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to Promote Vegetable Cultivation: A successful
Case Study from Goa State Horticulture Corporation
Limited (GSHCL), India

Dr. Divya Singhal & Dr. Padhmanabhan V

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by Robert Iger



GRG School of Management Studies
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PRERANA: Journal of Management Thought and Practice

PRERANA in Sanskrit means hope and inspiration. The primary objective of PRERANA journal is to enhance the standard of management education by drawing from conceptual and empirical research based articles reflecting current industry practices. PRERANA shall include contributions from eminent members of the academia and sharing of practices by experts from industry. The Journal will also contain book reviews, editorial abstracts and executive summaries of recent publications in management.

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FROM THE EXECUTIVE EDITOR

It is my pleasure to place before you the first issue of the twelfth volume of '*PRERANA: Journal of Management Thought and Practice*.' The objective of *PRERANA* is to disseminate contemporary developments in the field of management in the form of empirical research that tests, extends or builds management theory and contributes to management practice. *PRERANA* encourages manuscripts that present strong empirical and theoretical contributions to the management field. Preference is given to submissions that test, extend, or build strong theoretical frameworks. The Journal will enable the industry in applying the most recent developments in management thought. *PRERANA*'s international and multi-disciplinary review team ensures maintenance of standards of excellence with regard to the quality of contents.

Divya Singhal and Padhmanabhan in their paper made an attempt to do an impact assessment on Goa State Horticulture Corporation Ltd schemes intended to promote vegetable cultivations in the state. The researchers have used methods such as participatory observation as well as structured survey instrument. The study reveals that the farmers were highly satisfied with the procurement facility and its nearness to their village. The facility encourages farmers to cultivate vegetables as they perceive that it provides them a greater convenience to sell their produce with ease. Farmers perceive that it provides an assured earning opportunity.

José G. Vargas-Hernández and Pedro Antonio López de Haro in their paper focused on the characteristics of the Millennial Generation, and their importance as consumers, through a case study of the company "Airbnb." They focus on the importance of disruptive business models and the challenges that companies like Airbnb are facing and will have to face in the future in order to continue in the market. The main contribution of this research is the analysis of Airbnb's strategies as they grow as a company and their focus on the Millennial Generation in order to ensure their survival in an important and long-established market.

Savitha Nair and Ponnala Harshavardhini in their study attempt to develop a conceptual framework for understanding the foundations of eWOM via social media communications and investigate the associated factors influencing consumer behaviour in international tourism. They have reviewed and analyzed papers related to eWOM in tourism that have been published in various academic journals between 1995 and 2019. They concluded that eWOM adoption in tourism is significantly influenced by the usefulness of eWOM that consumers perceive the message possess.

Pardhasaradhi Madasu in his paper extends prior readability research through an examination of the readability levels in the letters to shareholders as published by constituent companies of BSE – 100 Index. Further, his study aims at finding the statistical significance of readability between the letters published by listed financial and non-financial firms.

I thank all the authors for their contributions towards the first issue of the twelfth volume of *PRERANA*. I look forward for novel, insightful and crafted conceptual work that challenges conventional wisdom concerning all aspects of organizations from academicians, bureaucrats and business executives for publishing in *PRERANA*. The focus of the articles could be on diverse aspects of management focusing on contemporary issues and future challenges.

- Dr. B. Sripirabaa, PhD

BUILDING SUSTAINABILITY THROUGH EMPHASIS ON SCHEMES TO PROMOTE VEGETABLE CULTIVATION: A SUCCESSFUL CASE STUDY FROM GOA STATE HORTICULTURE CORPORATION LIMITED (GSHCL), INDIA

Dr. Divya Singhal¹ & Dr. Padhmanabhan V²

ABSTRACT

The Sustainable Development Goals (SDGs) focuses on policies and actions targeting towards economic inclusion and they are considered as aspiration goals for the governments. Agriculture is a common thread which holds the 17 SDGs together and specifically horticulture has become an area of thrust. The present research is an attempt to do an impact assessment on Goa State Horticulture Corporation Ltd (GSHCL) schemes devised to promote vegetable cultivations in the state. The researchers have used mix methodology approach such as participatory observation as well as structured survey instrument. The study reveals that the farmers were highly satisfied with the procurement facility and its nearness to their village. The facility encourages farmers to cultivate vegetable as they perceive that it provides them a greater convenience to sell their produce with ease. Most importantly, the farmers perceive that it provides an assured earning opportunity.

Keywords: SDG, Horticulture, Farmers, Mix methodology, Goa State Horticulture Corporation, Impact assessment, Procurement facility.

INTRODUCTION

Eradicating poverty in all its forms remains one of the greatest challenges facing humanity. Additionally, compared to 30 years ago, income inequality has risen in a startling number of countries. It is clear that inequality and poverty can be a serious threat to social and political stability.

The Sustainable Development Goals (SDGs)³, officially known as “Transforming our world: the 2030 Agenda for Sustainable Development,” are an intergovernmental set of aspiration goals. And, many governments are focusing on devising appropriate policies and actions targeting towards economic inclusion. These SDGs will shape the next 15 years of policies, programmes and funding. More than any other sector, agriculture is the common thread which holds the 17 SDGs together.

In India, agriculture plays an important role in the economic growth and development. The Indian agricultural sector, similar to many developing countries,

1 Associate Professor, General Management Area, Goa Institute of Management. divyasinghal@gim.ac.in

2 Assistant Professor, OB/HR area, Goa Institute of Management, Sanquelim Campus, Goa - 403 505, India. vp@gim.ac.in

keeps maintaining its crucially important position by adding to about one-third of the Gross Domestic Product. It also plays a vital role in the employment generation by employing almost two-thirds of the work-force in the agricultural sector. This sector plays a dominant role in its contribution towards the overall functioning of Indian economy and with the growing population, the government has keen focus towards the development of this sector.

HORTICULTURE – WHAT IT IS AND PRESENT SCENARIO IN INDIA

Shehrawat (2009) suggested that today fruits and vegetable farming as a diversified farming will be important to attain household food and nutrition security, generate employment round the year, supplement farm economy and will earn foreign exchange also by enhancing the export in the country in general. He pointed that fruit and vegetable crops provide maximum output and hence provide more income per unit area of land to small farmers. Fruit and vegetable crops grown by small farmers can be a source of significant supplementary income and expand employment through intensive cultivation.

Ghosh (2012) described that our burgeoning population and the rise in income level will lead to increase in demand of high value agriculture (HVA) produce (fruits, vegetables, meat, eggs, milk, fish) and value-added food products.

The Government of India has identified horticultural crops as a means of diversification for making agriculture more profitable. Presently horticulture has established its credibility in improving income through increased productivity, generating employment and in enhancing exports. Resultantly, horticulture has moved from rural confines to becoming a commercial venture. Overall, India witnessed the shift in area from food grains towards horticultural crops over last five years (2010-11 to 2014-15). The area under horticultural crops has been increased about 18% but expansion of area under food grains is only 5% during the stipulated period. The production of horticultural crops has outpaced the production of food grains since 2012-13. The area under horticulture crops which was 12.77 million hectares during 1991- 1992 has increased to 23.69 million hectares during 2012-13. The total production during this period has increased by nearly 2.8 times and corresponding productivity has increased 1.5 times.(Handbook on Horticulture Statistics 2014).

GOA HORTICULTURE SCENARIO

With agriculture being one of the major economic activities of the people of the State of Goa, contributing about 6% to the State Domestic Product, the state directorate of agriculture has made major strides in increasing the agro-cover in the state. There are about 16.6% people engaged in the agriculture activities.

Year wise details of the vegetables procured during the following years in Goa

Year	No of farmers	Qty in tonnes	Amount in lakhs
April 2011 - March 2012	–	13.54	2.88
April 2012 - March 2013	123	44.86	12.03
April 2013 - March 2014	441	132.05	34.96
April 2014 - March 2015	997	320.5	101.41
April 2015 - March 2016	1261	532.12	177.35

Source : Goa State Horticulture Corporation Limited

Note : The table is prepared from the data gathered from officials of GSHCL

It is evident from the statistics that vegetable cultivation has increased in the state. The data gathered from GSHCL revealed that in 2012 vegetable produce was 31.19 ton which was gone up to 44.86 tonnes in 2013, later in 2013-2014 it was 132.05 ton, 2014-2015 320.5 tons, and during 2015-16 total vegetable produced procured was 532.12 tonnes. The production is continuously increasing by the year and the total number of farmers producing vegetables has also gone up. Corporation has paid in total INR177.35 lakhs for these vegetables bought from the farmers at the procurement centers during 2015-16. However, major supply of vegetables invariably comes from neighbouring state. The state's production of vegetables is about 65000 ton, while the combined demand for domestic and the tourist population is estimated 1,50,000 ton.

