approach (Irridex Model) to explain the relationship between the effects of tourism and the attitudes of the local people towards tourism. This model argues that the local people's attitude towards tourism activities in that region can change through several stages. According to the author, this change occurs when the costs perceived by the local people exceed the perceived benefits. The stages include enthusiasm, indifference, discomfort and hostility (Özel, 2014, p. 55).

Pizam & Milman (1986, p. 30) argued that the social effects of tourism are never universal. In this sense, they stated that the social effects of tourism are determined within the framework of tourism activities, the cultural and economic distance between tourists and hosts, tourists not harming the desired local activities of the destination and its population, and the speed and intensity of tourism development.

According to Kozak & Nergis (2013, p. 12), due to the characteristics of tourism, socio-cultural and socio-economic interactions occur between individuals and communities visiting a destination and the local people who work in the industry and create a tourism product with the

cultural values it possesses.

According to Khan et al. (1990, p. 541), although tourism has positive social effects in terms of increasing people's interest in the world, understanding foreign and foreign tastes, the quality of the services offered (hotels, restaurants, etc.) and the quality of mass media; prostitution, nudity, deterioration of moral behavior, drug trafficking, theft, increased crime rate, changes in social and cultural values, decreasing the quality of works of art and issues related to their preservation can also cause some adverse social effects.

Theory Duran (2011, p. 298) also stated that "in tourist-local encounters, those who encounter are not tourists and locals, but their personalities, feelings, values, attitudes, behaviors and the cultures of the society they possess" is quite realistic. The status of the relationship established between tourists and locals, the factors that affect it, the behaviors that occur as a result of this relationship, and the results of these can occur in very different ways. While this relationship is sometimes very close and sincere, at other times, it can become a point where aggressive attitudes emerge, and hostility towards each other can progress (Rızaoğlu, 2012).

When visitors leave their hotels and beaches, especially when they rent a car and mingle with the local community to see the unknown aspects, they will meet and interact with local tradespeople; they will tend to talk to restaurateurs and even farmers and shepherds. As a result, foreign words may increase in the spoken language of the local people over time, and foreignization may occur in the language (Pala, 2019, p. 170).

Countries with different cultures, religions, worldviews, and rich traditions impress and inspire admiration from foreigners. Tourists visiting these countries may also find these new styles different from their own and adopt them. In addition, differences in the clothing and attire of foreigners may cause the people of the country or region to enter a negative attitude and behavioral psychology towards foreigners (Barutçugil, 1989, p. 31).

In a study conducted by Yavuz and Unur (2021, p. 645), it has been determined that participants who are involved in tourism think that the difficulties required by the tourism sector, such as long working hours, shift work, working even on official holidays and festivals cause the deterioration of family and kinship relations and that issues such as marriages with foreigners, the weakening of the strict authority of parents over children, and the decrease in the attachment of the young people to the home due to the opening of entertainment venues such as discos and nightclubs in the region come to the fore.

There has been a significant change in the society's traditional-custom structure in the regions opened to tourism. Women having the right to speak in the family, girls working in the tourism sector and marrying foreigners are a few of these (Kozak, Kozak & Kozak, 2010, p. 89).

It is necessary not to overlook the existence of a religious dimension in tourism movements. In their research, Göktaş & Türkeri (2016, p. 110) concluded that 'the high score of individuals aged 55 and over on the moral and cultural degeneration of tourism shows that individuals aged 55 and over have stereotyped ideas and are heavily affected by interfaith problems.'

Yavuz & Unur (2021, p. 648) stated in a study that they divided those who have and do not have a relationship with tourism into two groups; 'both groups think that tourism increases harmful habits and crime rates'. In addition, in the same study, the general opinion of the local people was expressed that 'harmful, bad habits such as alcohol and drugs have increased in tourist areas. The open entertainment venues also encourage people more; tourists and local young people always hang out in these places. Despite the necessary precautions taken by the police, people find the drug addict'.

When the studies in the literature (Gürbüz, 2002; Doğan, 2004; Uslu & Kiper, 2006; Mesci & Dönmez, 2016; Ayazlar, 2016; Yavuz & Unur, 2021) are taken into consideration, it is seen that the main difference between the perceptions of tourists and local people is that tourists mainly focus on the factors affecting the holiday experience in the changes experienced in tourism, while the perceptions of the local people are based on their quality of life. It is also emphasized that tourists and locals of the destination are affected by each other. However, the most affected group is the local people living in the region who accept tourists, and the lifestyle of the local people should be protected while benefiting from tourism. They believe that tourism, an important tool for recognizing different cultures, should be compatible with the destination's culture. In addition, according to the principles of global tourism ethics, it is emphasized that tourism activities should be planned in a way that will sustain and develop traditional cultural products rather than deteriorating or standardizing these values.

3. METHOD

This research is a descriptive type of research. Descriptive research is the expression of the current status of the object or phenomenon in the focus of the research (Coşkun, Altunışık & Yıldırım, 2017, p. 76).

Qualitative research is defined as research that is conducted to present perceptions and events realistically and holistically in a natural environment and uses qualitative data methods such as observation, interview and document analysis for the solution of a problem and follows a qualitative process (Yıldırım & Şimşek, 2016, p. 41). In this research, the interview technique, which is one of the qualitative data collection techniques, was used.

The Universe and Sample of Research

The application was in line with the purpose of research for the local people in Antalya province. Antalya province was chosen as the research universe because the region's tourism movement is intense, the sector constitutes the majority of employment, and it is a region where historical, cultural and natural beauties are prominent. According to data from the Antalya Provincial Directorate of Culture and Tourism, the length of Antalya's coasts is 640 km, including indentations and protrusions, and 500 km in straight lines. According to the data of 2023, its total population (the size of the research universe) is 2,696,249 people. The history of tourism activity is quite old, and it is a destination that has made Turkey's voice heard worldwide in tourism.

The research used a sampling method instead of reaching the entire universe due to time, cost, and accessibility reasons. The convenience sampling method was used to determine the sample from the universe, and a survey was conducted by reaching 82 people selected with this method.

Creation of the Survey Form

The survey used in the research consists of four sections. In the first section, twenty questions were asked to determine the social and economic sensitivity level of the local people; in the second section, ten questions were asked to determine the attitude level of the local people towards the development of tourism; in the third section, seven questions were asked to determine the cultural and emotional sensitivity level, and in the fourth section, ten disaster closed-ended questions were asked to measure the effects of tourism on the local people. Then, to determine the demographic characteristics of the participants, questions were asked about gender, age, marital status, education level, occupation, income level and the duration of living in the region. Finally, an open-ended question was asked under the heading of the issue that the participants would like to add so that they could explain their thoughts more clearly. The judgments stated in the survey were rated with a 5-point Likert-type scale. Here, in determining the socio-cultural impacts of tourism, local people were asked to mark their attitudes on the

subject according to their level of agreement with the statements "1. Strongly Agree, 2. Agree, 3. Neither Agree nor Disagree, 4. Disagree, 5. Strongly Disagree".

Data Collection Method

A survey was used as the data collection method in this research, which aims to determine the socio-cultural effects of tourism on local people. The survey technique was preferred because it is economical, more reliable in accessing data, and provides collective access to the opinions of different individuals.

4. FINDINGS

All participants interviewed face to face within the scope of the research have been living in Antalya for at least 11 years, and 20 of the 51 participants out of 82 who are directly related to tourism are male, and 31 are female. The participants are between the ages of 25-55, and the average age is 40. Forty-three are married, 42 have undergraduate degrees, and 7 have postgraduate degrees.

The number of male interviewees is 32; 15 of them were born and raised in Antalya. Twelve of them are married, 20 of them are single. Nine of them are civil servants in institutions affiliated with the Ministry of Culture and Tourism, 1 retired from tourism, two are unemployed, and 20 are working in tourism businesses. Of the male participants, 1 has a postgraduate degree, 16 are university graduates, and 15 are high school graduates.

The number of female interviewees is 50; 27 were born and raised in Antalya. Thirty-one of them are married, 19 of them are single. Seven female participants are civil servants in institutions affiliated with the Ministry of Culture and Tourism, 4 participants are retired, 2 participants are unemployed, 4 participants are doctors, 1 participant is a lawyer, 1 participant is a banker, and 31 participants work in tourism businesses. 6 of the female interviewees are postgraduate graduates, 26 are university graduates, and 18 are high school graduates.

Demographic data of the participants obtained as a result of the study are given in Table 1 below.

Table 1. Demographic Characteristics of Participants

Variable	Group	Number
Gender	Female	50
	Male	32
Marital Status	Married	43
	Single	34
Education Level	High School	34
	University	41
	Postgraduate	7
Working Sector	Lawyer	1
	Banker	1
	Civil Servant (Ministry of Culture and Tourism)	16
	Doctor	4
	Retired	2
	Unemployed	4
	Worker in Tourism Enterprise	54
Monthly Income Level	1-17.000	8
	17.001-35.000	40
	35.001-51.000	13

	51.000 and above	21
Life Expectancy in Antalya	11-15 years	20
	16-20 years	18
	Since Birth	44

The participants generally complained that tourism in Antalya does not benefit the locals because of the five-star all-inclusive accommodation establishments that squeeze tourists into four walls. The participant was disturbed by the tourists' clothing, which is against the traditions of the local people, and he shared his observation that the locals are affected by these and that there are adverse effects on their clothing and morale. He also mentioned his observations that since they are in another country and behave more comfortably, it spoils the local people's morality, and there are even conflicts within the family.

When we evaluate in general, male participants commented that tourism has more positive aspects because it prioritizes the economic dimension. Female participants commented that it has more negative aspects because it prioritizes the religious and moral dimensions of the region and its traditions and customs.

Table 2. Participant's Social and Economic Sensitivity Level

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. Tourism improves the quality of life of local people.	55	12	6	4	5
2. Tourism provides more significant economic gains to local people.	60	9	10	2	4
3. Tourism helps revitalize the local economy.	58	8	10	4	2
4. Tourism creates new job opportunities for local people.	60	8	6	5	3
5. Tourism makes it easier for local people to reach tourist attractions in the city.	49	15	8	6	4
6. The development of tourism allows more investment to be made in the region.	58	10	5	7	2
7. Tourism diversifies the leisure time opportunities of local people.	47	11	14	5	5
8. Tourism enables local people to meet different cultures.	54	9	11	4	4
9. Tourism enables the development of cultural activities.	50	12	9	7	4
10. Tourism positively affects the behavior of local people.	43	16	16	2	5
11. Tourism increases environmental awareness.	44	13	15	2	8
12. Tourism supports the protection and development of the natural environment.	45	13	10	5	9
13. More effort should be made to develop the tourism sector.	51	12	9	7	3

14. Tourism enables the development of cultural activities.	55	1	9	4	3
15. Tourism increases the production of local products.	53	1	12	1	6
16. Tourism causes environmental pollution (soil, air, water, etc.).	24	1	10	7	24
17. Tourism creates problems such as crowding, noise pollution, etc.	27	1	16	8	18
18. It increases the entertainment and leisure opportunities of local people.	32	1	13	12	11
19. It negatively affects the attitudes and behaviors of local people.	16	1	16	9	26
20. It causes social problems such as crime, prostitution, and drugs.	21	8	22	11	20

When the survey results are evaluated in detail, it is observed that the people living in the region for 11 years support the development of tourism in the region economically but are more hesitant about the social structure of the society compared to the people who were born and raised in the region. The local people think that tourism harms the people's moral values, but they also support its development due to its economic benefits.

Table 3. Participant's Attitudes Towards Tourism Development

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. I think tourism has a vital role in my region	63	6	7	2	4
2. It is the right decision for the government to support tourism in my region.	67	6	5	2	2
3. I have more tourist activity opportunities thanks to tourism in my region.	44	24	9	3	2
4. More waste has been created in my region due to tourism.	34	10	27	8	3
5. The tourism industry provides the desired employment opportunities in my region.	40	24	10	4	4
6. Tourism has increased my standard of living in my region.	40	20	13	6	3
7. My region's public service quality has increased thanks to tourism.	41	14	14	11	2
8. The benefits of tourism outweigh the negative consequences of tourism development.	40	10	18	4	10
9. Tourism negatively affects the environment.	19	6	16	7	34
10. Tourism has increased the crime rate in my region.	18	6	14	5	39

When the survey results were evaluated in detail, it was observed that the region's locals generally supported tourism development. However, at the same time, they were concerned about the negative returns of tourism. It was observed that 51 people currently working in

tourism enterprises, compared to other participants, ignored the negative returns of tourism. However, it supported tourism development in the region economically and socially.

Table 4. Participant's Cultural and Emotional Sensitivity Level

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. I enjoy interacting with people from different cultures.	52	16	6	5	3
2. I made friends with some visitors in Antalya.	39	18	13	4	8
3. I am proud that visitors come to Antalya.	58	8	7	5	4
4. I respect the values of people from different cultures.	58	13	7	2	2
5. I think Antalya benefits from hosting visitors.	47	19	4	7	5
6. I appreciate visitors because they contribute to the local economy.	49	16	11	3	3
7. I respect the behavior of people from different cultures.	54	13	6	6	3

When the survey results are evaluated in detail, it is observed that the locals' emotional and cultural sensitivity level towards tourism and tourists is generally high. The local people generally respect the values and cultures of tourists, communicate with them and want tourism development to be supported. It was observed that the ideas and answers of the 39 single participants who participated in the survey were very close to each other on this issue. Almost everyone respected tourists' values by making friends and even enjoyed it. In addition, the participants' education levels were also emphasized in this section, and it was observed that participants with a bachelor's degree and above had a higher level of sensitivity regarding tourism than others. Almost all participants with a bachelor's degree and above agreed with the questions about communication with tourists. Based on these results, it is also possible to conclude that 'the level of emotional sensitivity increases with the increase in the level of education'.

Table 5. Participant's Views on the Impact of Tourism on Local People

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1. Tourism affects daily conversation	41	15	12	11	3
2. Tourism affects clothing	47	17	11	3	4
3. Tourism affects family relationships	26	7	16	7	26
4. Tourism affects traditions and customs	27	12	14	14	15

5. Tourism affects culinary culture	30	13	12	14	13
6. Tourism affects eating out	30	13	10	17	12
7. Tourism affects moral values	21	11	24	9	17
8. Tourism affects religious values	15	11	17	17	22
9. Tourism increases harmful habits	18	13	10	19	22
10. Tourism affects crime rates	15	12	13	16	26

When the survey results are evaluated in detail, the effects of tourism on the local people are observed more dominantly by the people born and raised in the region. All participants have lived in Antalya for at least 11 years and are now considered locals. However, significant differences were observed in their responses from those born and raised in the region. Therefore, it may be possible to conclude that 'the views of the local people on the socio-cultural effects of tourism show a significant difference depending on whether the participants are locals of the region or not' in line with these results.

5. CONCLUSION

The primary purpose of this study is to determine how tourism movements and tourists coming to the region affect the local people in the centre and districts of Antalya and how tourism movements affect the social life of the local people by analyzing the feelings and thoughts of the local people about tourism. It aims to reveal how local people have personally experienced and observed the effects of tourism on the region and how they perceive the effects of tourism from the perspective of the people who have lived there for a long time. Another purpose of this study is to determine whether the evaluation of the socio-cultural effects of tourism movements towards Antalya differs according to whether the participants earn direct income from tourism or not. In line with this purpose, one-on-one interviews were conducted with the local people who lived in Antalya and continue to live there before the international tourism movements towards Antalya started.

The study's objective is to determine the effects of tourism movements on the social life of the local people in Antalya. According to the research findings, 31 participants do not work in a tourism-related job, while 51 participants work in the tourism sector. While 98% of the participants who are involved in tourism stated that they want tourism to develop more in the region, 42% of the participants who are not involved in tourism stated that they want tourism to develop more in the region. The study will likely contribute to sustainability efforts in determining local people's perceptions of tourism.

In the study, women opposed the increase in cafeterias and bars, concerned that noise pollution and road safety would decrease and immorality would increase. At the same time, men supported it with the expectation that their businesses would open up. Milman and Pizam (1995) also concluded in their studies that gender is an important factor in determining the perception of the economic benefits of tourism and that women are more against the development of tourism than men.

The negative perception of the local people hinders the support for tourism development and is in the direction of preventing tourism development. Therefore, to prevent a decrease in support for tourism development, it is necessary to eliminate the negative perception, minimize the perceived adverse effects and ensure that the positive effects are seen. Local governments, policymakers, planners and entrepreneurs can see under what conditions the local people's perspective and support for tourism development change through studies carried out in this direction and can implement the necessary improvements (Akiş, 1999, p. 42). It will be possible to ensure that the initiatives and investments to be made are successful only by considering the

local people's expectations and requests. In addition, the local people can be included in the plans to be made, their opinions can be obtained, and more successful initiatives can be realized in the tourism planning process.

In order to obtain healthy results from the studies carried out to determine the perception and support of the local people towards tourism development, to ensure a balanced distribution of the development obtained from tourism, and to develop appropriate solutions to existing problems, local governments and local people must be willing and even work together.

In the study, perception and support for tourism development were evaluated using variables such as age, place of birth, level of education, occupation, interaction with tourists, and gender. In future studies, the relationship between perception and support for tourism development can be examined by adding variables such as commitment to the community, personal benefit, satisfaction with tourism development and destination life course, which are included in the relevant literature. In addition, the study was conducted only with local people residing in Antalya province. Local people residing in all districts of Antalya province can be included in the studies, the number of samples can be increased, and it can be seen whether the obtained results will change. The studies can be conducted with specific time intervals, the obtained results can be compared, and whether there are differences between periods can be tested. In future studies, the problems perceived by local people can be determined by choosing the qualitative method, correct evaluations can be made by establishing a cause-effect relationship and solution suggestions can be presented on the subject.

In this study, a survey was conducted in Antalya, one of the regions where tourism has been intensively carried out for many years, to obtain information about the views of the local people on the socio-cultural effects of tourism. The selected region is a region that can be preferred in all seasons of the year due to its historical, natural beauty, and climate. It is a destination where mass tourism is prevalent. It also has an important position in domestic and foreign tourism activities. According to Erkuş Öztürk (2010), the Antalya region has been a tourism destination since the 1960s and showed significant development with the Southwest Antalya Tourism Development Project of the central government in the 1970s. In the 1980s, it was accepted as a turning point in this region, like many other tourism centres in our country, with the Tourism Incentive Law (Ersoy, 2017, p. 109).

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Sports Sponsorship in Brand Advertisement: A Single-factor Between-subjects Experimental Design

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Abstract

This study sets out to investigate how the inclusion of sports sponsorship in brand advertisement affects brand attitude. We used a single-factor between-subjects experimental design (sports sponsorship in a brand advertisement: high-congruent vs. low-congruent vs. absent). The findings demonstrated that only a high-congruent sponsorship results in a more positive attitude towards the brand as opposed to the lack of a sports sponsorship in a brand advertisement. Furthermore, it was discovered that there is no distinction in the acquired brand attitudes between a low-congruent and a high-congruent sports sponsorship. In addition, the mediation role of attitude towards the commercial was limited to the favorable attitude towards the brand that results from a congruent sports sponsorship as opposed to the absence of one. The results have significant ramifications for businesses looking to increase brand appeal.

Keywords: Sports Sponsorship, Brand Advertisement, Attitude Towards the Brand, Attitude Towards the Advertisement, Brand Evaluation.

1. INTRODUCTION

Thanks to its power in subtly influencing consumer opinion through the association of a company with a sponsored object, sponsorship as marketing strategy has experienced the fastest growth over the last 20 years (IEG, 2017a). Although sponsorship is adopted across a wide spectrum of industries, sports sponsorship is the most common type overall.

Worldwide, sports sponsorship has become exponentially more popular over the years. Since 2014, sponsorship expenditure has increased by 4% annually on average, and 70% of all sponsorship funds have been allocated to sports sponsorship (Hodson, 2019). Despite the fact that sports sponsorship is seen as a crucial and expensive tool for marketing communication, corporations often misjudge the success of their sponsorships (Crompton, 2004). Therefore, in order for marketers to evaluate and justify their sponsorship expenditures, it is becoming more and more important to comprehend how the inclusion of sports sponsorship in brand advertisements affects consumers' perceptions of the brands (Schönberner et al., 2021).

There has been insufficient research conducted in the past on how brand attitudes are affected by sports sponsorship's presence or absence in commercials (Gwinner and Eaton, 1999; DeGaris et al., 2017). Apart from that, previous research has primarily relied on surveys, investigating exclusively at the relationship between sponsorship and brand attitude (Ko and Kim, 2014). As a result, this study aims to close the academic gap by investigating the causal relationship between the two factors listed above through an experiment.

One of the concepts in sponsorship research that is most frequently studied is congruence the idea that the sponsor and the sponsored object or activity should be similar (Coppetti et al., 2009). This concept highlights the contradictory impacts that high and low congruence have on customer perceptions (Belanche et al., 2021). Some research highlights the comparable impacts of low-congruent commercials, despite the fact that increased congruency induces better attitudes (Cicco et al., 2021). Therefore, the current study also aims to shed further light on these seemingly at odds congruency level findings.

Additionally, given that opinions about advertisements have the power to shape people's perceptions of brands (MacKenzie and Lutz, 1989), this study aims to investigate a process that is shaped by these opinions and determine if it can explain why there is a connection between a brand's attitude and the presence of a sports sponsorship in an advertisement.

The research question is as follows, aggregating the previously mentioned notions: How does a sports sponsorship in a brand advertisement (high-congruent vs. low-congruent vs. absent) affect viewers' attitudes towards the brand and to what extent is the relationship mediated by viewers' attitudes towards the advertisement?

2. LITERATURE REVIEW AND HYPOTHESES

2.1. The impact of a sports sponsorship in a brand advertisement on perception towards the brand

Sponsorship, as described by Gardner and Shuman (1998), is an investment made in a cause or event that advances the goals of the firm, such as raising consumer perception of the brand or raising company recognition. Specifically, by establishing a connection between the brand and sports entity, sports sponsorship provides companies with a means of communication with their sports-loving clientele. Additionally, sponsorship cues convey competence, dependability, and quality, according to Till and Shimp (1998). Customers often see brands affiliated with respectable

organizations as being more dependable and superior. A more favorable assessment of the brand will result from its affiliation with a respectable sponsored organization.

According to Ko et al. (2017), a crucial factor in fostering positive consumer perceptions of sponsorship is the perceived congruence between the sponsored entity and the sponsor. Different disciplines define congruence differently. According to Johar and Pham (1999), congruence is the relatedness or relevance in sponsorship research; in cause-related marketing, on the other hand, it is fit. Sponsor-ponsee congruence is generally understood to be the fit between an event and the sponsoring firm, while there are notable variations in this idea (Maanda et al., 2020).

There is sound theoretical foundation for the relationship between brand attitudes and sponsorship congruence. First, according to the Meaning Transfer theory, when someone is shown two related constructs, they are conflated and the meaning of one is transferred to the other (McCracken, 1989). Put otherwise, when a sponsored entity is presented on behalf of a particular brand, the customer's attraction to the information will naturally translate into their perception of the brand. Positive meaning increases the likelihood of a successful relationship (Campbell and Warren, 2012). The congruency between the sponsored entity and the brand is referred to as this well-established relationship. Favorable opinions about the brand are likely to arise, especially if there is a strong congruence between the two entities. Earlier research also suggests that when consumers are exposed to a sponsored entity that aligns with the company's image, their attitudes alter significantly due to the halo effect (Cui et al., 2019). The halo effect happens when a connection is made to influence a person's attitude towards a brand. Customers are therefore more likely to form positive opinions of the brand when there is a strong congruent link between the sponsored entity and the brand.

Furthermore, if consumers were given the information, the previously noted problem of inconsistent brand expansions might be resolved – in fact, reversed (Broniarczyk and Alba, 1994). To put it another way, people analyze the logo and the material in a less congruent environment for longer, which improves memory retrieval (Furnham and Price, 2006; Santos et al., 2019) thus, which potentially makes it more successful than without a sponsorship.

Consequently, we hypothesize that compared to the lack of sports sponsorship, the presence of sports sponsorship in a brand advertisement – both high and low congruent – can result in a more positive brand attitude. Here is how the theories are put together:

H1: Compared to when there is no sports sponsorship in a brand commercial, the presentation of a congruent sports sponsorship in a brand advertisement has a positive effect on brand attitudes.

H2: When a brand is advertised with a less congruent sports sponsorship, consumers' opinions of the brand are more favorable than when it is not.

High sponsor-ponsee congruence would lead to more positive opinions towards the brand than low sponsor-ponsee congruence, according to several studies (Rifon et al., 2004; Speed and Thompson, 2000). The Match-up hypothesis, which states that advertising efficacy is increased when the image of one entity converges or fits with the image of another entity, can explain this.

According to Joo et al. (2021), the Schema Congruity theory posits that customers exhibit a preference for consistency in their thinking and are more inclined to respond positively to a high degree of consistency. Misra and Beatty's (1990) Filtering model provide additional insight into this phenomenon by suggesting that information that is highly congruent will be more readily encoded into people's minds, while less relevant information would be filtered out. As a result, people's attitudes towards the brand would be impacted since it would be simpler to recall more congruent information and more difficult to recall lower congruent information. Therefore, the following theory is put out in light of the above mentioned theoretical background:

H3: Compared to the presence of a low-congruent sports sponsorship, the inclusion of a high-congruent sports sponsorship in a brand commercial results in higher positive views towards the brand.

2.2. Mediating Effect of Attitude Towards the Advertisement

Attitude towards the advertisement is seen as "an important mediator of advertising response," per MacKenzie and Lutz (1989, p. 48). This is because consumers' attitudes towards advertisements play a significant part in how they perceive and assess the commercial as a whole, which affects their ensuing behaviors. The authors of these studies described viewers' attitudes towards advertisements as an emotional construct that reflected their feelings, which may be either favorable or negative. According to earlier research, attitudes about the brand and the commercial are directly correlated (Kinney and McDaniel, 1996; MacKenzie and Lutz, 1989).

According to Li et al. (2022), when there is a high level of consistency and matching between the sponsor and the sponsee, customers are more likely to notice sponsorship firms, which has a favorable impact on their perceptions of the sponsorship commercials. This may therefore result in a more positive perception of the brand. This phenomenon can be explained by applying the process model of attitude-behavior interaction from the work of Fazio and Zanna (1981), which suggests that attitude operates to "guide" the processing of information in a specific context. It would seem, therefore, that a person's reaction to an advertisement would be a significant indicator of how the audience will feel about the company after seeing it. The analysis leads to the development of the following hypotheses:

H4a: The attitude towards the advertisement acts as a mediator between the presence and absence of a high-congruent sports sponsorship in a brand advertisement. This means that (a) a congruent sports sponsorship in a brand advertisement causes a more positive attitude towards the advertisement than absence, and (b) a more positive attitude towards the ad results in more positive attitudes towards the brand.

H4b: The attitude towards the advertisement mediates the positive effect of having a low-congruent sports sponsorship in a brand advertisement over not having one, so that (a) having a low-congruent sports sponsorship in a brand advertisement results in more positive attitudes towards the advertisement than absence, and (b) having more positive attitudes towards the ad results in more positive attitudes towards the brand.

The theoretical foundation of the study is presented in Figure 1.

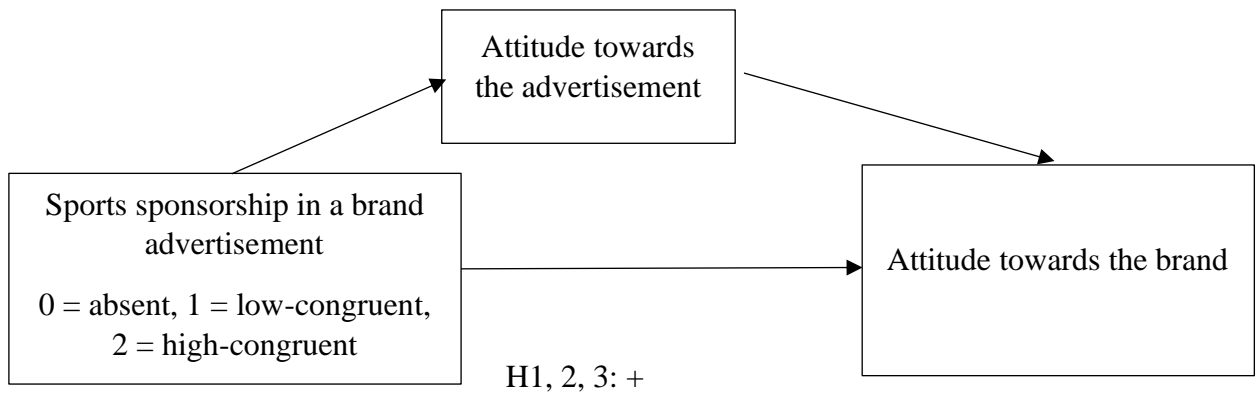


Figure 1. Theoretical foundation of the study

(Source: The author, 2024)

3. METHODOLOGY

3.1. Data Analysis

A single-factor between-subjects experimental design (sports sponsorship in a brand advertisement: high-congruent vs. low-congruent vs. missing) was employed for this study. Given that the purpose of the study is to investigate a potential causal relationship between sponsorship presence and brand attitude, an experimental approach is a fitting methodology (Gravetter and Forzano, 2015).

In addition, an examination of the research materials (N = 10) was performed to ascertain that the instruments are viewed as intended and that the study protocols, data collection tools, and sample recruitment tactics would produce a suitable number of respondents. Utilizing the same sample strategy and survey tools as the study protocol, the testing of the research materials adhered strictly to it. Following the collection of the necessary data from ten individuals, SPSS was used to download and analyze the data. In summary, there was enough data, and the study was prepared for wider distribution. The subjects were not included in the main study because they were the researcher's acquaintances. Also, all of the data that was obtained for the initial investigation was permanently removed from the system.

3.2. Stimulus Material

The researcher generated the entirety of the stimulus materials (see Appendix). The stimulation materials were displayed as advertising for VictorySole and SleepySole, two fictional shoe manufacturers. Three distinct advertisements were made in total, each of which matched one of the study's three conditions: one featuring a sponsored sporting event with a high degree of congruence between the brand and the event; another featuring the same sponsored sporting event with a low degree of congruence between the brand and the event; and a third with no sponsorship.

Given that sports apparel—in particular, shoes—are among the top sponsorship spenders in 2015, IEG (2017b) they are selected as the category for the congruent condition company. When it comes to sense-making, perceived consistency, and image likeness, sports shoes stand out from other types of shoes as having the strongest obvious link to sports in the context of sports sponsorship. Conversely, a particular brand of slippers was selected for the company with low congruent conditions. Slippers should only be used indoors, specifically for activities conducted within your home, as they are warm, soft and comfortable for users' feet against the floor (Haskell, 2017). Thus, while this may be appropriate for viewing sports from home, it is not immediately related to sports, which are intended to be played outside on fields or indoors on courts, involving intense physical activities.

In light of the study's background, prior research has primarily concentrated on auto racing, such as The National Association for Stock Car Auto Racing (NASCAR), and sports sponsorship in football (Chanavat and Martinent, 2019). As a result, this study opts to investigate the connection between sports sponsorship and spectator perceptions within a particular setting, namely tennis and the prestigious Wimbledon tournament. The selection of tennis as the study's subject was based on its accessibility as a straightforward, inclusive sport that anybody may participate in (Bevis, 2009). Because it can reach a wide audience, the sport has a significant fan base, which makes it a valuable tool for marketers to sponsor. The selection of Wimbledon as the study's focus was due to the fact that, in addition to being the only tennis tournament held on grass, Wimbledon is the oldest tennis competition in the world, having been around since 1877 (Rudnansky, 2017). Therefore, Wimbledon is considered a reputable event and distinct from other tennis championships, drawing more attention from sports enthusiasts. To account for brand awareness and preexisting views, two fictional brands—VictorySole and SleepySole—were included in the stimuli. All of the stimulus material's texts had the same word count and phrasing. Finally, the texts concluded with an invitation to act: "Don't settle for less, buy [brand's name] shoes". Furthermore, the designs of the advertisements were identical, with the exception of the brand name.

3.3. Procedure

The first thing the participants were asked to do when they entered the experiment on Qualtrics was to offer their informed consent. They then responded to a series of demographic enquiries about their age, gender, and place of residence at the time. Then, participants were split into three groups at random: (1) a sports shoe brand called VictorySole that sponsors Wimbledon; (2) a slipper company called SleepySole that sponsors Wimbledon; and (3) a sports shoe company called VictorySole that does not sponsor Wimbledon. After 20 seconds, the participants were shown the next button so they could examine the stimuli in greater detail. Subsequently, enquiries were made about their perspective on the campaign and brand. A manipulation check was the next block, which checked to see if the stimulus was understood as intended. Finally, there were enquiries about Wimbledon's likeability and level of familiarity. To wrap up the experiment, each participant received a thank-you note and a debriefing detailing the entire goal of the study, including specifics about each condition.

3.4. Sample

The study employed an online Qualtrics experiment to gather data during a ten-day period, from April 26 to May 6. The entire experiment took approximately ten minutes to complete. As part of a collaborative effort, the experiment utilized only pertinent study-related data extracted from the final data file. Owing to project financial and time constraints, snowball sampling was used to find volunteers. Through a variety of social networking sites, the researcher's social circle received a link to the study, which the participants then further disseminated. There are 171 participants in all ($N = 171$). Nevertheless, two participants' incomplete responses and seven participants' incorrect answers about their bias towards the fictional brands resulted in their exclusion from the study. Consequently, a total of 162 participants ($N = 162$) were involved in the study, of whom 55 were placed in the high-congruent condition, 57 in the low-congruent condition, and 50 in the absent condition. The age range of the respondents ($M = 26.58$, $SD = 10.15$) was 18 to 61. In terms of gender, 59.9% of respondents ($n = 97$) identified as female, 29% as male, 10.5% as non-binary, and 0.6% as preferring not to identify ($n = 1$). In terms of current residency, the majority of participants ($n = 66$; 40.7%) were from the Netherlands, followed by Vietnam ($n = 33$; 20.4%) and Switzerland ($n = 19$).

3.5. Operationalization

3.5.1. Attitude Towards the Advertisement

The scale for the mediator "attitude towards the advertisement" was taken from the Ketelaar et al. (2010) study. Seven items (don't like/like; irritating/not irritating; does not appeal/appeal; ugly/pretty; not pleasant/pleasant; bad/good; and not inviting/inviting) were used to build the scale for this variable. The items were scored on a 5-point semantic scale. The seven elements create a single uni-dimensional scale, according to a main axis factor analysis (PAF): the scree plot clearly displays an inflection point after the component with the only Eigenvalue above 1 (Eigenvalue 4.93). When taken as a whole, these variables account for 70.4% of the variation in the original variables (items). All items experience a positive correlation with the first factor following a direct oblimin rotation; however, the item "Attitude towards the advertisement (bad/good)" shows the largest link (factor loading of 0.90). The items significantly correlate, and the scale is extremely reliable, according to the internal reliability test, which revealed a high Cronbach's alpha value of 0.93. Consequently, to sum up, every item assesses the same hidden construct of "attitude towards the ad." The "attitude towards the ad scale" ($M = 2.80$, $SD = 0.98$) was then created by averaging the elements on the scale that measures "attitude towards the ad."

3.5.2. Attitude Towards the Brand

The "attitude towards the brand" is the main dependent variable. The study by Ko et al. (2017) provided the four 7-point items on the semantic differential scale (bad/good, unfavorable/favorable, negative/positive, and dislikeable/likeable) that were used to measure this variable. An examination of the major axis factor was conducted to guarantee that every item measures the same underlying notion. The outcome showed that just one component (Eigenvalue 3.44) has an Eigenvalue greater than 1, and the explained variance is 86.1%. The scree plot clearly

shows a point of inflection following this component. Following a direct oblimin rotation, all items show a positive correlation with the first factor; at the factor loading of 0.92, the item "Attitude towards the brand (unfavorable/favorable)" shows the strongest link. Strong correlations and reliability are demonstrated by the scale's high Cronbach's alpha value of 0.95 in the internal reliability test. To sum up, every item assesses the same underlying construct known as "attitude towards the brand." The components in the previously described "attitude towards the brand" scale were then averaged to create the final scale, which was given the label "attitude towards the brand scale" ($M = 3.98$, $SD = 1.35$).

3.5.3. Congruence Between the Sponsor and the Sponsored Event

A five-item, seven-point Likert-type scale from Speed and Thompson's (2000) research was used to measure the perceived congruence between the sponsor and the sponsored event (e.g., There is a logical connection between Wimbledon and the sponsor). To quantify this latent variable, a primary axis factoring factor analysis was carried out. One component with an Eigenvalue greater than 1, which is 4.17, with an explained variance of 83.3%, was identified by the correlation analysis results. There is just one underlying dimension, as indicated by the scree plot's revelation of a single dot prior to the moment of inflection. After a direct oblimin rotation, the item "The sponsor and Wimbledon fit together well" has the strongest connection (factor loading is 0.94), with all items correlating positively with the first factor. The scale is reliable since the internal reliability test yielded a high Cronbach alpha score of 0.95. The same latent construct, "congruence between the sponsor and the sponsored event," is measured by a significant correlation between all of the items, it is concluded. The final scale, known as the "congruence scale" ($M = 4.08$, $SD = 1.68$), was then created by averaging the items in the previously mentioned scale, "congruence between the sponsor and the sponsored event."

4. RESULTS

4.1. Manipulation Check

To determine if the manipulation was perceived as planned, an attention test was conducted. There were three chi-square tests run for every research condition. This check was successful, according to chi-square analysis, with $\chi^2(1, N = 162) = 5.88$, $p = .015$, and $n = 102$, 93.6% of correct responses for the present condition and $n = 43$, 81.1% for the absence condition. Another check was conducted for event name recall ($\chi^2(1, N = 162) = 32.97$, $p < .001$), yielding 100% correct responses for the unknown condition and 96% correct answers for the correct event condition ($n = 2$ and $n = 97$). This suggests that the event name recall attentiveness check was effective. However, $n = 89$, or 78.8%, correctly answered the questions about the high-congruent condition, and $n = 33$, or 67.3%, correctly answered the questions about the low-congruent condition. A chi-square analysis was conducted for the attention check of the congruence between the sponsor and the sponsored event, and the results were found to be non-significant with $\chi^2(1, N = 162) = 2.40$, $p = .122$. This outcome demonstrates that the sponsor and sponsored event congruence attention check was unsuccessful.

An independent t-test was used to evaluate the intended perception of the manipulation by determining whether there was a significant difference in the perceived congruency between the two conditions including sponsorship in a brand advertising. The outcome revealed that there was a $t(100) = -7.27, p = .113$ significant difference between the conditions. Because of this, the participants were unable to distinguish between the two situations' perceived congruence (high-congruent vs. low-congruent). In summary, the manipulation's perception check was unsuccessful.

4.2. Randomization and Control Variable Check

There were three randomization tests for country of residence, gender, and age. A one-way analysis of variance was performed with respect to the age randomization and found that, $F(2, 159) = .482, p = .619$, there are no appreciable changes in the participants' ages between the conditions. The randomization for gender was then checked using a chi-square test, which produced a non-significant result ($\chi^2(6, N = 162) = 4.84, p = .565$), indicating that gender is not different for each research condition. Finally, with the aim of verifying the randomization for the residing nations, a chi-square test was conducted. The results indicated a non-significant difference ($\chi^2(34, N = 162) = 33.61, p = .487$), indicating that there is no difference between the residing countries for each condition.

To investigate two control variables—Wimbledon likeability and familiarity—two chi-square tests were run. A chi-square test revealed a non-significant result for familiarity with Wimbledon, meaning there is no difference between the conditions for familiarity with Wimbledon ($\chi^2(12, N = 162) = 12.90, p = .376$). A chi-square test was conducted to determine the likeability of Wimbledon. The results showed that there is no significant difference in the likeability of Wimbledon between the circumstances, with $\chi^2(12, N = 162) = 9.65$ and $p = .647$.

In summary, no confounders have been found, hence these factors do not need to be incorporated into the primary analysis.

4.3. Direct Effect Results

Using a one-way analysis of variance and Bonferroni post-hoc analysis, the major effect of having a sports sponsorship in a brand advertisement—whether high-congruent or low-congruent—on the consumer's attitude towards the brand was determined. The results of the ANOVA table indicate a significant difference between the study conditions: $F(2, 159) = 6.01, p = .003, \eta^2 = .07$. With $F = 0.028$ and $p = .972$, allowing us the assumption of equal variances in the population.

The high-congruent presence of a sports sponsorship in a brand advertisement considerably stimulates a positive attitude towards the brand ($M = 4.41, SD = 1.33$) compared to the lack of a sponsorship ($M = 3.52, SD = 1.32$). These findings were obtained by post-hoc comparisons using the Bonferroni test. Attitudes towards the brand did not, however, differ substantially between the low-congruent existence of a sports sponsorship ($M = 3.96, SD = 1.29$) and its absence ($M = 3.52, SD = 1.32$). In a similar vein, there is no discernible difference in the attitude towards the

brand between the low-congruent presence ($M = 3.96$, $SD = 1.29$) and the high-congruent presence ($M = 4.41$, $SD = 1.33$) of a sports sponsorship (see Table 1).

Table 1. Means, Standard Deviations, and One-way Analysis of Variance in Attitudes Towards the Brand.

Measure	High-congruent sports sponsorship		Low-congruent sports sponsorship		Absent sports sponsorship		$F(2, 159)$	η^2
	M	SD	M	SD	M	SD		
Attitude towards the brand	4.41	1.33	3.96	1.29	3.52	1.32	6.01*	.07

Note: * $p = .003$

The results demonstrated a substantial p-value for the hypothesis, which states that the high-congruent presence of a sports sponsorship in a brand advertisement leads to more positive views towards the brand compared to the absence of sports sponsorship (H1). Subjects who saw the brand advertisement with the high-congruent sponsorship and those who saw it without it showed significantly different attitudes towards the brand, according to a post-hoc test ($M_{\text{difference}} = 0.89$, $p = .002$). This showed that, in comparison to when there is no sponsorship, consumers have a more favorable opinion of a brand when there is a high-congruent presence of sports sponsorship in the advertisement. Thus, we discovered evidence in favor of hypothesis 1.

The test findings revealed a non-significant p-value for the hypothesis that having a low-congruent sports sponsorship in a brand advertisement causes consumers to feel better about the brand than if it doesn't have any (H2). Therefore, when comparing the low-congruent presence of a sports sponsorship to the lack of a sports sponsorship, there is no difference in the attitude towards the brand ($M_{\text{difference}} = 0.44$, $p = .247$). Consequently, hypothesis 2 is rejected. The results also showed a non-significant p-value for the hypothesis that states the existence of a high-congruent sports sponsorship in a brand advertisement leads to more positive attitudes towards the brand compared to the presence of a low-congruent sports sponsorship (H3). This suggests that there is no difference in consumer attitudes towards the brand between when a sports sponsorship is high-congruent and when it is low-congruent ($M_{\text{difference}} = 0.44$, $p = .226$). As a result, hypothesis 3 is likewise rejected.

4.4. Mediation Effect Results

A multi-categorical PROCESS model 4 with an indicator system was estimated and bootstrapping of 5000 samples with a 95% confidence interval was used to assess the mediated association. The conditions of the study served as the study's predictors, the attitude towards the advertisement

served as the analysis's mediator, and the attitude towards the brand was the result of the variable analysis.

The outcome demonstrated a significant result for the mediated relationship with hypothesis 4a, which states that a high-congruent presence of sports sponsorship in a brand advertisement will lead to a positive attitude towards the advertisement and subsequently, gaining more positive attitudes towards the brand (H4a). The findings demonstrated that, in comparison to the lack of a sponsorship, a high-congruent sports sponsorship in a brand advertisement would cause consumers to have a more favorable opinion of the advertisement ($b = .59, p = .002$). After adjusting for the existence of a sports sponsorship, the mediation analysis revealed that the mediator's (attitude towards the advertisement) effect was significant on attitude towards the brand ($b = 1.19, p = <.001$), indicating that the more positive one's attitude towards the advertisement, the more positive one's attitude towards the brand. The mediation analysis's findings demonstrated that, when attitude towards the advertisement was held constant, the direct impact of sports sponsorship on that attitude was not statistically significant (direct effect = .19, 95% CI = [-.07, .44], $p = .155$). The indirect effect, however, was statistically significant, according to the results (indirect effect = .51, SE = .16, 95% CI [.19, .84]). This is an indirect-only mediation, or full mediation, as indicated by the significant indirect impact and non-significant direct effect results (Hair et al., 2021). As a result, the link is completely mediated by attitude towards the advertisement, supporting hypothesis 4a (see Figure 2).