Nevertheless, slowly the scenario is changing and horticulture cultivation has slowly started expanding. There are efforts being taken up consciously by Goa State Horticulture Corporation Ltd (GSHCL) through various schemes towards bridging gap between farmers and Horticulture Department. They provide provides assistance for cultivation of cultivation of flowers/ fruits/ spices, creation of irrigation infrastructure, cultivation of vegetable, etc. One such scheme is to promote vegetable cultivation through subsidies on various inputs to Farmers and another scheme is to support the unemployed through engaging in opening of horticulture outlets.

ASSURED MARKETS TO LOCAL FARMERS

The Corporation is providing assistance for promotion of vegetables with assured markets to local farmers. Farmers cultivating vegetables of suitable commercial variety are identified and selected by the Goa State Horticultural Corporation Ltd. (GSHCL) and their produce is procured at prefixed rates. During the year 2014-15 (upto Dec 2014), 192 MT of vegetables and fruits worth ₹ 0.60 crore were procured from farmers.

In addition to the above scheme, the corporation also provides assistance for vegetable seeds to the farmers. The seeds require to be replaced for better productivity at least once in two to three years. A 50% subsidy is provided for

open pollinated high yielding vegetable seed and hybrid seed sold through the departmental sale points or through the Zonal Agriculture Office. During the year 2014-15 (upto Dec 2014), 1450 Kg. vegetable seed has been provided to the farmers with an expenditure of 28.00 lakh.

NEED AND OBJECTIVES FOR THE PRESENT STUDY

The Goa Krishi Unnati report⁴ 2012-16 explained that vegetable cultivation is a major thrust for the State Government of Goa. From a very scattered commercial vegetable cultivation in 2012-13, the horticulture in Goa has transformed systematically. The impact data related to the growth in terms of cultivation and procurement are available in various reports; however, with respect to stakeholders' perception on this change is unavailable. This study attempted to gauge the impact of schemes on the beneficiaries' livelihood. The impact was assessed through farmers' perception and satisfaction on the schemes. As they are the direct beneficiaries of this change, their perception on the outcomes would provide valuable insights for further improvement. Further, the insights gained from the study would provide opportunity for future studies to develop parameters to gauge change outcomes through the stakeholder's view.

For the present study, the researchers have studied the farmers' perception on GSHCL's assistance on promotion of vegetables through assured market scheme.

The main objectives of the study are:

- (i) To know about the farmers' satisfaction level on the scheme that provides assistance for promotion of vegetables with assured markets, and ,
- (ii) To know about the farmers' perception about the impact of the scheme on their income and employment generation.

Scope of our study is limited to study the impact of the scheme on farmers from Sattari and Bicholim Taluka registered with the Sankhli Procurement Centre in Goa State of India.

METHODOLOGY USED

The methodology for this study was determined by the need to understand the contribution of the vegetable cultivation and supporting schemes to their positive changes in the lives of beneficiaries. Has there been any unintended or negative changes that can be attributed to these schemes? Can beneficiaries identify the changes made by this scheme? And also to capture their suggestions.

An initial scoping visit was made by the researchers' in May 2016. Researchers spent about three days, meeting different officials of the Horticulture, Zonal Agriculture department, Procurement centers and followed it up with couple of pilot visits in the field to acquaint themselves with the context and settings. Interviews with senior leadership members of Horticulture Corporation were useful in preparing

a comprehensive methodology. Based on our scoping visits, researchers decided to pursue a mix methodology approach (Hulme 2000) to carry out data collection. This study has involved qualitative and quantitative data collection method.

The qualitative data was collected using semi-structured in-depth interviewing technique. A separate checklist was prepared to carry out in-depth interview with Sankhli Procurement Centre staff. The researchers have also used participatory observation during their visit Sankhli Procurement Centre.

Quantitative primary data was collected using structured questionnaire devised for farmers. The total number of questions were kept limited and most of the questions were closed ended questions with the options to elicit better response from the farmers. Likert scale was used primarily to gauge the responses. The respondents were also asked about their education level and other demographic details. The questionnaire was administered by us during our field visits of various locations.

SAMPLE PROFILE

The study was limited to study the impact of vegetable cultivation and promotion scheme on farmers registered with the Sankhli procurement centre. Approximately 45 farmers who are registered with the Sankhli Procurement centre of GSHCL were included as the sample. They were from eight villages namely Ravan Colony Pariye, Surla village, Virdi, Kudne, Keri, Honda and Amona.

In this study, majority of the respondents were male cultivators. It is important to note that the data (23%) of women respondents were involved in horticulture. It can be inferred that they were either supporting their husband or they are empowered to manage the farm by themselves.

The data on women shows that they have not crossed their education level beyond secondary. However, if seen along with women's participation in the horticulture from cultivation to delivery at the market, it can be inferred as sign of social empowerment. There is a participation of the rural women in the income yielding activity.

The size of family of the respondents majorly spreads between second and third category which is either 2-4 members (33.3%) or 4-6 members (53.3%). The majority of the respondents are engaged in the horticulture as the major occupation. However, there are cultivators who are doing it as part-time while engaging in a salaried job elsewhere. A few of the cultivators are the first time farmers, who were working in iron ore mines. After the closure of the mines, they have returned to horticulture for their livelihood sustenance. Since the entire respondents fall under marginal, small and small-medium farmers' sections, it can be inferred that horticulture attracts farmers under this category as it provides a promising return in terms of income. The farmers in the Sattari Taluka rely on canal irrigation. As more

than 90% of the respondents belong to Sattari Taluka, they depend on the canal sources from nearby Anjuna dam.

Table showing distribution Of Vegetables Cultivated In The Farm

S. No	Particulars	Frequency	Percent
1.	Chilli	9	30
2.	Cluster	9	30
3.	Brinjal	3	10
4.	Okra	25	83.3
5.	Bottlegaurd	4	13.3
6.	Red Pumpkin	2	6.7
7.	Cucumber	4	13.3
8.	Onion	1	3.3
9.	Ginger	1	3.3

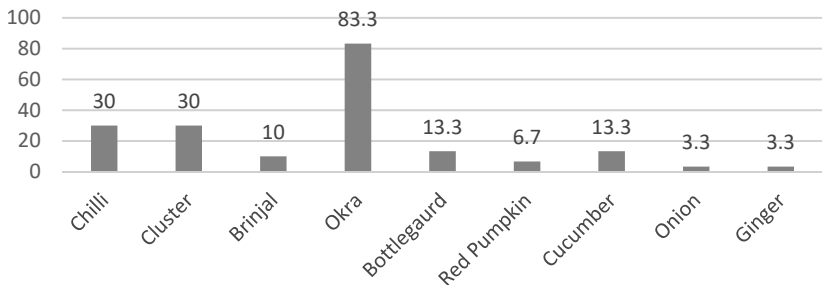


Figure 1: Distribution of vegetables cultivated in the farm

The farmers in the Sattari taluka have largely cultivated Okra as their prime horticulture crop. The chilli and cluster beans were the second major crop for the cultivation. Distribution of Red pumpkin (6.7%), onion (3.3%) and ginger (3.3%) were less.

The reasons such as a) farmers are familiar only with the Okra, green chilli and cluster beans cultivation, b) they do not want to take risk in cultivating any other vegetable, c) they have not taken effort to collect the information or awareness was not created influenced the cultivation practice. Only a minor percentage of farmers grew ginger and onion. They were progressive farmers who followed scientific and precisions method to cultivate those crops.

DISCUSSIONS

This section presents majors findings from the study. The farmers were aware of the assistance they receive in terms of quality seeds, growing hybrid varieties and dedicated kiosks available for vegetable sale. Most importantly, they were well aware of procurement centre facility and the prefixed rate schemes for vegetables.

It is important to note that the farmers rely on the horticultural corporations' recommended hybrid seeds for Okra, Chilli and Cluster beans. They trust that their recommendation were reliable in terms of their quantity of output. On a qualitative interaction, the seed assistance built confidence to the farmers about the quality of their output.

The research finding has shown high utilization percentage in the schemes such as usage of procurement centre and use of recommended seeds including hybrid varieties. However, the awareness of polyhouses and vermi compost units' schemes were very low in farmers' awareness and as a result, their utilization percentage is extremely low. Secondly, due to the availability of procurement centre, farmers do not tend to approach the kiosks facility to sell their produce.

The study reveals that the farmers were highly satisfied with procurement centre facility. One of the major reason for their satisfaction was nearness of the facility to their village. The centre enjoys the locational advantage and it attracted the vegetable growers to approach the centre. The cultivators have perceived that it provides them greater convenience and ease. This was evident during researcher's qualitative interactions with the farmers. Many of the farmers are of the opinion that due to this locational advantage, they were able to access this facility. The farmers have drastically reduced their visit to local markets for selling their produce.

The time of operation of the centre was another added advantage while the dedicated service staffs were performing as a backbone of the centre. The farmers were finding the entire system of operation to be reliable and trustworthy due to the effective back-end operations like direct transfer and process of payment. The entire system has eventually improved and perceived to be free from glitches. This was also observed by the researchers during the visit to the procurement centres and discussion with the farmers.