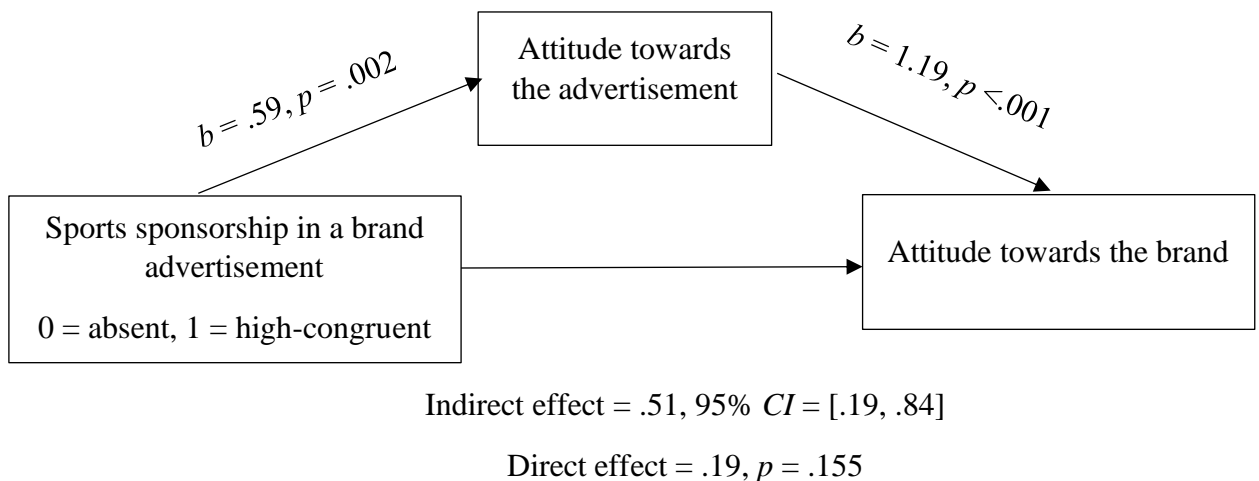
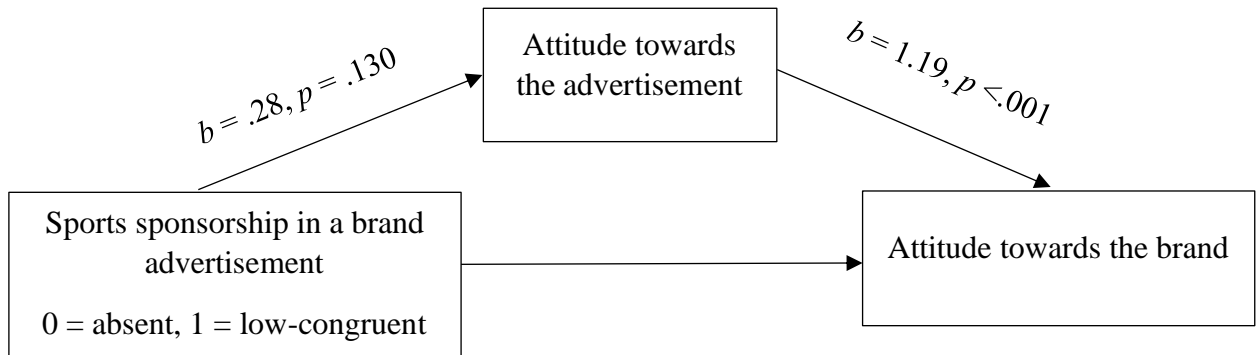


Figure 2. Mediation model for Hypothesis 4a

A non-significant result was discovered in relation to the theory that the low-congruent presence of a sports sponsorship in a marketing campaign results in more positive impressions of the advertisement and, consequently, the brand (H4b). The findings demonstrated that there is no difference in the attitude towards a brand advertisement between having a low-congruent sports sponsorship and not having one ($b = .28, p = .130$). According to the mediation analysis, attitudes towards the brand are positively correlated with attitudes towards the advertisement ($b = 1.19, p = <.001$). The mediation analysis's findings demonstrated that, when attitude towards the advertisement was held constant, the direct impact of sports sponsorship on that attitude was not

statistically significant (direct effect = .11, 95% CI = [-.14, -.35], $p = .395$). In a similar vein, the findings indicated that the indirect effect (indirect effect = .33, SE = .21, 95% CI [-.07, .75]) was not statistically significant. As a result, hypothesis 4b is disproved and attitude towards the brand does not mediate this link (see Figure 3).



Indirect effect = .33, 95% CI = [-.07, .75]

Direct effect = .11, $p = .395$

Figure 3. Mediation model for Hypothesis 4b

5. DISCUSSION

Through the experiment, this study was able to shed light on two key relationships: first, whether a sports sponsorship in a brand advertisement is high- or low-congruent with respect to the attitude towards the brand, and second, whether or not the attitude towards the advertisement mediates this relationship.

First, in line with many previous studies (Gwinner and Eaton, 1999), the research indicates that the inclusion of sports sponsorship in brand communication only adds value if the sponsor-sponsored entity relationship is congruent. Furthermore, no discernible variations in the opinions of consumers regarding the brand were discovered for the low-congruent presence of a sports sponsorship in comparison to its absence and for the high-congruent presence of a sports sponsorship in comparison to its low-congruent presence.

According to the Meaning Transfer Theory, the idea that a sports sponsorship in a commercial advertisement has a high-congruent presence causes consumers to have a better impression of the brand (McCracken, 1989). The reason for this relationship's noteworthy outcome is that there is a well-established, congruent connection between the sponsor and the sponsored event. Consequently, there is a positive halo effect, whereby the favorable perception of the relationship influences the perception of the brand. Consequently, it makes sense that, as opposed to the absence of a sports sponsorship, a high-congruent sports sponsorship in a brand commercial would result in more favorable attitudes towards the brand. In order to maximize positive brand

assessments, marketers are advised to build a high-congruent sponsor-sponsored entity relationship.

It is important to note, nevertheless, that because the perception check was unsuccessful, the participants were unable to distinguish between the different congruence circumstances. Stated differently, it is challenging to make definitive judgements about how congruency affects brand attitude. The study's validity can be impacted if the differences cannot be found.

Second, the findings showed that, in contrast to the absence of a sports sponsorship, the favorable impact of the high-congruent presence of a sports sponsorship in a brand advertisement on the attitude towards the brand is mediated by the attitude towards the commercial. This finding added to our understanding of how consumers make decisions by highlighting the idea that a favorable perception of the advertisement will reinforce the positive correlation between a high-congruent sponsor-sponsored entity and brand attitude. This proves that spending money on advertising is necessary to increase brand likeability.

However, when contrasted with the lack of a sports sponsorship, attitude towards the company and the ad do not mitigate the impact of a low-congruent existence of a sports sponsorship. As a result, this finding contradicts other research (Kinney and McDaniel, 1996; MacKenzie and Lutz, 1989) that suggests that attitudes towards advertisements may always be the underlying factor that influences attitudes towards brands. In practice, incorporating incongruent advertisements might not be detrimental, but it also would not influence a shift in the brand's appeal.

6. CONCLUSIONS

When viewed as a whole, this study offers significant new information about how brand attitude and sports sponsorship presence or absence interact. This study does have certain drawbacks, though. First off, out of the five hypotheses in the study, there were only two meaningful conclusions. This could be the result of a small sample size and low level of diversity in the demographic data. Apart from that, it is impossible to say for certain how a high-congruent presence of a sports sponsorship in a brand advertisement can improve consumers' perceptions of the company. This might be due to the fact that the study was implemented as an online experiment using Qualtrics. As a result, it is impossible to account for outside influences. As a result, the internal validity is reduced. Furthermore, the fact that this study was carried out in a particular setting may have reduced its external validity. There is also another issue with external validity: the non-probability snowball sampling technique was used for the sample process. Eventually, the participants' inattentiveness caused the perceptual check for congruency to fail. In terms of the study design, in order to improve internal and external validity, more participants should be included in the sample in subsequent research employing random sampling techniques. To further enhance the study's internal validity, it is advised that anyone doing an experiment on this subject do it in a laboratory setting where outside influences may be controlled. It is also advised to employ a long-term experiment in subsequent research to acquire more understanding of consumer behavior.

The findings supported established theories by showing that, in low congruence and absent cases, the mediation impact of the advertisement's attitude on brand likeability was not statistically significant. Thus, given that earlier research highlighted the potential influence of low congruence on the way the advertisement is processed mentally, it could be advantageous to investigate how these circumstances affect brand memorability in more detail. It was specifically recommended that linkages between seemingly incongruent ideas be given more consideration and that the brand's attitude rises when these connections are made intentionally or artificially. As a result, these suggest that the research undertaken yielded inconsistent results, which merit further investigation. Lastly, as the attitude towards the advertisement is thought to be a significant predictor of brand attitudes, it should still be considered as a mediator in interactions pertaining to brand evaluations. Although this mediator did not perform well in conjunction with other variables for this study, it is still a crucial component to consider when conducting research on sponsorship communication and brand evaluations.

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APPENDIX



A1: High-congruent sports sponsorship condition



A2: Low-congruent sports sponsorship condition



A3: Absent sports sponsorship condition

Improving Business Performance Based on Marketing Technology 5.0 And Dynamic Capability Through E-Commerce Strategy (Case Of West Java Sme Businesses)

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Abstract

This study aims to analyze the influence of digital marketing and dynamic capabilities on e-commerce strategy and its impact on business performance in an effort to increase competitiveness in the era of digital transformation. This study uses a quantitative approach with a survey method on a number of business actors who have implemented e-commerce strategies in various SME industry sectors in West Java, Indonesia. Data were analyzed using structural equation modeling (SEM) to test the relationship between marketing technology 5.0 variables, dynamic capabilities, e-commerce strategy, and business performance. The results of the study indicate that the implementation of marketing technology 5.0 and dynamic capabilities significantly have a positive effect on business performance, both directly and through the mediation of e-commerce strategy. These findings provide practical implications for business actors in designing effective technology-based marketing strategies. In addition, this study also contributes theoretically by strengthening the concept of technology integration and dynamic capabilities in the context of e-commerce. This study suggests that companies continue to innovate and optimize marketing technology to stay relevant to the dynamics of the digital market.

Keyword: Digital Marketing 5.0, Dynamic Capabilities, E-Commerce Strategy, Business Performance

1. INTRODUCTION

During the rapidly developing digital era, technology comes as the main pillar in determining success in business (Sondari et al. 2024; Ahmad et al. 2023; Wang et al. 2023). The implementation of Marketing Technology 5.0, which combines artificial intelligence, data analysis, and marketing automation, is increasingly playing an important role in helping businesses achieve optimal performance (Ahmad et al. 2023). According to Aziz et al. (2022), the implementation of *marketing 5.0* allows businesses to collect and analyze consumer data in real-time, which provides deep insights into customer preferences, behaviors, and needs. Therefore, the presence of this

technology not only allows companies to understand consumers more intensely, but also allows businesses to respond to market needs in real-time, so that it can lead to sustainable business performance (Rizaldi & Madany, 2021; Valdez-Juárez & Castillo-Vergara, 2021).

According to Phan (2021), the role of e-commerce has a significant influence in improving business performance, especially in improving market access, operational efficiency, and customer experience. The presence of e-commerce has been proven to expand market reach geographically without requiring expensive physical infrastructure (Geng et al. 2020; Wang et al. 2022). Additionally, a well-integrated e-commerce system allows automation of sales processes, inventory management, and order management, which drastically improves operational efficiency and reduces transaction costs (Agus, 2021; Salah, 2024). However, existing studies have differences based on business scale such as SMEs versus large companies (Lari et al. 2022; Rizaldi & Madany, 2021). Trading through e-commerce has become one of the main drivers in improving business performance. Ease of access and wide coverage, allows companies to reach consumers without geographical and time constraints (Attar et al. 2022). Thus, current technological developments have been proven to be able to increase sales volume and strengthen company competitiveness.

Azzery (2022) mentioned that in a competitive environment, organizations must be able to update, reconfigure, and reinvent their dynamic capabilities to face intense competition and secure their position in the market. Dynamic capabilities, defined as the ability to integrate, build, and reconfigure internal and external competencies to deal with a changing environment, have gained great relevance and are also an important tool (Darawong, 2018; Nasution et al. 2021). Goel (2019) stated that the ability to adapt and allocate resources effectively allows companies to remain competitive amid market uncertainty. Thus, dynamic capability can provide high flexibility and responsiveness in adjusting organizational strategies.

Currently, the development of e-commerce has become one of the important strategies that integrate *Marketing Technology 5.0* and dynamic capabilities. Through the implementation of e-commerce, businesses can expand their market reach globally, improve operational efficiency, and can utilize technology to analyze consumer data to increase customer engagement and satisfaction. With the combination of e-commerce strategies, *Marketing Technology 5.0*, and dynamic capabilities, businesses have a great opportunity to improve performance, both in terms of increasing sales, cost efficiency, and customer loyalty. Although *Marketing Technology 5.0* offers sophisticated tools for data-driven marketing and personalization, its implementation often requires large investments and technical expertise.

Many businesses, especially smaller ones, may struggle to adopt these technologies due to limited resources or internal capabilities. In addition, for dynamic capabilities to be effective, companies must continually develop adaptive and innovative capabilities. However, in practice, many businesses may lack the structure, culture, or systems to support rapid change, so that e-commerce and marketing technology strategies do not have the maximum impact on business performance. Thus, this study aims to explore how digital marketing 5.0 and dynamic capabilities influence business performance with e-commerce strategy as a mediating variable.

2. LITERATURE REVIEW

2.1 Digital Marketing and E-Commerce Strategy

In increasing competitiveness, expanding market reach, and creating closer relationships with customers, the role of digital marketing becomes important. Nguyen (2011) stated that digital marketing not only offers a way to reach consumers more widely, but also an efficient and measurable marketing solution. According to Wang et al. (2023) digital marketing refers to a marketing approach that uses digital technology and the internet to promote a product or service to consumers. Various digital platforms such as social media, search engines, email, and websites have been widely used by companies both large and small, allowing them to reach consumers more widely and in a more personal way (Lari et al. 2022; Attar et al. 2022; Wang et al. 2023). This enables organizations to develop stronger customer relationships and optimize their shopping experience. Thus, digital marketing not only supports e-commerce growth but also provides significant competitive value.

H1. Digital marketing has a positive impact on e-commerce strategy

2.2 Dynamic Capabilities and E-Commerce Strategies

According to Cevallos & Sánchez (2024) implemented that competitive advantage can be obtained through the acquisition and ownership of valuable, rare, inimitable, and non-substitutable resources. The dynamic capability approach is a concept that emphasizes an organization's ability to quickly adapt and reconfigure its internal and external resources in response to changes in the business environment (Elia et al. 2021). The ability of an organization to update its competencies and achieve environmental fit is a factor that needs full attention, especially in the fast-paced digital era. In this context, organizations must have the capability to adapt and improve competencies to meet the demands of ever-evolving technology and dynamic changes in consumer preferences (Cevallos & Sánchez, 2024; Wu & Hisa, 2008). Previous studies have found that there is a correlation between dynamic capabilities and e-commerce implementation strategies, particularly in the context of the SME sector (Wu & Hisa, 2008). Amidst increasingly tight competition and rapid technological developments, SMEs are faced with the challenge of remaining relevant and competitive. In this context, dynamic capabilities become an important strategy that can be used to encourage the adoption and successful implementation of e-commerce.

H2. Dynamic capabilities have a positive impact on e-commerce strategy

2.3 Digital Marketing and Business Performance

Nuseir & Aljumah (2020) conveyed that marketing strategy is the use of digital technology and the internet to reach consumers more effectively and widely. According to Nuseir & Refae (2022) media such as websites, social media, email, and search engines, companies can interact directly with audiences in real-time, allowing them to build more personal and interactive relationships with consumers. Nuseir & Aljumah (2020) comprehended that the implementation of digital marketing can provide an opportunity for organizations to conduct in-depth analysis to help them understand consumer trends. Based on previous studies, the implementation of digital

marketing can have a significant impact on business performance (Omar et al. 2020). An effective digital marketing strategy allows businesses to reach a wider range of consumers and engage more closely with consumers. With the use of digital technology, organizations can obtain more accurate data on consumer preferences, which can then be used to develop more targeted and efficient marketing strategies (Chakravarthy et al. 2022; Hachimi et al. 2021).

H3. *Digital marketing affects business performance*

2.4 Dynamic Capabilities and Business Performance

Qiu et al. (2020) said that dynamic capability is the ability of an organization to adaptively change, update, and utilize internal resources and competencies to respond to rapid and dynamic environmental changes. This concept refers to the company's skills in innovating and transforming, so as to remain competitive amid market uncertainty and technological developments. Dynamic capability becomes very important by involving the reconfiguration of company resources through the process of copying, transferring, and combining existing resources, especially those based on knowledge. Chatterjee (2023) identified three micro foundations that form dynamic capabilities, namely improvement capabilities: adaptive capabilities, absorptive capabilities, and innovation capabilities. With these capabilities, companies are able to respond to rapid environmental changes and manage market uncertainty more adaptively (Saeed, 2023). The ability to detect opportunities, capture them, and transform internal resources enables companies to be more innovative and responsive to evolving consumer needs. This in turn increases competitiveness and contributes to achieving more optimal business performance. Dynamic capabilities help companies maintain relevance in competitive markets, support long-term growth, and create sustainable added value.

H4. *Dynamic capabilities have a positive impact on business performance*

2.5 E-Commerce Strategy and Business Performance

According to Lari et al. (2022) e-commerce strategy is a plan or approach designed to achieve goals through online sales and marketing. This strategy includes various aspects such as platform selection, developing an attractive and easy-to-use website or application. Yuan et al. (2021) stated that e-commerce strategy also involved management planning to ensure a satisfying experience. His previous studies have shown that e-commerce strategy has an impact on business performance. This shows that proper e-commerce implementation allows businesses to expand market reach, improve operational efficiency, and increase customer interaction (Wang et al. 2023). An effective e-commerce strategy may increase customer satisfaction and loyalty, thus having a positive impact on increasing sales and profitability. With the increasing development of digital technology, the implementation of an integrated and innovative e-commerce strategy is one of the determining factors for business success in this digital era.

H5. *E-commerce strategy affects business performance*

2.6 The Mediating Role of E-Commerce Strategy

As said by Wang et al. (2023), the implementation of digital marketing 5.0, supported by advanced technologies such as artificial intelligence, big data analytics, and automation, allows

businesses to develop more personalized, interactive, and relevant strategies. Several studies have found that the effectiveness of digital marketing implementation directly affects business performance, especially in terms of increasing sales, brand awareness, and customer loyalty (Attar et al. 2022). This effectiveness is also determined by how well the company can adjust its digital strategy to market needs and the latest technology trends, so that business performance can be achieved through relevant and adaptive digital marketing innovations. E-commerce strategy plays an important role as one of the factors that can improve business performance. As stated by Bawack et al. (2022) that the implementation of digital marketing provides a means for organizations to attract consumers more widely and personally through various digital platforms, but e-commerce strategies enable these interactions to be translated into real transactions.

H6. E-commerce strategy mediates the relationship between digital marketing 5.0 and business performance.

According to Gao (2023) The goal of an e-commerce strategy is to create a purchasing process that is easy for consumers and convenient, thereby increasing sales conversions and customer loyalty. In addition, an e-commerce strategy also involves data analysis to understand consumer behavior, ad targeting, and personalized offers. With the right strategy, businesses can reach a wider market, strengthen customer relationships, and ensure product availability across multiple digital platforms, which overall has a positive impact on business performance and company competitiveness in the digital era (Ogunmola & Kumar, 2023). Wang et al. (2023) declared that e-commerce strategy allows companies to leverage their dynamic capabilities in delivering more relevant and responsive experiences to customers. This strategy not only supports operational flexibility, but also strengthens the sales process and increases customer satisfaction. Thus, dynamic capabilities, through the mediating role of e-commerce strategy, can be more optimal in driving overall business performance, ensuring that companies remain competitive and adaptive in the ever-evolving digital market. Thus the final hypothesis is proposed as follows:

H7. E-commerce strategy mediates the relationship between digital marketing 5.0 and business performance.

3. METHODOLOGY

This study implemented descriptive and verification methods. The descriptive method purposed to explain the observed phenomena using statistical measures such as average, standard deviation, and data distribution. While the verification method aims to test and analyze the relationship between research variables using more complex statistical techniques, such as Structural Equation Modeling (SEM). With the combination of these two methods, this study not only provided a clear picture of the characteristics of the variables studied, but also tested the validity of the relationship between these variables.

3.1 Population and Sample

The population in this study is all MSMEs in West Java. The sampling technique used in this study is simple random sampling with Slovin formulation. Based on the results of the sample calculation, the sample collected in this study reached 105 respondents.

3.2 Measurement Instruments

There are four variables measured in this study, which will be explained further in the operationalization of the variables below:

Variable	Indicator	Scale
Marketing Tech 5.0	5	Interval
Dynamic dynamics	10	Interval
E-commerce strategy	9	Interval
Business Performance	6	Interval

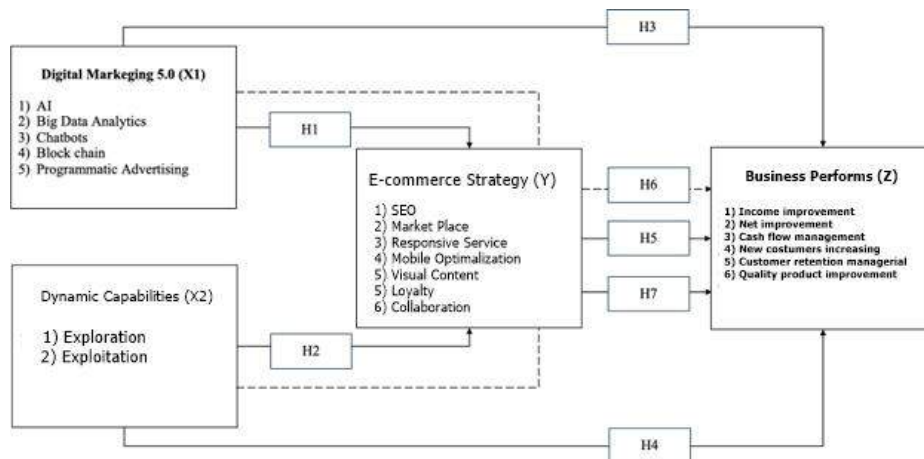


Figure 1. Conceptual Framework

3.3 Statistical Method

This study uses Structural Equation Modeling (SEM) technique to analyze the impact of service quality and product quality on price and its effect on customer satisfaction. The SEM framework consists of two main components: measurement model and structural model. The measurement model describes the relationship between observed variables and their latent constructs, distinguishing between reflective and formative models. A structural model describes the relationships between constructs, which can include dependent (endogenous) or independent (exogenous) variables.

3.4 Model Fit Evaluation

To evaluate the fit of the estimated model using structural equation modeling (SEM), it is essential to consider several model fit criteria. Key indicators include the Root Mean Square Error of

Approximation (RMSEA), where a value below 0.08 is considered acceptable. In addition, the Comparative Fit Index (CFI) and the Tucker–Lewis Index (TLI) are used, with expected values exceeding 0.90 for the model to be considered to have a good fit.

4. RESULTS

4.1 Respondents' Characteristics

Table 1. Respondent's demography

Demography	Frequency	(%)
Education		
Bachelor (S1)	46	43.81
Master degree (S2)	32	30.48
Doctoral degree (S3)	14	13.33
Others	13	12.38
Position		
Office workers	23	21.90
Professional (expert)	23	21.90
Senior Manager	4	3.81
Manager	15	14.29
General Manager	7	6.67
Owner	33	31.43
Working unit (area)		
Bandung	72	68.57
Bekasi	1	0.95
Bogor	1	0.95
Ciamis	1	0.95
Cimahi	2	1.90
Jakarta	18	17.14
Jayapura	1	0.95
Karawang	1	0.95
Purwakarta	2	1.90
Solo	1	0.95
Subang	4	3.81
Tangerang	1	0.95
Total	105	100

The total respondents in this study were 105 people, with 42.81% of them having a bachelor's degree, while the rest were postgraduate graduates and others. The majority of respondents are MSME owners in West Java (31.4%). The job position ranging from employees, professionals, senior managers, managers, and general managers. In terms of the location of the work unit, the MSMEs that were respondents in this study were mostly located in the Bandung area, which reached 68.57%.

4.2 Structural Equation Modeling

Structural Equation Modeling (SEM) modeling is carried out to test the proposed research hypothesis. SEM modeling consists of two main components: a measurement model and a structural model, which are shown in Figure 1. Before continuing the analysis of the two models,

the first step is to conduct a model fit analysis with the data, which is summarized in Table 1. This model fit analysis is important to ensure that the SEM model fits the existing data before proceeding to a more in-depth evaluation of the relationships between variables in the model.

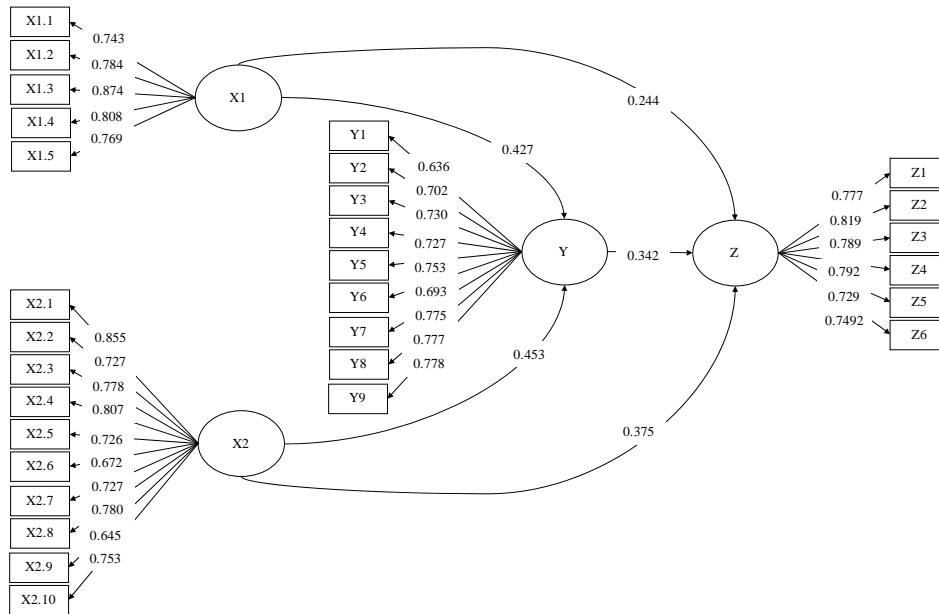


Figure 2. Modeling Results in SEM

Table 2. Model Fit Summary

Fit index	Perfect fit	Acceptable fit	Result	Verification
Absolute fit measure				
CMN/df	< 3	< 5	1.339	Acceptable fit
RMSEA	0 < RMSEA < 0.05	0.05 < RMSEA < 0.10	0.049	Acceptable fit
Incremental fit measure				
CFI	0.95 < CFI < 1.00	0.90 < CFI < 0.95	0.945	Acceptable fit
TLI	0.95 < TLI < 1.00	0.90 < TLI < 0.95	0.936	Acceptable fit

Based on the results of the model fit analysis involving several indicators, such as the ratio between the chi-square value and degrees of freedom (df), Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), and Tucker-Lewis Index (TLI), it shows that the model has a good fit with the data. The ratio of chi-square to df, RMSEA, CFI, and TLI show values that are in accordance with the generally accepted model fit criteria, indicating that the SEM model used can describe the data well and can be used to test further research hypotheses.

4.2.1 Measurement Model Evaluation

The results of the validity and reliability tests for the research variables presented in Table 3 indicate that all items used in the measurement model are generally valid and reliable. The analysis was conducted using Confirmatory Factor Analysis (CFA), with each item showing loading factor values greater than the recommended threshold of 0.50, indicating strong construct validity. The Average Variance Extracted (AVE) values for all constructs exceeded 0.50, while Composite Reliability (CR) values were above 0.70, ensuring overall reliability of the constructs.

Table 3. Results of Validity and Reliability Test

Variable	Item	Loading Factor	R Square	AVE	Composite Reliability
Marketing Technology 5.0	MT1	0.74	0.552	0.635	0.897
	MT2	0.78	0.615		
	MT3	0.87	0.764		
	MT4	0.81	0.653		
	MT5	0.77	0.591		
Dynamic Capability	DC1	0.86	0.731	0.561	0.927
	DC2	0.73	0.529		
	DC3	0.78	0.605		
	DC4	0.81	0.651		
	DC5	0.73	0.527		
	DC6	0.67	0.452		
	DC7	0.73	0.529		
	DC8	0.78	0.608		
	DC9	0.65	0.416		
	DC10	0.75	0.567		
E-Commerce Strategy	EC1	0.64	0.404	0.535	0.912
	EC2	0.70	0.493		
	EC3	0.73	0.533		
	EC4	0.73	0.529		
	EC5	0.75	0.567		
	EC6	0.60	0.480		
	EC7	0.78	0.601		
	EC8	0.78	0.604		
	EC9	0.78	0.605		
Business Performance	BP1	0.78	0.604	0.550	0.877
	BP2	0.82	0.671		
	BP3	0.79	0.623		
	BP4	0.79	0.627		
	BP5	0.73	0.531		
	BP6	0.49	0.242		

*) significant on level 5%

In addition, discriminant validity was confirmed using the Fornell-Larcker criterion, which verified that each construct was distinct from the others. Although one item in the business performance variable had a loading factor slightly below 0.50, it was retained due to its statistical

significance in explaining the construct. Overall, the results support the conclusion that the measurement model is both valid and reliable for capturing the intended variables.

Table 4. Discriminant V Using Fornell-Larcker criteria

	Technology	Capability	Strategy	Performance
Technology	1.000	0.598	0.385	0.467
Capability	0.598	1.000	0.438	0.508
Strategy	0.385	0.438	1.000	0.469
Performance	0.467	0.508	0.469	1.000
\sqrt{AVE}	0.797	0.749	0.731	0.741

The results of the analysis for discriminant validity found that all constructs had discriminant validity where the correlation value between constructs was smaller than the square root of the Average Variance Extracted (AVE).

4.2.2 Structural Model Evaluation

The Structural Equation Modeling (SEM) analysis results indicate that marketing technology 5.0 and dynamic capabilities have a significant positive impact on e-commerce strategy and business performance among MSMEs in West Java. Marketing technology 5.0 has a direct positive effect of 0.427 standard deviations on e-commerce strategy, and dynamic capabilities have a slightly greater direct influence of 0.453 standard deviations. Both influences are statistically significant, supporting the notion that improved use of marketing technology and dynamic capabilities leads to a more effective e-commerce strategy.

Additionally, both marketing technology 5.0 and dynamic capabilities positively impact business performance, with influences of 0.244 and 0.375 standard deviations, respectively. E-commerce strategy also shows a positive effect on business performance, acting as a mediating variable for both marketing technology and dynamic capabilities. The indirect effects highlight that both variables contribute significantly to business performance through e-commerce strategy, with dynamic capabilities having a greater total influence (0.529 standard deviations) compared to marketing technology 5.0 (0.390 standard deviations). Overall, these results emphasize the importance of both marketing technology and dynamic capabilities in enhancing e-commerce strategy and improving the overall business performance of MSMEs. Effective management of these two aspects can significantly contribute to the success of MSMEs in West Java.

Table 5. Summary of Results of Direct and Indirect Influence

Effect	Estimate	t-value	P(> t)	Decision
Technology → Strategy	0.427	3.552	0.000	H1 Accepted
Capability → Strategy	0.453	3.936	0.000	H2 Accepted
R ² -Strategy e-Commerce	38.7%			

Technology→ Performance	0.244	2.458	0.014	H3 Accepted
Capability→ Performance	0.375	2.746	0.006	H4 Accepted
Strategy →Performance	0.342	1.903	0.057	H5 Accepted
R ² -Performa Bisnis	50.4%			
Technology→ Strategy→Performance	0.146	1.664	0.096	H6 Accepted
Capability → Strategy→Performance	0.155	1.998	0.046	H7 Accepted
Total Effect of Technology	0.390	3.294	0.001	
Total Effect of Capability	0.529	4.649	0.000	

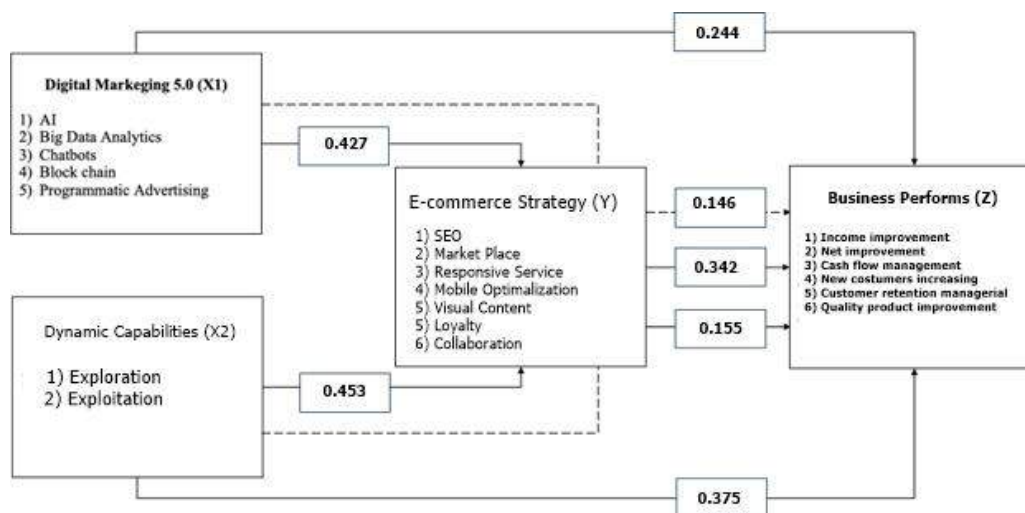


Figure 3. Summary of Results of Direct and Indirect Influence

Next, the results of the Importance and Performance Analysis (IPA) analysis are displayed to identify which items are the focus of improvement based on their average values and factor loadings. This analysis helps determine improvement priorities by comparing the importance of each item with its current performance, making it easier to formulate effective improvement strategies.

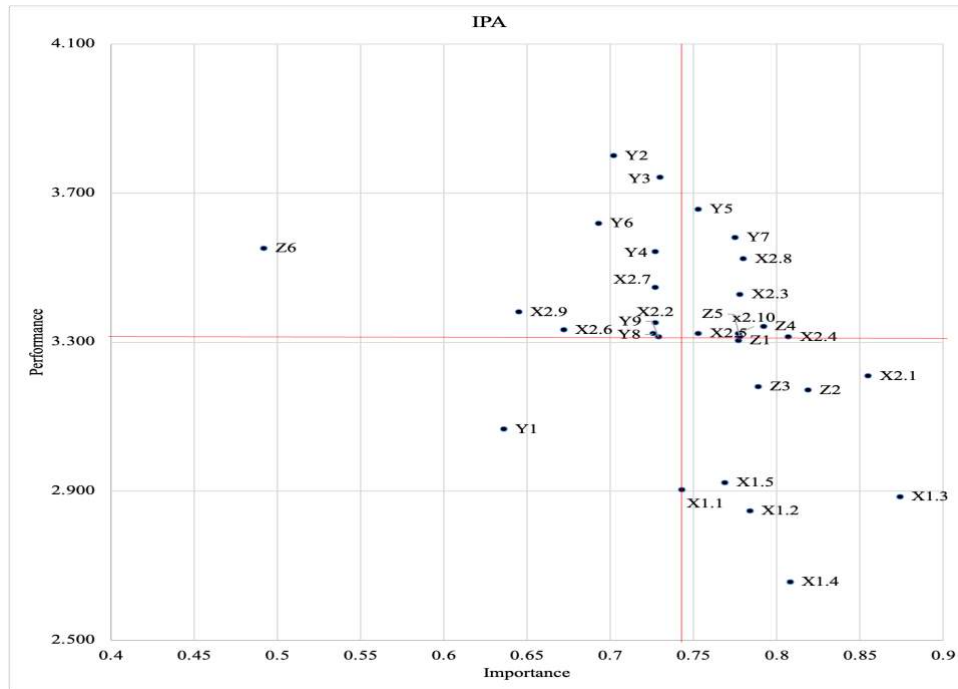


Figure 4. IPA

The results of the IPA analysis show that almost all items in the digital marketing technology 5.0 variable obtained an average lower than the combined average and were also in a position with a high level of importance based on their factor loadings. This indicates that improvements in items X1.1 to X1.5 will have a major impact on the performance of MSME businesses in West Java. In other words, focusing on improving the quality of these items can make a significant contribution to improving the performance of MSME businesses in the region.

5. DISCUSSION and CONCLUSION

In the era of digitalization of technology 5.0, improving business performance in all lines, especially MSMEs, must be based on marketing technology 5.0 and dynamic capabilities through e-commerce strategies. The results of the analysis using surveys and Structural Equation Modeling (SEM) analysis techniques show that the variables of marketing technology 5.0 and dynamic capabilities statistically have a significant effect on e-commerce strategies, and have a direct and indirect impact on business performance. The analysis also found that dynamic capabilities have a greater influence on e-commerce strategies and business performance, both directly and indirectly, compared to marketing technology 5.0. Based on descriptive analysis, the business performance of MSMEs in the current digital era is included in the good category.

The findings underscore the significant role of both marketing technology 5.0 and dynamic capabilities in enhancing the e-commerce strategies and overall business performance of MSMEs in West Java. These factors contribute to more effective e-commerce strategies, which in turn improve business performance. The study highlights that dynamic capabilities, in particular, have a stronger impact, demonstrating their crucial role in driving business success in the region.

Furthermore, the analysis reveals key areas for improvement within the digital marketing technology 5.0 variables. It shows that enhancing specific items—particularly those that are of

high importance but currently underperforming—can lead to considerable improvements in MSME performance. This suggests that MSMEs should prioritize these areas to optimize their use of marketing technology and, ultimately, strengthen their e-commerce strategies and business outcomes.

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Analysis of the Influence of Company Internal Factors on PBV and Their Impact on Stock Prices

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Abstract

Purpose: This study aims to examine the impact of internal factors, including Liquidity, Solvency/Leverage, Profitability, and Cash Flow, on company value (PBV) and stock prices of state-owned companies listed on the Indonesian Stock Exchange from 2016 to 2018.

Methodology: 19 companies were selected as sample based on specific criteria. A quantitative approach is used to analyze the data through multiple regression analysis.

Main findings: Liquidity, Solvency, Profitability, and Cash Flow significantly affect PBV when considered together. However, only CR has a significant individual impact on PBV. These factors significantly influence stock prices. Among these, CR and Cash Flow do not have a significant effect on stock prices, while DER, NPM, and PBV significantly impact stock prices.

Implications: Investors should closely monitor liquidity and profitability indicators, as these factors significantly influence stock prices. Companies can improve their stock market performance by enhancing liquidity and profitability, while also considering cash flow management.

Keyword: Liquidity, profitability, cash flow, PBV, stock price

1. INTRODUCTION

Firm value describes the condition of the company contained in the evaluation of its performance and prospects in the future (Brealey et al. 2012). One way for investors to evaluate the company's condition is in the price to book value (PBV), where PBV reflects the ratio between the stock

market price and the book value of each share and this ratio is also known as the ratio of market value to book value (Brigham and Houston, 2014). Increasing the value of the company is one of the main goals of the company. This is because shareholder wealth will increase if the value of the company increases, where the value of the company is reflected in its share price (Lee et al: 2020). Thus, increasing the value of the company is the desire of the company and its shareholders. Firm value can be assessed from the profit approach (Zhan et al: 2020). Maximizing the value of the company means maximizing market value through its share price which is the influence of all financial decisions taken by the company. Firm value is an investor's perception of the company's level of success, which makes the market and investors believe in its prospects. (Brigham and Houston, 2014).

Firm value is a measure of financial performance in the long term, and therefore an increase in financial performance increases firm value (Samiloglou and Dermigunes, 2008). Company performance is usually classified into two; non-financial and financial performance (Tudose, 2012). Manurung (2009: 95) states "Stock prices can be assessed or analyzed using two approaches, namely technical and fundamental. Meanwhile, Shim and Siegel (2007: 202) stated that fundamental analysis evaluates a stock by analyzing the company's financial statements. Financial statement analysis provides much of the data you need to forecast earnings, dividends, and selling prices. From the opinion above, the fundamental analysis of stocks can be evaluated by analyzing the company's financial statements. This analysis looks at the company's financial statements where this is related to the company's financial performance.

Director of Anugerah Mega Investama Kwee (2020) said the BUMN20 index had a poor performance because large-capitalized banking issuers were also included in the index, including PT Bank Rakyat Indonesia Tbk (BBRI), PT Bank Mandiri Tbk (BMRI), and PT Bank Negara Indonesia Tbk. (BBNI). Where the performance of the BUMN20 index was worse than the JCI. Meanwhile, BUMN20 experienced a decrease of 38.92% year to date (ytd) while the JCI decreased by 28.63% ytd.

The Special Staff of the Minister of SOEs, Sinulingga (2020) said the 12 state-owned companies were included in 3 sectors, finance, construction, and mining. Looking at their performance since the beginning of the year or year-to-date (YTD), the stock prices of the 12 SOEs have fallen sharply. The construction sector is the worst.

Table 1. Stock Performance of 12 SOEs year-to-date (YTD)

State-Owned Enterprises	Share Price Dec 30, 2019	Stock Price 10 Mar 2020	Change
BBRI	4400	3910	-11,14%
BMRI	7675	6875	-10,42%
BBNI	7850	5675	-27,71%
BBTN	2120	1500	-29,25%
WIKA	1990	1550	-22,11%
ADHI	1175	680	-42,13%
PTPP	1585	980	-38,17%
JSMR	5175	4500	-13,04%
WSKT	1485	850	-42,76%
ANTM	840	575	-31,55%

State-Owned Enterprises	Share Price Dec 30, 2019	Stock Price 10 Mar 2020	Change
PTBA	2660	2310	-13,16%
TINS	825	550	-33,33%

The Head of the FEB Management Institute, University of Indonesia Pranoto (2020) explained that the SOE 20 Index's performance was not as good as the Jakarta Composite Index (JCI), which is also under pressure. The shadow of the impact of the corona or Covid-19 also limits the financial performance of SOEs and the potential for dividends. The Minister of State-Owned Enterprises (BUMN) Thohir (2019) stated that there were five state-owned companies with negative performance, including the following. PT Bukit Asam (Persero) Tbk (PTBA), PT Timah (Persero) Tbk (TINS), PT Perusahaan Gas Negara (Persero) Tbk (PGAS), PT Garuda Indonesia (Persero) Tbk (GIAA), and PT Krakatau Steel (Persero) Tbk (KRAS)

The automobile market in Vietnam has seen significant development in recent years. With a growing population and rising per capita GDP, it is projected that over half of Vietnam's population will join the global middle class by 2035. This highlights Vietnam as one of the world's most promising auto markets. According to VietNamPlus (2018) reports that with the expanding middle class, car sales are anticipated to rise by 22.6% annually until 2025 and by 18.5% in the subsequent years. The car market can reach 750,000 to 800,000 units by 2025 and 1.7 to 1.85 million units by 2035.

Alongside the growth in car production, the number of auto showrooms has also increased significantly. Over the years, more foreign auto brands have entered the Vietnamese market for sales and manufacturing, including popular brands such as Toyota, Ford, Nissan, and Kia. In addition to regular cars, Vietnam now features most high-end car brands, such as Mercedes-Benz, BMW, Audi, Lexus, Maserati, Jaguar, Land Rover, Porsche, Bentley, Rolls-Royce, and Ferrari. This indicates fierce competition in the automobile market.

To maintain a competitive edge in this rapidly growing market, auto brands need to not only keep up with the R&D race but also encourage customer purchases and loyalty. Therefore, establishing strong brand trust is essential, especially for newly established firms like Toyota Tay Bac Company. Carolyn Vadino, a member of Forbes Council, emphasized that building trust is as crucial as launching relevant and functional products and services. Hence, the primary objective of this research is to study brand trust and the factors that influence it among customers in the automobile market

2. LITERATURE REVIEW – CONCEPTUAL FRAMEWORK

2.1 Financial Performance

Financial Performance is a formal effort to evaluate the efficiency and effectiveness of the company in generating profits and a certain cash position where this is important as a means and indicator to improve the company's operational activities. Financial performance can be calculated from the components in the company's financial statements. Information to calculate financial performance is reflected in the financial statements (profit and loss position statement), income statement (profit and loss statement), and cash flow statements as well as other supporting matters as reinforcement of financial performance assessment. (Hery, 2019) The ratio used in this study is, liquidity and profitability.

2.2 Liquidity, PBV, and Stock Price

Liquidity is the inability to collect cash to pay its obligations. Liquidity arises, one of which is due to the loss of the ability to borrow new funds to pay off existing creditors. The underlying cause is, liquidity is manifested as an excess of current cash payments that are due, exceeding the currently available cash. The current ratio measures the risk of this happening by comparing claims against the company that will be payable during the current operating cycle (current liabilities) with assets that are already in cash or will be converted into cash as they run. operating cycle (current assets) (Fridson and Alvarez: 2002: 268). Cheng et al. (2015) research results show that REIT stock liquidity has a positive effect on firm value, as measured by Tobin's Q. Then Sondakh (2019) who examined 14 industrial companies on the Indonesian stock exchange for the 2015-2018 period found that current assets had a positive effect. and significant to PBV. Arietsa et al. (2020) in their research on manufacturing companies on the Indonesian stock exchange for the period 2014-2015 stated that CR does not affect stock prices. This is in line with Herawati and Putra (2018) research on food and beverage companies on the Indonesian stock exchange that Current Assets do not affect stock prices

H1. Liquidity has positive effect on PBV

H2. Liquidity has positive effect on stock price

2.3 Solvability, PBV, and Stock Price

Solvency / financial leverage shows how much of the company's assets can be used by the company to finance debt. In other words, solvency is the company's ability to meet its long-term and short-term obligations. Debt Equity Ratio is a ratio to measure the amount of debt to capital in other words to find out how much capital is used as debt collateral (Hery, 2019: 162). Salim and Firdaus (2020) examined the food and beverages sector on the Indonesian stock exchange for the period 2013-2017 where the capital structure (DER) partially had a positive effect but had no significant effect on firm value (PBV). Then research by Uzliawati et al. (2018) on manufacturing companies on the Indonesian stock exchange shows the higher the capital structure with the Debt to Equity Ratio (DER) and the Long-term Debt to Asset Ratio (LDAR) are indicators of the higher the value of the company. This is supported by research by Markonah et al. (2020) that Leverage (DER) affects firm value (PBV). Ozlen and Ergun (2012) researched the Turkish stock exchange where the results of the Debt Ratio had a significant negative effect on stock prices in the industrial sector including the food and metal industry. Then Suparningsih (2017) in his research on textile and game companies listed on the Indonesian stock exchange for the period 2012-2016 shows that DER affects stock prices.

H3. Solvability has positive effect on PBV

H4. Solvability has positive effect on stock price

2.4 Profitability, PBV, and Stock Price

A company's net profit margin, or return on sales (ROS), indicates the profitability of a company's operating activities. Further decomposition of the company's ROS allows an analyst to assess the efficiency of the company's operations management. The ratio of sales to assets is known as asset turnover. The profit margin ratio shows how much a company can save as profit for every dollar of sales it generates. Asset turnover shows how many dollars of sales a company can generate for each dollar of its assets (Palepu and Healy 2013: 134). Warinangin (2020) in his research said that the results of the NPM test on firm value showed that NPM had no positive and significant effect. Positive can be seen from the regression coefficient of 0.214 and a significant value of 0.831 which is greater than 0.05. Then Widyastuti (2019) who researched food and beverage companies on the

Indonesian stock exchange in the 2015-2017 period found that financial performance measured by NPM and ROA had a positive effect on firm value. Bustani (2020) researched insurance companies listed on the Indonesian stock exchange for the 2015-2018 period where the results showed that NPM affected stock prices. Then Panjaitan (2020) examined automotive companies listed on the Indonesian stock exchange for the 2014-2014 period. 2018 where the results show that NPM does not have a significant positive effect on stock prices.

H5. Profitability has positive effect on PBV

H6. Profitability has positive effect on stock price

2.5 Cash Flow, PBV, and Stock Price

Cash flow analysis also indicates the quality of the information in the company's income statement and balance sheet. Cash flow analysis complements ratio analysis in examining the company's operating activities, investment management, and financial risk (Palepu and Healy 2013: 154). Dewi et al. (2019) researched the Indonesian stock exchange at the main companies on the Indonesian stock exchange for the period 2013 – 2017 where the results of their research showed that cash flow had a significant positive effect on firm value. Then Abughniem al. (2020) who researched the Arman Stock Exchange in the 2010-2015 period found that operating cash flow was found to have a positive and statistically significant effect on performance using ROA and MVPS indicators. Furthermore, Ni et al. (2018) in their research on the Taiwan stock exchange comparing the cash flow ratio variables which include Operations / Sales, Investments / (TA-CA), and Financing / (LD + TE), Investment / (TA-CA) was found to be positively related with the value of the company, shows that companies that have cash outflows from investing activities can increase the value of the company. The cash outflows that arise from the search for these profitable capital budgeting projects can help increase firm value. In addition, we show that Financing / (LD + TE) has a positive effect on firm value. Therefore, companies that raise funds for capital budgeting projects can get cash inflows from financing activities and cash outflows from investing activities. Oroud et al. (2017) who researched Amman stock exchanges found that operating cash flow had a significant positive effect on stock prices. Then Jabbari et al. (2013) researched on the Thran stock exchange that there is a relationship between operating cash flow and stock prices.

H7. Cash flow has positive effect on PBV

H8. Cash flow has positive effect on stock price

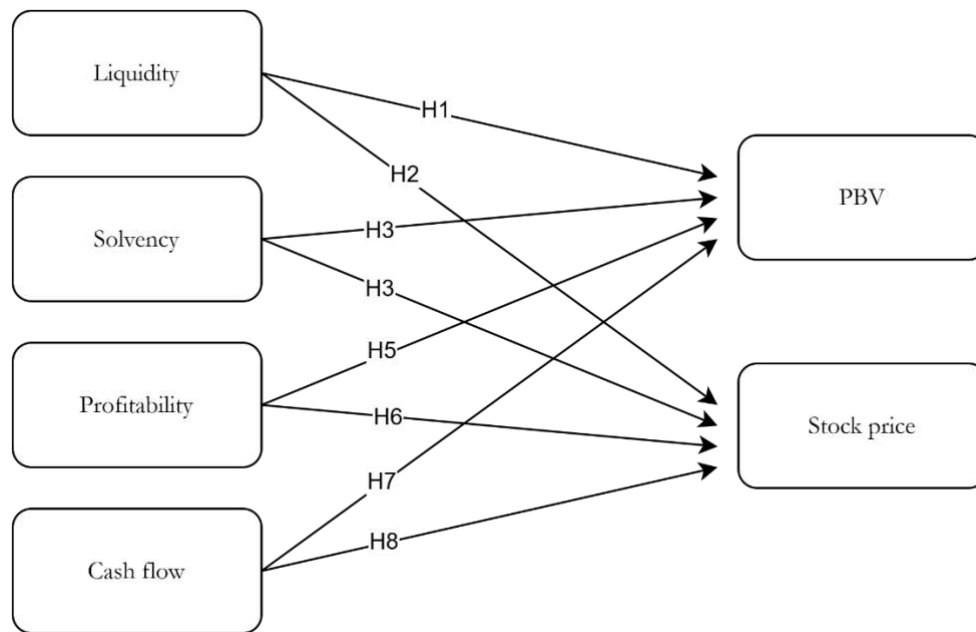


Figure 1. Conceptual Framework

3. METHODOLOGY

The methodology uses secondary data on SOEs listed on the Indonesian stock exchange during 2016-2019 where a population of 25 companies is a sample of 19 companies that meet the criteria. Using the panel data instrument test using the Eviews 9 software using the Common Effect model, Fixed Effect model, and Random Effect model

4. RESULTS

On the selection of panel data regression model

Table 1. Panel Data Regression Model Selection Results

Model	Test		Prob.	Information	Conclusion
PBV	Chow	Cross-section F	0.0000	Fixed Effect	Fixed Effect
	Hausman	Cross-section random	0.0143	Fixed Effect	
	Lagrange Multiplier	Breusch-Pagan Both	0.0000	Random Effect	
Price Share	Chow	Cross-section F	0.0059	Fixed Effect	Random Effect
	Hausman	Cross-section random	0.3492	Random Effect	
	Lagrange Multiplier	Breusch-Pagan Both	0.0116	Random Effect	

Source: Output of Eviews 9, 2024

Based on table 1, it can be seen the results of the panel data regression model selection on the PBV and Stock Price models. These results show that the PBV model (CR, DER, NPM, and Cash Flow to PBV) shows the Chow test and Hausman test choosing the Fixed Effect model, to analyze the regression equation in the PBV model (CR, DER, NPM, and Cash Flow to PBV) using the Fixed Effect model. While the Stock Price model (CR, DER, NPM, Cash Flow, and PBV to Stock Price)

shows the Hauman test and the Lagrange multiplier test choose the Random Effect model, to analyze the regression equation in the Stock Price model (CR, DER, NPM, Flow Cash, and PBV to Stock Price) using the Random Effect model. While the Regression Equation will be assessed partially and simultaneously using reviews 9. The results of the regression calculation between CR DER NPM AND CASH FLOW to PBV is shown in Table 2.

Table 2. Result of Regression Calculation between CR, DER, NPM, and Cash Flow to PBV

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.229485	2.427781	0.094525	0.9250
CR	0.022292	0.010316	2.160837	0.0352
DER	0.857560	1.186734	0.722622	0.4731
NPM	-0.061203	0.107510	-0.569275	0.5716
ARUS_KAS	-8.69E-13	3.74E-13	-2.321123	0.0242

Source: Output of Eviews 9, 2024

the following multiple linear regression equation is obtained:

$$\text{PBV} = 0.229485 + 0.022292 \text{ CR} + 0.857560 \text{ DER} - 0.061203 \text{ NPM} - 8.69\text{E-}13 \text{ Cash Flow}$$

The above equation can be interpreted as follows:

0 = 0.229485: meaning that if CR, DER, NPM, and Cash Flow are zero (0), then PBV will be worth 0.229485 units.

1 = 0.022292: meaning that if the CR increases by one unit while the other variables are constant, then the PBV will increase by 0.022292 units.

2 = 0.857560: meaning that if the DER increases by one unit while the other variables are constant, then the PBV will increase by 0.857560 units.

3 = -0.061203: it means that if the NPM increases by one unit while the other variables are constant, then the PBV will decrease by 0.061203 units.

4 = -8.69E-13: it means that if Cash Flow increases by one unit while other variables are constant, then PBV will decrease by 8.69E-13 units.

Table 3. Result of Regression Calculation between CR, DER, NPM, Cash Flow, and PBV to Stock Price

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	486.1979	91.05857	5.339397	0.0000
CR	-0.491274	0.337085	-1.457419	0.1495
DER	-98.51520	38.16935	-2.581002	0.0119
NPM	-7.849847	3.770286	-2.082030	0.0410
ARUS_KAS	-7.85E-12	2.08E-11	-0.377732	0.7068
PBV	-11.78070	5.587941	-2.108236	0.0386

Source: Output of Eviews 9, 2024

Thus, the following multiple linear regression equation is obtained:

Share Price = 486.1979 - 0.491274 CR - 98.51520 DER - 7.849847 NPM - 7.85E-12 Cash Flow - 11.78070 PBV

The above equation can be interpreted as follows:

0 = 486.1979: meaning that if CR, DER, NPM, Cash Flow, and PBV are zero (0), then the Stock Price will be worth 486.1979 units.

1 = -0.491274: meaning that if CR increases by one unit while other variables are constant, then the Stock Price will decrease by 0.491274 units.

2 = -98.51520: meaning that if DER increases by one unit while other variables are constant, then the Stock Price will decrease by 98.51520 units.

3 = -7.849847: meaning that if the NPM increases by one unit while the other variables are constant, then the Stock Price will decrease by 7.849847 units.

4 = -7.85E-12: it means that if the Cash Flow increases by one unit while the other variables are constant, then the Stock Price will decrease by 7.85E-12 units.

5 = -11.78070: meaning that if PBV increases by one unit while other variables are constant, then the Stock Price will decrease by 11.78070 units.

4.1 Coefficient of Determination

Table 4. Coefficient of Determination Analysis

Model	R Square	Adjusted R Square	S.E. of regression
PBV	0.748923	0.644703	3.727870
Price Share	0.195094	0.137601	203.2138

Source: Output of Eviews 9, 2024

From the analysis in table 4. It can be seen that the coefficient of determination of the PBV and Stock Price models is known. These results indicate that CR, DER, NPM, and Cash Flow influence PBV of 0.748923 or 74.89%, while the remaining 75.11% is influenced by other factors not observed in this study. And CR, DER, NPM, Cash Flow, and PBV influence stock prices of 0.195094 or 19.51%, while the remaining 80.49% is influenced by other factors not observed in this study.

4.2 Partial Hypothesis Test

By using the help of the Eviews 9 application, the results of partial hypothesis testing for the PBV and Stock Price models are obtained as follows:

Table 7. PBV Model Partial Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.229485	2.427781	0.094525	0.9250
CR	0.022292	0.010316	2.160837	0.0352
DER	0.857560	1.186734	0.722622	0.4731
NPM	-0.061203	0.107510	-0.569275	0.5716
ARUS_KAS	-8.69E-13	3.74E-13	2.321123	0.0242

Source: Output of Eviews 9, 2024

Based on table 7, it can be seen that the Prob value is smaller than the value of 5% for the CR and cash flow variables, then H0 is rejected and H1 is accepted, meaning that there is a significant effect of CR and Cash Flow partially on PBV. While it can be seen that the Prob value is greater than the value of 5% for the DER and NPM variables, then H0 is accepted and H1 is rejected, meaning that there is no significant effect of DER and NPM partially on PBV.

Table 8. Stock Price Model Partial Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	486.1979	91.05857	5.339397	0.0000
CR	-0.491274	0.337085	-1.457419	0.1495
DER	98.51520	38.16935	-2.581002	0.0119
NPM	-7.849847	3.770286	-2.082030	0.0410
ARUS_KAS	7.85E-12	2.08E-11	-0.377732	0.7068
PBV	-11.78070	5.587941	-2.108236	0.0386

Source: Output of Eviews 9, 2024

Based on table 8, it can be seen that the Prob value is smaller than the value of variable 5% for the DER, NPM, and PBV variables, then H0 is rejected and H1 is accepted, meaning that there is a significant effect of DER, NPM, and PBV partially on stock prices. While it can be seen that the Prob value is greater than the value of α 5% for the DER, NPM, and PBV variables, then H0 is accepted and H1 is rejected, meaning that there is no significant effect of DER, NPM, and PBV partially on stock prices.

5. DISCUSSION AND CONCLUSION

Based on the results of the previous discussion, it can be concluded that, partially CR has a significant effect on PBV. This is in line with Sondakh's research (2019) where CR has a significant positive effect on PBV. In theory, if CR is high, it will reflect the company's ability to settle current debts better so that investors will not worry when an issuer does not pay off its short-term debts. A high CR indicates that the company has the funds to pay dividends and has large internal funds. A high PBV indicates that the market believes in the company's prospects. Partially DER has no significant effect on PBV. This is in line with the research by Endri and Fathony (2019) who researched the financial sector for the 2013-2017 period on the Indonesian stock exchange that leverage or solvency did not affect firm value. This identifies a greater capital value than debt in a company has not been able to show the company's ability to optimize debt usage to increase the company's value, because in the Indonesian capital market, stock price movements and the creation of added value for the company are caused by market conditions. High debt in a company is not always considered bad if the company is able to pay its obligations and if a company has small debt and the company is able to finance its company operations using the capital it has, then the company is considered to have good value, so that companies that use debt greater than their own capital or companies that use debt smaller than their own capital will not affect the company's value. Partially, NPM has no significant effect on PBV. This is in line with the research of Warinangin (2019) where this study shows that NPM has no positive and significant effect.

This is because NPM is unable to describe the level of return that investors will get from stock returns. (NPM) is one of the financial ratios that measures the extent to which a company is able to generate net profit from the income it receives. Although NPM is an important indicator of financial performance, there are several reasons why NPM does not always directly affect the

value of the company, there are other factors, namely external factors. The value of companies in the food and beverage industry can be influenced by external factors such as changes in consumer trends, government regulations, and extraordinary events such as a pandemic. These factors can affect company performance and company value without involving changes in Net Profit Margin. Partially Cash Flow has no significant effect on PBV. This is in line with research by Anggrahini et al. (2023) where operating cash flow has no negative and insignificant effect on firm value in the coal mining sub-sector for the period 2012-2016.

When a company has a high level of free cash flow but there are no profitable projects available, there will be a tendency for management to misuse free cash flow with opportunistic actions such as inefficient resource allocation and excessive consumer behavior where these things are not in line with increasing the company's value but will burden shareholders. When a company has a high level of free cash flow but there are no profitable projects available, there will be a tendency for management to misuse free cash flow with opportunistic actions such as inefficient resource allocation and excessive consumer behavior where these things are not in line with increasing the company's value but will burden shareholders.

Partially CR does not have a significant effect on stock prices. This is in line with the research by Handayani et al. (2018) who researched manufacturing companies on the Indonesian stock exchange which showed that the current ratio had an insignificant positive effect on stock prices. The high value of Current Ratio indicates the proportion of idle assets, which will lower the stock price. Investors do not pay attention to the Current Ratio value to estimate future stock prices because it is considered less profitable because current assets are not utilized effectively by the company. So that it will affect the decline in demand for the stock and ultimately will lower the stock price. Partially DER has a significant effect on stock prices, this is in line with research by Ozlen and Ergun (2012) researching on the Turkish stock exchange where the results of the Debt Ratio have a significant negative effect on stock prices in the industrial sector including the food and metal industry. Then Suparningsih (2017) in His research on textile and game companies listed on the Indonesian stock exchange for the period 2012-2016 shows that DER affects stock prices.

A large Debt to Equity Ratio tends to lower stock prices. This means that the total debt from equity is greater and the company has a great responsibility to fulfill its obligations to creditors. If the DER has a low value, it will increase the level of investor trust in the company, which can result in increased investor interest in investing in the capital market. The higher the DER value, the lower the stock price. Partially NPM has a significant effect on stock prices. This is in line with Bustani's (2020) research researching insurance companies listed on the Indonesian stock exchange for the 2015-2018 period where the results show that NPM affects stock prices.

Companies that have a high or increasing Net Profit Margin (NPM) level can attract the attention and interest of investors to invest in the company. This shows that investors value the company's ability to earn net profit so that the return obtained by investors can be known. There are previous research results that are in line with this research, namely the results of the research of Dewi and Solihin (2020) which found that there was a positive and significant influence of the Net Profit Margin (NPM) variable on stock prices. Companies that have a high or increasing Net Profit Margin (NPM) level can attract the attention and interest of investors to invest in the company. This shows that investors value the company's ability to earn net profit so that the return obtained by investors can be known. Partially, Operating Cash Flow has no significant effect on stock prices. This is following research by Khanji and Siam (2015) in research on banks listed on the Amman stock exchange where there is no significant relationship between operating cash flow and cash flow investment on stock prices.

This is caused by the possibility that investors will realize that operating cash flow does not guarantee that the company will have sufficient funds to run its business in the future. where investors do not pay much attention to operating cash flow as a consideration in making investment decisions. This happens because operating cash flow is obtained from the company's main income-generating activities. Therefore, this cash flow generally comes from transactions and other events that affect the determination of profit or loss. where operating cash flow has no information content in relation to stock returns around the financial statement date. This is also an indicator that the market does not react to the announcement of total cash flow information as a consideration in making investment decisions.

Partially PBV has a significant effect on stock prices. This is in line with research by Hanifah (2009) and Salim and Firdaus (2020) that PBV has a positive and significant effect on stock prices where the PBV value indicates the level of success of the company's management in managing the company. The higher the PBV value, of course, also gives high expectations for investors to get bigger profits. The higher the company, the higher the company creates value for shareholders and the higher the level of market confidence. The higher the company, the higher the company creates value for shareholders and the higher the level of market confidence. This company value is a positive signal for investors. This is because the company value shows a good level of success of a company, so it will also increase the trust of external parties, namely investors. That way, the high company value will be an attraction for investors to invest their capital in the company so that demand for the shares will increase and the stock price will increase.

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Macroeconomic Influences on Exchange Rates, NSE Nifty, and Gold: Evaluating Linear and Quantile Regression Models

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Abstract

This study addresses the confusion between Ordinary Least Squares (OLS) regression and Quantile Regression (QR) in analyzing the impact of macroeconomic variables on financial markets, specifically exchange rates, NSE Nifty returns, and gold prices. It also seeks to identify the key economic factors that influence these financial indicators, as the relationship between economic variables and market performance remains complex and multifaceted. To tackle these challenges, the study compares the effectiveness of both OLS and QR in capturing the impact of macroeconomic variables like inflation, interest rates, and foreign reserves on financial markets. The analysis proceeds by utilizing data from January 2019 to December 2023, sourced from the Reserve Bank of India (RBI), to assess monthly returns (MOM) of the selected financial indicators. A combination of descriptive statistics, Pearson correlation, and regression models is employed to explore the relationships between the variables. The study reveals that QR provides more nuanced insights, outperforming OLS by capturing the heterogeneity of effects across different market conditions, while OLS offers a more generalized view. Overall, the findings underscore the advantages of using Quantile Regression to better understand the conditional relationships between macroeconomic variables and financial market outcomes.

Keywords: Exchange Rates, Gold, NSE NIFTY, Ordinary Least Squares (OLS) Regression and Quantile Regression (QR)

1. INTRODUCTION

Financial markets are highly dynamic and are influenced by a wide array of macroeconomic variables, making their analysis a complex and challenging task. These variables, including inflation, interest rates, and industrial production, often shape the behavior of key financial indicators such as exchange rates, equity indices, and commodity prices. Understanding these interrelationships is essential for unravelling the broader macroeconomic forces that drive market movements. The challenge, however, lies not only in identifying the influential variables but also in selecting the most effective econometric model to evaluate these relationships. Traditional methods such as Ordinary Least Squares (OLS) regression have long been employed for such analyses, but their limitations in capturing data asymmetry and non-linearity have prompted the exploration of alternative techniques like Quantile Regression (QR).

Macroeconomic variables are pivotal in shaping the behavior of financial markets, influencing key asset classes such as exchange rates, equity indices like NSE Nifty, and commodities like gold. These relationships are often complex, dynamic, and context-dependent, reflecting the interplay between domestic economic factors, global market trends, and investor sentiment. The intricate linkages between these variables are further magnified during periods of economic turbulence, such as the COVID-19 pandemic, which reshaped global financial systems. Exchange rates, as a

critical economic indicator, reflect a nation's competitiveness, trade balance, and capital flows. Their fluctuations are influenced by a myriad of factors, including interest rate differentials, inflationary trends, and foreign exchange reserves (Varirahartia and Marsoem, 2022). Similarly, equity indices such as the NSE Nifty encapsulate the performance of a country's corporate sector and its sensitivity to macroeconomic conditions. Studies by Bhar and Malliaris (2011) highlight the importance of variables like GDP growth, inflation, and trade balance in shaping equity returns.

Gold, often regarded as a safe-haven asset, exhibits a unique relationship with macroeconomic factors. While it tends to have a negative correlation with bond yields due to its role as an inflation hedge (Koroleva and Maxim, 2022), its behavior during periods of economic uncertainty, such as the COVID-19 pandemic, underscores its significance in portfolio diversification and risk management (Chiang, 2022). The dynamics between these asset classes and macroeconomic variables vary across developed and emerging markets. In developed markets, structural and fiscal factors, such as demographic changes and unconventional monetary policies, often dominate the narrative (Michelson and Stein, 2023). Emerging markets, on the other hand, are more susceptible to external shocks, with local factors such as policy rate changes and fiscal interventions playing a crucial role in stabilizing markets (Nguyen and Nguyen, 2022).

India, as a prominent emerging market, provides a unique lens through which these dynamics can be analysed. The interplay between macroeconomic factors, exchange rates, the NSE Nifty, and gold has been extensively studied, revealing insights into the country's financial resilience and integration with global markets. Akram and Das (2019) emphasize the role of short-term interest rates in determining long-term yields, while Gupta and Ahmed (2019) identify the significance of foreign portfolio flows driven by interest rate differentials and exchange rate volatility. The COVID-19 pandemic has brought new dimensions to these relationships, amplifying the effects of macroeconomic variables on financial markets globally. Mobin et al. (2022) document the pandemic's impact on stock and bond markets, highlighting the stabilizing effects of fiscal stimulus and unconventional monetary measures. These disruptions underscore the need for robust econometric models to capture the evolving relationships between macroeconomic variables and financial markets.

This study aims to explore the macroeconomic influences on exchange rates, the NSE Nifty, and gold using both linear and quantile regression models. By integrating insights from existing literature and employing advanced modeling techniques, the study seeks to provide a comprehensive understanding of the interplay between these variables. The findings are expected to offer valuable insights for policymakers, investors, and academics, particularly in navigating the complexities of financial markets in a post-pandemic world.

2- LITERATURE REVIEW

The intricate relationship between macroeconomic variables and financial markets has been a central focus of economic research, particularly in understanding how exchange rates, equity indices, and commodities like gold respond to changing economic conditions. This study investigates the impact of macroeconomic factors on the exchange rate, NSE Nifty, and gold prices, employing both linear and quantile regression models. Linear regression (OLS) is widely used for its simplicity and efficiency in capturing average effects across datasets. However, its limitations in addressing asymmetries and variability at different conditional quantiles have paved the way for quantile regression, which provides a more nuanced analysis. By exploring these relationships through these complementary frameworks, the study aims to uncover how economic shocks and market dynamics influence key financial metrics under varying conditions.

The relationship between economic factors and exchange rates has been extensively analysed across developed markets, emerging markets, and India, particularly during the COVID-19 pandemic. In developed markets, Zhou (2021) highlights that short-term interest rates, government debt, and U.S. bond yields significantly impacted long-term bond yields, which in turn influenced exchange rates. Additionally, the temporary nature of pandemic-induced financial shocks was evident, as Pham and Chu (2023) found that stimulus measures and tightened containment policies exacerbated currency fluctuations, albeit with diminishing effects over time.

Emerging markets exhibited unique dynamics during the pandemic, as these economies faced heightened exchange rate volatility due to capital flow disruptions and global financial uncertainty. Yilanci and Pata (2023) observed that COVID-19 impacted exchange rates minimally compared to stock and bond markets in Brazil and India, but pressures intensified post-2021. Similarly, Olivares Rios et al. (2019) noted that macroeconomic factors and international market uncertainty influenced short-term risk premiums, emphasizing the role of robust policy measures to maintain exchange rate stability. In India, Dharani et al. (2023) identified heterogeneous impacts of the pandemic on different industries, with stock market volatility indirectly affecting exchange rates through investor sentiment. Lakdawala et al. (2023) found that unconventional monetary policies, including liquidity support and asset purchases, effectively influenced bond yields and exchange rate movements, mitigating some pandemic-induced pressures. These findings reveal the critical interplay between monetary policies and market dynamics in stabilizing exchange rates during crises.

Comparative studies of developed and emerging markets revealed varying sensitivities to macroeconomic drivers, highlighting structural differences and policy responses. Emerging markets, such as India and Brazil, were more vulnerable to external shocks due to reliance on foreign capital flows and limited fiscal capacity. Developed markets experienced relatively stable exchange rates, supported by stronger institutional frameworks, and coordinated policy actions. Rabbani et al. (2024) highlighted the global interconnectedness of asset markets, suggesting that financial stress in major economies had spillover effects on exchange rates across regions, particularly in emerging markets.

Gold rates experienced heightened volatility during the COVID-19 pandemic, influenced by economic uncertainty, macroeconomic dynamics, and market conditions across developed and emerging markets, including India. In developed markets, gold reaffirmed its role as a safe-haven asset amidst unprecedented economic disruptions. Studies revealed that low interest rates, quantitative easing measures, and heightened geopolitical tensions drove significant capital inflows into gold. Flannery and Protopapadakis (2002) highlighted the impact of macroeconomic indicators like inflation and monetary aggregates on gold prices, noting their sensitivity to investor sentiment during crises. In India, gold's significance as a cultural and investment asset deepened during the pandemic. Verma and Bansal (2021) noted the negative correlation between gold prices and equity market performance, with Indian investors gravitating toward gold amidst declining returns in other asset classes. Additionally, domestic policies on gold import duties and currency volatility played a pivotal role in shaping price dynamics during the pandemic's peak. Vicente and Kubudi (2018) demonstrate that incorporating survey data improves inflation forecasting, which in turn influences gold's role in hedging against economic uncertainty. Marisetty (2024) highlights strong positive correlations between NSE NIFTY and gold, underscoring the influence of safe-haven assets on Indian stock market returns.

The COVID-19 pandemic brought unprecedented disruptions to global financial markets, with equity returns across developed and emerging markets profoundly affected by macroeconomic factors. In developed markets, studies have highlighted the interplay of monetary policy,

inflation, and fiscal stimulus in shaping equity market responses. For instance, Beirne et al. (2020) observed that fiscal and monetary interventions helped stabilize financial conditions, particularly in Asian and European emerging economies, while Chiang and Chen (2023) found a negative relationship between inflation and aggregate stock returns in the US, except for the energy sector. Schrank (2024) notes that monetary policy changes during the crisis had pronounced effects on financial markets in Thailand, with gold providing limited safe-haven functionality compared to its historical performance. Marisetty (2024) identifies strong long-term cointegration between NSE NIFTY, S&P 500, and Nikkei 225, highlighting the influence of global economic integration on Indian stock market returns.

Emerging markets experienced heightened volatility and varied equity performance due to the pandemic. Horvath and Yang (2021) demonstrated that equity returns in emerging market economies (EMEs) were significant predictors of output fluctuations, underscoring the interconnectedness of financial and economic systems in these regions. India's equity markets displayed unique responses to macroeconomic challenges during the COVID-19 period. Garg and Kalra (2018) further illuminated the influence of macroeconomic factors such as inflation and unemployment on Sensex performance, pointing to the interplay of structural economic factors and pandemic-driven disruptions in shaping equity returns in India. Amin and Mollick (2022) further explore this dynamic, showing that leverage moderates the effect of oil prices on U.S. stock returns.

Across developed and emerging markets, the COVID-19 pandemic highlighted the interconnectedness of financial systems and the critical role of macroeconomic factors in equity market performance. Studies like Agrawal (2020) in the US and Mpofu et al. (2023) in South Africa demonstrated how economic uncertainty, structural risks, and government interventions influenced market dynamics. Collectively, these findings underscore the importance of adaptive fiscal and monetary policies, investor awareness, and sectoral analysis in navigating the challenges posed by global economic crises. Sreenu and Pradhan (2023) highlight the sector-level economic factors influencing volatility in Indian stock markets during the COVID-19 pandemic, offering strategies for managing market fluctuations.

Ordinary Least Squares (OLS) regression remains a cornerstone in financial and economic research for analyzing relationships between variables. Studies by Modi and Bhagat (2021) and Hui and Chan (2022) illustrate its extensive application in evaluating macroeconomic and market dynamics. Modi and Bhagat used OLS to uncover how variables like FDI, GDP, inflation, and trade balances influence the Indian Sensex, emphasizing the market's rapid growth and integration. Hui and Chan's exploration of global equity markets during the COVID-19 pandemic employed OLS alongside other methods, identifying significant negative effects on returns, particularly in European economies. These findings underscore OLS's utility in capturing mean effects across diverse datasets and contexts, though they also highlight its limitations in addressing more complex relationships, such as nonlinearities and varying effects across distributions. Prananta and Alexiou (2024) use a NARDL model to explore the cointegration of exchange rates, bond yields, and stock markets in Indonesia, uncovering asymmetric short- and long-term effects.

Quantile regression, by contrast, provides a nuanced perspective, accommodating heterogeneity and capturing variable impacts at different points of the outcome distribution. Bahloul and Ben Amor (2022) leveraged this method to examine MENA stock markets, revealing that the influence of macroeconomic factors varied across quantiles, underscoring the importance of portfolio diversification within the region. Similarly, Ozcelebi et al. (2024) employed quantile regression to analyze exchange market pressures in emerging economies, demonstrating how bond yield shocks exhibit regime-dependent effects. Rao et al. (2022) extended this approach to study asset

class connectedness pre- and post-COVID-19, finding that traditional safe havens like gold and Bitcoin lose their efficacy during extreme economic conditions. These studies highlight quantile regression's strength in capturing asymmetries and its ability to offer richer insights into the complexities of financial and economic phenomena, complementing the broader but less flexible perspective provided by OLS.

The reviewed literature underscores the strengths and limitations of OLS and quantile regression in examining the interplay between macroeconomic variables and financial markets. While OLS efficiently identifies mean effects, its inability to capture heterogeneity across distributions limits its explanatory power for complex, regime-dependent dynamics. In contrast, quantile regression reveals crucial insights into asymmetries and variable impacts across different market states, offering a comprehensive understanding of financial phenomena. These findings highlight the importance of selecting appropriate methodological frameworks based on the nature of the research question.

3. METHODOLOGY

The problem addressed in this study is to assess the impact of key macroeconomic variables on financial markets, specifically focusing on exchange rates, NSE returns, and gold prices. It seeks to determine which method—Ordinary Least Squares (OLS) regression or Quantile Regression (QR)—is more effective in capturing the relationship between these economic variables and market outcomes. The analysis involves comparing the performance of both models in terms of fit and predictive accuracy, particularly under different economic conditions. Additionally, the study explores the statistical significance of these macroeconomic variables, such as inflation, interest rates, government security yields, and industrial production, in explaining variations in exchange rates, Nifty returns, and gold returns. Understanding these dynamics helps policymakers and investors anticipate market movements in response to shifts in key economic indicators.

The variables selected for this study include Bank Rate, Inflation, 10Y Government Securities (10Y GSec), NSE returns, Gold, Exchange Rate, Index of Industrial Production (IIP), Foreign Direct Investment (FDI), and Foreign Reserves. These variables were chosen based on their established relevance in economic theory and their potential to influence financial markets. Data spanning from January 2019 to December 2023 was collected from the Reserve Bank of India (RBI) and consists of monthly returns (MOM). The data's period captures a range of economic cycles, including periods of high inflation, low-interest rates, and global market fluctuations. The significance of variable selection is driven by their ability to explain major macroeconomic trends and their relevance in forecasting financial asset returns, thus providing a solid foundation for the modeling efforts.

The analysis utilizes a combination of descriptive statistics, Pearson correlation, and regression techniques to explore the relationships among these variables. OLS regression is employed to capture the average effects of the explanatory variables on financial outcomes, while QR is used to investigate the impact of these variables at different quantiles of the conditional distribution, providing insights into how the relationships vary under different economic regimes. Model evaluation is based on fit tools such as squared residuals, Akaike Information Criterion (AIC), Log-Likelihood (LL), Schwarz Information Criterion (SIC), and Hannan-Quinn Criterion (HC), which assess the balance between model complexity and fit. Additionally, predictive error measures, including Mean Squared Error (MSE), Absolute Error (AE), and Absolute Percentage Error (APE), are used to evaluate the predictive accuracy of the models. These metrics allow a comprehensive assessment of both models' ability to explain and predict market behavior accurately.

However, this study faces several limitations. First, while the selected macroeconomic variables are crucial for understanding market dynamics, there may be other important factors, such as geopolitical events or global economic shocks, that are not included in the analysis. Second, the study assumes linear relationships in the OLS model, which may not fully capture complex, non-linear interactions between variables. Furthermore, while Quantile Regression offers more flexibility, it also requires careful consideration of model specifications, especially when dealing with extreme values or outliers. Lastly, the use of monthly data, while comprehensive, may overlook shorter-term market fluctuations that could provide additional insights into high-frequency trading dynamics or short-term market responses to policy changes.

3.1. Descriptive statistics

Descriptive statistics were calculated for the nine variables, including bond yields, equity returns, and economic indicators, to summarize their central tendencies and variability. The study also used the Jarque-Bera test to assess the normality of the data distributions for each variable. The results of the test indicated whether the data significantly deviated from a normal distribution, guiding further statistical analysis. These preliminary steps provided a solid basis for the subsequent paired t-test and regression analyses.

3.2. Multivariate correlation analysis

Multivariate correlation analysis explores the relationships among multiple variables simultaneously. The correlation matrix is calculated using the formula:

$$\rho_{XY} = \frac{COV(X, Y)}{\sigma_X \sigma_Y}$$

where ρ_{XY} is the Pearson correlation coefficient, $Cov(X, Y)$ is the covariance between variables X and Y , and σ_X and σ_Y are the standard deviations of X and Y , respectively. This analysis helps identify the strength and direction of relationships between bond yields, equity returns, and various economic factors.

3.3. Ordinary Least Squares (OLS) – Linear Regression

The Ordinary Least Squares (OLS) test in multiple regression estimates relationships between one dependent variable and multiple independent variables. The formula is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \epsilon$$

Here, Y is the dependent variable, X_1, X_2, \dots, X_n are independent variables, β_0 is the intercept, $\beta_1, \beta_2, \dots, \beta_n$ are coefficients, and ϵ is the error term. OLS minimizes the sum of squared residuals (ϵ^2) to estimate β values. Assumptions like linearity, no multicollinearity, and homoscedasticity are crucial for valid results.

3.4. Quantile Regression (QR)

Quantile regression is a statistical technique that extends traditional linear regression by estimating the conditional quantiles of a response variable, rather than its mean. Unlike ordinary least squares (OLS), which minimizes the sum of squared residuals, quantile regression minimizes the weighted sum of absolute residuals to estimate relationships at different points of the response distribution (e.g., median, or other quantiles). The quantile regression model is given by:

$$Q_y(\tau | X) = X \beta_\tau$$

where $Q_y(\tau | X)$ represents the τ th quantile of the dependent variable y conditional on the predictors X , and β_τ denotes the quantile-specific coefficients. This approach is particularly useful for exploring heterogeneous effects, identifying trends at the tails of the distribution, and

providing a more comprehensive understanding of the relationship between variables when the assumptions of OLS are not met.

3.5. Variance Inflation Factor (VIF) – Multicollinearity Test

The Variance Inflation Factor (VIF) is used to detect multicollinearity in regression models by measuring how much the variance of a regression coefficient is inflated due to correlation with other predictors. The formula for VIF is:

$$VIF_i = \frac{1}{1 - R_i^2}$$

where R_i^2 is the coefficient of determination obtained by regressing the i -th predictor on all other predictors. A high VIF (typically > 10) indicates significant multicollinearity, which may distort the regression results and reduce the reliability of the coefficients.

3.6. Normality test

The Chi-square test for normality is used to assess whether a dataset follows a normal distribution. It compares the observed frequency of data in each category with the expected frequency if the data were normally distributed. The formula for the Chi-square test is:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

where O is the observed frequency, E is the expected frequency, and the summation is over all categories. A high Chi-square value indicates a significant deviation from normality.

3.7. Brock-Dechert-Scheinkman (BDS) Test

The Brock-Dechert-Scheinkman (BDS) Test assesses non-linearity or dependence in time-series data by examining deviations from randomness. It compares the correlation of points in reconstructed phase space at varying dimensions. The test statistic is:

$$W = \frac{\sqrt{n}(C_m(\epsilon) - C_1^m(\epsilon))}{\sigma_m(\epsilon)}$$

where $C_m(\epsilon)$ is the correlation integral for dimension m , $C_1^m(\epsilon)$ is the product of one-dimensional correlation integrals, and $\sigma_m(\epsilon)$ is the standard deviation. A significant result indicates non-linear structure, making the test vital for analysing chaotic or complex systems.

3.8. Standard Error (SE)

Standard Error (SE) measures the precision of a sample statistic, such as the mean, relative to the population parameter. It is calculated as:

$$SE = \frac{\sigma}{\sqrt{n}}$$

where σ is the population standard deviation and n is the sample size. A smaller SE indicates greater accuracy of the sample estimate, making it critical in hypothesis testing and confidence interval calculation.

3.9. Akaike Information Criterion (AIC)

The Akaike Information Criterion (AIC) is used to evaluate and compare the goodness of fit of statistical models, balancing model complexity and fit. The formula for AIC is:

$$AIC = 2k - 2\ln(L)$$

where k is the number of parameters in the model, and L is the likelihood of the model. A lower AIC value indicates a better-fitting model, while penalizing excessive complexity. It is widely

used in model selection, especially when comparing models with different numbers of parameters.

where $\Delta Y_t = Y_t - Y_{t-1}$ and $\Delta X_t = X_t - X_{t-1}$. This method eliminates time-invariant unobserved effects, focusing on the variation within the data. It is commonly applied in time-series and panel data analysis.

3.10. Log-likelihood

Log-likelihood quantifies how well a statistical model fits the observed data by calculating the logarithm of the likelihood function, which represents the probability of the observed outcomes given the model parameters. In regression, maximizing the log-likelihood helps identify parameter estimates that best explain the data. It is expressed as:

$$\ln(L) = \sum_{i=1}^n \ln f(y_i | X_i, \beta)$$

where $f(y_i | X_i, \beta)$ is the probability density or mass function, y_i are the observed values, X_i are the predictors, and β represents the model parameters.

3.11. Predictive Tests

Mean Squared Error (MSE), Absolute Error (AE), and Absolute Percentage Error (APE) are key metrics used to evaluate the accuracy of predictive models. MSE calculates the average squared difference between predicted and actual values, placing greater emphasis on larger errors due to squaring, which makes it sensitive to outliers. AE represents the average of absolute differences, providing a straightforward measure of prediction accuracy without emphasizing outliers. APE, expressed as a percentage, normalizes errors by the actual values, allowing for the assessment of model performance relative to the scale of the data. Together, these metrics offer complementary insights: MSE highlights large deviations, AE gives an overall measure of error magnitude, and APE provides context for error in terms of percentage, aiding in the comparison of models across datasets.

4. RESULTS

The analysis of Table 1 commences with the Bank Rate, which showcases relatively stable behavior. The mean (5.3383) and median (5.4000) are closely aligned, reflecting symmetry in its distribution. The coefficient of variation (C.V.) at 0.1927 and a standard deviation of 1.0284 suggest low variability in rates. Skewness is minimal (0.1820), while negative excess kurtosis (-1.6198) points to a flatter-than-normal distribution. The Jarque-Bera statistic (6.8908, $p = 0.0318$) signals a departure from normality, requiring further diagnostic checks for potential implications in modelling. Inflation displays a mean of 5.5675 and median of 5.7050, indicating a slightly left-skewed distribution with a skewness value of -0.5617. Its standard deviation (1.4599) and C.V. (0.2622) show moderate variability. Negative excess kurtosis (-0.5485) reflects a distribution less peaked than normal. Although the Jarque-Bera statistic (3.9076, $p = 0.1417$) does not indicate significant deviation from normality, the observed range (1.9700 to 7.7900) highlights varying inflationary pressures over the period.

The 10-Year Government Security (10Y GSec) has a mean of 6.7766 and a median of 6.8299, suggesting slight left skewness (-0.2767). Its variability is low, as evidenced by a standard deviation of 0.5388 and C.V. of 0.0795. Excess kurtosis (-1.2467) denotes a flatter distribution. The Jarque-Bera statistic (4.6512, $p = 0.0977$) implies no significant deviation from normality, reinforcing its use as a reliable benchmark for long-term interest rates. For NSE returns, the mean (11.1950) and median (9.2678) reveal moderate skewness (0.4881) toward positive values. The high standard deviation (16.4660) and elevated C.V. (1.4708) indicate considerable volatility. Positive excess kurtosis (0.6811) points to a slightly peaked distribution. The Jarque-Bera test

(3.5416, $p = 0.1701$) does not show significant non-normality, although outliers and extreme values should be carefully examined.

The Gold variable has a mean of 8.8685 and a median of 8.6167, with negligible skewness (0.1859). Variability is pronounced, as indicated by the standard deviation (11.0290) and C.V. (1.2436). Negative excess kurtosis (-1.0851) suggests a flatter distribution with mild deviations from normality. The Jarque-Bera statistic (3.2892, $p = 0.1930$) confirms no major normality concerns, supporting its consistent inclusion as a hedge variable. Finally, IIP and FDI demonstrate unique characteristics. The IIP mean (3.9419) is overshadowed by high variability (standard deviation of 20.7450, C.V. of 5.2628), with extreme positive skewness (3.6278) and substantial kurtosis (24.8270). The Jarque-Bera statistic (1672.5, $p < 0.0000$) confirms significant non-normality. FDI, with a mean of -11.2490, exhibits negative skewness (-0.3518) and positive kurtosis (4.2110), highlighting frequent extreme observations. Its Jarque-Bera statistic (45.568, $p < 0.0000$) also underscores pronounced deviations from normality, warranting caution in regression analyses involving these variables. The variables display diverse statistical profiles, influencing their suitability for different models. Stable variables like the Bank Rate and 10Y GSec are conducive to linear models, whereas volatile variables such as IIP and FDI may necessitate robust or non-linear methods to address their distributional complexities.

Table 1: Descriptive Statistics of Macro-Economic Variables

Variable	Bank Rate	Inflation	10Y GSec	NSE	Gold	Exchange Rate	IIP	FDI	Foreign Reserves
N	60	60	60	60	60	60	60	60	60
Mean	5.338	5.568	6.777	11.195	8.869	3.751	3.942	-11.249	11.213
Median	5.400	5.705	6.830	9.268	8.617	3.138	2.589	-10.287	10.295
Minimum	4.250	1.970	5.830	-30.15	-8.878	-4.399	-57.312	-477.04	-8.521
Maximum	6.750	7.790	7.491	53.571	32.296	10.916	133.520	368.430	30.394
Std. Dev.	1.028	1.460	0.539	16.466	11.029	3.851	20.745	118.200	9.616
C.V.	0.193	0.262	0.080	1.471	1.244	1.027	5.263	10.508	0.858
Skewness	0.182	-0.562	-0.277	0.488	0.186	0.033	3.628	-0.352	0.063
Ex. kurtosis	-1.620	-0.549	-1.247	0.681	-1.085	-0.792	24.827	4.211	-0.628
IQ range	2.188	2.163	0.976	14.739	19.821	6.066	5.733	122.440	12.697
Jarque-Bera	6.891* (0.032)	3.907 (0.142)	4.651 (0.097)	3.542 (0.170)	3.289 (0.193)	1.579 (0.454)	1672* (0.000)	45.56* (0.000)	1.026 (0.598)

Source: The Authors, Note: * $p < 0.05$.