The farmers also perceive that the procurement centre was one of the major reason for the employment generation. They were in agreement with the benefit that they had received through subsidies. They perceive that their involvement in the vegetable cultivation has increased their income progressively. Consequently, they were able to increase their area of horticulture cultivation. On discussion, the farmers were satisfied and confident with the transparency of the process.

While the findings from the study reveals some of the developments reaped from the scheme, it is also essential to note that all the schemes that were intended to bring in change were not completely conceived. The schemes like vermi compost units and polyhouses schemes were not utilised and has not reached the awareness levels of the farmers. Further, it can be inferred that a partial access to the schemes that were intended to provide benefit have not reached effectively. Therefore, it is recommended that the measures need to be taken to devise strategies and effort to the same measure of the successful schemes for the implementation of those schemes

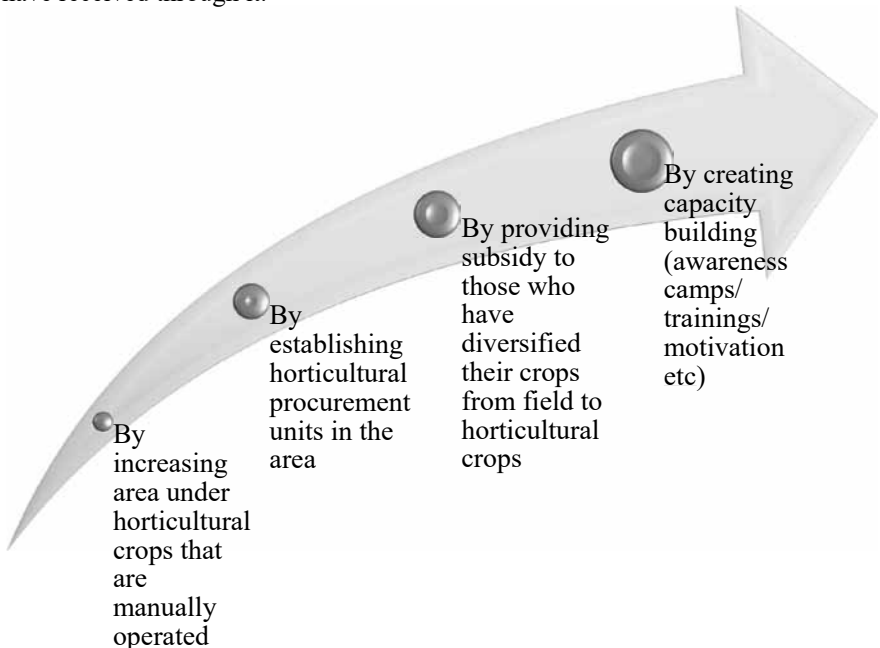
which were not reached. It is necessary to identify the lacuna in the implementation of the schemes.

EMPLOYEMENT GENERATION

The change in the respondents' income can be understood through the progress in the employment generation. The respondents perceive that concentrating in the horticulture has increased their percentage of income.

Majority of the respondents perceive that there was a raise in employment generation due to manual operation in cultivating horticultural crops, nearby procurement unit, and availability of subsidy. It is also important to note that capacity building (6.7%) in terms of awareness camps and training was not seen as an effective reason for the employment generation.

It is important to take note that the respondents (100%) have completely agreed over the benefits gained from the procurement centre. They were also in agreement with the benefit they have received from the subsidies and were also able to increase their area of horticulture cultivation. With respect to the training received from the horticultural corporation, a small minority agreed (3.3%) with the benefits they have received through it.



CONCLUSION

This impact assessment study on assistance for promotion of vegetables with assured market scheme focussed on Sankhli Procurement Centre reveals that it is effective and provide support to the beneficiaries. The schemes that are meticulously designed and carefully implemented have shown results. It is evident that programs, policies, and schemes devised with a strong intent to deliver results and bring change in stakeholders livelihood. The Sankhali Procurement Center is a small change that was initiated by the Goa State Horticulture Department; however, its role in the reducing the inequalities is significant.

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COLLABORATIVE ECONOMY, DISRUPTIVE INNOVATION AND STRATEGIES IMPLEMENTED TO SATISFY THE MILLENNIAL GENERATION. CASE STUDY: Airbnb

José G. Vargas-Hernández, M.B.A., Ph.D.¹
MC Pedro Antonio López de Haro²

ABSTRACT

The following research is a literature and case review focused on the characteristics of the Millennial Generation, and their importance as consumers, through a case study of the company “Airbnb” as an example of a disruptive business model that has been able to capitalize on this generation. The structure of the work is the following: Firstly, we contextualize the research by defining the key topics, such as collaborative economy, strategic advantages, the millennial generation, then we discuss the history and strategies of the company Airbnb, as a disruptive and successful business model, explaining their general strategy and challenges they have faced, as well as their strategy specifically geared towards the Millennial niche. Finally, we conclude on the importance of disruptive business models and the challenges that companies like Airbnb are facing and will have to face in the future in order to continue in the market. The main contribution of this research is the analysis of Airbnb’s strategies as they grow as a company and focus their efforts on the Millennial Generation in order to ensure their survival in an important and long-established market.

INTRODUCTION

Is it the consumer who determines the new forms of consumption? Or is the irruption of Information and Communication Technologies (“ICTs”) in the market, more responsible the consumption of economic agents? Having knowledge of the behavior exercised by the consumer when acquiring a good or service, as well as the process inherent in consumer decision making, is fundamental in any business analysis. Airbnb, a web platform that offers a hosting service and quintessential example of a disruptive business model based on collaborative economy, shows that satisfying the consumption needs of the generation called millennials, population born between 1981 and 2000, can be a point of game for business success. This generation is considered one of the determining factors in the growth of this disruptive hosting platform (Airbnb, 2016a).

1 Research Professor, Department of Administration University Center for Economic and Managerial Sciences. University of Guadalajara Periférico Norte 799 Edif. G201-7 Núcleo Universitario los Belenes. Zapopan, Jalisco, 45100, México Tel. +52 33 37703340 Ext. 25685. jvargas2006@gmail.com, jgvh0811@yahoo.com, josevargas@cucea.udg.mx.

2 Profesor Investigador y Editor General, Coordinación General de Investigación y Posgrado, Universidad Autónoma Intercultural de Sinaloa

The millennial generation of consumers has characteristics, needs and demands that require a transformation in the way of offering goods and services. Knowing the repercussions that the satisfaction of these new economic agents represent for the companies, is of great relevance. That is why this study seeks to identify the consumption characteristics of millennials and how this new generation of consumers is satisfied by the disruptive business model called Airbnb, as a case study. Eleven years have passed since two recent graduates of Rhode Island School of Design and an engineer in computer science from Harvard, founded what is today one of the most successful community markets in the world. The business it belongs to is not particularly new. However, its competitive advantage was innovation and it is currently on the Fortune magazine's list of "Unicorn companies", defined as private companies, centered on technological innovation that are valued in over one billion dollars. According to Fortune, Airbnb is currently valued at 25.5 billion dollars.

Throughout this chapter, we will discuss the impact Airbnb and similar platforms is having and will continue to have for the traditional hotel industry, since it is clear that this trend is already affecting them profoundly. Users are becoming entrepreneurs in hospitality with their own resources and creativity, and they are creating experiences for their customers. It is also important to consider the measures the traditional hotel industry has taken and will take in the future, in order to protect their own interests and prevent great economic losses, including lobbying, marketing, legal loopholes, etc.

METHODOLOGY

We use an analytical and descriptive methodology for this literature review, given that the main objective is to present a theoretical framework for the company, its origin, processes, business model, market strategies and how this all relates to the Millennial Generation.

We also present information from the peer reviewed literature on the theoretical concepts, such as collaborative economy, disruptive business strategies, the characteristics of the Millennial Generation as consumers and the challenges faced by companies in order to satisfy them.

For the case study, we searched for official information on Airbnb's website, as well as official reports, magazine articles and peer reviewed literature.

We also discuss the development of customer service on housing issues and the philosophy that has taken the company further, that, in the words of one of its co-founders, Brian Chesky, Airbnb is more than just renting an accommodation space (Chafkin, 2016).

Once we comment on the benefits of this business model, we pretend to analyze the problems the company has faced, such as strong opposition from the traditional hotel industry, that perhaps initially did not see this phenomenon coming. Eventually it became clear that they needed to take action on the matter.

Also, it is important to mention issues that hosts have faced and, together with the company, have had to solve, such as user confidence in the aforementioned community economy, regulations on matters of law on tax payments on the host, given that it is an informal economy, destruction of property, etc.

COLLABORATIVE ECONOMY

The penetration in the last decades of ICT in society, as well as the introduction of the collaborative economy, have deeply modified the traditional business model companies have and people consume, to lay the foundations for the so-called disruptive business models. A disruptive business model is one that, through the use of technology, breaks the conventions of the functioning of industries, jobs, forms of consumption and sale of goods and services, considering, in turn, the behavior of individuals and their expectations.