The multivariate correlation matrix in Table 2 highlights the relationships among macroeconomic variables. Beginning with the Bank Rate, it is strongly positively correlated with the 10Y GSec (0.7734, $p < 0.05$), reflecting its influence on long-term interest rates. Its negative correlation with the NSE (-0.3341, $p < 0.05$) suggests that higher rates may dampen equity market performance. Additionally, the Bank Rate is negatively correlated with Foreign Reserves (-0.5962, $p < 0.05$), indicating potential capital outflows during periods of tight monetary policy. However, its modest correlations with other variables, such as Exchange Rate (0.3344, $p < 0.05$), emphasize a nuanced role in macroeconomic interactions.

Table 2: Multivariate Correlations of the Macro-Economic Variables.

Variables	Bank Rate	Inflation	10Y GSec	NSE	Gold	Exchange Rate (ER)	IIP	FDI	Foreign Reserves
Bank Rate	1	-0.333*	0.773*	-0.334*	-0.118	0.334*	-0.06	-0.167	-0.596*
Inflation	-0.333*	1	-0.106	-0.133	0.19	0.153	-0.137	-0.026	0.1435
10Y GSec	0.773*	-0.106	1	-0.255	-0.432*	0.444*	0.001	-0.073	-0.829*
NSE	-0.334*	-0.133	-0.255	1	-0.483*	-0.663*	0.533*	0.267	0.034
Gold	-0.118	0.191	-0.432*	-0.483*	1	-0.123	-0.326*	-0.043	0.637*
ER	0.334*	0.153	0.444*	-0.663*	-0.123	1	-0.336*	-0.341*	-0.336*
IIP	-0.06	-0.137	0.001	0.533*	-0.326*	-0.336*	1	0.302*	-0.083
FDI	-0.168	-0.027	-0.073	0.267	-0.043	-0.341*	0.302*	1	0.052
FR	-0.596*	0.1435	-0.829*	0.035	0.637*	-0.336*	-0.082	0.052	1

Source: The Authors, Note: * $p < 0.05$.

Inflation displays a weak correlation with most variables, indicating its independent dynamics in this dataset. Notable exceptions include a slight positive correlation with Gold (0.1905, not significant) and Exchange Rate (0.1526, not significant), aligning with its potential to influence safe-haven assets. Its negative association with the Bank Rate (-0.3330, $p < 0.05$) aligns with central bank interventions to curb inflation through interest rate hikes. The absence of significant correlation with the NSE (-0.1333) and Foreign Reserves (0.1435) suggests inflation's limited direct impact on these variables. The 10Y GSec has a prominent positive correlation with the Bank Rate (0.7734, $p < 0.05$), reflecting the dependency of long-term yields on monetary policy. It is negatively correlated with Gold (-0.4316, $p < 0.05$) and Foreign Reserves (-0.8295, $p < 0.05$), indicating that rising yields might diminish the attractiveness of alternative assets and foreign capital holdings. A moderate positive correlation with the Exchange Rate (0.4437, $p < 0.05$) suggests its role in affecting currency dynamics. However, its weak and non-significant relationship with variables like IIP (0.0014) underscores its limited influence on industrial production in the dataset.

The NSE demonstrates a significant positive correlation with IIP (0.5335, $p < 0.05$), indicating the influence of industrial production on stock market performance. Conversely, it is negatively correlated with Gold (-0.4834, $p < 0.05$) and Exchange Rate (-0.6627, $p < 0.05$), reflecting opposing movements between equity returns, safe-haven assets, and currency depreciation. Its weak correlation with Foreign Reserves (0.0347) suggests limited interaction between equity markets and reserve dynamics. Gold exhibits a strong positive correlation with Foreign Reserves (0.6369, $p < 0.05$), signifying its role in reserve diversification. Its negative correlations with variables such as the 10Y GSec (-0.4316, $p < 0.05$) and NSE (-0.4834, $p < 0.05$) highlight its nature as a counter-cyclical asset. Weak correlations with FDI (-0.0436) and Exchange Rate (-0.1227) emphasize its relative independence from these factors.

The Exchange Rate has significant negative correlations with NSE (-0.6627, $p < 0.05$) and Foreign Reserves (-0.3361, $p < 0.05$), suggesting that depreciation impacts equity performance and reserve balances. Its positive correlation with the 10Y GSec (0.4437, $p < 0.05$) underscores the relationship between currency dynamics and bond yields. Negative correlations with IIP (-0.3358, $p < 0.05$) and FDI (-0.3407, $p < 0.05$) further reflect the Exchange Rate's influence on industrial and investment activities. The IIP is moderately positively correlated with NSE (0.5335, $p < 0.05$) and FDI (0.3023, $p < 0.05$), indicating that industrial growth supports equity markets and foreign investments. Its negative correlation with Gold (-0.3262, $p < 0.05$) aligns with decreased reliance on safe-haven assets during periods of industrial expansion. Weak and non-significant

correlations with variables like the Bank Rate (-0.0604) emphasize limited direct monetary interactions.

Finally, FDI is weakly but positively correlated with IIP (0.3023, $p < 0.05$), indicating a modest relationship between industrial growth and foreign investment inflows. Its negative correlation with Exchange Rate (-0.3407, $p < 0.05$) suggests that currency depreciation may deter FDI. Weak correlations with most other variables, including Inflation (-0.0268) and Foreign Reserves (0.0520), indicate a relatively independent pattern of investment dynamics. The correlations in Table 2 reveal varied interrelationships between macroeconomic variables. While some variables like the Bank Rate and 10Y GSec exhibit strong associations, others like Inflation and FDI show weaker interactions, emphasizing diverse economic dynamics. These insights underscore the importance of considering both individual and joint effects of variables in comprehensive economic modeling.

The analysis of Table 3 begins with the assessment of the factors influencing Exchange Rates. The constant term in the Quantile Regression (QR) models exhibits significant and increasing positive effects as we move from lower to higher quantiles, reflecting the varying baseline exchange rate levels under different market conditions. Among the explanatory variables, the Bank Rate shows significant influence only at the lower quantile (0.10), indicating its impact is concentrated during weaker exchange rate regimes. The 10Y GSec has consistently negative coefficients in QR, with significance strengthening in the 0.50 and 0.60 quantiles, demonstrating that higher yields in government securities lead to currency strengthening, particularly under median and moderately stressed conditions. Inflation, while positive and significant at lower quantiles, turns negative in higher quantiles, reflecting its varying effects across different exchange rate scenarios.

The NSE and Gold exhibit consistently negative and significant coefficients across quantiles, suggesting that equity market performance and gold prices inversely influence exchange rates. This likely reflects the movement of foreign investments and safe-haven assets. IIP and FDI show weaker and inconsistent significance across quantiles, while Foreign Reserves play a crucial role at higher quantiles, with their negative impact intensifying under stressed exchange rate conditions. In comparing OLS and QR models, the OLS regression offers an averaged estimation across all exchange rate scenarios, identifying inflation, NSE, and gold as significant determinants. However, it fails to capture the heterogeneity in factor impacts under varying conditions, which QR models excel at addressing. For example, the OLS model shows a positive impact of inflation on exchange rates, but QR reveals a nuanced transition from positive to negative effects as market conditions shift.

The QR models provide richer insights into the varying effects of determinants across quantiles. At the 0.10 quantile, exchange rates are more sensitive to inflation and bank rate changes, reflecting weaker market conditions. At the median (0.50) quantile, factors like 10Y GSec and foreign reserves gain significance, capturing balanced market behavior. The 0.60 quantile emerges as the most robust model, with the lowest Akaike Criterion, Schwarz Criterion, and error measures, indicating superior fit and predictive power. Here, the significance of variables like 10Y GSec, inflation, and foreign reserves is pronounced, highlighting their critical role in moderately stressed exchange rate scenarios. When evaluating fit metrics, the 0.60 quantile QR model outperforms others. It achieves the lowest Schwarz Criterion, Akaike Criterion, and Mean Squared Error, making it the best-performing model overall. The Log-likelihood at this quantile also indicates superior explanatory power, while error metrics like Absolute Error and Absolute Percentage Error are minimized, ensuring higher prediction accuracy.

In terms of economic interpretation, the QR approach emphasizes the asymmetry in the determinants of exchange rates, which OLS fails to capture. For instance, the shift in the effects of

inflation and foreign reserves across quantiles demonstrates their varying roles under different market pressures. The consistent negative influence of gold and NSE across quantiles highlights their stabilizing yet restrictive effects on currency movements. In conclusion, while the OLS model provides a generalized understanding, the 0.60 quantile QR model emerges as the most effective framework for analyzing exchange rates. It captures the nuanced impacts of macroeconomic variables with superior fit, predictive accuracy, and relevance in moderately stressed market conditions, making it the preferred model for a comprehensive analysis of exchange rate dynamics.

Table 3: Variables Impact on Exchange Rates and Comparison of OLS & Quantile Regression Models

Particulars	OLS Regression		Quantile Regression						
	Coefficients	Collinearity	0.10	0.25	0.40	0.50	0.60	0.75	0.90
Constant	5.35964	---	-6.51040	8.61283	10.86750*	15.7933**	18.3763**	23.3067**	17.9355**
Bank Rate	0.39231	4.103	0.99178*	0.60871	0.09811	0.01202	-0.00304	-0.15247	0.21641
10Y GSec	-0.33009	6.625	0.34136	-1.17919	-0.97494	-1.49256**	-1.19030*	-1.6101**	-0.96211
Inflation	0.44653*	1.411	0.85763**	0.56177**	0.43756**	0.37273**	-0.19306*	-0.2687**	-0.4874**
NSE	-0.2229***	2.590	-0.2421*	-0.2117**	-0.1913**	-0.2002**	-0.2143**	-0.2184*	-0.1988**
Gold	-0.2559***	3.636	-0.3284**	-0.2877**	-0.2099**	-0.2054**	-0.1667**	-0.1421*	-0.0834**
IIP	0.00204	1.508	-0.00394	0.01199	0.00353	0.00363	-0.00377	-0.00296	0.01165
FDI	-0.00362	1.192	-0.00202	-0.00388*	-0.00465**	-0.00509*	-0.0034**	-0.0031*	-0.0032*
Foreign Reserves	0.06828	4.723	0.08669*	0.04720	-0.00568	-0.02766	-0.07374**	-0.1364**	-0.1201**
Normality	3.3188		6.4427**	5.6380*	5.7410*	5.9606*	10.0580**	11.6567**	15.1540**
Linearity	1.8070		4.5410***	1.7320	2.9920**	2.2740*	4.8200***	4.7620***	6.5470***
Sum Squared Residual	228.3819 ^a		696.1777	315.1601	267.4466	261.2305	330.5401	403.0841	614.3923
Log-likelihood	-125.2366		-126.3267	-126.0138	-122.4965	-123.2080	-120.1945 ^b	-120.5419	-133.6887
Schwarz Criterion	287.3222		289.5025	288.8767	281.8421	283.2651	277.2380 ^a	277.9329	304.2264
Akaike Criterion	268.4731		270.6534	270.0276	262.9930	264.4160	258.3889 ^a	259.0838	285.3773
Hannan-Quinn Mean Squared Error	275.8460		278.0263	277.4005	270.3660	271.7889	265.7618 ^a	266.4568	292.7502
Absolute Error	1.9510 ^a		3.4063	2.2919	2.1113	2.0866	2.3471	2.5919	3.2000
Absolute Percentage Error	1.5142		2.5617	1.6537	1.4667	1.4338 ^a	1.4664	1.5906	2.1155
Absolute Percentage Error	88.9670		99.7530	70.7750 ^a	72.6290	77.3790	113.6000	125.1600	167.9400

Source: The Authors.

Note: ***p < 0.01, **p < 0.05 & *p < 0.10,

^a Lowest value, and

^b Highest Value.

Table 4: Variables Impact on NSE NIFTY Returns and Comparison of OLS & Quantile Regression Models

Particulars	OLS Regression		Quantile Regression						
	Coefficients	Collinearity	0.10	0.25	0.40	0.50	0.60	0.75	0.90
Constant	64.31070**	---	21.5695	35.4576***	50.4342***	47.12160	65.35680	111.716***	153.175**
Bank Rate	1.47854	4.093	3.6436**	3.7744**	3.86462***	3.18057	2.37343	0.69454***	-0.12598
10Y GSec	-7.53847*	6.263	-4.20619	-6.3584***	-7.7775***	-6.61833	-8.52008	-12.552***	-16.609**
Inflation	1.10123	1.463	1.01955**	1.39108***	0.69040***	0.91651	1.11925	0.96877***	-0.51454
Gold	-1.0680**	2.588	-1.0897***	-1.1408***	-1.1161***	-1.2475***	-1.0992***	-0.9733***	-0.5380**
Exchange Rate	-2.5718**	1.634	-2.7315***	-2.4797***	-2.3850***	-2.5308***	-2.3381***	-2.4521***	-2.4273**
IIP	0.10606*	1.400	0.16183***	0.11004***	0.08533***	0.06413	0.05854	0.1032**	0.22908**
FDI	-0.00223	1.238	-0.0257***	-0.0054***	0.00165	0.00051	0.00200	-0.0059***	-0.01119**
Foreign Reserves	0.23370	4.721	0.36952***	0.51124***	0.46216***	0.52784**	0.34684	-0.1794***	-0.4118**
Normality	3.5485		6.1915**	7.2653**	12.3948***	9.0933**	12.6555***	0.6482	15.7795**
Linearity	0.3080		2.5540*	0.0870	0.2270	-0.4720	0.3580	1.0370	3.9600**
Sum Squared Residual	2634.2050 ^a		7299.091	3907.669	3264.692	2926.722	2829.734	4494.488	8542.099
Log-likelihood	-198.5961		-204.2428	-197.3026	-195.6611 ^b	-197.5197	-200.6758	-200.6896	-201.7526
Schwarz Criterion	434.0412		445.3346	431.4542	428.1713 ^a	431.8884	438.2008	438.2282	440.3543
Akaike Criterion	415.1921		426.4855	412.6051	409.3222 ^a	413.0393	419.3517	419.3791	421.5052
Hannan-Quinn	422.5651		433.8584	419.9781	416.6951 ^a	420.4122	426.7246	426.7520	428.8781
Mean Squared Error	6.6260 ^a		11.0300	8.0702	7.3764	6.9842	6.8675	8.6549	11.9320
Absolute Error	5.2646		8.2645	5.7588	5.0717	4.9473 ^a	5.1871	6.5082	8.6465
Absolute Percentage Error	174.5500		225.5400	145.7400	133.2600	153.8100	160.4500	220.5800	207.1800

Source: The Authors.

Note: ***p < 0.01, **p < 0.05 & *p < 0.10,

^a Lowest value, and

^b Highest Value.

Upon analyzing Table 4, the impact of various macroeconomic variables on NSE Nifty returns is reflected through both OLS regression and Quantile Regression (QR) models. The Bank Rate exhibits a positive coefficient in OLS (1.47854), suggesting that higher interest rates tend to positively influence Nifty returns. The 10Y GSec has a negative coefficient (-7.53847), indicating an inverse relationship with Nifty returns, where higher government bond yields result in lower

market performance. Inflation shows a positive relationship (1.10123), implying that rising inflation may be associated with higher market returns, likely driven by investor expectations. Gold, with a negative coefficient (-1.0680), indicates an inverse correlation with Nifty returns, where higher gold prices often coincide with market uncertainty. The Exchange Rate (-2.5718) has a consistently negative effect, implying that depreciation in the domestic currency can harm market performance. These variables collectively show their substantial influence on the Nifty index, with different signs of impact based on macroeconomic conditions.

The IIP demonstrates a positive relationship with Nifty returns, with coefficients increasing at higher quantiles, peaking at 0.90 (0.22908). This suggests that higher industrial output tends to boost market performance, especially in times of higher returns. Foreign Direct Investment (FDI) generally shows a negative coefficient, with the effect becoming more pronounced at higher quantiles (-0.01119), hinting that foreign investments may have a diminishing or negative influence on Nifty during certain market conditions. Foreign Reserves show a mixed relationship, being positive at lower quantiles but turning negative at higher quantiles, indicating that while higher reserves may help stabilize the market during lower returns, their effect diminishes during extreme positive market conditions. When examining the fit of the models through Log-Likelihood, Akaike Information Criterion (AIC), Schwarz Information Criterion (SIC), and Hannan-Quinn Criterion (HA), the results indicate that Quantile Regression at the 0.40 quantile performs better than OLS. The Log-Likelihood for the 0.40 quantile (-195.6611) is superior to OLS (-198.5961), indicating that the QR model fits the data better at this quantile. Similarly, the AIC for the 0.40 quantile (409.3222) is lower than that of OLS (415.1921), suggesting that the 0.40 quantile model strikes a better balance between model fit and complexity. The SIC for 0.40 quantile (431.8884) is also lower than OLS (434.0412), and the HA for 0.40 quantile (416.6951) is better compared to OLS (422.5651), further supporting the conclusion that QR at the 0.40 quantile provides a superior fit when assessed through these model selection criteria.

In terms of predictive power, Quantile Regression at the 0.40 quantile stands out, particularly in Absolute Percentage Error, where it achieves the lowest value (133.26). This shows that the 0.40 quantile model is more effective in minimizing the relative error compared to other models, indicating its strength in making predictions that align more closely with actual market outcomes. Additionally, QR at the 0.50 quantile performs best in Absolute Error (4.9473), demonstrating superior accuracy in predicting the median values of Nifty returns. While OLS is strong in traditional fit metrics, QR at the 0.40 quantile provides more reliable predictions in capturing the conditional distributions and minimizing relative errors. Overall, OLS regression excels in traditional fit metrics such as Mean Squared Error (MSE) and Sum Squared Residual (SSR), making it the best model for capturing the general relationship between the explanatory variables and Nifty returns. However, when it comes to predictive power, Quantile Regression at the 0.40 quantile emerges as the superior model. It performs better in minimizing Absolute Percentage Error and offers a more accurate fit when evaluated using Log-Likelihood, AIC, SIC, and HA. Therefore, while OLS remains a strong model for overall fit, QR at the 0.40 quantile proves to be the best choice for understanding and predicting Nifty returns in a more detailed, quantile-specific manner.

Table 5: Variables Impact on Gold and Comparison of OLS & Quantile Regression Models

Particulars	OLS Regression		Quantile Regression						
	Coefficients	Collinearity	0.10	0.25	0.40	0.50	0.60	0.75	0.90
Constant	27.85960	---	2.28322	17.5033* **	32.87760 *	27.50450 *	45.52160 *	53.0061* **	60.2671* *
Bank Rate	3.57870***	3.511	5.32903** *	3.81222* **	3.12106* **	2.85986* **	3.45839* *	2.6574***	4.39143* **
10Y GSec	-5.93577*	6.154	-4.16606 **	-4.8747* **	-5.38891 *	-4.50227 *	-7.82669 *	-8.3349* **	-11.682* **
Inflation	1.37607***	1.332	1.95152** *	1.55326* **	0.54064	0.64580	1.25809*	1.4051***	2.8015***
NSE	-0.51085** *	2.759	-0.5846* *	-0.5408* **	-0.6494* **	-0.6211* **	-0.5597* **	-0.5013* **	-0.3639* **
Exchange Rate	-1.41237** *	2.446	-2.1302* *	-1.8508* **	-1.8253* **	-1.8079* **	-1.5977* **	-1.2849* **	-1.1984* **
IIP	-0.00398	1.508	0.06555**	-0.0338* **	0.03164	0.01389	0.00934	-0.0194*	-0.06283
FDI	0.00112	1.239	0.00639	-0.0066* **	-0.00428	-0.00163	0.00042	0.00366* *	0.01232
Foreign Reserves	0.49164***	3.787	0.30797** *	0.4745***	0.49352* **	0.56659* **	0.36221* **	0.36832* **	0.37562* *
Normality	1.3465		13.1257** *	2.5401	3.7683	3.3402	2.3818	1.7727	10.7221* **
Linearity	1.6950		6.8110***	2.5510**	0.5660	1.1390	1.3250	4.2910***	8.0310***
Sum Squared Residual	1260.006 ^a		4711.218	1980.57	1571.417	1442.262	1349.511	2011.041	4543.246
Log-likelihood	-176.4721		-182.707 2	-176.563 1	-174.905 1 ^b	-175.378 3	-176.984 2	-178.136 6	-181.422 8
Schwarz Criterion	389.7933		402.2634	389.9752	386.6593 a	387.6057	390.8175	393.1224	399.6947
Akaike Criterion	370.9442		383.4143	371.1261	367.8102 a	368.7566	371.9684	374.2733	380.8456
Hannan-Quinn	378.3172		390.7873	378.4990	375.1831 a	376.1295	379.3414	381.6462	388.2185
Mean Squared Error	4.5826 ^a		8.8612	5.7454	5.1176	4.9028	4.7426	5.7894	8.7018
Absolute Error	3.5732		6.5105	4.1848	3.5077	3.4206 ^a	3.5560	4.3087	6.5873
Absolute Percentage Error	212.83		443.26	341.47	265.79	276.17	206.25 ^a	221.24	224.58

Source: The Authors.

Note: ***p < 0.01, **p < 0.05 & *p < 0.10,

^a Lowest value, and

^b Highest Value.

Upon analyzing Table 5, the relationship between various macroeconomic variables and Gold returns using both OLS regression and Quantile Regression (QR) models provides valuable insights. The Bank Rate has a positive and statistically significant coefficient in both models, especially at the 0.10 quantile (5.32903), indicating that a higher interest rate positively impacts

Gold returns, which is consistent with traditional financial theory. Conversely, 10Y GSec shows a negative relationship across all models, with the most significant negative impact at the 0.90 quantile (-11.682), which suggests that higher long-term bond yields are associated with lower Gold returns. Similarly, Inflation exhibits a positive coefficient, with the strongest impact at the 0.90 quantile (2.8015), suggesting that inflationary pressures are positively correlated with Gold prices, typically acting as a hedge against inflation. The NSE returns have a consistently negative relationship with Gold returns, particularly across quantiles, indicating that higher stock market performance tends to be associated with lower demand for Gold as a safe-haven asset.

Other variables, such as the Exchange Rate and Foreign Reserves, also show significant relationships with Gold returns across all quantiles, with the most pronounced effect seen at the 0.10 quantile for Exchange Rate (-2.1302) and at the 0.90 quantile for Foreign Reserves (0.37562). These results suggest that a weaker domestic currency and lower foreign reserves may result in lower Gold prices. The Index of Industrial Production (IIP), which shows mixed results across quantiles, indicates its minimal impact on Gold returns, particularly at the 0.90 quantile, where the relationship becomes negative (-0.06283), suggesting that industrial production levels have a diminishing effect on Gold prices. FDI also displays limited impact, with coefficients varying across quantiles but remaining generally small, indicating that foreign direct investment has a minor influence on Gold returns.

When evaluating the fit of the models through various criteria, such as Log-Likelihood (LL), Akaike Information Criterion (AIC), Schwarz Information Criterion (SIC), and Hannan-Quinn Criterion (HC), we find that Quantile Regression at the 0.40 quantile performs the best in these aspects. For instance, the Log-Likelihood for the 0.40 quantile (-174.9051) is higher compared to other quantiles and OLS (-176.4721), indicating a better fit. Similarly, AIC, SIC, and HC values are all lowest at the 0.40 quantile, which suggests that this quantile regression model offers the most efficient balance between fit and model complexity. This performance is superior to OLS, which, while strong in traditional fit measures like Mean Squared Error (MSE) and Sum Squared Residual (SSR), does not provide the best fit according to these advanced criteria.

In terms of predictive power, OLS regression excels in traditional metrics like Mean Squared Error (MSE), where it achieves the lowest value (4.5826), indicating that it has the smallest overall squared residuals. However, Quantile Regression at the 0.50 quantile performs best in terms of Absolute Error (3.4206), indicating its superior accuracy in predicting the central tendency of Gold returns. When considering the Absolute Percentage Error, the 0.60 quantile performs the best with the lowest value (206.25), highlighting that this quantile-based model is more effective in minimizing the relative prediction errors. This suggests that QR at the 0.60 quantile captures the underlying variations and provides more reliable predictions for the tail behaviours, where Gold prices exhibit more volatility.

Overall, OLS regression remains the most effective model in terms of traditional fit metrics like Mean Squared Error (MSE) and Sum Squared Residual (SSR), but Quantile Regression at the 0.40 quantile is superior when it comes to model selection criteria (Log-Likelihood, AIC, SIC, HC). In terms of predictive power, QR at the 0.50 quantile excels in Absolute Error, while QR at the 0.60 quantile is best in minimizing Absolute Percentage Error, demonstrating its strength in handling data variability. Therefore, while OLS is optimal for capturing the overall relationship, QR at the 0.40 quantile provides a more reliable fit when assessed using advanced model selection criteria, making it the better choice for understanding and predicting Gold returns in a more detailed manner.

5. DISCUSSION AND CONCLUSION

The comprehensive analysis of the macroeconomic variables and their influence on key financial indicators provides important insights into the behavior of the economy. Descriptive statistics reveal that stable variables such as the Bank Rate and 10Y GSec have low variability, suggesting they are conducive to traditional linear modeling approaches. In contrast, more volatile variables, such as IIP and FDI, exhibit significant deviations from normality, indicating that non-linear or robust models may be necessary to handle extreme observations effectively. The diverse statistical profiles of these variables emphasize the importance of selecting appropriate modeling techniques based on their distributional characteristics. The multivariate correlation matrix further illuminates the complex interrelationships among the variables, highlighting significant associations, such as the Bank Rate's positive correlation with the 10Y GSec and negative correlation with the NSE, suggesting how monetary policy impacts both long-term rates and equity market performance.

The multivariate correlation analysis reveals the intricate relationships between the variables, emphasizing that factors such as the Bank Rate, 10Y GSec, and inflation are strongly interlinked. For instance, the Bank Rate's negative correlation with the NSE indicates that higher interest rates may suppress equity market performance, while its positive correlation with the 10Y GSec demonstrates the influence of monetary policy on long-term bond yields. Gold, on the other hand, shows negative correlations with the NSE and Exchange Rate, reinforcing its role as a safe-haven asset during periods of market uncertainty or currency depreciation. The correlation matrix underscores the importance of considering both individual and joint effects of these variables in comprehensive economic modeling, highlighting how different macroeconomic forces interact with one another.

Quantile Regression (QR) models, particularly at the 0.40 and 0.60 quantiles, offer a deeper understanding of the varying impacts of macroeconomic variables under different market conditions. These models outperform traditional OLS regression by capturing the heterogeneity of factor effects across different market scenarios, which OLS fails to address. For example, QR reveals that inflation's effect on exchange rates transitions from positive to negative across quantiles, indicating the varying influence of inflation under different market stresses. Similarly, factors like the 10Y GSec and foreign reserves show increasing significance at higher quantiles, reflecting their greater impact during moderately stressed market conditions. These findings highlight the value of QR in capturing asymmetries in the data, providing a more nuanced understanding of the relationships between economic variables and their effects on financial markets.

In conclusion, while OLS regression is useful for providing a generalized understanding of relationships between macroeconomic variables and financial indicators, Quantile Regression offers richer insights, particularly in terms of capturing the varying effects of these variables under different economic conditions. QR's ability to account for heterogeneity across quantiles makes it a more powerful tool for modeling the complexities of financial and economic data. The multivariate correlation analysis further emphasizes the importance of understanding the joint dynamics between variables, as correlations like those between the Bank Rate and 10Y GSec suggest interconnected economic forces. Overall, incorporating Quantile Regression into economic modeling improves predictive accuracy and provides a more comprehensive framework for understanding the conditional relationships within the data.

5.1. Scope for Further research

Further research could explore the use of more advanced machine learning techniques, such as random forests or neural networks, to capture non-linear relationships and interactions between macroeconomic variables and financial indicators. Additionally, expanding the scope to include global economic factors, such as international trade volumes, geopolitical events, and global monetary policies, could provide a more holistic view of the interconnectedness between domestic and global financial markets. Moreover, incorporating time-series analysis techniques like Vector Autoregression (VAR) or Cointegration tests could enhance the understanding of dynamic relationships and causalities over time, offering deeper insights into how economic policies and shocks propagate across different sectors.

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Share of Tourism Investments in Fixed Capital Investments: Türkiye during the Planned Development Period

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Abstract

This study examines the share of tourism investments in fixed capital investments during planned development periods. The research employed panel data analysis, which is a qualitative research method. The data used in this study were obtained from the key economic indicators, investment, and savings statistics of the Presidency of the Republic of Türkiye Strategy and Budget Office. This study presents the amount of tourism investments made by the private and public sectors over the years and conveys the share of tourism investments in fixed capital investments to the reader. The share of tourism investments, which consistently increased from 1963 to 1989, experienced a decline between 1989 and 1995. However, starting in 1995, the share of tourism investments began to rise again, continuing its upward trend until 2003—except for the 2001 crisis—reaching its highest level of all time. Following a fluctuating pattern until 2010, tourism investment declined sharply after the year, falling below 1% as of 2023. To increase the share of tourism investments within fixed capital investments again, it is recommended to review tourism incentive policies and shift them toward alternative tourism sectors, improve tourism infrastructure investments, particularly in transportation, increase sustainable tourism investments, and develop new marketing and promotional strategies that will enable Türkiye to utilize its tourism potential more efficiently.

Keywords: Planned Development, Sustainable Development, Fixed Capital Investments, Tourism Investments, Economic Growth

1. INTRODUCTION

The planned development period in Türkiye began in 1963, during which five-year development plans were developed. Within the scope of these plans, significant investments were made in industries such as manufacturing, agriculture, distribution, and energy—sectors that Türkiye needed to develop. In the early stages of the planned development period, the tourism sector received limited attention in development plans; however, it gained greater prominence in the fourth and fifth development plans and eventually became one of the key focus sectors. The planned development period, which started in 1963, played a crucial role in the expansion of tourism and the realization of tourism-related infrastructure and superstructure investments.

Fixed capital investments refer to the acquisition of physical assets used in the production process over the long term. These investments typically include machinery, factories, infrastructure projects, transportation systems, and technological equipment. Fixed capital consists of assets directly used in production activities that generate long-term economic value (OECD, 2023). Fixed capital investments are critical to economic growth sustainability and are considered a fundamental component. These investments encompass various sectors, including infrastructure, industry, agriculture, education, healthcare, and tourism (TÜİK, 2022). Fixed capital investments

are significant for national economies as they contribute to economic growth, generate employment, enhance technological progress and efficiency, attract foreign investment and support macroeconomic stability (IMF, 2023).

The tourism sector is a crucial driver of economic growth in many countries. Investments in this sector directly contribute to fixed capital investments through the development of hotels, transportation infrastructure, entertainment facilities, and other tourism-related infrastructure (UNWTO, 2021). Moreover, tourism investments offer various economic benefits, such as generating foreign exchange (FX) earnings, creating employment opportunities, and promoting regional development. Tourism investments are a key component of fixed capital investments and play a critical role in economic growth and development. These investments encourage infrastructure improvements, creating both direct and indirect economic effects. Research has demonstrated that tourism investments not only boost the tourism sector and stimulate other industries, such as construction, retail, agriculture, and services, thereby supporting overall economic growth (Seetanah, 2011). In addition, multiple studies have highlighted that tourism investments foster regional development and make substantial contributions to local economies. Researchers emphasize that tourism investments are not limited to the construction of tourist facilities; they also create investment opportunities in transportation infrastructure, healthcare services, and cultural institutions. These investments enhance the living standards of local communities (Dwyer et al., 2020).

2. CONCEPTUAL FRAMEWORK

Since the 1960s, Türkiye's planned developmental periods have included state development plans to guide economic and social progress. This process began with the First Five-Year Development Plan (1963–1967), which included strategic plans aimed at industrialization, infrastructure investments, and social development (DPT, 2006). Planned development in Türkiye was carried out under the coordination of the State Planning Organization (DPT) and was shaped within the framework of periodically changing economic policies (Öztürk & Acar, 2018). With the acceleration of economic liberalization in the 1980s, the role of the private sector in development plans increased, and integration into global markets became a primary objective (Sönmez, 2020). Today, Türkiye's development plans are shaped by new-generation development goals such as sustainable growth, digital transformation, and the green economy (Presidency of the Republic of Türkiye Strategy and Budget Office, 2019).

Fixed capital investments refer to long-term investments in production equipment, such as physical infrastructure, machinery, equipment, and construction (Solow, 1956). These investments are directly related to economic growth and contribute to economic development by increasing the efficiency of production factors. Fixed capital investments play a crucial role in ensuring sustainable economic development. Investments in new machinery and technologies enhance productivity and accelerate economic growth (Jorgenson & Vu, 2005). Factories, infrastructure projects, and industrial facilities developed through fixed capital investments generate both direct and indirect employment (Barro, 1991). Capital investments foster innovation, improve efficiency, and enhance competitiveness (Romer, 1990). According to neoclassical growth theory, capital accumulation is one of the main drivers of economic growth. The Solow-Swan model is among the fundamental theories explaining the impact of physical capital investments on economic growth (Solow, 1956). Similarly, Endogenous Growth Theory emphasizes that fixed capital investments, together with technological and knowledge accumulation, promote economic growth (Lucas, 1988; Romer, 1990).

Fixed capital investments are influenced by various economic and political factors. Low-interest rates encourage investors to increase their investments (Bernanke & Gertler, 1989). Inflation,

exchange rate fluctuations, and political uncertainties can affect investment decisions (Aghion & Howitt, 1992). Tax incentives, infrastructure investments, and industrial policies can support fixed capital investments (Rodrik, 2000). Fixed capital investments are a cornerstone of economic growth and development. Policymakers should develop appropriate strategies to improve the investment environment and ensure economic stability. In particular, lowering interest rates, promoting infrastructure investments, and increasing investor confidence are key factors supporting economic growth.

Tourism investments are crucial to infrastructure development and capital accumulation. Investments in the tourism sector enhance fixed capital investments by supporting infrastructure projects such as airports, roads, and accommodation facilities (Sharpley & Telfer, 2015). Additionally, investments in the tourism sector facilitate the development of innovative services and technological infrastructure (WTTC, 2020). Tourism investments have positive effects on various macroeconomic factors, including employment growth, regional development, improved income distribution, and increased foreign exchange reserves (World Bank, 2019).

Investments in tourism are vital to promoting fixed capital investments and advancing economic growth. In this context, governments must develop incentives for tourism investments and support sustainable development. Furthermore, promoting infrastructure projects and increasing innovation-driven investments enhances the tourism sector's contribution to economic growth.

Since the 1980s, the tourism sector in Türkiye has developed rapidly, making significant contributions to the national economy. Investments in accommodation and transportation infrastructure during planned development have facilitated tourism growth and enhanced global competitiveness. According to the Turkish Statistical Institute (TÜİK, 2020), tourism investments have not only accelerated economic growth but also contributed to regional development and created new employment opportunities for local communities. Coastal regions, such as Antalya, Muğla, and Aydın have benefited the most from the economic contribution of tourism due to large-scale hotel investments and resort developments.

3. METHODOLOGY

The aim of this study is to examine the share of tourism investments in fixed capital investments during planned development periods. The study employs panel data analysis, which is a qualitative research method. The data for this study were obtained from key economic indicators, investment, and savings statistics from the Presidency of the Republic of Türkiye Strategy and Budget Office. Fixed capital and tourism investments in the private and public sectors are presented as current prices for each year. Subsequently, the share of tourism investments within private sector fixed capital investments, public sector fixed capital investments, and total fixed capital investments was calculated. The findings were then tabulated and interpreted. This study is limited to data from 1963 to 2023.

4. RESULTS

In Table 1, the total amounts of tourism and fixed capital investments for the period between 1963 and 1972 are presented based on private sector and public sector investments. Additionally, the share of tourism investments within total fixed capital investments has been calculated.

Table 1. Tourism and Fixed Capital Investments Between 1963-1972 Current Prices (Thousand TL)

Years	Tourism Investments	Total Fixed Capital Investments	Share of Tourism Investments
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	Public	Private	Total	Public	Private	Total	Public	Private	Total
1963	0,02	0,04	0,06	4,75	5,00	9,75	0,50	0,80	0,66
1964	0,03	0,06	0,09	5,42	4,85	10,28	0,59	1,24	0,90
1965	0,04	0,12	0,16	6,08	5,43	11,51	0,72	2,21	1,42
1966	0,07	0,18	0,25	7,86	6,86	14,71	0,84	2,62	1,67
1967	0,08	0,19	0,25	9,00	7,85	16,85	0,90	2,42	1,49
1968	0,16	0,30	0,46	11,16	9,10	20,26	1,44	3,30	2,28
1969	0,16	0,35	0,51	12,76	10,49	23,61	1,25	3,34	2,16
1970	0,18	0,39	0,57	14,44	12,90	27,34	1,26	2,98	2,07
1971	0,22	0,42	0,65	16,23	16,00	32,23	1,37	2,65	2,00
1972	0,19	0,44	0,64	20,20	20,37	40,57	0,96	2,17	1,57

Source: Republic of Türkiye Presidency Strategy and Budget Directorate basic economic indicators, investment and savings statistics

According to Table 1, total tourism investments in 1963 amounted to only 0.06 thousand TL, but by 1972, this figure had increased to 0.64,000 TL, reflecting a nearly 10-fold nominal increase in tourism investments over this ten-year period.

Public sector tourism investments rose from 0.02 thousand TL in 1963 to 0.19 thousand TL in 1972. Although this increase was not as rapid as that in the private sector, it indicates a gradual increase in government support for tourism. In 1968, public sector tourism investments reached their highest share, at 1.44%.

Private sector tourism investments increased from 0.04 thousand TL in 1963 to 0.44 thousand TL in 1972. While the share of private sector tourism investments was 66% in 1963, it rose to 69% in 1972. This suggests that the private sector perceives tourism as an attractive investment area.

The share of tourism investments among total fixed capital investments was 0.66% in 1963, rising to 2.28% in 1968. It then declined to 2.16% in 1969, remained relatively stable over the next two years, and stood at 1.57% in 1972. While total fixed capital investments were 9.75 thousand TL in 1963, they increased to 40.57 thousand TL in 1972. This indicates a significant increase in investment volume, which is consistent with Türkiye's overall economic growth. However, tourism investments did not grow as rapidly as total fixed capital investments.

In Table 2, the total amount of tourism and fixed capital investments for the period between 1973 and 1982 are presented based on private- and public-sector investments, and the share of tourism investments within total fixed capital investments has been calculated.

Table 2. Tourism and Fixed Capital Investments Between 1973-1982 Current Prices (Thousand TL)

Years	Tourism Investments			Total Fixed Capital Investments			Share of Tourism Investments		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
1973	0,35	0,53	0,88	25,08	28,34	53,42	1,38	1,87	1,64
1974	0,32	0,56	0,88	35,04	37,93	72,97	0,92	1,47	1,21
1975	0,37	0,55	0,92	53,79	52,92	106,70	0,70	1,03	0,86
1976	0,55	0,61	1,16	75,23	70,74	145,97	0,74	0,86	0,80
1977	0,90	0,63	1,53	107,74	91,99	199,72	0,84	0,68	0,77
1978	1,17	1,26	2,43	134,96	126,10	261,06	0,87	1,00	0,93
1979	1,79	1,36	3,15	237,63	177,34	414,96	0,75	0,77	0,76
1980	2,32	2,34	4,65	482,45	379,09	861,54	0,48	0,62	0,54
1981	3,74	3,75	7,49	761,18	489,73	1.250,91	0,49	0,77	0,60
1982	4,17	5,50	9,67	1.005,51	641,44	1.646,95	0,41	0,86	0,59

Source: Republic of Türkiye Presidency Strategy and Budget Directorate basic economic indicators, investment and savings statistics

According to Table 2, total tourism investments, which amounted to 0.88 thousand TL in 1973, increased to 9.67 thousand TL by 1982, reflecting an approximately 11-fold growth over 10 years. The rapid increase, particularly after 1978, indicates a growing emphasis on tourism and the increasing effectiveness of incentives.

Private sector tourism investments rose from 0.53 thousand TL in 1973 to 5.50 thousand TL in 1982. From the second half of the 1970s onward, private sector investments surpassed public sector investments, becoming the driving force of the industry. By 1982, the private sector's share of total tourism investments had reached 56.9%.

Between 1973 and 1980, the share of tourism investments within total fixed capital investments declined from 1.64% to 0.54%. This decline is believed to have been caused by political instability in Türkiye. However, after 1980—especially in 1981 and 1982—a significant surge occurred. The main reasons for this increase include the transition to a free-market economy in 1980, the adoption of liberal economic policies and increased tourism incentives, the implementation of tourism-oriented infrastructure and incentive programs in the 1980s, and the recognition of tourism as a crucial source of foreign exchange revenue.

While tourism investments accounted for 1.64% of total fixed capital investments in 1973, this share declined to 0.59% by 1982. This decrease was due to the overall economic growth rate outpacing the growth in tourism investments.

In Table 3, the total amount of tourism and fixed capital investments for the period between 1983 and 1992 are presented based on private- and public sector investments, and the share of tourism investments within total fixed capital investments has been calculated.

Table 3. Tourism and Fixed Capital Investments Between 1983-1992 Current Prices (Thousand TL)

Years	Tourism Investments			Total Fixed Capital Investments			Share of Tourism Investments		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
1983	6,47	7,48	13,94	1.315,76	865,05	2.180,81	0,49	0,86	0,64
1984	14,40	15,70	30,10	2.021,80	1.384,10	3.369,90	0,71	1,13	0,89
1985	22,80	44,90	67,70	3.107,70	2.333,70	5.441,50	0,73	1,92	1,24
1986	131,80	115,00	246,80	5.299,40	3.821,20	9.120,60	2,49	3,01	2,71
1987	134,20	244,30	378,50	7.557,50	6.570,60	14.128,10	1,78	3,72	2,68
1988	249,50	600,70	850,20	12.053,40	12.917,30	24.970,70	2,07	4,65	3,40
1989	190,70	1.356,40	1.547,10	17.355,50	20.803,40	38.158,90	1,10	6,52	4,05
1990	362,40	2.246,10	2.608,50	28.096,50	36.483,40	64.579,90	1,29	6,16	4,04
1991	709,00	3.359,00	4.068,00	47.030,00	55.363,00	102.393,00	1,51	6,07	3,97
1992	1.182,00	4.733,00	5.915,00	79.025,00	94.346,00	173.370,00	1,50	5,02	3,41

Source: Republic of Türkiye Presidency Strategy and Budget Directorate basic economic indicators, investment and savings statistics

According to Table 3, total tourism investments increased from 13.94 million TL in 1983 to 5.9 million TL in 1992, reflecting approximately 424-fold growth over 10 years. The rapid expansion, particularly after 1986, indicates the beginning of substantial investments in the tourism sector.

Private sector tourism investments rose from 7.48 million TL in 1983 to 4.73 million TL in 1992, significantly surpassing public sector investments after 1986. In 1989, private sector tourism investments peaked at 6.52%. From 1990 onward, private sector investments increased from 2.24 million TL to 4.73 million TL. This suggests that tourism growth was driven primarily by private sector investments rather than state support. The free-market economic policies introduced in the 1980s, along with tourism-related incentives, may have played a role in attracting private sector interest.

1986 was a turning point for tourism investments. While total tourism investments stood at 67.7 thousand TL in 1985, they surged to 246.8 thousand TL in 1986, marking a 3.6-fold increase in just one year. Another striking point is that private sector tourism investments grew tenfold between 1986 and 1989, rising from 115 thousand TL to 1.35 million TL.

The percentage of investments in tourism was 0.64% in 1983, rising to 4.05% in 1989. The sharp increase in tourism's share of total investment during the 1988–1989 period suggests that tourism had become a significant investment sector in the economy. However, tourism investments remained stable after 1990 at approximately 4%. This indicates that as the economy expands, tourism investments also increase, but growth in other sectors maintains tourism investment share unchanged.

Although tourism investments continued to rise nominally after 1989, their share of total investments declined. The tourism investment share, which stood at 4.05% in 1989, dropped to

3.41% by 1992. It is also evident that after reaching its peak in 1989, the growth rate of private sector tourism investments began to slow down.

In Table 4, the total amount of tourism and fixed capital investments for the period between 1993 and 2002 are presented based on private- and public-sector investments, and the share of tourism investments within total fixed capital investments has been calculated.

Table 4. Tourism and Fixed Capital Investments Between 1993-2002 Current Prices (Thousand TL)

Years	Tourism Investments			Total Fixed Capital Investments			Share of Tourism Investments		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
1993	2.588	8.225	10.813	143.977	381.529	525.507	1,80	2,16	2,06
1994	4.007	18.026	22.033	192.242	753.944	946.186	2,08	2,39	2,33
1995	8.199	36.233	44.433	326.721	1.513.053	1.839.774	2,51	2,39	2,42
1996	10.729	69.434	80.163	762.067	2.981.166	3.743.233	1,41	2,33	2,14
1997	14.585	150.271	164.856	1.733.050	5.995.322	7.728.372	0,84	2,51	2,13
1998	15.898	499.981	515.880	3.359.432	13.513.020	16.872.453	0,47	3,70	3,06
1999	23.480	861.406	884.886	5.172.829	16.173.486	21.346.315	0,45	5,33	4,15
2000	39.069	1.280.902	1.319.97	8.602.117	29.489.065	38.091.182	0,45	4,34	3,47
2001	58.006	1.785.723	1.843.730	11.300.049	33.085.001	44.385.050	0,51	5,40	4,15
2002	133.466	2.934.337	3.067.803	17.307.671	53.212.080	70.519.752	0,77	5,51	4,35

Source: Republic of Türkiye Presidency Strategy and Budget Directorate basic economic indicators, investment and savings statistics

Tablo According to Table 4, total tourism investments increased from 10.8 million TL in 1993 to 3.07 billion TL in 2002, reflecting an approximately 284-fold increase over 10 years. The significant surge, particularly after 1998, highlights the growing private sector interest in the tourism industry and the impact of government incentives.

Private sector tourism investments rose from 8.2 million TL in 1993 to 2.93 billion TL in 2002, significantly surpassing public sector tourism investments. In 1998, private sector tourism investments totaled 499 million TL, rising to 861 million TL in 1999 and reaching 1.28 billion TL in 2000. Even after the 2001 economic crisis, private sector tourism investments continued to grow. This trend suggests that the tourism sector is now driven primarily by the private sector, while the government's role is focused more on infrastructure support and incentive policies.

Between 1998 and 2002, tourism investments increased significantly. In 1998, total tourism investments totaled 515 million TL, rising to 3 billion TL in 2002—an approximately six-fold increase. The reasons for this growth may include the expansion of tourism incentives in 1997, particularly in hotel and resort investments in Antalya, Istanbul, and the Aegean and Mediterranean regions; the introduction of "quality in tourism" projects in 1999; and the increasing interest of international hotel chains in Türkiye.

The share of tourism investments among total investments increased from 2.06% in 1993 to 4.35% in 2002. Notably, after 1998, the proportion of investments in tourism increased significantly. Private sector investments peaked in 1999 at 5.33%, but after 2000, this ratio stabilized at around 4%. Although the 2001 economic crisis affected investments across Türkiye, tourism investments did not decline; rather, they continued to grow. Total tourism investments increased from 1.3 billion TL in 2000 to 1.84 billion TL in 2001, with the share of private sector investments continuing to rise, reaching 5.40% in 2001.

In Table 5, the total amount of tourism and fixed capital investments for the period between 2003 and 2012 are presented based on private- and public-sector investments, and the share of tourism investments within total fixed capital investments has been calculated.

Table 5. Tourism and Fixed Capital Investments Between 2003-2012 Current Prices (Thousand TL)

Years	Tourism Investments			Total Fixed Capital Investments			Share of Tourism Investments		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
2003	129.960	4.901.247	5.031.207	17.287.520	80.348.820	97.636.341	0,75	6,10	5,15
2004	121.546	7.153.886	7.275.432	17.977.066	128.774.438	146.751.504	0,68	5,56	4,96
2005	112.101	8.879.879	8.991.980	24.578.314	155.084.971	179.663.285	0,46	5,73	5,00
2006	116.429	10.136.066	10.252.495	28.463.487	198.095.364	226.558.851	0,41	5,12	4,53
2007	143.047	8.001.469	8.144.517	32.524.827	215.037.807	247.562.635	0,44	3,72	3,29
2008	147.956	9.278.240	9.426.197	39.060.671	228.189.252	267.249.923	0,38	4,07	3,53
2009	120.065	8.756.694	8.876.759	39.172.646	184.537.957	223.710.604	0,31	4,75	3,97
2010	239.080	14.158.598	14.397.678	47.003.477	240.656.023	287.659.501	0,51	5,88	5,01
2011	322.617	17.848.681	18.171.299	53.246.570	336.537.217	389.783.787	0,61	5,30	4,66
2012	414.612	20.703.991	21.118.603	60.108.265	367.814.941	427.923.207	0,69	5,63	4,94
2013	520.167	21.213.588	21.733.756	78.165.354	438.712.141	516.877.496	0,67	4,84	4,20

Source: Republic of Türkiye Presidency Strategy and Budget Directorate basic economic indicators, investment and savings statistics

According to Table 5, total tourism investments increased from 5.03 billion TL in 2003 to 21.73 billion TL in 2013, reflecting approximately 4.3-fold growth over the past 10 years. Private sector investments significantly outpaced public sector investments, rising from 4.9 billion TL in 2003 to 21.2 billion TL in 2013. In contrast, public sector investments increased from 129 million TL in 2003 to 520 million TL in 2013. However, private sector investments grew 40-fold more than public sector investments. This trend indicates that the tourism sector has continued to expand under the leadership of the private sector, with the government providing support primarily through incentives and infrastructure investments.

The impact of the 2008 global financial crisis on tourism investments can be clearly observed. While investments increased from 8.14 billion TL in 2007 to 9.42 billion TL in 2008, they declined to 8.87 billion TL in 2009, particularly due to a drop in private sector investments. This suggests that global economic fluctuations have had a significant effect on tourism investments. However, a rapid recovery followed the crisis, and investments began to rise again from 2010 onward.

A new momentum in tourism investments emerged after 2010, with the sector experiencing over 50% growth between 2010 and 2013. This period was marked by Türkiye's increased global competitiveness in tourism, a strong focus on infrastructure projects and airport investments, and the expansion of hotel chains.

The percentage of investments in tourism was 5.15% in 2003 but declined to 4.20% in 2013. Although this ratio fluctuated over time, it generally remained within the 4-5% range. The decline in 2009 due to the 2008 financial crisis highlights the sector's sensitivity to global economic conditions. After 2006, the share of tourism investments in total investments stabilized in the 4-5% range, indicating that the sector's growth rate lagged behind that of overall investments. By 2013, the slowdown in private sector investment growth suggests that the tourism sector is approaching saturation.

In Table 6, the total amount of tourism and fixed capital investments for the period between 2014 and 2023 are presented based on private- and public-sector investments, and the share of tourism investments within total fixed capital investments has been calculated.

Table 6. Tourism and Fixed Capital Investments Between 2014-2023 Current Prices (Thousand TL)

Years	Tourism Investments			Total Fixed Capital Investments			Share of Tourism Investments		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
2014	379.084	22.929.291	23.308.374	80.433.110,	510.262.305	590.695.415	0,47	4,49	3,95
2015	750.861	19.009.575	19.760.436	95.271.236	599.539.284	694.810.520	0,79	3,17	2,84
2016	525.667	13.232.667	13.758.331	105.822.623	658.722.507	764.545.129	0,50	2,01	1,80
2017	610.818	14.497.032	15.107.851	134.515.717	801.118.910	935.634.627	0,45	1,81	1,61
2018	996.942	21.080.789	22.077.731	168.305.040	951.279.362	1.119.584.401	0,59	2,22	1,97
2019	436.474	29.748.186	30.184.660	141.241.878	980.178.572	1.121.420.450	0,31	3,03	2,69
2020	285.445	13.489.673	13.775.117	159.946.612	1.229.531.830	1.389.478.442	0,18	1,10	0,99
2021	385.027	18.016.392	18.401.419	234.075.821	1.810.157.703	2.044.233.525	0,16	1,00	0,90
2022	794.268	36.534.970	37.329.238	542.159.362	3.835.713.459	4.377.872.821	0,15	0,95	0,85
2023	1.539.107	67.471.894	69.011.001	964.434.663	7.053.761.979	8.018.196.643	0,16	0,96	0,86

Source: Republic of Türkiye Presidency Strategy and Budget Directorate basic economic indicators, investment and savings statistics

According to Table 6, total tourism investments totaled 23.3 billion TL in 2014, declining to 19.7 billion TL in 2015 and further dropping to 13.7 billion TL in 2016. Although a recovery began between 2017 and 2019, the tourism sector experienced another sharp decline due to the COVID-

19 pandemic in 2020. Following the crisis, investments began to recover in 2021, reaching 69 billion TL by 2023. While tourism investments continuously increased from 1963 to 2015, they experienced a decline for the first time in 2016–2017 before rising again in 2018. After a severe drop in 2020 due to the pandemic, the sector began to recover from 2021 onward.

Private sector investments totaled 22.9 billion TL in 2014, but declined to 13.2 billion TL in 2016. In 2019, private sector investments peaked at TL 29.7 billion. However, due to the pandemic, investments fell sharply to 13.4 billion TL in 2020. Following a recovery starting in 2021, private sector investments surged to 67.4 billion TL in 2023. This trend confirms that the tourism sector is highly sensitive to crises and demonstrates the severe impact of the COVID-19 pandemic on investments.

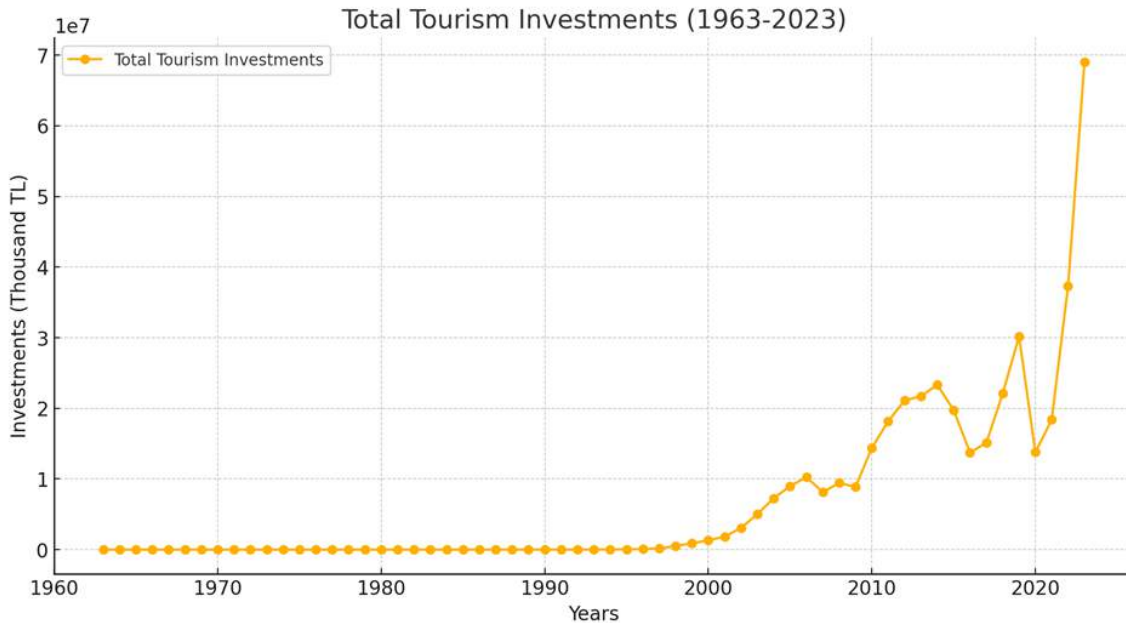
The percentage of investments in tourism declined from 3.95% in 2014 to 0.86% in 2023. Similarly, private sector investments fell from 4.49% in 2014 to 0.96% in 2023.

In 2020, tourism investments suffered a severe downturn, with total tourism investments plummeting from 30 billion TL in 2019 to 13.7 billion TL in 2020, marking a decline of more than 50%, particularly in private sector investments. Although a slight recovery was observed in 2021, investment levels did not return to pre-pandemic levels until 2022 and 2023, when investments rapidly increased to 69 billion TL. This suggests that confidence in the tourism sector was restored after the pandemic, leading to a resurgence in large-scale investments.

The years 2016–2017 witnessed a significant decline, marking the lowest investment levels. Similarly, investments fell by approximately 50% in 2020 due to the pandemic. The percentage of investments in tourism decreased from 3.95% in 2014 to 0.86% in 2023.

Figure 1 presents a graphical representation of the development of tourism investments between 1963 and 2023.

Figure 1. Total Tourism Investments (1963-2023)



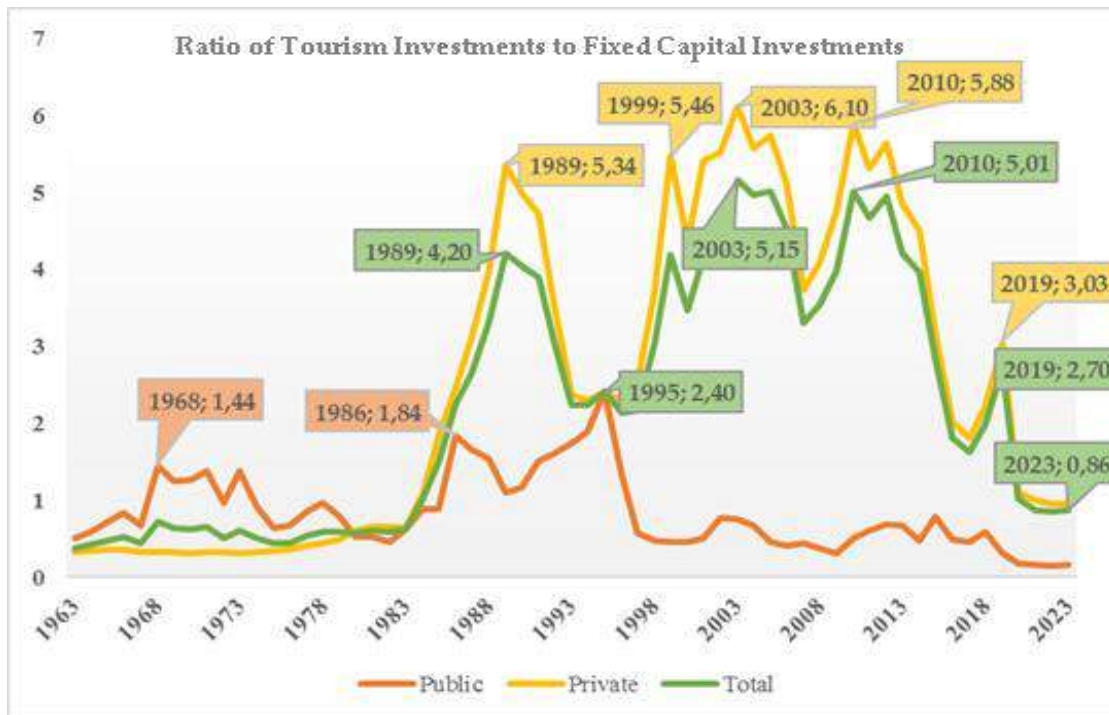
According to Figure 1, tourism investments remained at relatively low levels between 1963 and 1980, showing only a slow increase. However, after 1980, tourism investments gained momentum with the involvement of private sector investments. A significant surge occurred after 1990, and tourism investments experienced a substantial jump by 2000.

The 2008 global financial crisis negatively impacted tourism investments, as it did with worldwide investments. After 2010, tourism investments continued to grow nominally but followed a fluctuating trend. In 2020, the COVID-19 pandemic caused a sharp decline in investments, but a recovery began in 2021, and by 2023, tourism investments had reached their highest historical level.

In summary, tourism investments were relatively low between 1963 and 1980 but grew rapidly after 1980 with private sector support. However, global economic crises and pandemics have influenced investment trends. As of 2023, tourism investments had reached their highest historical level.

Figure 2 presents a graphical representation of the share of tourism investments in fixed capital investments between 1963 and 2023.

Figure 2. Graph of the Ratio of Tourism Investments to Fixed Capital Investments (1963-2023)



According to Figure 2, from 1963 to 1980, the tourism sector experienced slow growth, driven primarily by public sector investments. Throughout the 1960s and 1970s, the share of tourism investments in fixed capital investments remained low. The private sector's investments were minimal, and growth was driven largely by the public sector. However, after 1986, tourism investment increased sharply with the increasing involvement of the private sector.

In 1986, private sector investments reached 1.84%, and by 1989, they surged to 5.34%, marking the highest level since 1963. During this period, tourism investments gained significant weight within total investments for the first time, with the share of total tourism investments within fixed capital investments reaching 4.20% in 1989.

With strong private sector investments, tourism investments peaked in the early 1990s. However, by 1995, their share declined to 2.40%. A new peak occurred in 1999, when tourism investments rose to 5.46%. This period reflects the expansion of tourism incentives and large-scale investments in the sector. Despite economic crises and regional fluctuations in the late 1990s, tourism investments continued to grow.

In 2003, the share of total tourism investments was 5.15%. Between 2003 and 2010, a fluctuating trend was observed, but private sector investments continued to increase. In 2010, private sector investments reached their highest level at 5.88%. The early 2000s saw significant investments in hotels, airports, and infrastructure projects in Türkiye's tourism sector.

After 2010, a gradual decline in tourism investments was observed, with a brief recovery in 2019, when the share increased to 3.03%. However, in 2020, due to the impact of the COVID-19 pandemic, tourism investments dropped dramatically, and their share of total investments fell below 1%. As of 2023, tourism investments had declined to 0.86% of total investments, marking one of the lowest levels in history.

Compared with the significant surges and peaks observed after 1980, the declining share of tourism in total investments suggests that tourism is losing its relative importance in overall capital investments.

5. DISCUSSION AND CONCLUSION

1963 The planned development period, which began in 1963 with the introduction of five-year development plans, has played a significant role in Türkiye's economic growth. Through these strategic plans, the necessary fixed capital investments were implemented, contributing to economic growth, job creation, and Türkiye's ability to compete in the global market.

One of the most critical aspects of the tourism sector is the substantial infrastructure and superstructure investment required to provide tourism products. These investments are crucial to national economies because of opportunity costs and resource allocation. Because countries operate with limited resources, it is essential to carefully plan fixed capital investments and allocate them to the most needed regions to ensure efficient capital use. To maximize the economic benefits of tourism infrastructure and superstructure investments, which require high capital, careful planning and execution are necessary. Therefore, strategic plans related to the tourism sector were included in the five-year development plan.

This study examines the development of tourism investments from 1963—when the planned development period began—to the present. This study presents annual tourism investment amounts made by the private and public sectors and highlights the share of tourism investments within total fixed capital investments.

According to the study, tourism investments started at low levels in the 1960s and showed slow but steady growth until the 1970s, with contributions from both the public and private sectors. However, until 1980, tourism investments remained below 1% of total fixed capital investments. A significant surge in tourism investments began in the 1980s, marking the first time that private sector investments surpassed public sector investments.

During the 1990s, tourism investments accelerated and increased annually until 2000. However, the economic crises of 1994 and 1999 caused fluctuations in investment levels. Notably, even during the 2001 economic crisis, tourism investments continued to grow.

From the 2000s onward, private sector tourism investments became more prominent. However, the 2008 global financial crisis caused tourism investments to decline in 2009. After 2010, tourism investments continued to increase nominally, but their share of total investments remained below 5%.

A decline in tourism investment was observed in 2016 and 2017, likely due to political and economic uncertainties in Türkiye. Although tourism investments recovered in 2018 and 2019, they declined sharply in 2020 due to the COVID-19 pandemic. While investments began increasing in 2021, their proportional share did not return to pre-pandemic levels. By 2022 and 2023, private sector investments increased again, but tourism investments fell below 1%.

As a result:

- * The share of tourism investments consistently increased from 1963 to 1989,
- * Between 1989 and 1995, a decline was observed:
- * From 1995 until the 2001 crisis, the share of tourism investments rebounded, except for the 2001 crisis.
- * Until 2003, tourism investments continued to grow, reaching their highest level in the country.
- * After 2010, their share began to decline rapidly, reaching below 1% by 2023.

To increase tourism investments' share in fixed capital investments, the following recommendations can be made:

Review and adjust tourism incentive policies by shifting focus toward alternative tourism sectors

Enhance tourism infrastructure investments, particularly in transportation;

Promote sustainable tourism investments,

Develop new marketing and promotion strategies to enhance Türkiye's tourism potential more effectively.

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The Contribution of Marketing Strategy and Capability on Financial Performance: A Study of the Medical Equipment Sector in Vietnam

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Abstract

Although Vietnam's medical equipment market has great growth potential, it remains fragmented. Strengthening the marketing activities of businesses operating in this sector will be important to increase productivity, revenue and profits, as well as compete with large global enterprises. The objective of this study is to assess the contribution of marketing strategy and capability on financial performance of medical equipment firm in Vietnam. The study used quantitative methods through a survey of 247 senior and middle level managers of medical equipment enterprises in Vietnam. The research results emphasize the positive impact of marketing strategy and capability on enterprises' financial performance of medical equipment sector in Vietnam. Accordingly, managers should focus on developing clearly defined marketing strategies that incorporate market segmentation, enhancing customer-centric advertising efforts, and building long-term relationships with key stakeholders. Firms should also invest in branding, customer relationship management, and digital marketing to enhance their marketing capabilities.

Keywords: Financial Performance, Marketing Capability, Marketing Strategy, Medical Equipment.

1. INTRODUCTION

The global medical equipment sector has experienced rapid growth in recent years, driven by advancements in healthcare technology, increasing healthcare demands, and an aging population (Folland et al., 2024). This growth is further fueled by rising healthcare expenditures, government investments in public health, and the expansion of private healthcare providers (World Health Organization, 2021). In developed markets such as the United States and Europe, leading firms have leveraged sophisticated marketing strategies and robust capabilities to maintain a competitive edge (Mehta, 2022). Along with that, the medical equipment sector in Vietnam has experienced significant growth over the past decade, driven by increasing healthcare demand, government investments, and the country's aging population. With a projected compound annual growth rate (CAGR) of 9.7%, the market is expected to reach approximately USD 2.1 billion by 2026 (International Trade Administration, 2022). Despite this promising growth trajectory, the sector faces a range of challenges, particularly the heavy reliance on imports, which account for over 90% of the medical equipment used in Vietnam (International Trade Administration, 2022). This reliance creates

opportunities for foreign firms while also highlighting the difficulties faced by local manufacturers in improving their production capabilities and technological advancements. Furthermore, the Vietnamese medical equipment market remains fragmented, with small and medium-sized enterprises (SMEs) struggling to compete with multinational corporations due to limited marketing strategies, weaker brand equity, and a lack of innovation (International Trade Administration, 2022).

In this competitive landscape, the role of marketing strategy and capability becomes increasingly critical. Marketing strategy is a dynamic process involving continuous decision-making, implementation, and performance analysis, which helps companies align their resources with market needs and ultimately gain a competitive edge (Cravens et al., 2012). A robust marketing strategy incorporates key elements such as market segmentation, product positioning, pricing strategies, and promotional efforts all of which contribute to a company's ability to differentiate its products and create value for customers (Mullins and Larreche, 2013). Alongside strategy, marketing capability, which refers to the firm's ability to utilize its resources effectively to meet customer needs and gain a competitive advantage, plays an essential role in achieving superior financial performance (Day, 1994; Nath et al., 2010).

However, despite the importance of marketing strategies and capabilities, there remains a gap in the literature, particularly regarding their specific impact on financial performance in emerging markets like Vietnam. While existing studies have focused on developed markets, limited research has examined how firms in developing economies, especially in the medical equipment sector, can leverage marketing strategies and capabilities to improve financial outcomes. This gap presents an opportunity for further research to explore how marketing capabilities can help local firms overcome the challenges posed by international competition and regulatory complexities.

This study aims to address this gap by analyzing the contribution of marketing strategy and capability to the financial performance of firms in Vietnam's medical equipment sector. Therefore, the research aims to provide valuable insights into how firms can develop and implement effective marketing strategies, enhance their marketing capabilities, and ultimately achieve better financial results in the competitive medical equipment market. The study will not only contribute to the literature on marketing strategy and capabilities but also offer practical guidance for firms looking to thrive in the evolving healthcare landscape of Vietnam (Cravens et al., 2012; Day, 1994; Nath et al., 2010). The research is divided into introduction, development of hypothesis and conceptual framework, methodology, results and discussion; and conclusion. The introduction presents the research background, identifies the gap, research problem, objectives, significance and structure of the study. The development of hypothesis and conceptual framework consists of the theories and literature survey for marketing strategy, marketing capability, medical equipment sector and financial performance in Vietnam. The methodology section explains how the study and data was investigated. Results and discussion section explain the results and its interpretation. The conclusion section concludes the main findings of the study along with their theoretical.

2. CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 Marketing Strategy

Marketing strategy is a continuous process involving decision-making, implementation, and performance analysis to achieve organizational objectives (Cravens et al., 2012). It focuses on the effective allocation and coordination of resources and marketing activities to create superior customer value and meet company goals (Walker and Mullins, 2010). By integrating

business strategies into market-driven actions, marketing strategy enables firms to address customer needs while gaining a competitive edge (Cravens et al., 2012). A key aspect of marketing strategy is identifying and targeting specific markets or segments, which allows companies to design an integrated marketing mix tailored to the unique needs and preferences of their target audience (Walker and Mullins, 2010). In the context of international markets, marketing strategy becomes more complex, requiring companies to make both strategic and tactical decisions. Strategic decisions involve selecting target countries, identifying product markets and segments, determining the mode of operation, and deciding the timing for market entry. Tactical decisions, on the other hand, focus on product positioning, product adaptation, advertising copy and media adaptation, promotional strategies, pricing, and distribution policies (Albaum et al. 2002). In Vietnam's medical equipment sector, these principles are particularly relevant due to the dynamic and competitive nature of the industry. Companies must carefully align their marketing strategies with market demands, regulatory environments, and technological advancements to ensure long-term success. This study explores how marketing strategy, combined with marketing capabilities, contributes to financial performance by enabling firms to respond effectively to market opportunities and deliver superior value in this evolving sector.

2.2 Marketing Capability

Marketing capability is defined as “the integrative process of utilizing a firm’s resources (tangible and intangible) to recognize specific consumer needs, achieve competitive product differentiation, and realize superior brand equity” (Day, 1994). These capabilities, once developed, become complex and challenging for competitors to replicate (Day, 1994). As a result, marketing capability is regarded as one of the core drivers of competitive advantage (Nath et al., 2010). The marketing literature emphasizes that firms leverage these capabilities to transform resources into productive outcomes, directly influencing their performance (Vorhies and Morgan, 2003). Specifically, marketing capabilities enable firms to align their strategies with market demands, deliver tailored value to customers, and sustain a differentiated position in the marketplace. Numerous studies have demonstrated a significant relationship between marketing capability and a firm's financial performance (Nath et al., 2010; Vorhies and Morgan, 2005). Nath et al. (2010) found that marketing capabilities have a profound and positive impact on a firm’s overall performance. In the context of Vietnam's medical equipment sector, where innovation, regulatory compliance, and customer trust are critical, marketing capabilities play a pivotal role in driving financial outcomes. Firms with strong capabilities in market sensing, customer relationship management, and product development are better positioned to anticipate market needs, build long-term relationships with stakeholders, and deliver superior value (Vorhies and Morgan, 2005). This study examines how these marketing capabilities contribute to financial performance, offering insights into how companies in this sector can enhance their competitive edge and sustain growth in a dynamic and competitive market environment (Nath et al., 2010).

2.3 Medical Equipment Sector and Firms’ Financial Performance in Vietnam

The medical equipment sector in Vietnam has witnessed rapid growth over the past decade, driven by rising healthcare demands, increasing government investments, and a growing aging population. The market is estimated to grow at a compound annual growth rate (CAGR) of 9.7%, reaching approximately USD 2.1 billion by 2026. Despite this promising trajectory, domestic production accounts for less than 10% of the market, making the sector heavily reliant on imports, which fulfill over 90% of its needs (International Trade Administration, 2022). This reliance creates opportunities for foreign firms while highlighting the challenges

faced by local manufacturers in improving their production capacity and technological capabilities. Financial performance within the sector has benefited from favorable government policies, including low import duties, the absence of quota restrictions, and increased public healthcare budgets (Dao, 2023). These measures have encouraged private investments and market expansion, especially in urban areas where demand for advanced medical technologies is highest. However, the sector remains fragmented, with a majority of small and medium-sized enterprises (SMEs) struggling to compete with multinational corporations due to limited marketing strategies, weaker brand equity, and lower innovation capacity (International Trade Administration, 2022).

In the context of Vietnam's dynamic economic environment, companies that effectively integrate marketing strategies with operational capabilities are better positioned to achieve superior financial outcomes (Nath et al., 2010). Strategic alignment, including market segmentation, customer relationship management, and adaptive pricing strategies, is critical to overcoming the sector's challenges (Vorhies and Morgan, 2005). Additionally, firms must invest in capability building, such as enhancing product development and market sensing, to remain competitive (Day, 1994). This study aims to analyze how marketing strategies and capabilities contribute to the financial performance of firms in Vietnam's medical equipment sector. The research seeks to provide insights into how companies can leverage their resources to capitalize on market opportunities and drive sustainable growth.

2.4 Hypothesis Development

Marketing strategy plays a critical role in influencing financial performance. Effective marketing strategies enable firms to differentiate their products and services, build strong brand equity, and reach targeted customer segments more efficiently (Porter, 1985). By employing tailored marketing approaches, such as market segmentation, value-based pricing, and customer-centric promotions, companies can not only attract new clients but also retain existing ones, leading to increased sales and revenue growth (Kotler, 1977). Moreover, marketing strategies that emphasize relationship management with key stakeholders, including hospitals, clinics, and government agencies, are particularly impactful in the Vietnamese market, where trust and long-term partnerships are vital (Tam, 2023). Strategies that highlight product quality, compliance with international standards, and innovative technology also help firms enhance their reputation and competitiveness, allowing them to command higher profit margins (Zou & Cavusgil, 2002). Empirical studies in similar emerging markets have shown that well-executed marketing strategies positively correlate with financial performance indicators such as revenue, return on investment, and market share (Song et al., 2007; Narver and Slater, 1990; Morgan et al., 2009). Based on these findings, the authors proposed the hypothesis:

H1: Marketing strategy has a positive influence on financial performance of medical equipment enterprises in Vietnam.

As the healthcare industry in Vietnam continues to expand, driven by rising demand for advanced medical technology and improved healthcare services, firms in the medical equipment sector must leverage their marketing capabilities to maintain competitiveness. Marketing capabilities such as market sensing, customer relationship management, and brand positioning allow firms to adapt to changing market needs and deliver tailored value propositions (Allocca and Kessler, 2006). These capabilities enable companies to understand customer preferences, anticipate demand trends, and effectively communicate the quality and benefits of their products, which is crucial in the medical equipment sector where trust and reliability are essential (Kotler, 1977). Additionally, effective market sensing allows firms to

gather insights into emerging healthcare trends, helping them make informed decisions and stay ahead of competitors (Day, 1994). Furthermore, leveraging digital tools and data analytics enhances firms' ability to predict market trends, optimize pricing strategies, and tailor promotional activities to specific customer segments, contributing to increased revenue and profitability (Schlegelmilch and Winer, 2021). By strengthening their marketing capabilities, firms can build strong customer loyalty, improve customer retention, and maintain a sustainable competitive advantage, ultimately driving financial success in the dynamic and rapidly growing healthcare market in Vietnam (Morgan et al., 2009). Based on these findings, the authors proposed the hypothesis:

H2: Marketing capability has a significant influence on financial performance of medical equipment enterprises in Vietnam.

3. METHODOLOGY

3.1 Measurement of Constructs

Marketing capability becomes distinctive by integrating employees' knowledge and expertise with their past experiences in new product development, sales, and distribution activities. Consequently, these capabilities are difficult for competitors to replicate and play a crucial role in helping firms achieve sustainable competitive advantages. In the context of the medical equipment industry in Vietnam, the researcher develops a measurement framework for marketing capability with six items from Agyapong et al. (2017) 's study. Marketing strategy is defined as the approach a company takes to adapt to foreign markets by incorporating the local wisdom of the target countries (Alshammari and Islam, 2014; Azizi et al., 2009). In the context of the medical equipment industry in Vietnam, A four-item measure of marketing strategy was developed by Donkor et al. (2018) & Agyapong et al. (2017). Financial performance (FP) was measured by a subjective instrument constructed on the bases of firm managerial self-evaluation with respect to their competitors. A scale adapted from Donkor et al. (2018) to measure financial performance includes seven items. The measurement items under all the constructs were responded to on a Likert scale of 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, and 5-Strongly agree. The item scales were utilized to measure the theoretical constructs of the conceptual model.

3.2 Sampling and Data Collection

This survey targeted medical enterprises in Vietnam. An online questionnaire was used to collect the data. A total number of 568 medical enterprises were randomly selected in more 1200 Vietnam enterprises, which represents approximately half of the whole Vietnam medical enterprises population. An email with a cover letter and a direct link to the questionnaire was sent to the managers of the 568 medical enterprises, of which 309 were invalid. Among the total valid number of 259 medical enterprises, 247 responded. Respondents were mostly from senior and middle level managers of the enterprises. A structured questionnaire was used to collect data. It was based on a five point Likert scale and informants consents regarding each items were asked to respond. Most of the respondents (69.6%) are 35-40 years old. Male accounted for 77.7% of the total participants, the majority of whom had a university degree or a master's/doctoral degree. Most of the companies have been operating for 10 - 20 years (63.6%) and have 100 - 300 employees (66.4%). Statistical Package for the Social Sciences (SPSS 27) was used for the research data analysis. Information about the respondents' demographics is presented in Table 1.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics Result

Table 1. Demographics of Respondents

Demographics		Frequency	Percent
Gender	Male	192	77.7
	Female	55	22.3
Age	Less than 35 years old	50	20.2
	35-40 years old	172	69.6
	41 and above years old	25	10.1
Educational Level	Associate's Degree	4	1.6
	Bachelor's Degree	142	57.5
	Master's Degree/ Doctoral Degree (PhD)	101	40.9
Company age	less than 10 years	12	4.9
	10-20 years	157	63.6
	above 20 years	78	31.6
Company size	Small (less than 100 employees)	59	23.9
	Medium (100-300 employees)	163	66.0
	Large (above 300 employees)	25	10.1
Total		247	100.0

The demographic analysis of respondents in the medical equipment sector in Vietnam provides valuable insights into their background, which is essential for assessing the impact of marketing strategy and capability on financial performance. The sample is predominantly male (77.7%), with the majority aged 35–40 years (69.6%), followed by 20.2% under 35 years old and 10.1% aged 41 and above, indicating that most participants are in their mid-career stage with significant industry experience. In terms of education, 57.5% hold a Bachelor’s degree, while 40.9% have a Master’s or Doctoral degree, reflecting a highly educated workforce capable of making informed decisions regarding marketing and financial strategies. Regarding firm characteristics, 63.6% of businesses have been established for 10–20 years, while 31.6% have operated for over 20 years, demonstrating an industry dominated by experienced firms with stable market positions. Additionally, 66% of respondents work in medium-sized firms (100–300 employees), followed by 23.9% in small firms (fewer than 100 employees) and 10.1% in large firms (above 300 employees). The distribution of firm size suggests that marketing strategies and financial performance may vary depending on organizational scale and resource availability. Therefore, these demographic insights establish a solid foundation for analyzing how marketing strategy and capability contribute to financial performance, as firms with experienced professionals, long-standing market presence, and varying organizational sizes may adopt different approaches to achieve business success.

4.2 Reliability and EFA Analysis

To ensure the consistency of the research variables and analyze the collected data on a solid foundation, the researcher conducted a reliability test. This is a proof that the study can be relied on, so the use of the Cronbach’s reliability test was used. According to Nunnally (1978) and Hair et al. (2011), a well-constructed scale that ensures unidimensionality should have a Cronbach’s

Alpha reliability coefficient of 0.7 or higher. Based on this, it is evident that all Cronbach’s Alpha values in the study meet the criteria for being either preferable or acceptable

Table 2. Cronbach’s Reliability Tests

Variables	Cronbach's Alpha	N of Items
MS	.907	4
MC	.848	6
FP	.906	7

The Exploratory Factor Analysis (EFA) results for the dependent variable Financial Performance indicate that the dataset is suitable for factor extraction. The Kaiser-Meyer-Olkin (KMO) value of 0.910 demonstrates sampling adequacy, confirming that the data is well-suited for factor analysis. Additionally, Bartlett’s Test of Sphericity (Sig. < 0.001) and Total Variance Explained = 64.949% indicates significant correlations among the observed variables.

Table 3. Exploratory Factor Analysis EFA for Independent Variables

	Marketing capability (MC)	Marketing strategy (MS)
MC1	0.797	
MC4	0.777	
MC5	0.774	
MC2	0.766	
MC3	0.723	
MC6	0.718	
MS2		0.917
MS4		0.895
MS1		0.864
MS3		0.851
KMO = 0.910; Sig of Bartlett's Test = 0.001; Eigenvalues = 2.943; Total Variance Explained = 66.372%		

After that, EFA was conducted on the two independent factors, Marketing Capabilities and Marketing Strategy, using principal components extraction with varimax rotation. The items loaded onto their designated constructs with significant factor loadings of 0.50 and above. The KMO index is 0.817, and Bartlett's test is statistically significant at a level of 0.001. The Eigenvalues is 2.943 (> 1) and the Total Variance Explained is 66.372%, which indicates the suitability of the EFA model.

4.3 Regression Analysis and Hypothesis Conclusion

The Pearson correlation analysis results show that marketing strategy has a strong positive correlation with financial performance ($r = 0.702$, sig. < 0.01), suggesting that an effective

marketing strategy significantly contributes to a company's financial growth. Additionally, marketing capability exhibits a positive correlation with financial performance ($r = 0.422$, $\text{sig.} < 0.01$), indicating that while it has a notable influence, its impact is relatively weaker compared to marketing strategy.

After that, the authors conducted the multiple linear regression analysis. The model shows a high F-value (192.101) and a significance level ($\text{sig.} = 0.001$), indicating that marketing strategy and marketing capability significantly impact financial performance or the existence of the model. The model shows a high correlation ($R = 0.782$), indicating a strong relationship between financial performance and the predictors marketing strategy and marketing capability. The adjusted R Square value of 0.608 (60.8%) suggests that these two factors explain a significant portion of financial performance variability, while the Durbin-Watson statistic (1.918) indicates no significant autocorrelation issues. These findings highlight that improving marketing strategy and marketing capability can significantly enhance financial performance, reinforcing their importance for businesses in Vietnam's medical equipment sector. The regression results show that both marketing strategy ($\beta = 0.663$, $p < 0.001$) and marketing capability ($\beta = 0.347$, $p < 0.001$) significantly impact financial performance, with marketing strategy having a stronger effect. The low VIF values (1.013) indicate no multicollinearity issues, which ensures the model's reliability.

Table 4. Summary Results of Regression Analysis and Hypothesis Conclusion

Independent Variables	Adjusted R Square	Durbin-Watson	Standardized Coefficients Beta	Sig.	VIF	Hypothesis	Decision
MS	0.608	1.918	0.663	0.001	1.013	H1	Accepted
MC			0.347	0.001	1.013	H2	Accepted
Dependent Variable: FP							

The primary research objective was to explore the extent to which marketing strategy and marketing capability contribute to financial performance. Correlation analysis indicated a significant positive relationship between marketing strategy and financial performance, aligning with Donkor et al. (2018) study, which also found a positive correlation. These findings emphasize the essential role of marketing strategy in enhancing financial performance, highlighting the need for firms to develop comprehensive, well-structured marketing strategies. Regression analysis further reinforced this relationship, underscoring the importance of a well-defined marketing strategy in maximizing financial performance in Vietnam's medical equipment sector. Based on these results, H1 is fully supported, aligning with Wheelen and Hunger (2018) assertion that strategic goal formation and application yield long-term business benefits. Similarly, Dauda et al. (2010), in their study on strategic goals and corporate performance in the medical equipment sector, found that most surveyed companies implemented some aspects of strategic management in their operations, leading to improved market share and profitability. Strategic goals significantly contribute to enhancing financial performance, further reinforcing the critical role of marketing strategy in corporate success.

Furthermore, H2, which proposed a positive relationship between marketing capability and financial performance, was also tested and supported. The correlation analysis results indicated a significant positive relationship between marketing capability and financial performance, confirming that marketing capability impacts financial performance and contributes to its improvement. These findings are consistent with the views of Hitt et al. (1997) and Calantone et

al. (2002), who also identified a link between marketing capability and financial performance. The correlation strength suggests that marketing capability plays an important role in driving financial outcomes. This highlights the need for firms to not only develop a strong strategic framework but also integrate it with marketing capabilities such as branding, customer relationship management, and digital marketing to maximize their impact on financial performance. The study's findings emphasize the interconnectedness of marketing strategy and capability in shaping financial performance, providing valuable insights for firms seeking to enhance their competitive advantage in Vietnam's growing medical equipment market.

5. IMPLICATIONS AND CONCLUSION

This study provides a comprehensive understanding of how marketing strategy and marketing capability influence financial performance in the medical equipment sector in Vietnam. First, it empirically reinforces the role of marketing capability in enhancing financial performance by facilitating product innovation, aligning with prior research that highlights the importance of market-driven capabilities in competitive industries. Second, the study underscores the necessity of integrating marketing strategy and capability to maximize financial outcomes, suggesting that a holistic approach combining strategic planning and executional efficiency is essential. This study extends the applicability of marketing and strategic management theories within the context of an emerging economy, offering insights that can be further explored in different industries and regional contexts.

The findings of this study highlight the essential role of marketing strategy and marketing capability in improving financial performance in Vietnam's medical equipment sector. Managers should focus on developing well-defined marketing strategies that incorporate market segmentation, competitive pricing, and customer-centric promotional efforts. Additionally, building long-term relationships with key stakeholders, including hospitals and government agencies, can enhance brand reputation and market position. At the same time, marketing capability is instrumental in executing these strategies effectively. Firms should invest in strengthening their marketing capabilities, including branding, customer relationship management, and digital marketing, to translate strategic objectives into actionable initiatives that drive customer engagement and sales growth. A data-driven marketing approach will also help firms better understand customer needs and refine their tactics accordingly. Therefore, continuous investment in marketing skills, technology adoption, and market research will be essential for firms to remain competitive in the rapidly evolving medical equipment sector.

This study provides valuable insights into the relationship between marketing strategy, marketing capability, and financial performance in Vietnam's medical equipment sector. However, this research has several limitations. First, the reliance on self-reported data may introduce common method bias, potentially affecting the accuracy of financial performance assessments. Future research should incorporate objective financial metrics or longitudinal data to provide a more comprehensive evaluation. Second, while this study focuses on Vietnam's medical equipment sector, the findings may not be fully generalizable to other industries or regions with different market conditions and competitive landscapes. Comparative studies across different industries or geographical contexts could offer broader insights into the relationship between marketing strategy, marketing capability, and financial performance. Finally, this study does not account for potential mediators or moderators, such as technological innovation, industry regulations, or firm size, which may influence the strength of these relationships. Future research should explore these factors to gain a deeper understanding of how marketing capabilities translate into financial success.

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Strategic Experiential Marketing: A Conceptual and Module-Oriented Analysis

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Abstract

This study explores experiential marketing as a strategic approach that prioritizes customer experiences over traditional product-focused marketing. It examines how businesses foster emotional connections through sensory, emotional, cognitive, behavioral, and relational experiences, enhancing brand engagement and loyalty. Using a conceptual analysis, the paper reviews Schmitt's (1999) five strategic experiential modules and illustrates their real-world applications through brands like Starbucks, Apple, and Coca-Cola. The findings suggest that modern consumers seek meaningful interactions beyond functional benefits, valuing immersive and emotionally engaging brand experiences. Businesses that integrate multi-sensory and personalized interactions create stronger customer bonds and competitive advantages. The study highlights the necessity of fostering brand identity and enhancing loyalty through innovative, experience-driven marketing. As companies adapt to the evolving experience economy, experiential marketing emerges as a critical tool for differentiation and long-term success, reinforcing that consumer relationships are built on emotions and memorable interactions rather than just products or services.

Keywords: Experiential Marketing, Customer Experience, Strategic Marketing, Consumer Behavior

1. INTRODUCTION

In today's highly competitive market, traditional marketing strategies that emphasize product attributes and price differentiation are no longer sufficient to engage modern consumers. As customers are inundated with advertising messages across various channels, their decision-making process has shifted from evaluating functional benefits to seeking meaningful and memorable experiences. This evolution has led to the rise of experiential marketing, a strategy that prioritizes emotional and sensory engagement over traditional promotional tactics. Businesses that successfully implement experiential marketing do not merely sell products or services; they create holistic customer experiences that forge deep emotional connections and foster brand loyalty.

The significance of experiential marketing lies in its ability to transform consumer interactions into immersive brand encounters. As companies increasingly recognize that consumers value engagement, personalization, and emotional resonance, they have shifted their focus toward designing experiences that go beyond transactions. This shift is particularly evident in industries where differentiation is crucial, such as retail, hospitality, and entertainment, where customer experience has become the key competitive advantage.

This study explores the concept of strategic experiential marketing, analyzing how businesses craft compelling brand experiences that influence consumer behavior. The research aims to provide a conceptual understanding of experiential marketing while examining its core

components, particularly through the lens of Schmitt's (1999) Strategic Experiential Modules — which include sensory, emotional, cognitive, behavioral, and relational experiences. By delving into these modules, the study highlights how brands leverage experiential marketing to build lasting consumer relationships and enhance their market positioning.

The significance of this research lies in its contribution to both marketing theory and practice. As businesses navigate an era where consumer expectations continue to evolve, understanding the strategic implementation of experiential marketing becomes essential. This study offers insights into how brands can effectively integrate experiential marketing strategies to enhance consumer engagement, drive loyalty, and create a sustainable competitive advantage.

2. METHODOLOGY

This study adopts a qualitative research approach to explore experiential marketing as a strategic concept and its practical applications in brand-consumer relationships. Given the dynamic and multidimensional nature of experiential marketing, a conceptual analysis is employed to examine its theoretical foundations, strategic frameworks, and real-world implementations. The methodology is structured around three key components: literature review, case study analysis, and thematic content analysis.