The term “collaborative economy” refers to new models of consumption and production of goods and services. These arise thanks to the possibilities offered by technological advances that allow their exchange, reduce information asymmetries as well as the transaction costs of these business (Doménech, 2015). The collaborative economy exposes a business model based on the exchange of resources between individuals through peer-2-peer services, allowing consumers to access goods and services whenever they wish. In recent years, the concept of collaboration has gone from being a community practice to a profitable business model. An increase in business models based on the collaborative economy, most of them through the use of virtual platforms, has generated changes in the system of traditional markets (Boeckmann, 2013).

Some authors point out that there is no universal definition for the concept of collaborative economy, however, there are models that encompass the fundamental elements of this concept. One of these models is one that allows people to rent goods or services between them for a short period of time. This type of model is called collaborative consumption. The product as a service is the second type of collaborative economy model, which allows people to rent a product or service instead of buying it (Johal & Zon, 2015).

The collaborative economy is a term used for a set of emerging business models that work through platforms and exchanges. This type of economy generates knowledge exchange and takes advantage of the low cost of disruptive technologies. The combination of these characteristics allows a decentralized exchange, causing companies to become facilitators of the exchange, instead of acting as a producer and mechanisms of self-government (Allen, 2014).

The collaborative economy is based on a socioeconomic ecosystem that allows sharing the creation, production, distribution, trade and consumption of goods and services between different people and organizations. Authors prefer to denominate the collaborative economy as a massive base capitalism. This model gives rise to a new mode of organization of economic activity capable of displacing

the traditional model centered on corporations. Airbnb is a classic example of the collaborative economy and disruptive innovation. The emergence of this business model is possible thanks in large part to technological evolution, which allows for the evolution of the current way of carrying out exchanges (face to face) to propose a new way that allows exchanges on a larger scale, through the internet and through the creation of trust between strangers.

By blurring the line between consumer and producer, collaborative economies break the rules of the traditional business model, where companies own and people consume. On the other hand, the concept of sharing erodes the disinterested public regulation, substituting private regulation or leaving regulated transactions unattended. Because of this, business creation becomes more widespread and may even lead to displacement of their counterparts, which have been established and regulated for some time. An example of this is Uber, which has become a ubiquitous service in major cities around the world (Interian, 2016).

MILLENIAL GENERATION

The contribution of young people to the transformation of societies is decisive. The tourism sector is one of the industries with the greatest presence of young individuals. Based on the World Tourism Organization (OMT), young people represent approximately 23% of total international tourists, who exercise an economic benefit of approximately 3,000 euros in their trips (El Economista, 2017). Young tourists are considered the drivers of change and innovation, as well as the first to adopt new technologies and transmit them through social networks, their experiences and benefits found in their destinations (El Economista, 2017).

The term “millennial” was first coined by William Strauss and Neil Howe in their book “Millennial Rising: The Next Great Generation”.

The exact year and some of the characteristics of the millennial generation vary slightly from author to author, for instance, according to Fonseca (2003), the millennial generation is categorized by people being born between the years 1981 and 2000. This group of young people have particular characteristics such as their challenging, consumerist attitude, fascination with technological changes and preference for group activities; Blumenberg (2012) mentions that the “Y” generation, popularly known as millennials, are individuals born between 1981 and 1997. This group of young people is characterized by their different lifestyles, consumption and travel, as well as their high predisposition to be influenced. De Vaney meanwhile defines millennials as young people born during the period from 1982 to 1997, this group of individuals have as main characteristics their choice to delay marriage, inclination for entrepreneurship, as well as initiate their process of independence prematurely. As a consequence of the characteristics previously exposed, millennials seek new adventures, directions and lifestyles that allow them to experience new experiences. Forbes (2014) says that the millennial generation

comprises those born from 1981 to 1995, they represent 30% of the total Latin American population and in 2025 they are expected to represent 75% of the world's labor force. Recent research in which the object of study are millennial consumers expose their inclination for technology, the speed with which they want to receive answers to their questions, their taste for new learnings, as well as their search for quality at affordable prices (Del Pilar, 2017).

Forbes Mexico in its article "6 Key Features of the Millennials, the New Consumers" exposes that the young people of this generation are characterized by having a broad knowledge in regards to technology, their daily basic relationships are usually mediated through a screen. In turn, they affirm that Latin American millennial consumers tend to interact in multiple channels and digital devices, thus presenting a multitasking behavior. On average, they spend 7 hours a day on their online connections, which is 5% more than the world average. 78% of the population classified as millennials in Latin America have a mobile phone, 37% have a Tablet, 70% have a laptop and 57% have a desktop, which determines that their channel of socialization, work and leisure is by means of a screen, thus generating a complete integration of technological devices into their daily life.

Social networks are the main means of communication for this generation. 88% of Latin American millennials have some kind of social network, making them an integral part of their social life. Consult opinions and evaluations of both friends and strangers, is part of the decision-making process of millennials, making them sensitive to online consumer experiences. This new type of consumers tends to be much more volatile, demanding and critical, negative online experiences generate a much greater impact on their consumption decision, compared to their previous generations. The relationship and experience that the producer provides to the consumer is currently considered one of the central strategies in business, having a level of importance at the same time as the quality of the product.

Another of the main characteristics of consumption presented by the millennial generation is their taste for online commerce, as well as the importance they attach to the evaluation and/or comments made by third parties of the good or service they wish to consume. Studies in turn, show that this generation tends to consult critiques, advice and comments about the destination they seek to visit on their websites and/or blogs. These evaluations, critical advice and/or comments arrive to be perceived true by the consumer, which causes a modification in the consumption behavior of this economic agent.

Finally, exclusivity is a main element that millennial consumers seek to obtain when making their consumption, forcing companies to expand their knowledge regarding their consumers in order to provide more value to them. Companies can achieve this customization through the use of big data, thus allowing them to be aware of the needs of their consumers and anticipate them.

Airbnb

Airbnb stems from the philosophy of thinking of innovative solutions for common problems (Chafkin, 2016) and one of them, a pillar of its *raison d'être*, is accommodation, where innovation is to combine this service with confidence based on a communitarian economy and which together with the technological bases, created the platform that has enabled users to obtain large incomes and guests to live unique experiences for inclusion in the cultures of the places they visit, coupled with competitive prices, even lower than what the conventional hotel industry offers.

The project started with the name *Airbedandbreakfast.com*, a website that connected to the hosts and guests. In the beginning, it was not widespread. They hosted three guests, who were slightly skeptical about the service but they obtained an encouraging profit. They had created what today is an innovative company that not only expanded from San Francisco and the United States, to the whole world; currently, Airbnb can be found in 191 countries and counting.

Airbnb, the web platform that offers hosting service in more than 81,000 cities and 191 countries (Airbnb, 2016b), is an example of excellence of a disruptive business model. Through the application of innovations, Airbnb manages to offer a different service, or satisfy a consumer need, which allows it to generate a new consumption trend in the hotel sector, whose industry is known for its high degree of competitiveness. The growth of Airbnb internationally is undeniable, cities such as Madrid, Barcelona and Palma de Mallorca report in the first quarter of 2018, a growth of 30%, growth rate 10 times higher than that reported by hotels (El Confidencial, 2018).

HISTORY

It is true that some of the best ideas come to solve problems accidentally, they break into everyday life and the birth of Airbnb was no exception. In October of 2007 in the city of San Francisco, California, rent increased by 25%. This was just before the economic recession that hit the United States and impacted the whole world in 2008. Also, among other factors, it is important to mention that San Francisco is one of the most expensive cities to live and visit in the United States. Designers Brian Chesky and Joe Gebbia shared an apartment in the aforementioned conditions and thought about how to earn extra income to cover the new rent fee. Fortunately, they came up with an idea, taking full advantage of a conference for designers; they decided to create a platform for attendees to have an alternative cheaper than hotel accommodation. The idea was simple: inflatable mattresses and a roof for the night.

The design duo was joined by Nathan Blecharczyk, who supported the development of the web platform where they would advertise. However, because of the lack of capital to expand the business, they were approached by the business accelerator Y-Combinator, which provided \$20,000 and then, Sequoia Capital,

owned by Merlo Park, invested \$600,000 more (Mendoza, 2014). In the year 2008 they had already achieved moderate success in its model of shared hosting. The Democratic National Convention was held and the project became stronger, the website was re-named in the 2009 as airbnb.com, expanding not only to rent shared rooms, but also, residences or whole departments.

Airbnb's popularity grew and the number of hosts in 2009 increased from 21.000 to 160.000. It is clear that the rise of social networks helped to publicize the company and the positive feedback from guests to reach common places where they could meet and learn from everyday life in their tourist or business trips. Another aspect that supported the growth and expansion of Airbnb was the change in consumer buying behavior, given that, since that time, Internet users have conducted a large percentage of their purchases online and this is a trend that continues today. In 2011 and 2012 the records continued to increase exponentially (the specific data are later addressed), and these were years of great learning by the founders, given that, with the growth and success they were getting, it was imperative to study the best strategies and forms of business for this to continue.