2.1 Research Design

The research follows a descriptive and exploratory design, aiming to:

- Define and conceptualize experiential marketing within the broader scope of consumer behavior and strategic marketing.
- Identify key experiential marketing modules as proposed by Schmitt (1999).
- Analyze how experiential marketing manifests in practice through case studies of leading brands, with a focus on Starbucks as a global leader in experiential branding.

2.2 Data Collection Methods

This study relies on secondary data sources, including:

- Academic literature on experiential marketing, customer experience, and strategic marketing theories.
- Case studies and industry reports from recognized sources detailing Starbucks' experiential marketing strategies.
- Company statements, websites, and marketing materials (e.g., Starbucks' official publications, branding guidelines, and customer engagement strategies).
- Empirical studies and journal articles analyzing experiential marketing's impact on consumer satisfaction, loyalty, and brand perception.

2.3 Data Analysis Approach

The data analysis follows a thematic content analysis approach, categorizing experiential marketing into the five strategic experiential modules proposed by Schmitt (1999):

- Sensory Experiences (engaging customers through sight, sound, smell, taste, and touch).
- Emotional Experiences (creating emotional connections through branding and storytelling).
- Cognitive Experiences (stimulating customer thought and intellectual engagement).
- Behavioral Experiences (encouraging actions, lifestyle changes, and brand interaction).
- Relational Experiences (fostering a sense of belonging and social identity).

Through comparative case study analysis, Starbucks' marketing strategies are examined in relation to these five experiential dimensions to assess how effectively the brand implements experiential marketing.

2.4 Reliability and Validity

To enhance credibility, the study integrates insights from multiple sources, including peer-reviewed articles, industry reports, and corporate statements. Cross-referencing different sources ensures consistency and validity in identifying key experiential marketing trends.

2.5 Limitations

This research is limited to secondary data analysis, and while it provides valuable insights, it does not incorporate primary consumer interviews or survey data. Future research could expand by conducting empirical studies or quantitative consumer behavior analysis to measure the direct impact of experiential marketing on customer retention and brand perception.

This methodological approach provides a comprehensive framework for analyzing experiential marketing's role in shaping consumer experiences and brand differentiation, with Starbucks serving as a key case study in strategic experiential branding.

3. CONCEPTUAL FRAMEWORK

In today's world, customers are constantly bombarded with advertising messages across multiple channels. While this increases their interactions with businesses—both online and offline—it also creates a psychological distance, making them indifferent to brands. Many customers, overwhelmed by this flood of marketing messages, no longer feel inclined to even assess a product's functional benefits.

Recognizing this shift, businesses have started rethinking their approach. Instead of merely offering products and services that look alike, they now focus on creating personalized experiences that connect with customers on an emotional level. Experiential marketing—built around making customers feel something unique and memorable—has become a powerful tool for business growth and long-term success (Kalyoncuoğlu, 2018: 73-74).

As the economy moves toward an "experience economy," where value is defined by the experiences a brand offers, marketing teams have had to evolve as well. Simply selling a product is no longer enough; businesses must craft emotional value propositions that truly resonate with their customers. This shift acknowledges that customers are not just rational decision-makers but emotional beings who seek meaningful connections with the brands they engage with (Kalyoncuoğlu, 2018: 74).

Experiential marketing is more than a tactic—it represents a fundamental shift in how businesses engage with customers. Schmitt (1999a) laid the foundation for this concept, emphasizing that experiential marketing moves beyond the functional benefits of products and services, focusing instead on holistic customer experiences (Schmitt, 1999a: 57). His work has led to him being recognized as a key figure in the field (Wang et al. 2012: 1765). Businesses now seek to offer not just products or services but meaningful experiences that emotionally engage consumers (Yuan and Wu, 2008: 388).

Modern consumers are no longer satisfied with functionality alone; they seek emotional and symbolic value. Companies recognize that their customers form subconscious brand associations based on their interactions. Therefore, every touchpoint must be carefully designed to create a lasting impact. Since people invest only in experiences that resonate with their inner world, businesses must ensure their offerings hold personal significance for customers.

Peter Drucker famously stated that “the purpose of marketing is to make selling unnecessary,” and Gilmore and Pine (2002) extended this idea by asserting that “the purpose of experience is to make marketing unnecessary” (Gilmore and Pine, 2002: 5, 10). This underscores the need for businesses to craft engaging, unforgettable experiences that naturally drive demand.

Experiential marketing is more than a one-time interaction—it represents a new way of thinking about marketing. It moves beyond traditional customer loyalty strategies, emphasizing emotional connections between consumers and brands. As McCole (2004) argues, emotional engagement is the key element of experiential marketing, making it a vital differentiator in today’s economy (McCole, 2004: 535). Businesses that focus solely on loyalty will struggle to compete in the experience economy, where unique and enjoyable interactions foster deep, lasting customer relationships (Tsai, 2005: 433).

Schmitt (1999a) argues that experiential marketing emerged as a contrast to traditional marketing. He describes a shift from the traditional “feature-benefit” axis, where products are marketed based on their attributes, to an “experience” axis, where customer experiences are the focus. This shift resulted from three simultaneous developments (Schmitt, 1999a: 53-54).

The first development is the widespread adoption of information technology. Technological advancements in mobile phones, computers, and cameras have enabled real-time and location-independent interactions between businesses and consumers. The second development is the increasing dominance of brands. Instead of merely emphasizing product functionality, brands now focus on creating and enhancing customer experiences. The third development is the expansion of communication and entertainment, fostering direct and interactive engagement with customers. These three trends signaled the emergence of an entirely new marketing approach. However, traditional marketing failed to guide businesses in adapting to the rising experiential economy.

Traditionally, purchasing decisions were based solely on product features and benefits. However, in today’s market, businesses seeking loyalty and sustainability must go beyond offering similar products with identical benefits. Instead, they need to create experiences that hold personal significance for customers. Companies increasingly aim to transform customer relationships from monologues into dialogues, striving to craft memorable experiences (Kalyoncuoğlu, 2018: 78).

3.1 The Rise of Experiential Marketing

Experiential marketing has become a contemporary concept for understanding complex customer needs and desires (Nadiri and Günay, 2013: 27). By orchestrating various actions to create unique experiences, experiential marketing focuses on emotionally satisfying customers. As a result, customers prefer brands that emotionally engage them and stimulate their minds. In this context, Schmitt (1999a: 58) outlines four fundamental characteristics of experiential marketing:

- **Focus on Customer Experience:** Unlike traditional marketing, which emphasizes functional attributes and benefits, experiential marketing prioritizes customer experiences. These experiences provide sensory, emotional, cognitive, behavioral, and relational value rather than just functional benefits.
- **Emphasis on Holistic Consumption Experience:** Experiential marketing views consumption from an enriched perspective, focusing on creating immersive experiences. For instance, instead of marketing shampoo, shaving cream, a hairdryer, and perfume as separate products, an experiential marketing strategy would emphasize the “pleasure of self-care in the bathroom,” integrating these products, their packaging, and advertisements to enhance the overall consumption experience.

- Recognition of Customers as Both Rational and Emotional Decision-Makers: While traditional marketing often treats consumers as rational decision-makers, experiential marketing acknowledges that emotions significantly influence purchasing decisions. Even when making rational choices, customers are guided by emotions, as consumption experiences often align with fantasies, feelings, and entertainment.
- Use of Eclectic Methods: Unlike traditional marketing, which relies heavily on analytical, quantitative, and qualitative methodologies, experiential marketing adopts a more diverse and multi-dimensional approach. It does not adhere to a single methodological ideology but instead utilizes a selective and adaptable framework.

3.2 Five Strategic Modules of Experiential Marketing

Schmitt (1999a) argues that experiential marketing is built upon five distinct types of customer experiences, which he refers to as Strategic Experiential Modules. These modules serve as the starting point, rather than the ultimate goal, of experiential marketing. The ultimate aim of experiential marketing is to create a holistic experience (Günay, 2008: 67). Within this framework, Schmitt (1999a: 60) defines the five key types of customer experiences as follows: Sensory Experiences (Sense), Emotional Experiences (Feel), Cognitive Experiences (Think), Behavioral Experiences (Act), Relational Experiences (Relate). By integrating these experiential elements, businesses can craft compelling, memorable interactions that go beyond traditional product and service marketing.

3.2.1 Sensory Experiences

Sensory experiences engage customers through their senses—sight, sound, touch, taste, and smell—creating a perception-driven interaction. These experiences are used by businesses to differentiate their products and services, motivate customers, and add value through aesthetic appeal and excitement. The key principles of sensory experiences are cognitive consistency and sensory diversity, both of which play a crucial role in crafting impactful brand interactions. An ideal sensory experience should be both clearly perceptible and consistently innovative, ensuring that customers encounter something fresh and unique every time (Schmitt, 1999a: 61).

When designing sensory experiences, brands must strike a balance in the level of stimulation provided. Overstimulating customers may cause discomfort, while inadequate stimulation may fail to create a meaningful connection between the sensory trigger and the brand (Günay, 2008: 66).

One of the most successful examples of sensory experience implementation is Starbucks coffee shops. From the moment customers step inside, they are enveloped in the rich aroma of freshly brewed coffee, appealing directly to their sense of smell. Additionally, Starbucks enhances the visual appeal of its space by decorating its walls with framed images of coffee beans and specialty beverages. The company also periodically changes the design of its cups, using different artistic motifs to keep its brand visually engaging.

To appeal to the sense of hearing, Starbucks plays soft background music, creating a relaxing ambiance that makes customers feel comfortable—so much so that many consider it their "third place" after home and the office. However, the most defining factor in Starbucks' customer experience is its high level of personalization. Customers can tailor their coffee to their exact preferences by choosing from a variety of coffee blends, milk types, syrups, whipped cream, foam levels, and temperature preferences. This strong focus on customization stimulates the sense of taste, reinforcing the emotional connection between the brand and its customers (Kalyoncuoğlu, 2018: 83-84).

3.2.2 Emotional Experiences

Emotional experiences appeal to customers' inner feelings and emotions, ranging from moderate positive emotions associated with a brand or product to stronger emotions such as joy and admiration. In emotional experience design, businesses must deeply understand how to empathize with customers, determine which emotions to target, and identify which stimuli can effectively evoke those emotions (Schmitt, 1999a: 61).

A significant theme in the experiential marketing literature is that modern consumers no longer evaluate products solely based on their functional benefits. Instead, they also consider whether a product or brand fulfills their emotional needs. Consequently, businesses strive to create positive emotional impacts in every interaction with their customers. One of the most compelling examples of this was a 2012 Kent Şekerleri (Kent Candies) campaign, which focused on the sentimental and unifying spirit of traditional holidays. The advertisement depicted an elderly man waiting for his family to visit on a holiday morning, emphasizing the emotional significance of family gatherings. This heartfelt storytelling successfully created an emotional connection with the audience, providing a moving and memorable brand experience (Deligöz, 2016: 41; Yetiş, 2015: 93). Through this campaign, Kent Şekerleri sought to touch customers' hearts, fostering a deep emotional bond with its audience.

Coca-Cola, known for its ability to think globally but act locally, has invested significantly in positioning itself as a local brand in the markets where it operates. To achieve this, the company integrates local cultural elements into its advertisements, crafting psychological perceptions and experiences that elicit strong emotional responses from customers. For example, during the Ramadan season in Turkey, Coca-Cola tailors its television advertisements to reflect local traditions. These ads feature symbolic Ramadan imagery, such as a family gathered around a Ramadan feast with Coca-Cola placed next to traditional Turkish pide bread. This visual placement is a strategic reference to emotional experience, subtly associating the brand with the warmth and togetherness of Ramadan (Kalyoncuoğlu, 2018: 85-86).

3.2.3 Cognitive Experiences

Cognitive experiences are designed to stimulate thought, spark curiosity, and encourage problem-solving, ultimately leading customers toward creative thinking. These experiences engage the intellectual aspect of consumers, prompting them to think critically about a brand, product, or message. Businesses can create cognitive experiences by surprising, intriguing, and provoking their customers, capturing their attention in a thought-provoking way (Schmitt, 1999a: 61).

A key objective of cognitive experiences is to encourage consumers to think about the brand and its uniqueness, differentiating the company from competitors. This is achieved by crafting messages that make customers reflect on the brand's identity, purpose, or product offerings (Günay, 2008: 66).

One of the best examples of cognitive experiential marketing was Microsoft's 1996 campaign, which posed the question: "What do you want to do today?" This simple yet powerful question urged customers to envision how they could utilize Microsoft's products in their daily lives, prompting them to explore their potential (Konuk, 2014: 42).

Another company that excels in stimulating cognitive experiences is Apple. Through its legendary "Think Different" slogan and its innovative products—such as the iPhone, iPad, Mac, and Apple Watch—Apple continuously challenges its audience to think beyond conventional limits and embrace creativity and individuality. By integrating thought-provoking marketing

strategies with cutting-edge technology, Apple not only differentiates itself from competitors but also fosters a sense of inspiration and intellectual engagement among its users.

3.2.4 Behavioral Experiences

Behavioral experiences in marketing focus on encouraging customer actions and lifestyle changes, enriching their lives through new ways of doing things. These experiences introduce alternative behaviors, lifestyles, and interactions, prompting customers to take action and adopt new habits. Often, behavioral changes are driven by motivational, inspirational, and emotional factors, influenced by role models such as film stars and athletes (Schmitt, 1999a: 61-62). A well-designed behavioral experience environment can serve as a reminder for customers, encouraging them to reflect on their own lifestyle choices and potential actions (Tsaour et al. 2007: 51).

One of the most successful brands in shaping behavioral changes is Starbucks. The coffee chain offers customers plugged-in workspaces where they can comfortably work for extended hours. At the same time, it provides cozy seating areas where customers can read, engage in conversations, or simply relax without disturbance. By doing so, Starbucks breaks the conventional perception that work can only be done at home, offices, or libraries, encouraging a shift in customer behavior.

Behavioral experiences combine sensory, emotional, cognitive, and relational experiences, making them a holistic part of experiential marketing. The goal is to inspire action, impacting customers' physical activities, lifestyle choices, and social interactions. By demonstrating alternative ways of doing things, behavioral experiences not only create engagement but also enrich customers' lives (Özmen, 2016: 300).

One of the pioneering brands in behavioral experiential marketing in Turkey is İş Bankası. Over the years, the bank has introduced various behavioral experiences to shape customer habits: İş Bankası's piggy bank initiative encouraged children to develop saving habits from an early age, fostering financial responsibility. In the 1990s, as banking technology advanced, İş Bankası revolutionized customer behavior by introducing 24-hour ATMs (Bankamatik), shifting banking services from in-person branch visits to self-service transactions. The bank continues to transform consumer behavior with its innovative financial solutions, such as QR-code payment systems, biometric authentication, and mobile banking through WAP technology. Through these advancements, İş Bankası has consistently shaped customer behavior, encouraging a shift from traditional banking to modern, technology-driven financial transactions.

3.2.5 Relational Experiences

Relational experiences integrate sensory, emotional, cognitive, and behavioral dimensions to create a deeper connection between a business and its customers. Unlike emotional experiences, which focus on personal feelings, relational experiences foster a sense of belonging to a group (Schmitt, 1999a: 62). This type of experience transcends individual emotions and instead aligns with a customer's "ideal self"—the person they aspire to be and how they want to be perceived (Günay, 2008: 67; Uygur ve Doğan, 2013: 35).

At its core, relational experiences help customers feel like part of a larger social community. This process often culminates in a sense of social status, where customers identify with and interact with others who share similar brand preferences. As a result, these individuals develop a stronger social connection, broadening their network through shared brand affiliations (Güney ve Karakadılar, 2015: 137).

One of the most iconic examples of relational experience marketing is Harley-Davidson. The brand is widely recognized not just for its motorcycles but for the lifestyle and sense of identity

it offers. For Harley owners, the brand represents freedom and a rebellious spirit, and among riders, there is an unspoken bond that fosters a tight-knit community. This is reinforced by Harley-Davidson's slogan: "If you ride a Harley, you're part of the brotherhood; if you don't, you're not." This strong sense of social identity and belonging creates a deep relational experience for customers, making the brand more than just a product—it becomes a symbol of lifestyle and community (Yetiş, 2015: 94).

Another effective example of relational experiences can be seen in sports clubs. These organizations strengthen their bonds with fans by selling licensed merchandise in dedicated stores. Wearing a club's jersey, scarf, or other branded items allows fans to express their loyalty and feel connected to a larger community. This approach not only increases customer engagement but also reinforces the sense of belonging and emotional attachment to the brand (Kalyoncuoğlu, 2018: 90).

As discussed, each Strategic Experiential Module serves a unique purpose, activating sensory perceptions, emotions, thoughts, behaviors, and relationships to create a powerful customer experience. The decision on which module(s) to use should be based on the level of satisfaction and loyalty the business aims to create. Ultimately, the key to a successful experiential marketing strategy is aligning value propositions with customer needs to craft memorable and lasting experiences that leave a deep imprint on the customer's mind and heart.

4. RESULTS

Experiential marketing has transformed traditional customer engagement, emphasizing the creation of memorable and emotionally resonant experiences. Starbucks, as a global leader in this approach, has successfully positioned itself not just as a coffee retailer but as a brand that fosters deep emotional connections with its customers. By integrating sensory, emotional, relational, and cognitive elements into its marketing strategy, Starbucks has cultivated a loyal customer base that perceives the brand as a lifestyle choice rather than just a coffee provider. The following sections explore the brand's ability to create a multi-dimensional experiential marketing approach, reinforcing its identity and consumer engagement at every touchpoint.

4.1 Starbucks: Emotional Brand Connection

Founded in 1971 in Seattle, Washington, USA, Starbucks began as a single coffee shop and has since evolved into a global brand known for its unique customer experiences rather than just selling coffee. From the beginning, Starbucks has sought to differentiate itself by creating unforgettable moments for its customers, making it a key symbol in experiential marketing literature.

Starbucks defines its customer experience as:

" It happens millions of times each week – a customer receives a drink from a Starbucks barista – but each interaction is unique.

It's just a moment in time – just one hand reaching over the counter to present a cup to another outstretched hand.

But it's a connection.

We make sure everything we do honours that connection – from our commitment to the highest quality coffee in the world, to the way we engage with our customers and communities to do business responsibly." (Starbucks, 2025).

This statement highlights Starbucks' commitment to personalization and memorable customer interactions.

4.1.1 *The Role of Experiential Marketing in Starbucks' Strategy*

Experiential marketing revolves around understanding what change a product or service brings to a customer's life and delivering that transformative experience. For a brand like Starbucks, this means appealing to both the logic and emotions of its customers at every interaction point. This process depends on two key aspects of marketing management:

- Customer Relationship Management (CRM): Understanding how to engage with customers and maintain long-term relationships.
- Innovation in Customer Experience: Continuously developing new ways to enhance the customer journey and provide unique experiences (Güney and Karakadılar, 2015: 133).

Among companies excelling in creating experiential connections, Starbucks stands at the forefront. The brand strategically engages customers' senses by crafting a multi-sensory experience within its stores.

4.1.2 *Sensory Experiences at Starbucks*

- Smell: Starbucks intentionally fills its stores with the aroma of freshly brewed coffee, activating customers' subconscious and reinforcing brand recall.
- Sight: The interiors of Starbucks stores are decorated with visual displays of coffee varieties and preparation methods, creating a stimulating environment. The Starbucks logo is visible on cups, napkins, barista aprons, and packaging, reinforcing brand identity through consistent visual exposure. Recognizing the power of visual cues in consumer decision-making, Starbucks maximizes its aesthetic appeal (Kalyoncuoğlu, 2018: 105).
- Sound: Starbucks curates special music playlists to create a relaxing and calming atmosphere for customers, positioning its stores as a "third place"—a space where customers feel as comfortable as they do at home or work (Kalyoncuoğlu, 2018: 107).
- Taste and Touch: Starbucks engages customers' sense of taste through high-quality Arabica beans and various syrups and flavorings that enhance the coffee experience. The comfortable seating arrangements, warm ambiance, and inviting textures within the stores further appeal to the sense of touch, making customers want to stay longer (Kalyoncuoğlu, 2018: 107-108).

By integrating all five senses, Starbucks reinforces its brand identity and strengthens customer connections.

4.1.3 *Emotional and Relational Experiences: Creating Personalized Engagement*

Starbucks' emotional marketing strategies are designed to foster strong emotional connections with customers. One example is the personalization of orders, where baristas write customers' names on their cups and call them by name when their drinks are ready. This small but meaningful gesture enhances customer satisfaction by making them feel valued and unique. The brand also offers fully customizable beverages, allowing customers to tailor milk type, espresso strength, syrup flavors, and cup size, further reinforcing Starbucks' commitment to personalization (Kalyoncuoğlu, 2018: 110).

This high level of customization aligns with the concept of "mass customization," which refers to offering personalized experiences on a large scale (Kotler, 1989: 13). Starbucks takes this concept even further with "collaborative customization", where customers actively shape their own coffee experience through direct interaction with the brand.

Beyond individual experiences, Starbucks also fosters a sense of belonging through its Starbucks Card loyalty program, which rewards customers with stars for each purchase. More than a promotional tool, this program grants customers a social identity, reinforcing their connection to

the Starbucks community. For many customers, choosing Starbucks is not just about coffee—it's about status and social recognition (Kalyoncuoğlu, 2018: 111).

4.1.4 Cognitive Experiences: Encouraging Thought and Engagement

Starbucks also engages customers intellectually by offering educational experiences, such as in-store coffee seminars. These events provide insights into:

- The journey of coffee beans from tree to cup,
- The history and origins of coffee,
- The differences between Arabica and Robusta beans,
- The best roasting techniques and flavor profiles,
- Recommendations for pairing coffee with food.

By participating in these interactive learning experiences, customers develop a deeper appreciation for coffee, make more informed choices, and strengthen their connection to the Starbucks brand (Kalyoncuoğlu, 2018: 113).

Starbucks exemplifies experiential marketing by integrating sensory, emotional, relational, and cognitive elements into every aspect of its customer journey. The company's strategy focuses on:

- Creating multi-sensory engagement to reinforce brand identity.
- Personalizing the customer experience to build emotional connections.
- Encouraging social identity and loyalty through relational marketing strategies.
- Stimulating intellectual engagement with interactive learning experiences.

By delivering memorable and meaningful experiences, Starbucks has transcended traditional marketing and positioned itself as more than just a coffee brand—it is a cultural and social phenomenon.

5. DISCUSSION and CONCLUSION

The findings of this study underscore the transformative power of experiential marketing in modern consumer-brand relationships. In an era where traditional marketing strategies focusing on product attributes and price differentiation are no longer sufficient, businesses must shift their focus toward creating meaningful, immersive, and emotionally engaging experiences. The analysis of Schmitt's (1999) five Strategic Experiential Modules—sensory, emotional, cognitive, behavioral, and relational experiences—demonstrates how brands can effectively integrate experiential marketing strategies to build deeper customer relationships and enhance competitive differentiation.

The significance of these results lies in their strategic implications for brand management and marketing communication. Brands like Starbucks, Apple, and Coca-Cola have successfully leveraged experiential marketing to transcend functional product value, engaging consumers on a deeper level. By appealing to multiple senses, fostering emotional connections, and encouraging brand-related behaviors, companies can create lasting impressions that drive customer loyalty and advocacy.

A key takeaway from this study is that customer experience is now the primary differentiator in competitive markets. Businesses that fail to invest in experiential marketing risk losing relevance as consumers increasingly seek personalized, memorable, and emotionally fulfilling interactions. Moreover, technological advancements and digital transformation have further amplified the importance of experiential marketing by enabling hyper-personalization, immersive virtual experiences, and interactive brand storytelling.

Based on the study's findings, several strategic recommendations emerge for businesses aiming to enhance their experiential marketing efforts:

- Prioritize Multi-Sensory Engagement – Businesses should design experiences that appeal to sight, sound, touch, taste, and smell, as sensory stimulation significantly influences consumer perception and brand recall.
- Enhance Personalization – Implementing mass and collaborative customization (Kotler, 1989) ensures that consumers feel a sense of ownership and connection with the brand. Personalization efforts, such as Starbucks' name-on-cup strategy, can significantly improve customer satisfaction.
- Leverage Technology for Immersive Experiences – Emerging technologies such as augmented reality (AR), virtual reality (VR), AI-driven recommendations, and interactive digital experiences can deepen engagement and create unique experiential touchpoints.
- Foster Emotional and Relational Brand Connections – Companies should focus on storytelling, brand heritage, and user-generated content to build emotional bonds with customers. Cultivating a sense of community and belonging—as seen in Harley-Davidson's brand loyalty and Starbucks' "third place" strategy—can significantly enhance brand advocacy.
- Integrate Experiential Marketing Across Channels – A seamless omnichannel approach ensures that experiential marketing efforts remain consistent across physical stores, digital platforms, and social media, maximizing customer engagement.

While this study provides valuable insights into experiential marketing, there remain several areas for future exploration:

- Empirical Validation of Experiential Marketing's Impact on Consumer Behavior – Future studies should incorporate quantitative research methods, such as consumer surveys, experimental designs, and longitudinal studies, to measure the direct impact of experiential marketing on purchase intention, loyalty, and brand advocacy.
- Cross-Cultural Perspectives in Experiential Marketing – Investigating how cultural differences influence experiential marketing effectiveness could provide valuable insights for brands operating in global markets.
- The Role of Digital Transformation in Experiential Marketing – With the rise of AI, AR, VR, and the metaverse, future research should explore how brands can integrate immersive digital experiences into their experiential marketing strategies.
- Sustainability and Experiential Marketing – As consumers become increasingly eco-conscious, exploring how brands can create sustainable experiential marketing strategies would be an important avenue for further research.

This study reinforces that experiential marketing is not just a trend but a fundamental shift in consumer engagement. Modern consumers expect brands to engage their senses, evoke emotions, and provide meaningful interactions, transforming marketing from a transactional process into a relationship-building endeavor. Businesses that embrace experiential marketing as a core strategic approach will not only foster stronger customer loyalty but will also position themselves for long-term success in the evolving experience economy.

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The Impact of Using Break-Even-Point within the Enterprises: Evidence from Vietnam

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ABSTRACT

This study studied how breakeven point analysis influences Vietnamese corporate planning, managerial control, and decision-making in fiscal year 2024. Management accounting, especially breakeven point research, has grown internationally, but Vietnamese enterprises have overlooked its potential. The researchers presumed that their major hypothesis—that there was no significant correlation between the breakeven point and the three variables stated earlier—was valid to examine the Vietnamese market's response to its application and increase its sufficient profit up to this point. To get definitive feedback, a Likert scale online questionnaire survey was issued to participants (N=384). Research was evaluated with SPSS. One Sample Testing and Cronbach's alpha confirmed the study's scale's reliability and indicated changes. Research demonstrated a strong correlation. The result highlighted the practical value of breakeven point in boosting business performance in Vietnam and presented a research roadmap.

Keywords: Management Accounting, Breakeven Point, Business Planning, Management Control, Business Making Decision.

1. INTRODUCTION

This section introduces the thesis's major point and dissertation topic. The Vietnamese government realized it needed economic reform and market governance after reunification in 1975 to keep up with global and Southeast Asian economic and geopolitical trends and accelerate socioeconomic development. And Vietnamese innovation began 1986. Vietnam has sought FDI for social and economic growth. Welcome policies and significant incentives have encouraged FDI to Vietnam, bolstering the economy. The Vietnam Chamber of Commerce and Industry and VAFIE's 2021 Annual Report on Foreign Investment in Vietnam highlighted FDI recruitment and use. FDIs made up 25% of social investment capital, 55% of industrial output, and 70% of exports (VAFIE, 2022). The firms were 39.3% profitable, 19.2% breakeven, and 41.5% operationally unprofitable. These instances demonstrated Vietnam's business and investment climate supports capital upgrades to boost operations and profits (Bich Ngoc, 2024). Therefore, Vietnamese society and the market need more efficient transformation for firm growth and massive investments. Implementation and change matter. Company history showed management accounting integration works. Modern management accounting was used worldwide for planning, control, decision-making, and cost-volume profit analysis. Company costs were affected by break-even. Breakeven measured a company's efficiency, not its goal. IT assisted planning, cycle tracking, and workplace decisions. Thus, companies could manage long-term employee performance. Vietnamese businesses needed management accounting to expand and evaluate. Cost-volume analysis needs more breakeven analysis. Contests may demand commercial break-even. Research on FDI and VDI aids capital deployment. Vietnamese managerial accounting has been

neglected recently. Each element's equilibrium is outside Vietnam. Multiple break-even studies of the three components are done outside Vietnam. Management accounting, especially break-even, is a new way Vietnamese companies inform investors about policies of better earnings sustainability. Growth can be taught to Vietnamese SMEs and FDIs. After management accounting and the Vietnamese market, break-even studies will assess firm performance. Our goal is Vietnamese market customization. This study reveals break-even threshold inclusion affects Vietnamese corporate strategy, economics, and decisions within FDI/VDI. Consider business performance if break-even analysis rises.

1.1 Background

Two valid Vietnamese social issues' remarks appear in the report. Foreign direct investment and competitive local markets were essential (Vu Long, 2020). In these settings, Vietnamese society confronted major sustainable development difficulties. This small corporate sector lacked the financial resources to invest in cutting-edge machinery and technology to aid production and business, administrative competence, and kept competitive and controlled the local market (Vu Long, 2020). Vietnam has grown swiftly and is well-positioned globally, according to the banking journal. Competition and living standards are rising globally. Vu Trang (2022) said FDIs boosted Vietnam's economy.

First, strategy's function in assessing organizations' job performance and advocating investment climate improvements in Vietnam is examined. This article examines modern Vietnamese corporate management accounting. Focus will be on break-even point analytical tools for simple, low-cost corporate governance organizations. The program will also address how these tools affect company efficiency. In 2020–2024, the study chose 305 scientific works from 2000 to the present. According to the report, Vietnamese companies' break-even points are crucial. COVID-19 may improve Vietnam's corporate governance. It allows various industries to employ management accounting methodically and comprehensively, enhancing microeconomic efficiency and responding to Vietnam's macroeconomic strategy, which has attracted regional and global investment capital.

1.2 Problem Statement

In the research section, we continually reference two previous articles to substantiate our argument such as Luong Yen's research (Luong Yen, 2017) and Nguyen Huong's argument (Nguyen Huong, 2023). Management accounting helped Vietnamese enterprises make efficient decisions, but many ignored it. Sensory and administrative data were unscientific. Therefore, firms could have inefficient, disjointed accounting systems with insufficient decision-making data. Commodities and profitability overshadowed strategic research for firm growth and financial resource allocation (Luong Yen, 2017). It implied that most industrial businesses had not fully utilized management accounting techniques to assess and equip incremental innovation at work (Nguyen Huong, 2023). Management accounting is still ignored when reviewing firm operations in most cases. A simple application is breakeven point analysis. There are few comprehensive study studies on breakeven point analysis and its impact on business performance, including business planning, management control, and corporate decision making (Le Anh, 2024).

1.3 Methodology and Research Design's Concise Overview

It has already completed a review of over 305 prior papers related to the above contents and will attempt to adopt one business research paper completed in Jodan in 2024 with the topic of the Effect of Using Break-Even-Point in Planning, Controlling, and Decision Making in Industrial

Jordanian companies issued by Dr. Nabil Alnasser, Dr. Osama Samih Shaban, and Dr. Ziad Al-Zubi from Al-Zaytoonah University of Jordan, accounting Department, Amman, Jordan.

1.4 General Population Group's Identification

This analysis eliminates multinationals and evaluates Vietnamese and international investments in Vietnam. Vietnamese or foreigners with high school, diploma, bachelor, or similar accounting and tax courses must conduct research interviews. Student, accountant, officer, or department principal. All ages and genders without work experience will be interviewed.

1.5 Significance of the Study

Vietnamese practice emphasizes financial constraints and breakeven point adaptability. The research deficit in Vietnam is another issue. It implies management accounting's reach in Vietnam is limited, especially in breakeven point analysis. Thus, it will pioneer Vietnamese business breakeven point analysis. It enhances academic literature on management accounting's flexibility in emerging economies like Vietnam by integrating AI with existing disciplines. Later, wealthier nations like Vietnam will learn that.

2. LITERATURE REVIEW- CONCEPTUAL FRAMEWORK

The thesis cited 305 domestic and foreign business organization model break-even analysis studies from 2000 to current. Topic-specific study showed break-even affecting corporate strategy, operational control, and decision-making. This thesis examined a proposed quantitative research model. Previous research have shown that balancing balances improves company planning. Our current selection includes 29 relevant research publications. Gutierrez (1990), Rudolf (2016), Morano and Tajani (2017), Maruta (2018), Khanifah and Septiana (2019), Arfianti and Reswanda (2020), Okpala and Osanebi (2020), Manuhu et. al. (2021), Bastomi et. al. (2023), and others found breakeven point analysis' adaptations beneficial in many businesses.

Next, since the 2000 update, 149 foreign research publications on CVP analysis's favorable effects on management control have shed light on its benefits to corporate activities. González (2001), McBryde (2005), S.K. Kim (2010), Kull et. al. (2013), Christine (2013), Pierluigi (2013), Oe and Mitsuhashi (2013), Hatch et. al. (2017), Minhyun (2018), Martin (2019), Zimmermann and Bliklen (2020), Jastrzebski et. al. (2020), Abam et. al (2020), Mead et. al. (2020), Ifa et. al. (2020), Ballard et. al (2020), Ureta et. al. (2020), Nandiyanto et.al. (2020), Njoku et. al. (2020), Ricci et. al. (2020), Balibrea (2020), Andriani (2020), Cottafava et. al. (2021), Cao et.al (2021), Rivera et. al. (2021), Schiberna et. al. (2021), Cusati et. al. (2021), Stoyanov et. al. (2021), Alvarez Salazar (2021), Wilson et. al. (2021), Grube et. al. (2021), D'Adamo et. al. (2022), Ahtainen and Jarva (2022), Acaroğlu and Márquez (2022), Martín-Hernández et. al. (2022), Hesampour et. al. (2022), Ni et. al. (2023), D'Adamo et.al. (2023), Kusuma et.al. (2023), Forcina et. al. (2023), Altaf (2024), and others extracted key of Breakeven point analysis has been applied to job performance management in several corporate fields.

Next, it has collected 56 articles from outside Vietnam on the benefits of CVP analysis on management control since 2000 to establish a distinct perspective on CPV's positive impact on business decision making. Numerous studies by Paek (2000), Yunker (2003), Kiani et. al. (2006), Bevilacqua (2007), Kok (2008), Budugan and Georgescu (2008), Buşan and Dina (2009), Iacob (2014), Ihemeje et. al. (2015), Potkany and Krajcirova (2015), St-Hilaire et. al. (2016), Ilie and Ileana-Sorina (2017), Calabrò (2017), Rahmann et. al. (2017), Morano and Tajani (2017), Barletta et. al (2018), Sintha (2020), Dewi et. al. (2022), Yetilmezsoy et. al. (2022), Effendi (2022), Russo et. al. (2024), and others have shown that the breakeven point has been successfully applied in various business fields.

It also has collected 25 study papers from outside Vietnam on the positive effects of CVP analysis on management control since 2000 update to develop a unique perspective on the benefits of CPV analysis on business plan, management, controlling, and decision making. Breakeven point analysis is closely related to planning, management control, and business management decisions, according to Kee (2007), Constandache (2011), Alnasser et. al. (2014), Klychova et. al. (2015), Pangemana (2016), Batkovskiy et. al (2017), Stoenoiu (2018), Lulaj and Iseni (2018), Akin and Akin (2018), Wippermann et. al. (2020), Utami and Mubarok (2021), Ayeleru et.al (2021).

Additionally, it investigated 24 management accounting and Vietnamese market adaption studies from 2000 to the present. Strehlow (2004), Hong Nhung (2013), Nguyen and Nguyen (2013), My and Thanh (2014), Tuan et. al. (2015), Tri et. al. (2016), La Soa and Dung (2017), Dini (2018), Mentari and Daryanto (2018), Le (2020), Nguyen and Lee (2020), Nguyen et. al. (2021), and others found little management accounting study, notably breakeven point research.

However, to develop a fresh viewpoint on the detrimental impact of CPV analysis, the study author have already gathered 13 research papers completed outside of Vietnam since the 2000 update. In the majority of the study cases shown here, we can see that previous scholars attempted to argue over the breakeven point's adaptation rather than its actual qualities. In other words, Phillips (1994), Ndaliman (2007), Yuan (2009), Durham et. al. (2015), Anton and Afloarei Nucu (2020), and others appeared to be convinced that future connected routes must combine the breakeven point and its linked model component that occurred in practice in order to improve how to use its adaptation more effectively in society.

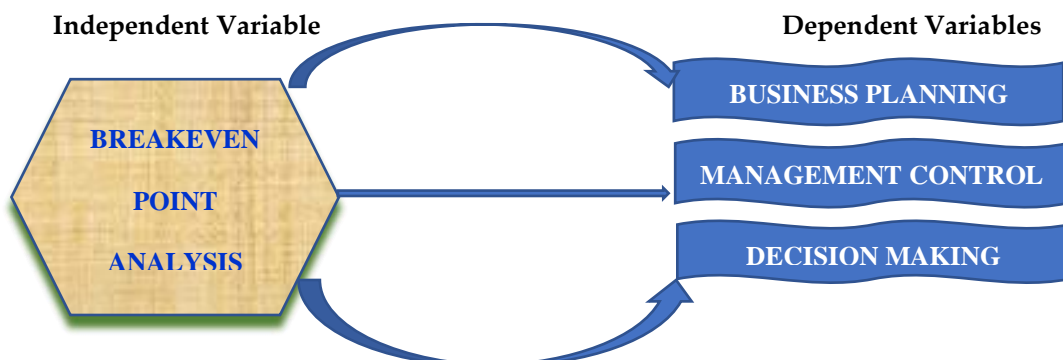
The majority of research scenarios have positive effects on breakeven point improvements in practice. The Vietnamese market has seen little breakeven point analysis study. The research continues to face issues that require its careful study and basic approach for Vietnamese enterprises in the future. Our anticipated proof will convince us to continue the research and recognize its practical value. We are certain that our methodology will be demonstrated in the next chapter using the insights from this chapter and our extensive literature review. It means we'll change the study's approach and evidence.

3. METHODOLOGY

3.1 Research Method and Design Appropriateness

Initial data for the study objectives were collected by surveying many Vietnamese firms (multinational and big Vietnamese groups not included here) in 2024 fiscal. The statistical tool SPSS analyzed resolution data. Second, a self-administered questionnaire collected quantitative data and asked employees to assess their likelihood ([5] strongly agree; [4] agree; [3] neutral; [2] disagree; [1] strongly disagree). The questionnaire is also sent to Vietnamese responders using Google form in 2024. Additional info comes from secondary sources. Secondary data comes from reputable journals, books, and dissertations.

Figure 1. Research 's model, Note: Illustration based on prior study (Nabil Alnasser, 2014)



3.2 Population, Sampling, Data Collection Procedures and Rationale

The selected business objects were categorized by the type of FDI-Vietnamese enterprise in 2024. The study examined Vietnamese and foreign-invested enterprises in important areas such as Northern, Middle, and Central South Vietnam and surrounding provinces. The non-probability sampling approach was then applied to the study issue, and the class sample is used to represent the various categories of investors in Vietnam. In addition, the questionnaire's respondents' gender, level of education, and occupation were taken into consideration while evaluating the sample's characteristics. Consequently, using <https://www.qualtrics.com/blog/calculating-sample-size/>, total sample sizes in scientific research are adjusted to accurate units, with the margin of error set at 5% and the confidence level set at 95%. The Statistical Package for Social Sciences was used to analyse the research data (SPSS). Moreover, the study will include the reliability tests.

3.3 Internal and External Validity

We reviewed over 200 research articles from 2000 to 2024 to assess how breakeven point analysis affects corporate planning, managerial control, and decision making. Doctors Nabil Alnasser, Osama Samih Shaban, and Ziad Al-Zubi from Amman's Al-Zaytoonah University's accounting department created the business module in 2014. The International Journal of Academic Research in Business and Social Sciences, ISSN 2222-6990, published the study in May 2014, Vol. 4, No. 5. Firstly, we reviewed over 200 cases in our literature from 2000 to the present. We have already found that, in actuality, very few previous studies have been conducted using the same research topic and research scenario as our project.

3.4 Data Analysis

A self-administered questionnaire was used to gather quantitative data, and it asked employees to rate their likelihood of agreeing on a 5-point scale ([5] strongly agree; [4] agree; [3] neutral; [2] disagree; and [1] strongly disagree). Cronbach's Alpha should be 0.7 or higher for a good scale (Nunnally, 1978). A scale with one-dimensionality and dependability should have 0.7 or higher Cronbach's Alpha. An initial exploratory study can use a Cronbach's Alpha of 0.6 (Hair, 2009). The scale is more reliable with higher Cronbach's Alpha. The Corrected Item - Total Correlation value of the observed variables should be 0.3 or higher for a good scale (Cristobal, 2007). The Corrected Item-Total Correlation coefficient improves observed variable quality. The standard deviation quantifies how dispersed a set of data is in relation to its mean value. It calculates a distribution's absolute variability. The T-test is a statistical instrument that aids in the comparison of one or two populations' means when applying the hypothesis testing technique (Paul, 2008).

4. RESULTS, ANALYSIS AND FINDINGS

4.1 Sample Characteristics

As seen below, it obtained sample statistics. The participants were 34% male and 66% female, mostly under 30. Most respondents have less than 5 years of industry experience. 45% of commerce and services participants were surveyed. Finally, 93% of research topic survey samples show that Vietnamese capital dominates enterprises and other organizations. Table 1's Table shows demographics.

Table 1. Demographic Data

Classification	Units	%	Classification	Units	%
Location			Work Position		
North of Vietnam	14	4%	Accounting Management	86	22%
Middle of Vietnam	19	5%	Accounting staff	155	39%
South of Vietnam	344	87%	Other	154	39%
Indefinite Location	18	5%	Business Field		
Sex			Production	61	16%
Male	134	34%	Trading & Services	177	45%
Female	261	66%	Other	155	39%
Age			Capital Structure		
Under 30	242	61%	VDIs and others	367	93%
Over 30	153	39%	FDIs	28	7%
Working Experiences					
Over 5 years	15	4%			
Under 5 years	380	96%			

4.2 Drafted Testing Step of Data Analysis

In detail, the flow test of the research sample in the first stage revealed that the scale's coefficient of precision was $0.906 > 0.7$ according to Table 3 as below.

Table 2. Reliability Statistics for drafted data analysis process

Cronbach's Alpha	N of Items
0.906	15

And then, Reliability Statistics, and all of the observed variables had a correlation more than 0.3 according to Table 3, Item-Total Statistics.

Table 3. Item-Total Statistics for Drafted Data Analysis Process

No	Attributes Standards	Corrected Item
1	Businesses in Vietnam conduct or desire to assess the break-even threshold while planning human resource recruitment.	0.697
2	Businesses in Vietnam perform or seek to study break-even points to assess audit effectiveness.	0.665
3	Businesses in Vietnam conduct or desire to assess break-even thresholds to determine the effectiveness of commercial results.	0.608

4	Businesses in Vietnam conduct or wish to study break-even points in the process of planning their business expenses.	0.634
5	Businesses in Vietnam conduct or wish to assess break-even points in their production planning process.	0.506
6	Businesses in Vietnam conduct or seek to evaluate break-even points to indicate the impact of changes in variable costs (costs that change according to production and consumption output) on the firm.	0.592
7	Businesses in Vietnam do or intend to conduct break-even analysis to choose between alternative business possibilities in the businesses	0.596
8	Businesses in Vietnam perform or wish to study break-even points to make long-term investment decisions in their firms	0.605
9	Businesses in Vietnam practice or want to practice break-even analysis in their operations.	0.559
10	Businesses in Vietnam conduct or desire to study the break-even point to highlight the impact of fluctuations in input resource prices and selling prices of the business's products and goods.	0.548
11	Enterprises in Vietnam perform or wish to evaluate the break-even point to highlight the influence of the break-even point on the enterprises' fixed assets.	0.657
12	Businesses in Vietnam perform or wish to examine the break-even point to indicate the impact on accounting profit in the business.	0.56
13	Businesses in Vietnam perform or wish to examine break-even points to regulate and eradicate fraud and errors in their accounting processes.	0.675
14	Businesses in Vietnam conduct or seek to evaluate the break-even point to demonstrate the impact of the break-even point on short-term business decision making in the business.	0.494
115	Businesses in Vietnam use or seek to use break-even points to monitor market trends.	0.567

4.3 Final Testing Step of Data Analysis

In the next phase, we'd like to do the formal data analysis process on the 384 final data analysis samples. First, we will examine the Cronchbach's Alpha ratio in order to adapt the Likert scale in our software SPSS for this assignment. Then, our data results are displayed in the table 4 as follows.

Table 4. Scale: All Variables

Case Processing Summary		N	%
Cases	Valid	384	100
	Excluded ^a	0	0
	Total	384	100

a. Listwise deletion based on all variables in the procedure.

Table 5. Reliability Statistics (Final Data Analysis Process)

Cronbach's Alpha	N of Items
.913	15

Table 6. Item-Total Statistics (final data analysis process)

No	Attributes Standards	Corrected Item
1	Businesses in Vietnam conduct or desire to assess the break-even threshold while planning human resource recruitment	0.56
2	Businesses in Vietnam perform or seek to study break-even points to assess audit effectiveness.	0.626
3	Businesses in Vietnam conduct or desire to assess break-even thresholds to determine the effectiveness of commercial results.	0.616
4	Businesses in Vietnam conduct or wish to study break-even points in the process of planning their business expenses.	0.606
5	Businesses in Vietnam conduct or wish to assess break-even points in their production planning process.	0.575
6	Businesses in Vietnam conduct or seek to evaluate break-even points to indicate the impact of changes in variable costs (costs that change according to production and consumption output) on the firm.	0.593
7	Businesses in Vietnam do or intend to conduct break-even analysis to choose between alternative business possibilities in the businesses	0.595
8	Businesses in Vietnam perform or wish to study break-even points to make long-term investment decisions in their firms	0.601
9	Businesses in Vietnam practice or want to practice break-even analysis in their operations.	0.64
10	Businesses in Vietnam conduct or desire to study the break-even point to highlight the impact of fluctuations in input resource prices and selling prices of the business's products and goods.	0.638
11	Enterprises in Vietnam perform or wish to evaluate the break-even point to highlight the influence of the break-even point on the enterprises' fixed assets.	0.671

12	Businesses in Vietnam perform or wish to examine the break-even point to indicate the impact on accounting profit in the business.	0.639
13	Businesses in Vietnam perform or wish to examine break-even points to regulate and eradicate fraud and errors in their accounting processes.	0.601
14	Businesses in Vietnam conduct or seek to evaluate the break-even point to demonstrate the impact of the break-even point on short-term business decision making in the business.	0.59
15	Businesses in Vietnam use or seek to use break-even points to monitor market trends.	0.629

Table 7. Descriptive Statistics (Final Data Analysis Process)

No	Attributes Standards	Mean	Std. Deviation	Sig
1	Businesses in Vietnam conduct or desire to assess the break-even threshold while planning human resource recruitment	3.8516	0.87097	High
2	Businesses in Vietnam perform or seek to study break-even points to assess audit effectiveness.	3.9167	0.81969	High
3	Businesses in Vietnam conduct or desire to assess break-even thresholds to determine the effectiveness of commercial results.	4.0807	0.80549	High
4	Businesses in Vietnam conduct or wish to study break-even points in the process of planning their business expenses.	4.0469	0.74602	High
5	Businesses in Vietnam conduct or wish to assess break-even points in their production planning process.	4.112	0.76848	High
6	Businesses in Vietnam conduct or seek to evaluate break-even points to indicate the impact of changes in variable costs (costs that change according to production and consumption output) on the firm.	4.0599	0.76752	High
7	Businesses in Vietnam do or intend to conduct break-even analysis to choose between alternative business possibilities in the businesses	3.9792	0.78136	High
8	Businesses in Vietnam perform or wish to study break-even points to make long-term investment decisions in their firms	4.0859	0.8017	High
9	Businesses in Vietnam practice or want to practice break-even analysis in their operations.	3.9479	0.78324	High
10	Businesses in Vietnam conduct or desire to study the break-even point to highlight the impact of fluctuations in input resource prices and selling prices of the business's products.	4.026	0.74354	High
11	Enterprises in Vietnam perform or wish to evaluate the break-even point to highlight the influence of the break-even point on the enterprises' fixed assets.	3.8854	0.80947	High

12	Businesses in Vietnam perform or wish to examine the break-even point to indicate the impact on accounting profit in the business.	3.987	0.78653	High
13	Businesses in Vietnam perform or wish to examine break-even points to regulate and eradicate fraud and errors in their accounting processes.	3.90365	0.860255	High
14	Businesses in Vietnam conduct or seek to evaluate the break-even point to demonstrate the impact of the break-even point on short-term business decision making in the business.	3.9505	0.76827	High
15	Businesses in Vietnam use or seek to use break-even points to monitor market trends.	3.9974	0.77324	High

Table 8. One-Sample Statistics

Hypothesis	N	Mean	Std. Deviation	Std. Error Mean
Sub1 (*): Plan	384	3.8516	.87097	.04445
Sub 2 (**): Management	384	3.9167	.81969	.04183
Ho1(****): C.G	384	4.0807	.80549	.04111
Sub1 (*): Plan	384	4.0469	.74602	.03807
Sub 2 (**): Management	384	4.1120	.76848	.03922
Sub 2 (**): Management	384	4.0599	.76752	.03917
Sub 3 (**): Business Decision	384	3.9792	.78136	.03987
Sub 3 (**): Business Decision	384	4.0859	.80170	.04091
Ho1(****): Corporate Governance	384	3.9479	.78324	.03997
Sub 2 (**): Management	384	4.0260	.74354	.03794
Sub 2 (**): Management	384	3.8854	.80947	.04131
Ho1(****): Corporate Governance	384	3.9870	.78653	.04014
Sub 3 (**): Business Decision	384	3.90365	.860255	.043900
Sub 3 (**): Business Decision	384	3.9505	.76827	.03921
Ho1(****): Corporate Governance	384	3.9974	.77324	.03946

(*): Sub-Hypothesis of there is no significant statistical relationship between Break-Even-Point and planning in the companies operating in Vietnam; (**): Sub-Hypothesis of there is no significant statistical relationship between Break-Even-Point and Management Control in the companies operating in Vietnam; (**): Sub-Hypothesis of there is no significant statistical relationship between Break-Even-Point and Business Making Decision in the companies operating in Vietnam; (****): Hypothesis of the companies in Vietnam do not use or intend to use Break-Even-Point in planning, controlling, and decision making.

Table 9. One-Sample Test

	Test Value = 3.41					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Sub1: Plan	9.935	383	0	0.44156	0.3542	0.529
Sub 2: Management	12.113	383	0	0.50667	0.4244	0.5889
Ho1: C.G	16.317	383	0	0.67073	0.5899	0.7515
Sub1: Plan	16.729	383	0	0.63687	0.562	0.7117
Sub 2: Management	17.9	383	0	0.70198	0.6249	0.7791
Sub 2: Management	16.593	383	0	0.6499	0.5729	0.7269
Sub 3: Business Decision	14.274	383	0	0.56917	0.4908	0.6476
Sub 3: Business Decision	16.522	383	0	0.67594	0.5955	0.7564
Ho1: Corporate Governance	13.458	383	0	0.53792	0.4593	0.6165
Sub 2: Management	16.236	383	0	0.61604	0.5414	0.6906
Sub 2: Management	11.509	383	0	0.47542	0.3942	0.5566
Ho1: Corporate Governance	14.375	383	0	0.57698	0.4981	0.6559
Sub 3: Business Decision	11.245	383	0	0.493646	0.40733	0.57996
Sub 3: Business Decision	13.787	383	0	0.54052	0.4634	0.6176
Ho1: Corporate Governance	14.886	383	0	0.5874	0.5098	0.665

Our study's data analysis was complete, as shown in the table 1 to 9. To verify the study's data analysis approach was followed and effective, we analysed two work phases utilizing the likert-5 scale's testing ratios like Cronbach's Alpha, Item-Total Statistics, Descriptive Statistics, and One-Sample Statistics. Additionally, the research findings will be useful and applicable.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion of Findings

Tables 8 and 9 showed sample test results (one sample t-test) for the main hypothesis and its sub-hypothesis, assessing how BEP affects planning, controlling, and decision making. Table 9's One-Sample Test showed a 2-tailed significance value below 0.000. The fundamental and secondary hypotheses in the study subject were rejected. The mean values of the variables were statistically significant when they exceeded 3.41. Based on the core concept, Break-even analysis was also used for corporate planning, operational management, and informed decision-making in Vietnam. Furthermore, it was noteworthy that all Mean Difference values demonstrated a positive trend, indicating that the study's respondents were satisfied with their evaluations during the research survey.

Additionally, Table 9, "One-Sample Test," provides additional mean, standard deviation, and mean error data for the study's variables. All variables had mean values over 3.41, with the lowest being 3.8516. A favourable response meant most candidates were happy and agreed. In Table 9, the test results for 15 quantifiable variables were divided into four study hypotheses: one primary and three supplementary.

Specifically, in Table 8's Mean test, One-Sample Statistics ranged from 3.8516 to 4.1120. The research variables showed mean values above 3.41, indicating that Vietnamese enterprises in 2024 used or planned to employ break-even analysis to manage operations. The study's primary hypothesis and three sub-hypotheses were rejected by Table 9's One-Sample Test's 0.000 Sig. (2-tailed) index. Our answers to the second through fourth queries are known. Break event points were utilized by Vietnamese investment organizations to track work performance, display company strategy, and make key business decisions.

5.2 Conclusions

The study comprehensively analysed all 384 primary sampling units to present its conclusive research findings. Hence, it firmly asserted that the two sub-processes depicted above are regarded as a rational and efficient work methodology. In conclusion, it firmly believed that this study effectively met its research purpose logically. It exists a notable correlation between the breakeven threshold and other dependent variables such as company planning, management commitment, and corporate decision-making. Therefore, we can unequivocally answer affirmatively to all four research questions in this work. Finally, Its selection of this topic and investigation of the present Vietnamese market's reaction will serve as potential evidence to contribute to the Vietnamese microeconomic level from now to near future.

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The Intersection of Nature and Comfortable Camping: Glamping Tourism and Culinary Experience

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Abstract

The study aims to examine the food and beverage experiences of tourists participating in glamping tourism and to identify the interrelationships among these elements as well as their connection to overall satisfaction levels. In this context, a total of 204 reviews on food and beverage experiences from the three most-reviewed glamping facilities in Sapanca were analysed using the MAXQDA24 qualitative data analysis software and subjected to content analysis. The findings reveal that the food and beverage services offered at glamping facilities are generally structured and standardized, with no inclusion of local or organic products. Additionally, while tourists are largely satisfied with the standard breakfast and dinner services, they generally do not express a notable expectation for local and organic flavors. Furthermore, the need to enhance the variety and differentiation of food and beverage services in regions with a high concentration of glamping facilities has been emphasized.

Keywords: Glamping Tourism, Gastronomy, Tourist Experience, Tourist Satisfaction, Sustainable Tourism

1. INTRODUCTION

Glamping tourism (eye-catching/luxury camping) has rapidly gained popularity in global tourism in recent years as a form of camping that does not compromise on comfort and luxury (Budiasa, 2019). This particular form of tourism, which involves direct engagement with nature (Nabila & Alifa, 2024), provides guests not only with high-quality accommodation but also with an extraordinary environment that enhances the experience. However, the value of the glamping experience in tourism is not confined solely to the provision of lodging; rather, it is enriched by the inclusion of food and beverage services, which play a pivotal role in shaping and elevating the overall experience for visitors.

Gastronomy represents a key feature in the attractiveness of a tourist region, serving as both a part of the culture of the destination that tourists come to explore and as an element that characterizes societies (Moulin, 2000: 20). Offering gastronomic experiences by destinations and establishing a connection between geography, local culture, and traditions is an important factor (Richards, 2003: 16-17). In today's world, where there has been a notable increase in environmental awareness and a growing interest in healthy eating habits, authentic foods have emerged as a vital component of sustainable gastronomic tourism. These foods provide tourists with a distinctive and immersive experience, contributing to the broader appeal of destinations that prioritize sustainability and local food cultures (Akdağ & Üzülmez, 2017). The local, organic, and sustainable gastronomic options offered at glamping sites enable tourists to nourish themselves in harmony with nature, deepening their vacation experience. In this way, glamping tourism goes beyond just providing comfortable accommodation, offering an authentic

experience enriched by eco-friendly practices and local cuisine, thereby contributing to sustainable tourism.

Based on the points outlined above, the aim of this study is to examine the food and beverage experiences of tourists participating in glamping tourism and to identify the interrelationships among these elements as well as their connection to overall satisfaction levels. The study seeks to examine the food and beverage experiences offered by glamping facilities in Sapanca, a region known for its high density of such facilities, within the context of service quality and satisfaction levels, and to provide a clear understanding of this aspect. The extremely limited number of studies in this area within the literature emphasizes the originality of the research.

2. CONCEPTUAL FRAMEWORK

Beyond its role as a physiological means of nutrition to fulfill basic human needs, food has been shown in various studies to play a key role in motivating tourists' interest in local cuisines, thus enhancing their destination experiences through participation in gastronomic tourism (Fields, 2002; Kivela & Crofts, 2006; Kim, Eves & Scarles, 2009; Agyeiwaah, Otoo, Suntikul & Huang, 2019). Due to the globalization of the world and the near unification of different regions, tourists are increasingly drawn to destinations that offer distinct identities and experiences rooted in local culture. In this context, they seek out experiences that highlight uniqueness and differentiation, allowing them to engage more deeply with the local culture and environment (Pavlidis & Markantonatou, 2020). In recent years, travel motivated by food and beverage has become increasingly important from an economic, social, and cultural perspective. Local foods not only represent national and regional identities but also reflect personal identity, playing a significant role in the development of a destination's image (Choe & Kim, 2018; Erdoğan, 2024).

Gastronomy, as an influential factor in the selection and revisiting of destinations, contributes to the tourism industry in several ways. These include increasing the number of tourists, extending their length of stay, boosting tourist spending in destinations, fostering the development of new types of tourism, enabling the introduction of alternative products, and creating new employment opportunities (Yılmaz, 201: 172). Within the context of the multifaceted relationship between gastronomy and tourism, it is essential to approach both concepts holistically and create opportunities that open new perspectives through a sustainable approach.

Sustainable gastronomy, by addressing local food sources within their spatial and cultural context, contributes to both economic and environmental sustainability. At the same time, it emerges as a key element that strengthens the identity of destinations and provides a competitive advantage (Rinaldi, 2017). In this context, sustainable gastronomy not only transforms eating habits to support human health and minimize environmental impacts but also addresses economic, social, and ecological dimensions through a holistic approach, ensuring that the needs of future generations are taken into account (Reynolds, 2020; Malinowska, Płoska, Chmielewski & Śledzik, 2024). In line with this, gastronomy and food elements play a significant role in the sustainable development of destinations, and through sustainable gastronomic tourism, they contribute to the preservation of regional traditions and local culture, as well as their transmission to future generations (Bayram, 2023: 76). The literature also emphasizes that sustainable local gastronomic resources have the potential to enhance a destination's ability to attract tourists and differentiate it from other destinations (Çetinsöz & Polat, 2018: 63).

The relationship between sustainable tourism and glamping emerges as one of the most effective ways for fostering sustainable growth within a tourist destination. Since sustainable tourism, by definition, involves conducting activities that preserve environmental integrity (Fernandes et al., 2021), it directly supports the use of glamping as a means to ensure that natural resources are utilized without causing degradation or depletion. In this context, it is worth addressing the

contributions of sustainable gastronomy -as can be part of glamping- to the sustainability of tourism. Practices such as the use of local and organic products, waste management, and environmentally friendly cooking methods not only help preserve nature but also contribute to local economies (Sorcaru, 2019; Pramezwary et al., 2022).

The nature-based glamping experience not only offers individuals the opportunity to be immersed in nature but also provides a holiday experience that enhances eating habits through sustainable gastronomy, fostering increased environmental awareness. Glamping refers to glamorous and luxurious camping experiences (Budiasa et al., 2019). Derived from the combination of the words "glamorous" and "camping," glamping eliminates the negative aspects of traditional camping, such as leaky tents, uncomfortable sleeping bags, and irregular food preparation, by providing pre-setup accommodations that offer the comfort of home (Brooker & Joppe, 2013: 4). Glamping allows people to experience the luxury of five-star service in natural settings, typically in remote areas, within an eco-friendly concept (Düzgün, 2021: 154; Nabila & Alifa, 2024), offering a sense of comfort akin to being at home (Meriç et al., 2021: 401). In this context, glamping tourism has become increasingly popular as a type of tourism that integrates harmoniously with the natural environment without causing harm, while prioritizing safety (Yıldırım & Erkiç, 2019: 481). It is frequently preferred by those seeking to escape urban life and by nature and camping enthusiasts. Recently, there has been a shift from traditional tourism and camping towards a new tourist offering, glamping tourism, which combines nature-based tourism and camping preferences with the luxury holiday experience (Göktaş et al., 2017: 108).

Since the beginning of travel, food has been an integral part of the tourist experience. Given that every tourist needs to eat during their trip, the food available at the destination plays a crucial role (Güneş, 2019). In nature-focused holiday experiences, the food and drink options become even more significant, influencing the overall quality of the tourist experience. The similarities and differences in meal preparation with specific equipment in nature during traditional camping highlight key elements that strengthen the sustainability and comfort aspects of glamping tourism. In traditional camping, meals are typically prepared in a simple, practical manner, using equipment that suits the natural environment (Urcan, 2016). In contrast, glamping prioritizes comfort, with gastronomic experiences often enriched through the use of local and organic ingredients. Given that camping is an activity that directly engages with nature (Nabila & Alifa, 2024), and that camp meals form an essential part of outdoor recreation and nature-based tourism (Calvén, 2025), in glamping, both accommodation and the preparation and presentation of food serve as crucial elements that enrich the overall tourist experience. Furthermore, the concept of sustainable gastronomy creates a holiday experience in harmony with waste management and the use of eco-friendly materials in glamping sites (Güneş, 2019), fostering greater environmental awareness among guests and adding more significance to their holiday experience.

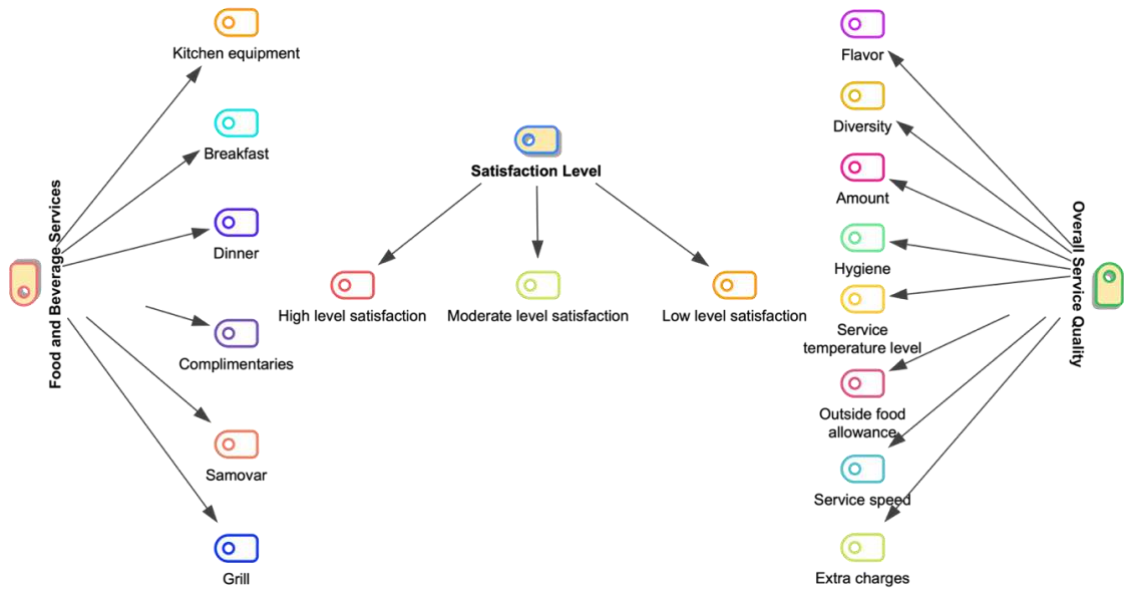
3. METHOD

A qualitative approach has been adopted as the research method, and content analysis has been conducted. The sample of the study consists of three glamping facilities located in the Sapanca destination, which stands out due to its proximity to large cities and natural wealth, and has the highest number of reviews on Google Maps. In this context, reviews of the glamping facilities were collected, revealing a total of 780 reviews for the three establishments. Subsequently, comments related to the food and beverage experience were extracted, yielding 204 relevant reviews. These selected reviews were then transferred into a Word document and consolidated into a single analysis file.

The study focuses on the food and beverage services at glamping facilities, specifically examining the aspects that tourists are satisfied with and the issues they have raised complaints about. In

this context, the comments were reviewed multiple times by the researcher, and main themes, themes, and codes were developed. The main theme, "Food and Beverage Experience," was based on literature and conceptual understanding (concept-driven), while the themes "Food and Beverage Services," "Satisfaction Level," and "Overall Service Quality" were data-driven. Figure 1 illustrates the hierarchy of the themes, and codes related to the main theme allowing for a clear visualization.

Figure 1. Code Hierarchy



For qualitative and mixed methods, the data were processed into themes and codes using MAXQDA24, a computer-assisted analysis software, and the content analysis process was initiated. In the Findings section, visuals related to the analysis are provided, along with data quotations that constitute the raw content of the main theme, in an effort to ensure data transparency.

4. FINDINGS

The text subjected to content analysis was divided into ten sections to enable systematic coding. In the chart presented in Figure 2, the horizontal axis is numbered from 1 to 10. The names of the themes and codes, along with the colors used in the chart, are specified on the left side of the graph. This allows for easy tracking of the distribution of themes and codes throughout the text, as well as the sections where they decrease or intensify.

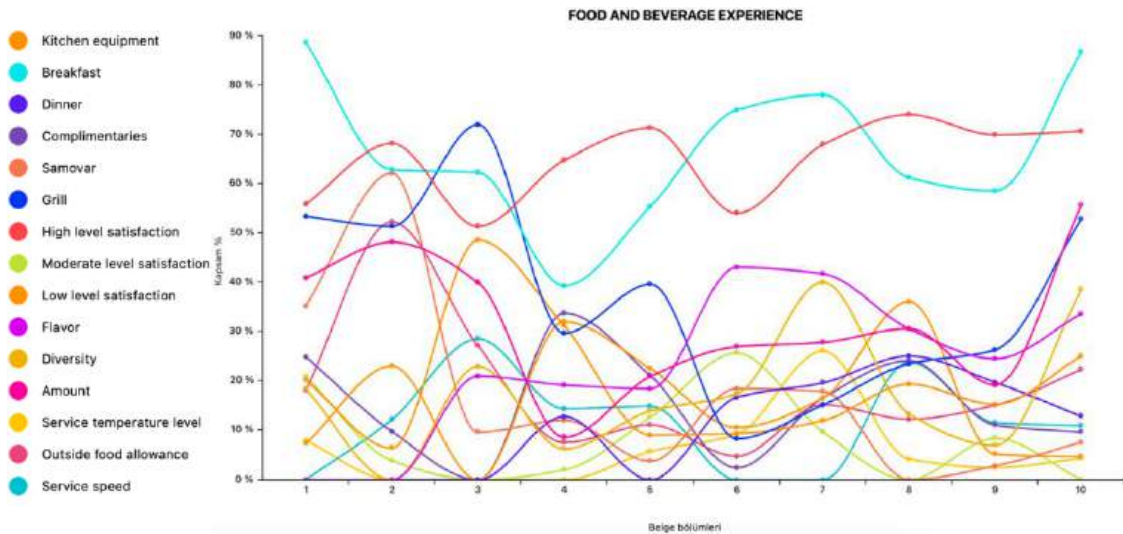


Figure 2. Code Distribution within the Document

It can be observed that the "Breakfast" code is assigned the highest percentage of 89% in section 1 and the lowest percentage of 39% in section 4. Similarly, when examining the distribution of the "High Level Satisfaction" code in the chart, it can be determined that it is coded at high rates throughout the document. This suggests that comments expressing tourists' high levels of satisfaction are prevalent in the majority of the analyzed text.

Figure 3 visualizes the statistics of the codes within the "Food and Beverage Services" theme. The highest coding rate was assigned to the "Breakfast" code, followed by the "Grill" and "Dinner" codes, with a noticeable difference between them. This indicates that, within the limited services offered by the three glamping establishments in Sapanca included in the analysis, breakfast naturally stands out as one of the first and most significant activities of the day. Additionally, in this tourism experience that incorporates elements of camping, it is possible to consider that the expectation may have been exceeded relatively easily, given that more limited facilities could also be accepted. The prominence of the "grill" and "dinner" codes in the glamping food and beverage experience can be explained by the value placed on grilling, as well as the fact that dinner, being a key food and beverage activity, is often associated with grilling in the context of glamping.

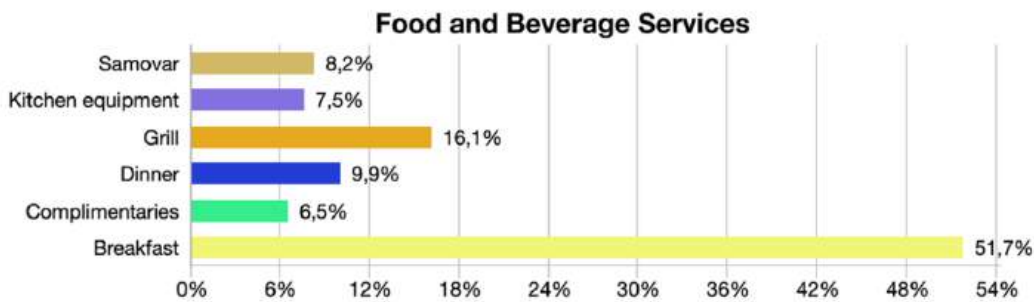


Figure 3. Code Statistics of Food and Beverage Services Theme

In Figure 4, under the "Overall Service Quality" theme, it is observed that the highest coding frequencies are assigned to the "Amount," "Flavor," and "Diversity" codes, while the "Extra Charges" code has the lowest frequency. This can be attributed to the fact that, in a study focusing primarily on the food and beverage experience, the majority of comments are centered on breakfast and dinner, with aspects such as portion size, taste, and available options being frequently discussed in both positive and negative terms. Moreover, as certain services offered at

the facilities come with an additional charge, some tourists have highlighted this in their reviews to inform potential visitors about these extra costs. Below are some data quotations related to this matter:

“We had amazing breakfasts. It was wonderful, everything was fresh. The pastry was hot, the scrambled eggs were delicious. The tea was perfectly brewed, and I must say I’m a tea addict. There were more than 20 types of food on our plates.”

“The only aspect that I think needs improvement is the breakfast; for breakfast lovers, the variety and portions were limited.”

“We wanted to have a grill for dinner, but the grill service is paid. Even the ice is charged.”

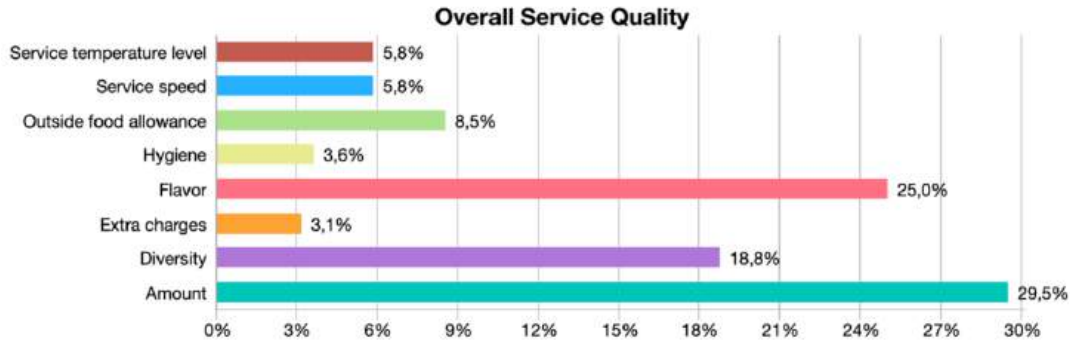


Figure 4. Code Statistics of Overall Service Quality Theme

As can be seen in Figure 5, based on the satisfaction levels analyzed in visitor reviews, 77.1% of tourists reported high satisfaction. This indicates that a significant majority of tourists who experienced glamping tourism had their expectations successfully met, resulting in an overall positive experience. Additionally, the percentage of tourists with moderate satisfaction is 8%, while 14.9% reported low satisfaction. These data indicate that while the glamping experience was satisfying for most tourists, it also highlights that the expectations of some tourists were not fully met. The high satisfaction rate reflects the overall success of the glamping facilities, while the low satisfaction rate indicates areas that need improvement. Data quotations related to each satisfaction level are provided below.

“The breakfast wasn’t bad, but there weren’t many options.”

“The two-person breakfast had 4 slices of tomato and 2 slices of cucumber. It was really the worst breakfast I’ve seen.”

“I can say the breakfast in the morning was excellent. I didn't expect it to be this good, we really liked it.”

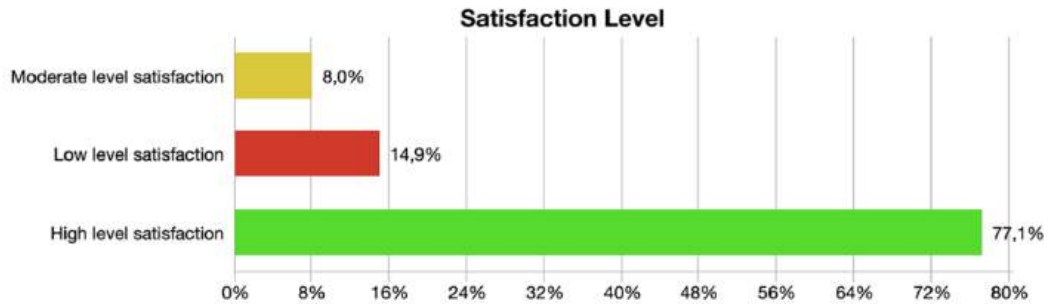


Figure 5. Code Statistics of Satisfaction Level Theme

Figure 6 illustrates the relationships between themes and codes. The connections between themes and codes are depicted with varying thicknesses, indicating the strength of the relationships, where stronger connections are represented by thicker lines and weaker connections by thinner ones. In this context, it can be observed that there is a direct, strong relationship between the main theme of "Food and Beverage Experience" and the "Breakfast" code. Additionally, the "Breakfast" code also shows strong relationships with the "High level satisfaction", "Moderate level satisfaction", and "Low level satisfaction" codes under the "Satisfaction Level" theme. It has been determined that the breakfast service offered by the facility has a significant impact on the satisfaction level in glamping tourism. As the first meal of the day and a key component of the limited food and beverage services provided by the facility, breakfast has frequently appeared in visitors' comments.

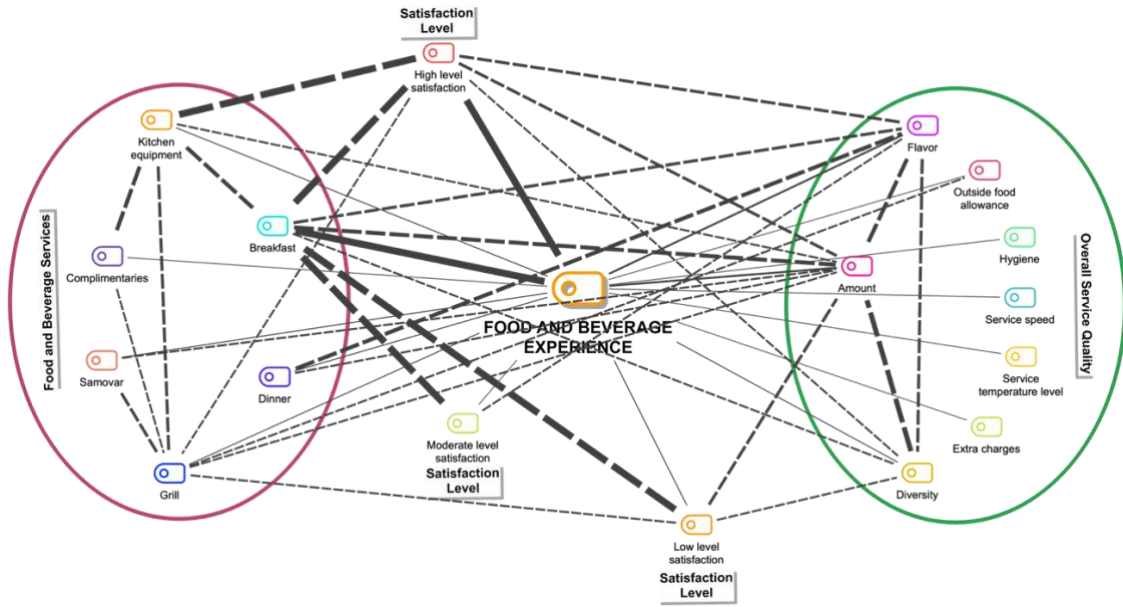


Figure 6. The Interrelationship Map of Themes

Evaluations related to breakfast have been found to be associated with the codes under the "Overall Service Quality" theme in determining the satisfaction level. Specifically, the "Flavor," "Amount," and "Diversity" codes are identified as strong determinants. The strong relationship between these three codes can be explained by the fact that visitors often mention these three elements together in their comments.

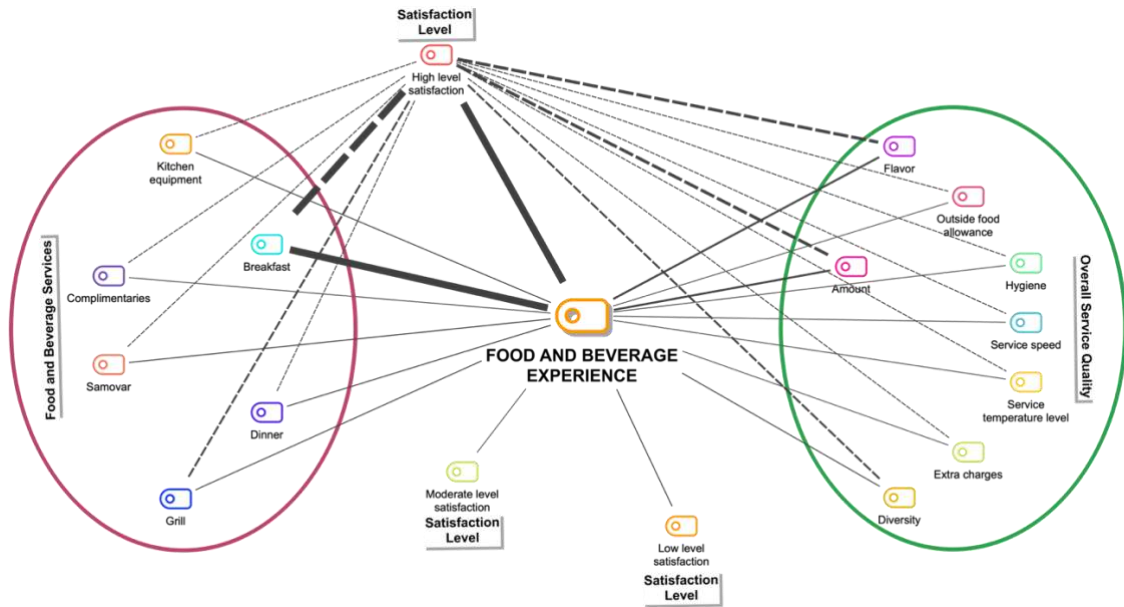


Figure 7. The Interrelationship Map with High Level Satisfaction Code

Breakfast in glamping establishments emerges as a critical service that shapes visitors’ overall experiences. In these types of accommodations, where limited food and beverage alternatives are offered, the quality of breakfast directly influences guests’ overall satisfaction. Elements such as taste, portion size, and variety are key factors in guests’ assessment of the service quality. If the breakfast does not meet expectations, it could negatively affect visitors’ overall perception of the service. On the other hand, a positive breakfast experience can strengthen the overall positive impression of the establishment.

Figure 7 illustrates the themes and codes strongly associated with the “High level satisfaction” code. The most prominent relationship is between the “Food and Beverage Experience” main theme and the “Breakfast” code, which are mutually interconnected. This indicates that breakfast services within the food and beverage experience in glamping establishments play a significant role in achieving high levels of satisfaction. Accordingly, no relationship was found between this code and the “Moderate level satisfaction” or “Low level satisfaction” codes. All remaining codes were found to be associated with comments that could contribute to "High level satisfaction." Within the overall food and beverage experience at glamping establishments, breakfast emerges as one of the strongest satisfaction determinants. The emphasis placed on breakfast in the comments of visitors reporting high satisfaction indicates that this service occupies a central role in the accommodation experience.

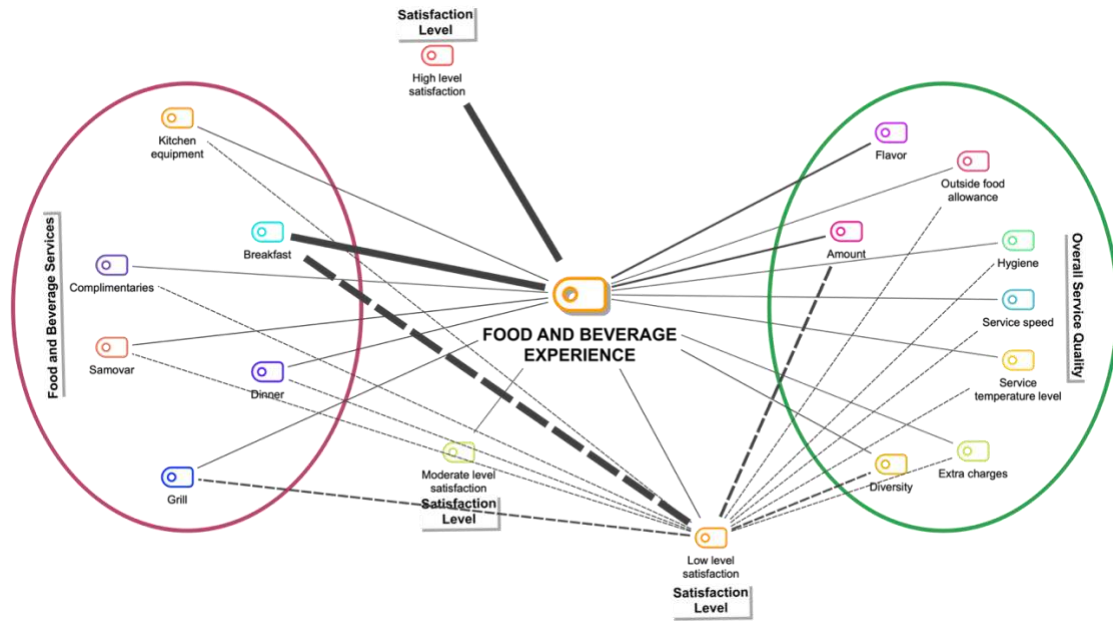


Figure 8. The Interrelationship Map with Low Level Satisfaction Code

In Figure 8, it can be seen that the codes most strongly related to the “Low level satisfaction” code are “Breakfast” and “Amount”, while “Grill” and “Diversity” show a strong relationship. The co-occurrence of these codes indicates that the low level of satisfaction is significantly influenced by the quality of breakfast, portion sizes, grilling experience, and food diversity. The “Low level satisfaction” code is associated with seven codes under the “Overall Service Quality” theme, with the only exception being the “Flavor” code, which showed no connection. Some related data excerpts are provided below:

“The only aspect that I think needs improvement is the breakfast; for breakfast lovers, the variety and portions were limited.”

“The breakfast in the morning seemed like a single serving, it was insufficient.”

“It would have been better if breakfast had not been served, because it was really very, very bad – even the cat wouldn't eat it.”

“We wanted to have a grill for dinner, but the grill service is paid. Even the ice is charged.”

In the comments where visitors reported low satisfaction, breakfast, portion size, grill service, and diversity emerge as the most determining factors. This indicates that the food and beverage services offered in glamping establishments are assessed not only by their quality but also by their quantity and variety. Additionally, the fact that the flavor element is not associated with low satisfaction suggests that while the food may be satisfactory in terms of flavor, unmet expectations in other factors can lead to overall dissatisfaction.

5. CONCLUSION AND RECOMMENDATIONS

Food and beverage experiences are a key component of holidays for tourists (Toksöz & Aras, 2016). As glamping tourism provides an immersive experience in nature, the gastronomic encounters within this setting are equally distinct and memorable. Especially, flavors based on local culinary traditions offer tourists both a gastronomic discovery and an opportunity to experience the region's cultural richness (Zararsız & Kargiglioğlu, 2022; Demir, 2024). In this context, the relationship between gastronomy and tourism not only provides a satisfying taste

experience but also allows tourists to establish a deeper cultural connection with the region (Sorcaru, 2019; Onur, 2021; Yubianto, 2023).

According to the results of the study, contrary to the information found in the aforementioned literature, it was observed that in glamping tourism experiences, the facilities do not offer local cuisine to tourists. Instead, a standardized breakfast is provided, with its contents remaining the same every day. In other words, an upgraded version of the breakfast and dinner typically prepared in traditional camping settings is served. Some facilities offer dinner services, while others do not; however, all of them provide a grill service for an additional fee, enabling tourists to cook food they bring from outside. The related limited services present barriers to preserving the authenticity of the destinations, shaping their identities, and highlighting their gastronomic values.

The lack of natural and organic products in a tourism experience that is immersed in nature hinders tourists from fully integrating with nature and enhances their environmental awareness. At this point, the results showing that visitors expressed high satisfaction with the breakfasts and dinners are noteworthy. The fact that no guest criticized the absence of local and organic flavors indicates that those participating in glamping tourism may not have sufficient awareness regarding local and organic foods, and were not expecting such offerings. Despite being classified as a form of special interest tourism, glamping tourism appears to attract tourists who seek a structured experience akin to organized mass tourism (Cohen, 1972). Furthermore, it offers products with highly restricted authenticity, to the extent that it elevates -in a sense- the destination's level of McDisneyization and undermines its tourism experience potential (Erdoğan, 2022). These shortcomings pose a significant barrier to enhancing the tourism experience. Particularly in regions where glamping facilities are concentrated, diversifying and differentiating offerings could provide a competitive edge, ultimately increasing satisfaction from both supply and demand perspectives.

Enhancing the gastronomic experiences in glamping tourism could involve offering more local and organic products, diversifying breakfast and dinner options, organizing local cooking workshops, and increasing tourists' awareness of sustainability. Furthermore, while providing an immersive experience in nature, integrating a nature-centric approach will not only bolster environmental sustainability but also foster a deeper connection between tourists and the natural world. Future studies should explore the impact of local and organic products on the tourism experience, considering the perspectives of both tourists and businesses, to better understand their role in enhancing the overall experience.

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Competitive Advantages of PT Temas Line Jakarta: A Case Study

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Abstract

This study examines the impact of internal resources, innovation strategies, and market orientation on competitive advantage at PT Temas Line Jakarta, employing Resource-Based View (RBV), Dynamic Capabilities, and Porter's Five Forces as theoretical frameworks. Using a quantitative approach, data were collected through a structured survey and analyzed using multiple regression analysis. The findings reveal that market orientation is the strongest predictor of competitive advantage, followed by innovation strategies and internal resources. These results highlight the importance of aligning organizational capabilities with market dynamics to sustain competitiveness in the shipping industry. The study contributes to strategic management literature and offers practical recommendations for firms to enhance competitiveness through resource optimization, innovation-driven strategies, and market responsiveness.

Keywords: Competitive Advantage, Internal Resources, Innovation Strategies, Market Orientation, Shipping Industry

1. INTRODUCTION

One critical and urgent issue that demands attention in understanding the competitive advantages of PT Temas Line Tbk is the increasing pressure of global maritime competition and technological disruption, which necessitates a strategic alignment of internal resources, innovation strategies, and market orientation. First, the maritime shipping industry is undergoing rapid transformation due to technological advancements and regulatory shifts, compelling firms to adopt digitalization, automation, and sustainability practices to remain competitive (Stopford, 2009). Second, empirical research underscores the importance of leveraging internal resources, such as human capital, technology, and financial assets, as a foundation for building competitive strength, yet many firms struggle with effectively optimizing these resources to sustain market leadership (Barney, 1991; Teece, Pisano, & Shuen, 1997). Third, studies have demonstrated that a strong market orientation, including customer responsiveness and competitor intelligence, significantly enhances a company's ability to navigate uncertain market conditions and strengthen its strategic position, yet PT Temas Line and similar firms still face challenges in fully integrating market-driven strategies to maximize competitive outcomes (Narver & Slater, 1990; Porter, 1985). These factors indicate that while internal strengths, innovation, and market adaptability are fundamental drivers of competitive advantage, their alignment within a rapidly evolving maritime landscape remains a strategic challenge requiring urgent and integrated solutions.

Despite extensive research on competitive advantage in the maritime shipping industry, a critical gap remains in understanding the integrated role of internal resources, innovation strategies, and market orientation in sustaining long-term competitiveness. Existing studies primarily explore these factors in isolation—RBV research emphasizes internal resources but often overlooks their dynamic reconfiguration in response to market changes (Barney, 1991; Wernerfelt, 1984), while the Dynamic Capabilities framework highlights adaptability but lacks empirical insights into how firms operationalize innovation in highly regulated and capital-intensive industries like shipping (Teece, Pisano, & Shuen, 1997). Additionally, market orientation studies focus on customer-centric strategies but do not fully capture the complexities of the maritime sector, where geopolitical risks, fluctuating trade policies, and port regulations significantly influence market dynamics (Narver & Slater, 1990; Kohli & Jaworski, 1990). This fragmentation in the literature limits a holistic strategic framework that integrates internal resources, innovation, and market adaptation in shaping competitive advantage within a volatile maritime landscape. Addressing this gap is crucial for developing a comprehensive model that guides firms like PT Temas Line in aligning their capabilities with evolving industry challenges and opportunities.