The company in its first years realized that it had to modify some of its bases, so that it was scalable and repeatable, so they opened the door to other people using the same initial rental system of the founders in return a small commission. In addition, they started studying and analyzing the actual service users, concluding that they were people with very specific characteristics. So they diagnosed that while there was growth, this was slow to expectations, reaching the conclusion that the market was much smaller than they had imagined.

Therefore, the founders exploited a political event that could exhaust the hotel rooms in the city: the national convention of the Democratic Party, to launch a marketing campaign. They bought hundreds of packages of cereal, and personalized packaging with the party's representative (Obama and McCain) background, offered cheap service for those attending the convention who did not have housing accommodation. They managed to sell 500 boxes of cereal at a cost of \$ 40 each. With that amount they got their first injection of self-funding of \$ 20,000. Therein lies the importance of the more creative and targeted marketing entrepreneur, the increase of impact (audience, exposure and income).

In the context of expansion, the (main) founders came with specialists in specific Y-Combinator, venture capital company, to be mentored and trained to develop and manage the organization in a better way, financially and technologically, as well as issues of marketing, makeovers, change of image and style, within them, shortening the name went from "airbed and breakfast" to simply "Airbnb".

After reviewing the business model and strategy based on the orientation of Y-Combinator, some new investors enter the company and the team grows, starting from the 3 founders to 15 members, all with high expertise in software development, management strategic, data mining, and marketing, among others. The main goal

was for users to continue using the service and more often, that is, to engage with customers, providing services first hand and attending to weaknesses to solve them.

After growth stagnated once again, they decided to figure out the reason, given that they didn't have as many technological issues such as access to the platform, payment systems and reputation, there was something that was generating conflict with the expected growth. They found that the more professional photographs of the property, the greater the chance of being hired, so they tested this hypothesis in a new city that wanted to enter, New York, where they hired professional photographers for advertising spaces and realized that the property would be leased faster than with precarious photographs.

Today Airbnb has more than two million sites registered to rent, among them, 4,000 are boats, 2,000 are castles, 620 tree houses and 320 private islands (Chafkin, 2016). It has provided hosting service to over 60 million guests. Airbnb continues to improve, sometimes with the help of its users, for example, one host had the idea to offer free accommodation to areas hit by natural disasters. Also, Airbnb provides insurance for damages by bad users, legal improvements and political considerations to continue to operate and expand to new countries and cities.

In the case of Mexico, Ángel Terral, Managing Director of Airbnb México, pointed out that the platform has 80,000 places of lodging in Mexican territory, the number of hosts in the same territory shows an annual growth of 75%, and finally, the number of foreign travelers that the platform hosted in 2018 was 1.8 million (Expansión, 2017). Airbnb in its report "Airbnb and The Rise of Millennial Travel", states that the growth of this platform is the result of several factors, positioning the population of millennial travelers, which include the ages of 18 to 35 years, as one of the determining factors in its growth (Airbnb, 2016a). Currently millennials represent 30% of the total population of Latin America. It is not a coincidence that the reported growth of this platform in the same territory is 148% (Forbes, 2014).

USE OF Airbnb

If someone wants to start using Airbnb, they would have to set up a free account on the site www.airbnb.com under a personal profile that helps hosts and guests to learn more about each other. Such profiles, even when public, do not show the full name or the complete contact information because this is protected. The hosts describe in detail their spaces, including available services and times of departure and arrival, meanwhile guests publish evaluations of their experiences.

The company has groups of hosts and community meetings through online forums and meetings in person. Airbnb groups allow internet hosts to share stories, views and advices. Services are verified at all times, both host and guest profiles; regarding the management of payments, Airbnb charges a 12% to 15% of the total

cost of the rate of the host. It supports different currencies and payment methods, the company charges guests the full amount when making the reservation and wait 24 hours after their arrival at accommodation to transfer funds to the host.

Airbnb offers a 24-hour customer service in a help center for both hosts and guests. Also, there are cancellations or refunds without penalty, for cause, such as: Death of a family member, serious illness, natural disaster in the country, political turmoil in the country, property damage, maintenance problems that prevent the host accommodates any guest. Damages to the property have a warranty of up to 800, 000 Euros. However, there are clauses and policies for different situations (Airbnb, 2016).

Digital platforms such as Airbnb provide a framework where users can interact. Also, it gives the opportunity for users to select the role they want at any time and may even have several roles simultaneously. It is an open and dynamic system.

There is usually a method of valuation between users, whereby a reputation is obtained, and with it the confidence to continue to carry out the activity they want. As the number of customers increases, the overall value of the service also increases. With time, users will have more options that will be better evaluated and therefore greater differentiation among them will be exercised.

CHALLENGES AND CONTROVERSIES

Airbnb has encountered several unexpected problems since its inception. The characteristics of the service are varied and depend on a wide range of factors, including but not limited to, the local, municipal, state and federal laws, the physical characteristics of the place, the economic situation of the country, etc. The ambiguity with this type of service comes from changes in local laws, given that this is a fairly new model in the industry, and several problems have arisen, like tax collection, disputes with the traditional hotel sector and breach of trust cases of guests in the properties.

Airbnb has had to deal a wide range of difficulties, such as property damage, poor services, improper or illegal use of the places, etc., and what had been a competitive advantage for the company, if it isn't resolved, becomes harmful for the company. In this sense, alternative platforms and forums were created in order for clients to discuss and compare their experiences, not only with their hosts, but with the services themselves.

Despite its purported benefits, companies of collaborative economies have been strongly criticized for the way they operate, and in some cases have been forced to shut down operations. Critics argue that these companies get competitive advantages in dishonest ways, evading laws that would regulate them by decentralizing their business and allowing users to become "prosumers", people who act as consumers as well as producers (Streitfeld, 2014).

The most important cities in the United States and Europe have begun to implement regulations regarding the sharing of houses or rental of spaces and have initiated investigations with the goal of bringing the collaborative economy in accordance with existing laws (Chafkin, 2016).

As the company was growing and gaining popularity, the problems began with the hotel industry, cities like San Francisco, New York, Berlin, Toronto, began fining users for violating housing laws, such as the time spent for rent of the apartment, the payment of taxes per rental, etc. The strategy of governments pressured by the big chains, was the attack to users, since regulations didn't exist yet for these companies. However, Airbnb, has gotten involved in this problem and, in conjunction with the government, they have reached agreements to continue operating in several cities and countries.

AIRBNB'S STRATEGIC ADVANTAGES

One of the issues to study and analyze is Airbnb's strategies that have been developed and worked in order to continue to exist primarily as a business entity globally, and secondly to continue to obtain the trust of users, since this new business model is creating a growing international movement based on peer to peer relationships, and aims to share goods instead of owning them (Walsh, 2011).

Airbnb in its report "Airbnb and The Rise of Millennial Travel" states that the growth of their platform is the result of several factors. the population of millennial travelers, which cover the ages of 18 to 35 years, is considered one of the determining factors in its growth (Airbnb, 2016a). Through the application of more than 1000 online surveys conducted among consumers aged 18 to 35, as well as information obtained from Airbnb's booking data, the report concludes that millennials prioritize making trips over the purchase of a house, 80% of respondents seek new experiences and unique places as a destination for their trips. Finally, 60% of all guests who have ever booked on Airbnb are millennial tourists. this type of tourist has increased their Airbnb reservation number by 210% in the last year (Airbnb, 2016a).

Investigations whose object of study are the millennial foreign tourists, come to conclude that this category of tourists has a high taste for technology, seeking comfort, as well as low prices and speed in their searches. In 2017, the Airbnb platform registered the lodging of 1.8 million international travelers in Mexican territory, 56% more than the number of domestic travelers, who in the same period recorded 800,000 accommodations in the platform (Expansión, 2017).

Bostman & Rogers (2010) argue that Airbnb is part of a classic model of collaborative economy, which is characterized by a disruptive innovation (Christensen & Raynor, 2003) that occurs when individuals share common interests and a common philosophy of life. In this case, they aim to rent rooms in shared

apartments or whole departments through a social search and management system (Bostman & Rogers, 2010). So, the emergence of this phenomenon is possible as the evolution of technology allows the imitation of the exchanges that usually occur face to face, on a larger scale thanks to the internet, together with the ability to create trust between strangers.

Rifkin (2014) points out that the decline in marginal costs, which tends to be near zero, is resulting in a dichotomous economy, partly capitalist market and on the other hand, collaborative commons gradually drawn out a new economic paradigm. Interian (2016) argues that the sharing economy is credited with reducing transaction costs, increase efficiency and promote accountability and competence. This model does not require a centralized entity that should have an inventory and therefore is free of logistics, costs associated with maintaining inventory, product and geographic expansion for these purposes.

Airbnb is a proposal of competitive value, immersed in an industry of great concentration, achievement to create strong points. IT exploits the changes of consumption of the individuals influenced by the ICTs and defined as niche market to the millennials, people interested in living different experiences, at competitive prices, offering an inclusion in the local life of the visited destination (Soltero & Vargas, 2017). The Airbnb platform, when analyzed from aspects of the VRIO framework, we see that IT is important for the model, as shown in Table 1.

Table 1.: VRIO Framework applied to Airbnb

Value The platform gives a new value to the travel experience. this platform offers guests a feeling of familiarity, involvement of the tourist in the daily life of the visited country, as well as advice from the hosts.	Rarity The new way of tourism, as well as the interest generated by the popularity of this platform is what gives it a sense of rarity.
Inimitability Although Airbnb presents competition from the traditional hotel industry, the platform is a leader in its field, which means that until now the service offered is considered inimitable.	Organization The organization, security, trust and reputation of Airbnb are key elements to ensure the growth of said platform.

Source: Own elaboration with information obtained from *Current Models of Collaborative Economies Airbnb: Changing the Hospitality Industry*.

The minimum or nonexistent labor costs, low tax rates and free platform for the provision of the service, is another of the strategic advantages that Airbnb has with respect to the hotel sector. A business model based on collaborative economy allows the reduction of transaction costs, increases efficiency and encourages accountability and competition. This model also does not require a centralized entity that must keep an inventory and therefore is free of logistics, maintenance costs of inventory, product and geographical expansion (Interian, 2016).

This business model gives individuals the ability to take advantage of an asset they already have; the collaborative business model significantly reduces

transaction costs. The general characteristics of a consumer of collaborative hosting platforms such as Airbnb tend to be connected and expert travelers, prone to responsible consumption, possessing a high level of trust towards other members of the community, familiarity with the Internet and online commerce, demanding in terms of the quality of their tourism experiences, accustomed to linking their destinations of choice and forms of hospitality in a more familiar environment (Russo & Quaglieri, 2014).

Airbnb founders created a competitive value proposal avoiding the direct incursion into an established market where they would be at a disadvantage, created strong points regarding competition where the service addressed niche markets; individuals with common interests and a similar profile, netizens, millennials, people interested in living different experiences at lower or competitive pricing and inclusion in local life of the areas visited coupled to an era where behavior continues to change because of technologies. According to Peng, (2010) intangible resources and capabilities are human, innovation and reputation, options that Airbnb took advantage very well.

Within the point of view based on resources to develop an activity with added value, the organization opted for the aspects of the VRIO framework because it adds value to the experience of traveling beyond what hospitality offers. For example, a feeling of familiarity, advice received by the host in relation to local life environment, the ability to engage in everyday life, access to utilities of residential use and the amenities offered by each host.

Oddity since it is a relatively new model to perform a common activity, so it generates intrigue and due to the growing popularity of this platform, users want to be part of this economic, social and cultural change. It is true that Airbnb has competitors offering similar services, not to mention the traditional hospitality industry. However, it is still a leader in the field, and its community has continued to grow, as services are being rated by consumers and they keep opening to the world market. Organization is key since the platform should be increasingly confident and fill the gray areas that may remain in the legal aspect, data control, trust between hosts and users, payments, monitoring and troubleshooting, and not diminishing his reputation among users.

The validation of the business model from the beginning is very important because, despite there being a thin line between the informal and formal economy, the first actions of the firm can lead to success or failure of it, having rates established and very clear is very important, because credibility is on the line, and if on the other hand, the customer gets more for what he paid and does not involve a significant increase in transaction costs, this almost guarantees success of the model. Another strategic advantage has been part of the costs, since firstly the fixed costs of the host are covered a priori, labor costs are minimal or nonexistent and they payment of

taxes for work in some cities is nonexistent, however, at first, transaction costs also tend to zero, since, trading is done on a free platform.

The theory of transaction costs states that the choice of full or partial participation of multinational or joint ventures depends on the conditions and benefits that are shared between them. Alliances of capital between two companies are made to combine products or services. This alliance or organization between two or more companies is efficient when two conditions are known: when the products or services of each of the parties that are playing in the market is failing or when the acquisition of the assets that produce such goods are more expensive than obtaining use rights through joint business agreement (Hennart, 1988).

Growth and expansion should be done at the right time. When the company was unable to grow because of resources, they reinvested all their profits, obtained credits and searched for support from startup incubators and visionary investors, in order to expand their market (Teece, Pisano, & Shuen, 1997).

One of the competitive advantages that Airbnb holds over its competitors, is providing a different, unique and intrinsic experience with the community, the use of the services offered by the hosts, not forgetting the amenities that each host can add.

In Mexico and Latin America, growth of Airbnb has been explosive, since its inception in 2013, it had an increase of 400 percent (Mendoza, 2014), a figure that continues to grow year after year. One of the goals of the company is opening to more cities, including the ones dedicated to alternative tourism, such as the so called “magical towns”, colonial cities, business and convention centers and cities surrounding the country’s borders.

Another major target for the company is Asia, which is key to their expectations of inclusion, expansion and growth. Important cities around the world already have legislations that take Airbnb’s business model; however, this can be a slow process, thus, it appears that the company must carry out internationalization processes to exploit opportunities they have not previously had (Peng, 2010), and efficient distribution channels (web platform).

So far, the company has sustained an important competitive advantage in the business of the travel experience (Vargas-Hernandez, 2014).

Information technologies have facilitated the exchange of user experiences, enabling the comments and product valuation in an objective and transparent manner. These valuations are perceived in the market as trustworthy and are changing consumer behavior and redefining the role of influence during the buying process by providing more realistic expectations (Cañigual, 2015). That is when the consumer can know the costs and perceptions of others who have commented and valued their consumer experiences, which later will help to make a decision with some confidence, even if the consumer never had before contracted this service, reducing the perceived risk significantly (Wen, 2009).

MILLENNIAL SATISFACTION AND Airbnb

Airbnb is usually preferred by users due to its the price flexibility compared to hotels (Zervas, Proserpio & Byers, 2016). This decrease in accommodation prices is a consequence of the decrease in marginal costs (Rifkin, 2014), the reduction in transaction costs and the minimum or non-existent labor taxes that are attributed to the business models based on collaborative economy (Interian, 2016). In turn, the platform allows millennials who, through the technological knowledge they possess, are able to obtain better deals.

For millennials the most important factor when choosing to consume a good or service after the price is the ease of making reservations online through mobile devices. Airbnb, through free access to its web platform, allows millennials to know the supply of properties available in more than 81,000 cities and 191 countries, among which 4,000 are boats, 2,000 are castles, 620 tree houses and 320 private islands (Airbnb, 2016b). Furthermore, with the objective of satisfying the need of the millennials to obtain quick answers to their questions, the platform grants the distinction of super host to those hosts that maintain a minimum response rate of 90% and respect the confirmed reservations (Airbnb, 2017b).

Another key strategy that attracts Millennial consumers is Airbnb's cancellation policies, which can manage up to the full refund if the customer asks five days before the arrival date (Airbnb, 2017a).

Airbnb, through the possibility it offers to both hosts and guests, to make and visualize comments on the experiences of consumers, manages to satisfy this need of the millennial generation. At the same time, this mechanism is very useful for new or future clients. Likewise, in order to guarantee the safety and tranquility of its guests, Airbnb has certain criteria of good practices that its hosts must comply with, such as the presentation of official identifications like passport, identity document, driver's license, as well as their social network profiles (Facebook, Linkedin, etc.). As pointed out by Finley 2013, pp: 2) "Confidence is what allows the markets of collaborative consumption and the shared economy to function without friction".

Finally, experiencing new adventures, directions and lifestyles is one more reason why millennials tend to prefer a tourist accommodation classified as not very traditional. Recent studies worldwide show that hosting preferences of this generation of consumers tend to be unconventional, especially if they are viewed on platforms such as Airbnb. The reason to prefer this type of accommodation is because it allows them to get a more personal interaction with the local population and new experiences of the destination visited at relatively affordable costs.

RESULTS AND CONCLUSIONS

Regarding the literature review performed on this chapter, we can say that it is possible to find business opportunities even in competitive markets. The key lies in identifying a niche market and offering something innovative that creates consumer

trends. This process is called disruptive innovation, since it breaks the established paradigms.

Airbnb is a perfect example of this kind of disruptive innovation company, but now that it is successful, it is starting to meet unexpected challenges it will have to face as a company, namely regulations in each city they try to enter, the timely and efficient mediation and solution of problems between hosts and guests, the inevitable trust problems that may arise, and constantly trying to stay at the top, dealing with companies that will copy their business model. However, it is still impressive that they revolutionized an established industry, that normally is difficult to access, changed the behavior of millions of travelers and is, and will continue to be, an enterprise worthy of interest for scholars of strategic management. Other examples of successful disruptive business models that are focusing their efforts on millennials are: Uber, Spotify, Netflix, Amazon, among others. It is for this reason that current companies who want to continue to be competitive need to study and know this generation and establish the necessary strategies to capture the attention of millennials.