This research employs an integrative theoretical framework combining the Resource-Based View (RBV), Dynamic Capabilities, and Porter's Five Forces to examine the determinants of competitive advantage at PT Temas Line Tbk. RBV posits that a firm's ability to achieve and sustain competitive advantage depends on the possession and strategic utilization of valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991). However, in rapidly evolving industries like maritime shipping, static resource possession alone is insufficient, necessitating the Dynamic Capabilities framework, which highlights a firm's ability to integrate, develop, and reconfigure internal and external competencies to address changing environments (Teece, Pisano, & Shuen, 1997). Furthermore, Porter's Five Forces framework is applied to assess the external pressures that shape competition, including supplier and buyer power, industry rivalry, potential new entrants, and substitute threats, which influence how PT Temas Line leverages its internal strengths and dynamic capabilities to sustain its market position (Porter, 1980). By integrating these perspectives, this study provides a comprehensive understanding of how firms can strategically align their internal resources, adapt to market changes, and navigate competitive pressures to achieve long-term competitive advantage.

The primary objective of this research is to analyze how internal resources, innovation strategies, and market orientation contribute to competitive advantage at PT Temas Line Tbk, utilizing the Resource-Based View (RBV), Dynamic Capabilities, and Porter's Five Forces frameworks. Specifically, this study seeks to (1) evaluate the extent to which internal resources, including human capital, technology, and financial assets, drive competitive advantage (Barney, 1991); (2) examine how innovation strategies, both incremental and radical, impact the firm's ability to differentiate and sustain market leadership (Teece, Pisano, & Shuen, 1997); and (3) investigate the role of market orientation in shaping organizational responsiveness to customer needs, competitor strategies, and industry dynamics (Narver & Slater, 1990). By integrating these theoretical perspectives, the study aims to provide empirical insights into how PT Temas Line can enhance its strategic positioning in the highly competitive shipping industry while addressing existing research gaps on the synergistic effects of these factors in dynamic business environments. The findings of this research will inform strategic decision-making for PT Temas Line and contribute to the broader discourse on sustainable competitive advantage in the maritime sector.

2. LITERATURE REVIEW

2.1. Resource-Based View

The Resource-Based View (RBV) conceptualizes competitive advantage as stemming from a firm's unique internal resources, which are valuable, rare, inimitable, and organized (VRIO) to create sustained performance differentials (Barney, 1991). This theory shifts the focus from industry structure to firm-specific capabilities, emphasizing that organizations that effectively manage their tangible (e.g., financial and physical assets) and intangible (e.g., brand reputation, knowledge, and human capital) resources can achieve long-term success (Wernerfelt, 1984). The categorization of RBV includes: (1) Physical resources, such as infrastructure, equipment, and technology; (2) Human resources, encompassing employees' skills, expertise, and organizational culture; and (3) Organizational resources, including processes, intellectual property, and strategic capabilities (Grant, 1991). While RBV provides a strong foundation for understanding firm-level competitive advantage, critics argue that dynamic market conditions necessitate a complementary perspective, such as Dynamic Capabilities, to account for the adaptability of resources over time (Teece, Pisano, & Shuen, 1997). This study employs RBV to examine how internal resources at PT Temas Line Tbk contribute to its competitive advantage, while integrating Dynamic Capabilities to capture the firm's ability to reconfigure its assets in response to environmental shifts.

2.2. Dynamic Capabilities

The Dynamic Capabilities (DC) framework conceptualizes an organization's ability to adapt, integrate, and reconfigure its internal and external resources in response to changing environments, ensuring long-term competitive advantage (Teece, Pisano, & Shuen, 1997). Unlike the Resource-Based View (RBV), which emphasizes static resource endowments, DC theory highlights organizational agility and responsiveness, particularly in industries characterized by rapid technological advancements and market fluctuations (Eisenhardt & Martin, 2000). The categorization of dynamic capabilities includes: (1) Sensing Capabilities—the ability to identify opportunities and threats in the market (Teece, 2007); (2) Seizing Capabilities—mobilizing resources to capture emerging opportunities through innovation and investment (Ambrosini & Bowman, 2009); and (3) Reconfiguring/Transforming Capabilities—continuously restructuring resources and processes to maintain competitiveness (Winter, 2003). This framework is particularly relevant in highly volatile sectors such as shipping and logistics, where firms like PT Temas Line Tbk must continuously adapt to evolving trade regulations, technological disruptions, and shifting customer demands. By integrating Dynamic Capabilities with RBV, this study examines how PT Temas Line's ability to sense, seize, and transform resources contributes to its competitive positioning.

2.3. Porter's Five Forces

The Porter's Five Forces (P5F) framework conceptualizes industry structure and competitive dynamics by analyzing five key forces that shape a firm's ability to achieve and sustain competitive advantage (Porter, 1980). These forces include (1) Threat of New Entrants—barriers to entry such as capital requirements, economies of scale, and regulatory constraints that affect industry competitiveness (Porter, 2008); (2) Bargaining Power of Suppliers—the influence suppliers have over pricing, quality, and availability of inputs, impacting operational costs (Dobbs, 2014); (3) Bargaining Power of Buyers—the ability of customers to demand lower prices or higher value, affecting profitability (Porter, 1980); (4) Threat of Substitutes—the risk posed by alternative products or services that could reduce demand (Grant, 2016); and (5) Industry Rivalry—the intensity of competition among existing firms based on price, innovation, and

market positioning (Hill, Jones, & Schilling, 2014). Categorizing these forces enables firms to develop defensive and offensive strategies—such as cost leadership, differentiation, and strategic partnerships—to mitigate risks and leverage market opportunities (Ghemawat, 1991). In highly competitive and regulation-driven industries like maritime shipping, firms such as PT Temas Line Tbk must continuously assess these forces to navigate market challenges, optimize operational efficiency, and strengthen competitive positioning.

2.4. Internal Resources

Internal resources refer to tangible and intangible assets that a firm owns, controls, and leverages to achieve competitive advantage (Barney, 1991). Within the Resource-Based View (RBV) framework, internal resources are categorized into three primary dimensions: (1) Tangible Resources, including physical assets such as financial capital, infrastructure, equipment, and technology (Grant, 1991); (2) Intangible Resources, which encompass brand reputation, intellectual property, organizational culture, and strategic networks that differentiate a firm from competitors (Hall, 1992); and (3) Human Resources, representing the knowledge, skills, and expertise of employees that drive innovation and operational efficiency (Huselid, 1995). These resources must possess VRIO attributes—valuable, rare, inimitable, and organized—to provide a sustained competitive advantage (Barney, 1991; Peteraf, 1993). Firms such as PT Temas Line Tbk, operating in highly competitive sectors like maritime shipping, must strategically manage these internal resources to enhance efficiency, foster innovation, and build resilience against market disruptions. Effective utilization of internal resources, particularly technological and human capital capabilities, serves as a key driver in strengthening a firm's market position and long-term sustainability (Teece, Pisano, & Shuen, 1997).

2.5. Innovation Strategies

Innovation strategies refer to structured approaches organizations adopt to develop new products, processes, or business models that enhance competitive advantage and long-term sustainability (Teece, 2010). These strategies are categorized into two primary dimensions: (1) Incremental Innovation, which involves continuous improvements to existing products, services, or processes, focusing on enhancing efficiency and customer satisfaction while minimizing risk (Bessant & Tidd, 2015); and (2) Radical Innovation, which represents groundbreaking changes that disrupt industries, create new markets, and redefine competitive landscapes (Christensen, 1997). Organizations implementing incremental innovation prioritize process optimization, cost reduction, and gradual technological advancements, whereas firms adopting radical innovation engage in high-risk, high-reward strategies such as new product development and market expansion (Pisano, 2015). Both innovation types are essential, as incremental innovation sustains competitive positioning while radical innovation fosters long-term industry leadership (Kim & Mauborgne, 2005). In highly competitive industries like maritime shipping, firms such as PT Temas Line Tbk must balance both types of innovation strategies—leveraging incremental innovations to refine logistics and operational efficiency, while investing in radical innovations such as digital transformation and sustainable shipping technologies to remain ahead of industry disruptions (Tushman & O'Reilly, 1996).

2.6. Market Orientation

Market orientation refers to an organizational culture and strategic approach that prioritizes the systematic collection, dissemination, and application of market intelligence to enhance customer satisfaction and competitive positioning (Kohli & Jaworski, 1990). It is rooted in the premise that organizations that understand and respond to customer needs, analyze competitor strategies,

and integrate cross-functional collaboration are better equipped to sustain a competitive advantage (Narver & Slater, 1990). Market orientation is typically categorized into three key dimensions: (1) Customer Orientation, which focuses on identifying, analyzing, and meeting customer preferences through value-driven offerings; (2) Competitor Orientation, which involves monitoring and anticipating competitor actions to differentiate products and services strategically; and (3) Inter-functional Coordination, which ensures that market knowledge is shared across departments to align business strategies effectively (Liu et al., 2013). These dimensions collectively enhance an organization's ability to adapt to market changes, optimize decision-making, and drive long-term performance (Day, 1994). In dynamic industries like maritime shipping, where competition and regulatory pressures are intense, firms like PT Temas Line Tbk must cultivate a strong market orientation by leveraging real-time customer insights, competitive intelligence, and cross-functional teamwork to remain agile and innovative in the evolving logistics landscape (Ruekert, 1992).

2.7. Competitive Advantage

Competitive advantage is defined as an organization's ability to achieve superior performance and outperform its rivals by leveraging unique resources, capabilities, and strategic positioning (Porter, 1985). It enables firms to create value for customers that is difficult for competitors to replicate, ensuring long-term sustainability and profitability (Barney, 1991). Competitive advantage is commonly categorized into two primary strategies: (1) Cost Leadership, which involves minimizing operational costs and achieving economies of scale to offer lower prices than competitors; and (2) Differentiation, which focuses on creating unique products, services, or brand attributes to enhance perceived customer value (Porter, 1980). More recent studies integrate Innovation Capability as a critical dimension, where firms leverage technological advancements, research and development, and process improvements to maintain a dynamic and adaptive competitive position (Teece et al., 1997). Additionally, market responsiveness, or the ability to quickly adapt to changing customer needs and industry trends, has emerged as a key determinant of competitive advantage in volatile and globalized industries (Farida & Setiawan, 2022). In the shipping industry, where efficiency, reliability, and innovation play pivotal roles, companies like PT Temas Line Tbk must strategically align cost efficiency, differentiation, and market agility to sustain long-term competitiveness in an evolving logistics landscape (Oyombe, 2024).

2.8. Theoretical Framework and Hypotheses Development

2.8.1. *The Effect of Internal Resources on Competitive Advantage*

The theoretical framework for this study is based on the Resource-Based View (RBV) and Dynamic Capabilities Theory, which emphasize that firms achieve competitive advantage by effectively managing valuable, rare, inimitable, and well-organized (VRIO) resources (Barney, 1991) and continuously adapting to market changes (Teece et al., 1997). Internal resources such as human capital, technological infrastructure, and financial assets enhance a firm's ability to differentiate, innovate, and operate efficiently, strengthening its market position. Empirical research by Rakhman et al. (2016) supports this, showing that supply chain integration, flexibility, and effective supply chain management practices significantly enhance competitive advantage and firm performance by optimizing internal processes and improving adaptability in uncertain environments. This study, therefore, hypothesizes that H1: Internal resources have a significant positive effect on competitive advantage, as firms that effectively utilize human capital, technological infrastructure, and financial resources gain a stronger market position (Barney, 1991).

2.8.2. The Effect of Innovation Strategies on Competitive Advantage

The theoretical framework for the influence of innovation strategies on competitive advantage is based on Dynamic Capabilities Theory and the Resource-Based View (RBV). Dynamic Capabilities Theory highlights a firm's ability to adapt, integrate, and reconfigure internal and external resources to address rapidly changing environments (Teece, Pisano, & Shuen, 1997). Innovation strategies, including incremental and radical innovation, enable firms to develop unique products, enhance operational efficiency, and create new business models, all of which are crucial for sustaining competitive advantage. From the RBV perspective, innovation serves as a valuable, rare, and inimitable resource that strengthens differentiation and market positioning (Barney, 1991). In the context of PT Temas Line, prioritizing innovation strategies ensures responsiveness to industry dynamics and enhances long-term success. Therefore, this study hypothesizes that H2: Innovation strategies significantly enhance competitive advantage by fostering product differentiation, operational efficiency, and business model innovation, allowing firms to adapt to market demands (Teece et al., 1997).

2.8.3. The Effect of Market Innovation on Competitive Advantage

The theoretical framework for the influence of market orientation on competitive advantage is grounded in the Resource-Based View (RBV), Dynamic Capabilities Theory, and Porter's Five Forces Model. RBV posits that firms with valuable, rare, inimitable, and well-organized resources—such as customer intelligence and market insights—can achieve sustained competitive advantage (Barney, 1991). Dynamic Capabilities Theory further emphasizes the need for firms to sense, seize, and transform their strategic assets to remain competitive in dynamic environments (Teece et al., 1997). Market-oriented firms continuously analyze customer preferences, competitor strategies, and industry trends, allowing them to anticipate market changes and align their business strategies accordingly (Narver & Slater, 1990). Additionally, Porter's Five Forces Model highlights the role of market intelligence in mitigating threats from competitors, substitutes, and new entrants, reinforcing the importance of market orientation in shaping competitive advantage (Porter, 1980). Given these theoretical foundations, this study hypothesizes that H3: Market orientation is a key determinant of competitive advantage, as firms that proactively analyze customer preferences and competitive trends can align strategic decisions with market needs, thereby outperforming rivals (Narver & Slater, 1990).

3. METHODOLOGY

3.1. Research Design

This study adopts a quantitative research design to examine the relationships between internal resources, innovation strategies, market orientation, and competitive advantage at PT Temas Line Jakarta. A quantitative approach allows for the systematic measurement of variables and statistical analysis to identify patterns, trends, and causal relationships (Creswell & Creswell, 2018). By employing this method, the study aims to generate objective and generalizable insights into how these strategic factors contribute to the company's competitive positioning.

3.2. Data Collection and Sampling Techniques

Primary data were gathered through a structured survey questionnaire, designed using a Likert scale to measure respondents' perceptions of the study variables (Sugiyono, 2019). The questionnaire included multiple items for each variable, ensuring comprehensive coverage of the key constructs. A judgment sampling technique was used to select respondents, targeting employees of PT Temas Line Jakarta who are actively engaged in strategic and operational

decision-making processes. This approach ensures that the data collected is both relevant and representative of individuals who have direct knowledge and experience related to the research focus (Hair et al., 2006).

3.3. Data Analysis

To examine the relationships among internal resources, innovation strategies, market orientation, and competitive advantage, the study employs multiple regression analysis as the primary data analysis technique. This statistical method is used to test the research hypotheses by evaluating the strength and direction of the relationships between the independent and dependent variables (Bryman, 2016). The use of multiple regression provides a robust analytical framework for understanding the extent to which these strategic factors influence PT Temas Line Jakarta’s competitive advantage in the shipping industry.

4. RESULTS

4.1. Validity and Reliability Test

Table 1: Validity & Reliability Test

Descriptions	Competitive Advantage	Internal Resources	Innovation Strategies	Market Orientation
Pearson’s Correlation Coefficients	Above 0.361	Above 0.361	Above 0.361	Above 0.361
Cronbach’s Alpha	0.957	0.925	0.950	0.900

The validity and reliability test results indicate that all variables—Competitive Advantage, Internal Resources, Innovation Strategies, and Market Orientation—meet the required thresholds for statistical validity and internal consistency. The Pearson’s Correlation Coefficients for all constructs exceed 0.361, confirming that the measurement items are significantly correlated with their respective constructs, thus establishing construct validity. Additionally, the Cronbach’s Alpha values for all variables range from 0.900 to 0.957, well above the acceptable reliability threshold of 0.70 (Hair et al., 2006), demonstrating strong internal consistency. These findings suggest that the survey instrument used in this study is both valid and reliable, ensuring the robustness of data collection and the credibility of subsequent analysis.

4.2. Descriptive Statistics

Table 3: Descriptive Statistics

Variables	Competitive Advantage	Internal Resources	Innovation Strategies	Market Orientation
Mean	4.103	4.131	3.968	4.034
Std. Deviation	0.803	0.844	0.916	0.768

The descriptive statistics in Table 3 reveal that the mean values of the variables are relatively high, indicating a positive perception of each factor within the organization. Competitive Advantage has a mean of 4.103, followed closely by Internal Resources with a mean of 4.131, suggesting a strong recognition of the importance of resources in gaining a competitive edge. Innovation Strategies and Market Orientation have slightly lower means of 3.968 and 4.034, respectively, indicating a somewhat lower but still significant level of agreement. The standard deviations are moderate, with Internal Resources having the highest at 0.844, implying some variability in responses. Overall, these results suggest that PT Temas Line Jakarta places substantial value on these strategic factors, with a relatively consistent perception across respondents.

4.3. Classical Assumption Test

Table 4: Classical Assumption Test

Assumption Testing	Requirment	Testing Output
Normality	P-value \geq 0.05	Central Limit Theorem
Multicollinearity	VIF < 10	1.717/1.935/1.926
	Tolerane > 0.1	0.582/0.517/0.519
Heteroscedasticity	P-value \geq 0.05	0.931/0.055/0.942

The classical assumption test results confirm that the data meet the necessary statistical assumptions for regression analysis. Normality is satisfied through the Central Limit Theorem, ensuring that the sample distribution approximates normality despite the p-value being below 0.05. Multicollinearity is not a concern, as the Variance Inflation Factor (VIF) values (1.717, 1.935, and 1.926) remain well below the threshold of 10, while tolerance values (0.582, 0.517, and 0.519) exceed the minimum requirement of 0.1, indicating no significant correlation between independent variables (Hair et al., 2006). Heteroscedasticity is also not an issue, as the p-values (0.931, 0.055, and 0.942) meet the required threshold of \geq 0.05, confirming that variance in residuals is consistent across observations (Gujarati & Porter, 2009). These results validate the appropriateness of conducting multiple regression analysis for hypothesis testing in this study.

4.4. Model and Hypothesis Testing

The regression analysis results indicate that the independent variables—internal resources, innovation strategies, and market orientation—collectively explain 60.7% of the variance ($R^2 = 0.607$) in competitive advantage at PT Temas Line Jakarta, demonstrating a strong model fit (Hair et al., 2010). The F-test ($F = 109.095$, $p = 0.000$) confirms the overall significance of the regression model, indicating that at least one independent variable significantly influences competitive advantage (Cohen et al., 2003). These results validate the study’s hypothesis that internal resources, innovation strategies, and market orientation contribute meaningfully to competitive advantage in the shipping industry.

Table 5: Regression Outputs

Testing	Requirement	Testing Output	
	-	0.607	
F-test	P-value < 0.05	F = 109.095 & Sig. = 0.000	
	Sig < 0.05	Beta	P-value
Internal Resources	Sig < 0.05	.191	0.001
Innovation Strategies	Sig < 0.05	.253	0.000
Market Orientation	Sig < 0.05	.450	0.000

At the individual variable level, all three predictors exhibit statistically significant effects ($p < 0.05$). Market orientation emerges as the strongest predictor ($\beta = 0.450$, $p = 0.000$), followed by innovation strategies ($\beta = 0.253$, $p = 0.000$), and internal resources ($\beta = 0.191$, $p = 0.001$). These findings emphasize the critical role of aligning business strategies with market demands, highlighting the necessity for PT Temas Line to prioritize customer insights and competitive positioning. While internal resources and innovation strategies also play significant roles, the dominant influence of market orientation underscores its importance as a strategic driver for sustaining competitive advantage in the dynamic shipping industry (Narver & Slater, 1990; Teece et al., 1997).

5. DISCUSSION and CONCLUSION

5.1. Discussion

5.1.1. The Effect of Internal Resources on Competitive Advantage

The findings of this study indicate that effective management of internal resources positively impacts the competitive advantage of PT Temas Line. Respondents provided high ratings for human capital, technological infrastructure, and organizational capabilities, highlighting their crucial role in strengthening the firm's market position. Although the effect size is moderate, this underscores the strategic importance of internal resource efficiency as a key driver of long-term competitive success.

These results align with the Resource-Based View (RBV), which posits that competitive advantage is built upon valuable, rare, inimitable, and well-organized internal assets (Barney, 1991). Additionally, the Dynamic Capabilities Theory emphasizes an organization's ability to adapt and reconfigure its resources in response to market changes (Teece, Pisano, & Shuen, 1997). Empirical research on supply chain management practices (Rakhman et al., 2016) further supports this perspective, showing that firms with strong operational efficiency, supply chain flexibility, and strategic management practices achieve superior competitive positioning. These findings suggest that firms that effectively manage their internal capabilities are better equipped to sustain competitive advantage.

Previous research by Farida and Setiawan (2022) reinforces this notion, demonstrating that companies that optimize their internal resources enhance operational efficiency and product differentiation, leading to a stronger competitive edge. However, findings from both this study and prior research suggest that internal resources alone are not sufficient for sustaining

competitive advantage. Instead, firms must integrate internal capabilities with strategic responses to market trends and industry dynamics.

Therefore, this study emphasizes the need for a holistic approach that combines robust internal resource management with an adaptive response to external market conditions. For PT Temas Line, this means continuously enhancing its workforce expertise, technology adoption, and organizational agility while strategically aligning its operations with industry trends and regulatory requirements. By doing so, the company can strengthen its competitive advantage and sustain long-term success in the maritime shipping industry.

5.1.2. The Effect of Innovation Strategies on Competitive Advantage

The study confirms that innovation strategy is a strong predictor of competitive advantage at PT Temas Line Jakarta. Companies that prioritize innovation by adopting advanced technologies, developing unique products and services, and fostering an innovative culture achieve greater market differentiation. This finding underscores the critical role of innovation in enhancing competitive positioning in a dynamic industry.

These results align with the Dynamic Capabilities theory, which asserts that an organization's ability to adapt and reconfigure its resources drives competitive success (Teece, Pisano, & Shuen, 1997). They also support the Resource-Based View (RBV), which views innovation as a valuable, rare, and inimitable asset that differentiates firms (Barney, 1991). Together, these theories provide a robust framework for understanding why innovation strategies are essential for sustaining competitive advantage.

Empirical evidence shows that both incremental and radical innovations contribute to competitive advantage, although companies tend to excel more with incremental improvements (Goffin & Mitchell, 2016). Incremental innovation drives continuous process optimization and product refinement. In contrast, radical innovation, which involves the development of groundbreaking products and disruptive technologies, remains less pronounced but holds significant potential for market transformation (Christensen, 1997).

Based on these findings, PT Temas Line should formulate a comprehensive innovation strategy that integrates both incremental and radical approaches. This strategy should include dedicated R&D investments, advanced digital technology adoption, and enhanced collaboration with external partners (Teece, Pisano, & Shuen, 1997). By aligning innovation efforts with evolving market demands, the company can strengthen its competitive position and achieve long-term success.

5.1.3. The Effect of Market Orientation on Competitive Advantage

This study confirms that market orientation is a critical driver of competitive advantage at PT Temas Line Jakarta. The research shows that a strong focus on gathering and applying market intelligence—through systematic collection of customer feedback, competitor analysis, and cross-functional coordination—enhances a company's ability to outperform its rivals. This underscores the importance of aligning organizational strategies with dynamic market demands for long-term competitive success.

These results are grounded in established theoretical frameworks such as the Resource-Based View (RBV) and Dynamic Capabilities, which assert that unique organizational capabilities and adaptability are key to sustaining competitive advantage (Barney, 1991; Teece, Pisano, & Shuen, 1997). Additionally, Porter's Five Forces emphasizes the importance of understanding external market pressures to strategically position a firm (Porter, 1980). Together, these theories support

the view that market orientation is a valuable strategic asset that integrates internal strengths with external opportunities.

The study further highlights that market orientation dimensions — namely, customer orientation, competitor orientation, and inter-functional coordination—are instrumental in driving competitive advantage. High ratings in customer orientation suggest that effective management of customer feedback leads to improved service quality and market positioning. Similarly, strong competitor orientation and inter-functional collaboration enable the organization to anticipate competitive moves and respond swiftly to market changes.

Based on these findings, it is recommended that PT Temas Line prioritize the integration of market orientation into its strategic framework. The company should invest in advanced CRM systems and foster robust cross-departmental collaboration to ensure that market intelligence informs strategic decision-making (Narver & Slater, 1990; Baker & Sinkula, 2009). By enhancing its market orientation, PT Temas Line can adapt more effectively to changing market conditions and secure a sustainable competitive advantage.

5.2. Conclusion

A shocking and crucial finding of this research is that market orientation surpasses both internal resources and innovation strategies as the most influential driver of competitive advantage at PT Temas Line Jakarta. While traditional strategic management theories emphasize resource accumulation and innovation as primary competitive levers (Barney, 1991; Teece et al., 1997), this study reveals that an organization's ability to continuously understand, anticipate, and respond to market needs holds even greater significance. The strong predictive power of market orientation indicates that companies failing to align their strategies with customer demands, competitor movements, and industry trends risk losing their competitive edge, regardless of how robust their internal resources or innovation capabilities may be. This finding challenges the prevailing notion that internal capabilities alone dictate long-term success and suggests that in fast-evolving industries like shipping, firms must prioritize market intelligence and strategic responsiveness over static resource accumulation. Consequently, PT Temas Line's ability to leverage real-time customer insights, enhance interdepartmental coordination, and proactively adapt to competitive pressures will determine its sustained market leadership.

The concepts, theories, and methods employed in this study effectively address the research problems by providing a comprehensive framework for understanding the determinants of competitive advantage at PT Temas Line Jakarta. The Resource-Based View (RBV) (Barney, 1991) and Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997) enable a deep analysis of how internal resources and adaptive strategies contribute to sustained market positioning. Additionally, Porter's Five Forces (Porter, 1980) offers a structured approach to evaluating competitive pressures and industry dynamics, reinforcing the study's ability to assess market orientation's impact. The quantitative research design, utilizing multiple regression analysis, allows for the empirical testing of these relationships, ensuring statistical rigor and objectivity (Creswell & Creswell, 2018). By integrating these theories with robust methodological tools, the study effectively answers the research questions regarding the influence of internal resources, innovation strategies, and market orientation on competitive advantage, providing actionable insights for strategic decision-making in the shipping industry. The findings validate the synergistic role of these factors, emphasizing the importance of aligning internal capabilities with external market demands to achieve sustainable competitive success.

This research, while providing valuable insights into the determinants of competitive advantage at PT Temas Line Jakarta, has several limitations that should be acknowledged. First, the

quantitative research design, which relies on survey-based data collection, may not fully capture the depth of organizational dynamics, decision-making processes, and contextual influences that could be better explored through qualitative methods (Creswell & Creswell, 2018). Second, the study focuses on a single case study, limiting the generalizability of the findings to other companies or industries with different market structures and competitive landscapes (Yin, 2018). Third, while RBV, Dynamic Capabilities, and Porter's Five Forces provide a strong theoretical foundation, the study does not integrate potential moderating or mediating variables that could refine the understanding of these relationships (Barney, 1991; Teece et al., 1997; Porter, 1980). Additionally, the research is constrained by the cross-sectional nature of the data, which captures a snapshot of competitive advantage rather than examining its evolution over time (Bryman, 2016). Future studies could address these limitations by employing longitudinal designs, expanding the sample to multiple firms, and incorporating mixed-method approaches to provide a more holistic understanding of competitive advantage in dynamic industries.

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Analysis of The Current Situation of Building Healthy Labor Relations in Non-State Construction Enterprises in Vientiane Capital, Laos

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Abstract

This study aims to analyze the current state of healthy labor relations in non-state construction enterprises in Vientiane, Laos. It focuses on several key activities, including improving the capacity of stakeholders in labor relations, ensuring the signing and implementation of labor contracts, promoting dialogue and the establishment of collective labor agreements, and preventing and resolving labor disputes. Data for the study was collected from summary reports detailing initiatives aimed at building healthy labor relations within construction enterprises in Vientiane. The findings of this research will serve as a foundation for proposing solutions to enhance the development of healthy labor relations in non-state construction enterprises in Vientiane, Laos.

Keywords : Labor relations; Subjects of Labor Relations; Collective Labor Agreement; Labor Contract; Non-State Construction Enterprise.

1. INTRODUCTION

Building healthy labor relations within enterprises is crucial for maintaining harmony and stability and promoting effective production and business practices. However, the research and organization of labor relations have not received sufficient attention from stakeholders. There is no clearly defined theoretical framework for establishing healthy labor relations, and no comprehensive criteria-either qualitative or quantitative-exist to evaluate them. This absence presents significant challenges when enterprises attempt to foster these relationships, which should be harmonious, stable, and progressive. To achieve satisfaction in these relations, it is essential to consider both the perspectives of employees and the enterprise. This means that employees should feel fulfilled within the limits defined by the company. When the interests of either party are compromised, the relationship between employees and the enterprise can deteriorate, leading to decreased operational efficiency. The key issue is the need to establish a framework for resolving the relationships of interests within an enterprise, particularly the economic interests between employees and the organization, and in the trend of objective laws. To achieve this, it is essential to create a solid foundation that allows for harmonious resolution of the relationships that arise between employees and employers.

The legal system in Laos is still developing, and many issues need to be addressed in law enforcement. Additionally, there is not much experience in building labor relations in the market economy and international integration... Vientiane, the capital of Laos, is currently the center of most production and business activities. By the end of 2023, Vientiane had 1.118 non-state construction enterprises, employing approximately 102.923 workers. Establishing a harmonious relationship between workers and these non-state construction enterprises is essential for creating a stable and positive working environment. However, similar to the national context, labor relations within non-state construction enterprises in Vientiane still face numerous

challenges. The underlying issues include limited capacity among subjects involved in building labor relations, internal factors, and unhealthy competition within the industry. Furthermore, macro factors contribute to the problem, such as many business owners violating labor laws, particularly regarding working hours and rest periods, which negatively impacts the legal rights and interests of employees. Additionally, workplace dialogue activities are not being conducted seriously or comprehensively.

For such reasons, it is necessary to conduct a study on the current status of building healthy labor relations in non-state construction enterprises in Vientiane, Laos.

2. RESEARCH METHODS

Data were collected from the Vientiane Capital Statistics Office in Laos regarding the scale and business performance of non-state construction enterprises in Vientiane Capital. Additionally, data from the Vientiane Capital Federation of Trade Union, which pertains to the current status of labor relations in these non-state construction enterprises, will also be analyzed in this study.

The study focuses on data collected from Cha Lon Xe Kong Construction Company, a representative case of non-state construction enterprises in Vientiane, Laos. This medium-sized enterprise has a workforce consisting of 12 managers and 141 technical and unskilled workers. Between 2022 and 2023, Cha Lon Xe Kong Construction Company demonstrated strong business performance, achieving positive after-tax profits. Additionally, the company exemplifies healthy labor relations in Vientiane and consistently adheres to labor regulations under Lao law.

3. Current status of building healthy labor relations in non-state construction enterprises in Vientiane, Laos

3.1. Analysis of the current status of enhancing the capacity activities of healthy labor relations subjects in non-state construction enterprises in Vientiane Capital

Regarding the activities to improve the capacity of workers in non-state construction enterprises in Vientiane, these enterprises have implemented various initiatives, including sending workers for professional training. This effort aims to improve workers' professional knowledge and abilities, ultimately fostering a positive impact on the development of healthy labor relations within these enterprises.

Table 1: Number of Workers Participating In Construction Professional Training Courses At Non-State Construction Enterprises In Vientiane Capital

No.	Year	Unit	2019	2020	2021	2022	2023
1	Total number of non-state construction enterprises	Enterprise	1.085	1.116	1.105	1.098	1.118
2	Total number of employees	Employees	98.735	102.728	101.108	100.796	102.923
3	Employees participating in professional training courses on construction	Employees	3.015	2.701	2.589	2.916	3.012
4	Percentage of employees participating in professional training courses on construction	%	3,05	2,63	2,56	2,89	2,93

Source: Vientiane Capital Federation of Trade Union

Between 2018 and 2023, changes in capacity-building activities for workers in non-state construction enterprises in Vientiane capital were particularly evident, especially during the 2020-2021 period when the world faced the COVID-19 pandemic.

As the pandemic situation gradually improved in 2022, the number of workers participating in training rose to 2.916 and continued to grow, reaching 3.012 in 2023. Consequently, the percentage of workers sent for training also increased, rising to 2,89% in 2022 and 2,93% in 2023. This growth reflects the resurgence of training activities, indicating that businesses are ready to reinvest in enhancing their workers' skills. Following the period of disruption, companies may have recognized the importance of building a team of highly skilled and specialized personnel to prepare for development and competition in the new era.

Table 2: Employees Participating in Training And Refresher Courses on Labor Law Knowledge Organized By Non-State Construction Enterprises in Vientiane Capital

No.	Indicators	Year	2019	2020	2021	2022	2023
		Unit					
1	Total number of employees	Employees	98.735	102.728	101.108	100.796	102.923
2	Employees participating in training and refresher courses on labor law knowledge organized by the company	Employees	23.012	19.076	16.503	21.087	20.712
3	Percentage of employees participating in training and refresher courses on labor law knowledge organized by the company	%	23,31	18,57	16,32	20,92	20,12

Source: Vientiane Capital Federation of Trade Union

In 2019, the number of employees participating in training on labor law reached 23.012, which accounted for 23,31% of the total workforce. This figure is quite impressive, indicating that enterprises are prioritizing legal compliance and enhancing their employees' legal knowledge. However, the COVID-19 pandemic, which emerged in 2020, led to a significant decline in these training activities. Specifically, the number of employees involved in training dropped to 19.076, representing 18,57% of the workforce, and further decreased to 16.503 employees (16,32%) in 2021. This decline can be attributed to the pandemic's severe impact on business operations, forcing companies to focus on maintaining essential production and business functions instead of organizing training and coaching programs. Additionally, restrictions on large gatherings and social distancing measures hampered the ability to conduct in-person training sessions.

The effectiveness of the workers' representative organization plays a significant role in establishing healthy labor relations within non-state construction enterprises in Vientiane, Laos. Efforts to enhance the capabilities of this organization have been implemented, including the following activities:

Table 3: Activities To Enhance the Capacity of Representative Organizations of Workers At Non-State Construction Enterprises in The Capital Vientiane

No.	Year	Unit	2019	2020	2021	2022	2023
1	Number of union officials in non-state construction enterprises	Officials	956	981	1005	1013	1106
2	Number of union officials sent to study to improve their professional qualifications in trade unions	Officials	82	79	63	101	92
3	Percentage of union officials sent to study to improve their professional qualifications in trade unions	%	8,58	8,05	6,27	9,97	8,32
4	Number of union officials attending the training course on union work of the Vientiane Capital Federation of Trade Union	Officials	716	802	792	759	839
5	Percentage of union officials attending the training course on union work of the Vientiane Capital Federation of Trade Union	%	74,90	81,75	78,81	74,93	75,86

Source: Vientiane Capital Federation of Trade Union

The data indicates a significant rise in the number of union officials working in non-state construction enterprises in Vientiane. Specifically, the number of union officials grew from 956 in 2019 to 1.106 in 2023. This increase reflects the strengthening and expansion of union efforts, demonstrating a growing commitment among organizations to protect workers' rights.

Table 4. Activities to Enhance the Capacity of Trade Unions At Non-State Construction Enterprises in The Capital Vientiane

No.	Year	Unit	2019	2020	2021	2022	2023
1	Number of enterprises with grassroots trade unions	Enterprises	913	961	982	953	1001
2	Number of specialized training activities on labor law for employees organized by grassroots trade unions	Activities	358	276	192	301	489
3	Number of activities to improve skills for employees through collective experience activities	Activities	796	512	428	839	892

Source: Vientiane Capital Federation of Trade Union

The number of enterprises with grassroots trade unions increased from 913 in 2019 to 1.001 in 2023, showing positive development in establishing and maintaining trade unions at enterprises.

The number of specialized training activities on labor law for employees organized by grassroots trade unions has seen significant fluctuations. Specifically, these activities decreased from 358 in 2019 to just 276 in 2020, further declining to 192 in 2021. This drop may reflect the challenges in organizing events during the pandemic and other factors that limited mass gatherings. However,

from 2022 onward, the number of activities rebounded strongly, reaching 301 in 2022 and continuing to rise to 489 in 2023. This increase demonstrates the efforts of trade unions to enhance awareness and legal knowledge among employees.

3.2. Analysis of the Current Status of Activities to Ensure the Signing And Implementation of Labor Contracts at Construction Enterprises in Vientiane Capital

Ensuring the signing and implementation of labor contracts at construction enterprises in Vientiane is crucial for fostering healthy labor relations at non-state construction enterprises in the area. To enhance the signing and execution of these contracts, state management agencies in Vientiane regularly conduct scheduled and surprise inspections. These inspections aim to ensure that enterprises comply fully with labor contract regulations. The Department of Labour and Social Welfare usually organizes these inspections in coordination with relevant units.

Table 5. Number of Times Enterprises Inspected for Compliance With Labor Laws By The Department of Labour And Social Welfare of Vientiane Capital

No.	Year	Unit	2019	2020	2021	2022	2023
1	Number of non-state construction enterprises	Enterprise	1085	1116	1105	1098	1118
2	Total number of inspected enterprises	Enterprise	76	38	41	82	72
3	Percentage of businesses inspected	%	7,00	3,41	3,71	7,47	6,44

Labor and Social Welfare Department, Vientiane Capital

The data table presents information regarding the number of non-state construction enterprises in Vientiane Capital that were inspected for compliance with labor laws from 2019 to 2023. The data reveals fluctuations in both the number of non-state construction enterprises and the rate at which these enterprises were inspected.

Among the total number of non-state construction enterprises, the number of enterprises showed a gradual increase from 1.085 in 2019 to 1.116 in 2020. However, in the following years, the count slightly decreased to 1.105 in 2021 and 1.098 in 2022. Subsequently, it rebounded to 1.118 in 2023. This trend illustrates the stable development of enterprises within the construction sector.

The number of enterprises inspected for compliance with labor laws has significantly decreased in recent years. In 2019, 76 enterprises were inspected, but this number dropped sharply to only 38 in 2020. This decline may reflect challenges in conducting inspections during the pandemic or other factors. However, in 2021, the number of inspected enterprises rose again to 41 and increased further to 82 in 2022. In 2023, there was a slight decrease, with 72 enterprises being inspected.

2.3. Analysis of The Current Status of Activities to Enhance Dialogue and Sign Collective Labor Agreements for Construction Enterprises in Vientiane Capital

The data table provides information on the activities related to enhancing dialogue and signing collective labor agreements in non-state construction enterprises in Vientiane capital from 2019 to 2023. The number of non-state construction enterprises in Vientiane capital showed slight fluctuations, starting at 1.085 in 2019. It increased to 1.116 in 2020, then decreased to 1.105 in 2021 and 1.098 in 2022. However, it experienced another increase, reaching 1.118 enterprises in 2023. This trend indicates a stable development of the construction industry, despite the fluctuations during the period.

Table 6. Activities to Enhance Dialogue and Sign Collective Labor Agreements at Non-State Construction Enterprises in Vientiane Capital

Year	Unit	2019	2020	2021	2022	2023
Number of construction enterprises	Enterprises	1085	1116	1105	1098	1118
Number of enterprises successfully organizing workplace dialogue	Enterprises	613	798	635	692	736
Number of times held workplace dialogues	Times	832	885	786	791	812
The percentage of enterprises successfully conducting workplace dialogues to total enterprises	%	56,50	71,51	57,47	63,02	65,83

Source: Vientiane Capital Federation of Trade Union

Regarding the number of enterprises successfully organizing dialogues, in 2019, 613 enterprises successfully organized dialogues. This number increased to 798 in 2020 but then decreased to 635 in 2021. The decline in 2021 may be attributed to the challenges of organizing dialogues during the pandemic. However, starting in 2022, the number of enterprises holding dialogues began to recover, reaching 692 in 2022 and 736 in 2023.

The number of times of workplace dialogues fluctuated over the years. In 2019, there were 832 dialogues, which increased to 885 in 2020. However, this number decreased to 786 in 2021. Starting in 2022, the number of dialogues began to rise again, reaching 791 in that year and 812 in 2023. This trend reflects businesses' commitment to maintaining communication with their employees.

The percentage of enterprises that facilitated dialogue in the workplace changed over the years. It increased from 56,50% in 2019 to 71,51% in 2020 but then fell to 57,47% in 2021. Fortunately, this percentage recovered to 63,02% in 2022 and continued to rise, reaching 65,83% in 2023. These figures indicate a growing interest among enterprises in fostering dialogue with employees, which in turn helps improve labor relations and protect employees' rights.

Take Cha Lon Xe Kong Company as a typical example. The company has implemented initiatives to promote dialogue and establish collective labor agreements, ensuring a favorable working environment. These efforts contribute to fostering healthy labor relations within the organization.

Box 1. Example of activities to enhance dialogue and sign collective labor agreements at Cha Lon Xe Kong Company

Cha Lon Xe Kong Company organizes annual dialogue programs to address challenges and issues between the enterprise and its employees. In 2021 and 2022, the company faced difficulties in resolving salary and welfare concerns for its employees. To tackle this, the company collaborated with the union to meet with employees, negotiate, and seek their cooperation and support in sharing the company's challenges. A roadmap and proposed solutions were developed to address these issues. The employer's initiatives at Cha Lon Xe Kong Company help build trust and provide timely information, allowing employees to work with peace of mind, especially amid the general economic difficulties that have also impacted the company directly.

Source : Report on activities of the trade union of Cha Lon Xe Kong Company

2.4. Current Status of Activities to Ensure Prevention And Resolution of Labor Disputes in Construction Enterprises in Vientiane Capital

Activities to ensure the prevention and resolution of labor disputes have been implemented by construction enterprises in Vientiane capital, with specific results as follows :

Table 7. Number of activities to enhance resolution/limit disputes in non-state construction enterprises in Vientiane capital

No.	Year	Unit	2019	2020	2021	2022	2023
1	Number of sports activities	Activities	538	406	318	591	762
2	Number of mass art performances	Performances	412	102	93	285	302

Source: Vientiane Capital Federation of Trade Union

According to the results from the above data table, the data indicates that the number of sports activities in non-state construction enterprises fluctuated between 2019 and 2023. In 2019, there were 538 activities. However, this number dropped to 406 in 2020 and further decreased to 318 in 2021. This decline can be attributed to the complications arising from the COVID-19 pandemic, which prioritized the health and safety of individuals, particularly workers. As a result, sports activities were significantly limited during this period. Once the pandemic was brought under control, the number of sports activities began to rise again, reaching 591 in 2022 and further increasing to 762 in 2023.

For mass art performances. Similar to sports activities, there are fluctuations in this period with the number of mass art performances held in 2019 being 412, in 2020 being 102, in 2021 being 93, in 2022 being 285, and in 2023 being 302. Thus, it can be seen that in addition to various activities such as Activities to improve the capacity of the subjects of healthy labor relations at construction enterprises in Vientiane capital; Activities to ensure the signing and implementation of labor contracts at construction enterprises in Vientiane capital; Activities to enhance dialogue and signing of collective labor agreements at construction enterprises in Vientiane capital, activities to ensure the prevention and settlement of labor disputes at construction enterprises in Vientiane capital have also been interested and developed.

Box 2. Active activities of construction enterprises to minimize disputes in labor relations

Cha Lon Xe Kong Company regularly organizes sports events for all employees and arranges holidays to ensure their rights and well-being. In 2023, the company resumed its employee welfare programs as the production situation stabilized after the Covid-19 pandemic. The employee welfare expenditure is structured to guarantee rights and benefits, with the following distribution: The company spends from 1.5 to 3 million kip per employee for Lao National Day; and 4 million kip per employee for collective activities during the company's summer vacation; The company spends 1 million kip per employee for uniform expenses. These enhanced social welfare activities have helped minimize potential labor disputes, actively contributing to the establishment of healthy labor relations within the company.

Source: Report on activities of the trade union of Cha Lon Xe Kong Company

4. SOME RECOMMENDATIONS

To build better labor relations of non-state construction enterprises in Vientiane capital, the author proposes several recommendations as follows:

First, to enhance labor relations, it is essential to improve the capacity of all parties involved while increasing awareness of both employees and employers regarding their rights, obligations, and the various activities and contents within labor relations.

Second, there should be a mechanism in place to ensure that labor contracts are signed and implemented for all employees. Additionally, many enterprises are facing issues with social insurance debts. From 2021 to 2022, non-state construction companies struggled with production and business due to the impact of the COVID-19 pandemic, resulting in a high number of employees with unpaid social insurance. State management agencies need to establish a system to guarantee the signing and execution of labor contracts, while also minimizing social insurance debts to protect the rights of employees.

Third, there should be clearer sanctions and regulations for dialogue activities in the workplace.

Fourth, it is essential to actively create a harmonious working environment for all parties involved in labor relations, thereby supporting the prevention and resolution of labor disputes that have been implemented to limit labor disputes in non-state construction enterprises in Vientiane. Especially for non-state construction enterprises, the development of regulations and sanctions related to labor safety plays an important role in building healthy labor relations for these enterprises.

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