The impact that the company has had since its first operations has been transgressive, innovative, original and with an upward trend in the hospitality market. One of the most important characteristics of Airbnb is the ability to generate revenue through existing property that they don't even own, and therefore they practically don't have to invest in it. It is clear, that is one of the purposes of this type of business model, therefore, this upward trend is almost certain to prevail in the future market.

Once the company is already established and with market acceptance, it is important to devise and implement the appropriate strategies for growth, expansion, investment, fund seeking, hiring of specialized human capital and continuous study of their own market, in order to reach a stage of stabilization, market positioning and transcendence.

Millennials are considered by different countries as the most powerful consumers in the world. This classification is a consequence of the radical changes observed in different markets that decide to respond to the different consumption habits of this generation (Expansión, 2018). Accentura, a multinational company dedicated to the provision of consulting services, estimated that in the United States alone, the generation of baby boomers will transfer at least 30 billion dollars in wealth to the Millennials during the next three decades, thus showing the power of consumption Millennials are expected to have in the world of business. The projected destiny for the firms that do not achieve or do not want to satisfy these new demands of consumption is not at all encouraging (Expansión, 2018).

It is therefore necessary that the owners continue informing and implementing the necessary measures to continue to operate and do not damage the reputation and

confidence that has been built and which has had widespread success in countries and cities where regulations are present. Furthermore, it is necessary to research consumers as part of the changes and innovations in relation to their preferences in order to maintain their competitive advantages and remain leaders in the market.

We conclude that the knowledge and awareness that a company has about their market's characteristics, needs and demands is key for their survival and growth, and taking all this information into account can allow companies to enter and even thrive in established and competitive markets.

This research could be expanded to focus on other geographical areas, specifically because of the fact that some countries take more time to adopt the types of technologies necessary to introduce disruptive business models, but the companies will face similar problems and challenges, so it is good to be prepared. Another way this research could be expanded upon is by analyzing the response of the established traditional industries in the face of disruptive business models.

KEY TERMS AND DEFINITIONS

- Airbnb:** Airbnb is a community market that serves to publish, advertise and reserve accommodation economically in more than 190 countries through the internet or from your smartphone. It is based on the “Bed and Breakfast” mode (where the “bnb” comes from).
- Business model:** It is a tool prior to the business plan that will allows companies to clearly define what business they are going to offer the market, how they are going to do it, who the business is going to sell it to, how it is going to sell it and how it is going to generate income. It is an analysis tool that will let the business know who it is, what it does, how it does it, at what cost, with what means and what sources of income it will have.
- Collaborative:** Collaborative work is one in which a group of people intervene contributing their ideas and knowledge in order to achieve a common goal. In this sense, it is a more flexible way of working that allows the achievement of different results (not necessarily better) than teamwork.
- Disruptive:** It is a term used to name what produces a sudden break. Usually the term is used in a symbolic sense, in reference to something that generates a very important or decisive change (regardless of whether that change has a physical correlation).
- Economy:** Science that studies resources, the creation of wealth and the production, distribution and consumption of goods and services, to meet human needs.

- Millennials:** Each member of the Millennium Generation or Generation Y, a group that integrates people born between the beginning of the 1980s and the beginning of the 2000s, is called millennial. Other properties attributed to them Millennials are discontent and distrust.
- Strategy:** It is the orientation or alignment given to resources based on the dominant forces in their environment to obtain advantages.

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eWOM IN INTERNATIONAL TOURISM: A LITERATURE REVIEW

Dr Savitha Nair¹ & NA Ponnila Harshavardhini²

ABSTRACT

Today, the world is witnessing an increasing popularity of user-generated content in the form of reviews and recommendations in various social media platforms. Evidences show that such content has significant influence on individual consumer behaviour and seller actions. The relevance of such content, popularly known as electronic word of mouth (eWOM), in the decision-making process of consumers in the context of international tourism is much researched and analyzed. eWOM is found to be highly relied upon by consumers while choosing tourism services. The purpose of the present study is to develop a conceptual framework for understanding the foundations of eWOM via social media communications and investigate the associated factors influencing consumer behaviour in international tourism. To achieve this purpose, this study reviewed and analyzed papers related to eWOM in tourism that have been published in various academic journals between 1995 and 2019. A total of 50 papers have been analyzed to arrive at significant research findings. Based on the detailed literature review, it was observed that eWOM adoption in tourism is significantly influenced by the usefulness of eWOM that consumers perceive the message possess. This, in turn, is impacted by eWOM quality, eWOM quantity, source credibility, consumers' prior knowledge of the services being evaluated, homophily and searchers' intent. Adoption of eWOM impacts consumer attitude, purchase/ travel intentions, product/ service expectations and destination image significantly.

Keywords: eWOM, social media, consumer behaviour, online reviews, user-generated content

INTRODUCTION

Web 1.0 brought in the power of the internet to the world, with only a few content creators and a vast majority of users who are consumers of content. With the emergence of Web 2.0, information dissemination, online collaborations, connectivity and sharing of content among users became the norm of the digital world. The internet-enabled information exchanges through word of mouth (electronic Word of Mouth – eWOM) has tremendously shaped and boosted the tourism industry across the world. The global travel and tourism industry grew at 3.9 percent contributing a record of \$8.8 trillion and 319 million jobs to the world

¹ Associate Professor, GRG School of Management Studies, PSGR Krishnammal College for Women, Coimbatore, Tamil Nadu

² Research Scholar, PSGR Krishnammal College for Women, Coimbatore, Tamil Nadu

economy in 2018 (WTTC, 2019). Travel websites, online communities, and social media-enabled communications have started influencing the information searching and planning behavior of the consumers. While at one side of the spectrum, there are travelers who act as opinion leaders by contributing ‘content’ by sharing their experiences and recommendations, on the other side, there are potential travelers whose travel-related decisions are largely influenced by such ‘content’ available on various platforms.

Further, evidences show that about 71 percent of independent travel related bookings are done online today. Online sales form a biggest part of the revenue of most of the hotels (Buhalis & Law, 2008). According to the UN World Tourism Organization, over 50 million Indians traveled overseas in 2019, up from 23 million in 2017 (ET, 2019). In the tourism and hospitality services industries, user-generated content (UGC) has become an effective tool tourists use to gather information to make travel decisions (Ukpabi & Karjaluoto, 2017). Consumers start researching their trips about 44 days before they book and they seem to check out an average of 38 websites before they click ‘book’. About 39 percent of the millennials don’t book a hotel without seeing some source of user generated content (Expedia.com, 2017).

In the context of international tourism, there are several reasons why there is significant reliance on eWOM among travelers before making the final decisions on various travel related aspects such as the choice of destination, spots to visit, hotels to stay, restaurants to explore, things to do and even the modes of transport to adopt. Consumer feedback in the form of online reviews, comments etc are fast, up-to-date and available everywhere. They have become the word of mouth of the digital era (Kaplan & Haenlein, 2007). As tourism offers hedonic experience, consumers’ take efforts to make the best travel decisions in order to make the most of the experience by reading reviews and comments of fellow consumers (Rageh, Melewar & Woodside, 2013). As tourism cannot be experienced before consumption, consumers rely on the knowledge and experiences of others significantly (Zhang, Ye, Law, & Li, 2010). Consumers also consider the reviews of fellow consumers as honest and trustworthy. They tend to rely on them as dependable sources of information for their travel decisions (Cox et. al., 2009; Ukpabi & Karjaluoto, 2017). Consumers consider eWOM as authentic and helpful, they are also considered as influential (Li & Hitt, 2008).

OBJECTIVES OF THE STUDY

The major objective of this study is to analyze and explore the literature related to eWOM in international tourism to understand the variables impacting the adoption of eWOM as well as the impact of such adoption on consumer behaviour. The study aims to develop a conceptual framework for understanding the foundations

of eWOM via social media communications and investigate the associated factors influencing consumer behaviour in international tourism.

METHOD

A systematic review approach has been adopted to understand the previous research on eWOM in tourism. The researchers have reviewed papers related to the concept of eWOM in the context of tourism appearing in high-ranking tourism related and other journals extracted from the Scopus database. To ensure that the reviewed articles fall within the scope of the study, the keywords such as 'electronic word of mouth', 'eWOM', 'tourism', 'social medias etc were used for data search. These papers have served as a data source for the analysis. A total of about 50 papers related to eWOM in tourism that have been published in various academic journals between 1995 and 2019 were reviewed to arrive at significant research findings. The papers chosen comprised both conceptual and empirical studies. In depth content analysis was undertaken for arriving at the discussions and conclusions for the purpose of this study.

DISCUSSIONS AND IMPLICATIONS

As the research evidences show that eWOM has significant impact on consumers' travel-related decision making, the tourism marketers will be interested in harnessing the power of eWOM in enhancing their marketing success. In this section, the major variables associated with the theme of this paper as referred from literature are discussed and the factors influencing the adoption of eWOM in the context of tourism are explored.

Tourism

The literature on tourism can be traced back to 1970s (Andrei & Stephenkova, 2018). Since the 1980s, Information Communication Technologies (ICT) have been transforming tourism globally. Developments in ICTs have undoubtedly transformed business practices, strategies and industrial structures. The establishment of the Computer Reservations Systems (CRSs) in the 1970s and Global Distribution Systems (GDSs) in the late 1980s, followed by the development of the Internet in the late 1990s, has transformed the best operational and strategic practices in the industry dramatically. The technological revolution experienced through the development of the internet has shaped the market conditions for tourism organizations, dramatically. The rapid development of internet and world wide web has profound influence on tourism industry. They support the interactivity between tourism enterprises and consumers and as a result, they reengineer the entire process of developing, managing and marketing tourism products and destinations. (Buhalis & Law, 2008).

Social media

Social media has revolutionized communication dissemination among people and consequently the marketing of tourism related businesses. The all-pervasive role of social media is rapidly evolving providing both challenges and opportunities to the players in the tourism industry. The social media networking platforms such as Facebook, Twitter, YouTube, WhatsApp etc allow individuals and tourists to interact and share their views and experiences with potentially unrestricted virtual communities (Nonnecke *et al*, 2006). Social media communications are fundamentally changing the ways in which tourists search, read, trust and collaboratively produce and consumer information about tourism marketers, destinations and experiences (Sigala *et al*, 2012).

Using social media, the travelers and tourists coproduce and share a large amount of information, commonly known as user-generated content and thereby function as coproducers, co-marketers and co-consumers of travel and tourism experiences. The four social media communication strategies (i.e. evaluation, embracing, endorsement, explanation) play an important role in the network of communications and this also helps the marketers to plan, target and leverage word of mouth in a networked world (Kozinets *et al*, 2010). Online feedback mechanisms harness the bi-directional communication capabilities of the internet in order to engineer them effectively (Dellarocas, 2003). There are many websites offering user generated reviews of destinations, hotels and sightseeing activities such as Tripadvisor.com, Virtualtourist.com, Oyster.com etc. The scale of eWOM in tourism industry can be witnessed from Tripadvisor.com that has more than 250 million user reviews covering over 5.3 million accommodations, hotels and spots worldwide (Tripadvisor, 2015)

Electronic Word of Mouth

The research on Word of Mouth (WOM) started way back in 1960s and definition of WOM has evolved over time. WOM is considered to be more effective than mass media advertisements in the adoption of low-risk innovations. To prevent negative WOM, the service providers should give a good service to the customers (Betsy,1995). WOM referrals have a very strong impact on new customer acquisitions. WOM has larger and longer effects than traditional marketing activities (Trusov *et al*, 2009). Literature suggests that WOM constitute a powerful marketing tool with larger implications on customer trust and associated outcomes. Electronic Word of Mouth (eWOM) refers to internet enabled word of mouth that can be disseminated through various internet platforms, including social media. eWOM has a significant positive impact on e-loyalty and e-purchase on account of perceived information credibility, quality and usefulness felt by the consumers (Charitha,2019). In the tourism and hospitality services industries, user-generated

content (UGC) has become an effective tool tourists use to gather information to make travel decisions (Ukpabi & Karjaluoto, 2017).

Factors influencing eWOM adoption

As more and more marketers attempt to harness the power of electronic word-of-mouth (eWOM) in social networking sites (Williamson 2006), rigorous investigation of determinants that lead to consumers' engagement in eWOM via the social networks is becoming critical. Consumers read online reviews and articulations to save decision-making time and take better buying decisions. Consumer motives for retrieving online articulations strongly influence consumers' behavior (Heing-Thurau, 2003). Online interpersonal eWOM is a potentially cost-effective means for marketing hospitality and tourism (Litvin, 2006). The firm should be using its customers to create WOM that may in turn be used by the opinion receivers. WOM is purely exogenous and is associated with higher sales (Mayzlin, 2007). Comprehensiveness and relevance of WOM are found to be the most effective components of the argument quality, making them key influencers of information adoption by opinion seekers and receivers. Information usefulness also has a strong and significant impact on consumer decision to adopt information within online communities.

Source credibility may prove to be more helpful in determining information usefulness (Cheung *et al*, 2008). Positive eWOM message with higher message source credibility indicates a better brand attitude than the eWOM message with lower message source credibility and this effect is not moderated by the degree of product involvement, indicating its robustness. Literature shows that expertise and trustworthiness influence source credibility, which consequently leads to a more positive evaluation of customer reviews. Source credibility is the trust in a particular person in a specific domain, the extent to which receivers believe a communicator is honest and is concerned about others and unalterable in a short time (Walsh, 2003; Zyl, 2013).

Social capital, tie strength, homophily, trust, and consumer susceptibility are variables significantly related to users' engagement in eWOM communications. However, Shu-chuan-chu (2009) concluded that there was no effect of tie strength among eWOM variables. eWOM volume has stronger impact on sales when compared to eWOM valence. Effectiveness of eWOM is dependent on both the online environment in which it is displayed and the product to which it pertains. According to the platform and product, marketers or managers of the firm should define their strategies. When there is attention to volume and variability, it is important to monitor and measure multiple eWOM metrics (Rosatio *et al*, 2016). The higher the product involvement, the rational appeal indicates a better influence on brand attitude than emotional appeal; but there is no difference between both when product involvement drop to a low level (Paul & Wang, 2011).

Trust in travel-related consumer-generated content impacts the degree of usage of consumer-generated media in the course of planning pleasure trips (Yoo *et al.*, 2009). The growing popularity of such media and content has important implications for wide range management activities like brand building, customer acquisition and retention, product development and quality assurance (Dellarocas, 2003). Reliability drives customer behavior and responses (Athanassopoulos *et al.*, 2000).

Impact of eWOM

The outcomes of the dissemination of eWOM include influence on purchase decision making, product evaluations, consumer loyalty and empowerment. eWOM has significant influence on the attitude towards the product, purchase intention and credibility (Sun-Jae & Hwang, 2009). Assessing eWOM via SNS (social networking sites) is imperative for attracting potential tourists as well as improving and developing tourism business administration. eWOM in different channels of SNS such as Tripadvisor.com is critical for developing and improving attraction and accessibility towards tourism destinations. eWOM allows tourism administrators to realize weakness, strengths as well as opportunities and threats in all elements that make up a complete tourism experience (Fatemeh & Shirazi, 2018). eWOM has significant impact on attitude towards visiting places through, subjective norms, perceived behavioral control and intention to travel (Jaliland & Samiei, 2012).

Equity and disconfirmation are more strongly related to customer satisfaction. Product service distinction is important when estimating the relationship between affect, satisfaction and repeat purchasing. Intangible feelings of satisfaction play a stronger role in decisions to buy intangible products (Szymanski & Henard, 2001). When a customer experiences low awareness and inferior perceptions of customer satisfaction, they would engage in unfavorable behavioral response, also known as negative word of mouth (Athanassopoulos *et al.*, 2000). Customer loyalty is developed in a cognitive and emotional sense followed by action despite the influence of situational factors and marketing activities that competitive companies undertake. Online customer loyalty is customers' willingness to maintain a stable relationship in future and to engage in a repeat behavior of visits or purchase (Perrien *et al.*, 2013).

Destination image has a great impact on composite loyalty among the tourists. Out of all dimensions of destination image, the overall image is found to have greatest impact on tourist loyalty followed by the affective and cognitive image. Existing studies on destination image have largely focused on cognitive image. The destination image exerts different influences on the dimensions of tourist loyalty. Destination image has the largest effect on composite loyalty and lesser effect on attitudinal and behavioral loyalty. Intention to visit or revisit may appear low. Tourists' post-visit relationship with the destination can be continuously reflected

in their overall assessment of the place. Both destination image and tourist loyalty have been recognized as critical elements in achieving competitiveness for tourist destinations (Zhang *et al.*, 2014).

CONCEPTUAL MODEL

eWOM adoption in tourism is significantly influenced by the usefulness of eWOM that consumers perceive the message possess. This, in turn, is impacted by (i) eWOM quality (ii) eWOM quantity (iii) source credibility (iv) consumers' prior knowledge of the services being evaluated (v) homophily and (vi) searchers' intent. eWOM quality is the persuasive strength of arguments embedded in the user generated content (Bhattacharjee & Sanford, 2006). eWOM quantity refers to the number of online reviews available for a product/ service. When more reviews are offered, consumers perceive the total information set from the reviews to be more informative (Petty and Cacioppo, 2014). Source credibility is the extent to which a traveller perceives a message source to be believable, competent, and trustworthy (Filieri *et al.*, 2015; Wang, 2015; Chung *et al.*, 2015). Homophily refers to the extent to which the traveller perceives UGC contributors to be similar in some attributes (Ayeh, 2012). Searchers' intent means the extent to which the searcher involves physically and psychologically in searching eWOM on the internet (Steffes and Burgee, 2012). The major consequent variables of eWOM adoption as found in literature include impact on consumer attitude, purchase/ travel intentions, product/ service expectations and destination image (Chen & Law, 2016). Based on these observations, the researchers propose the following conceptual model:

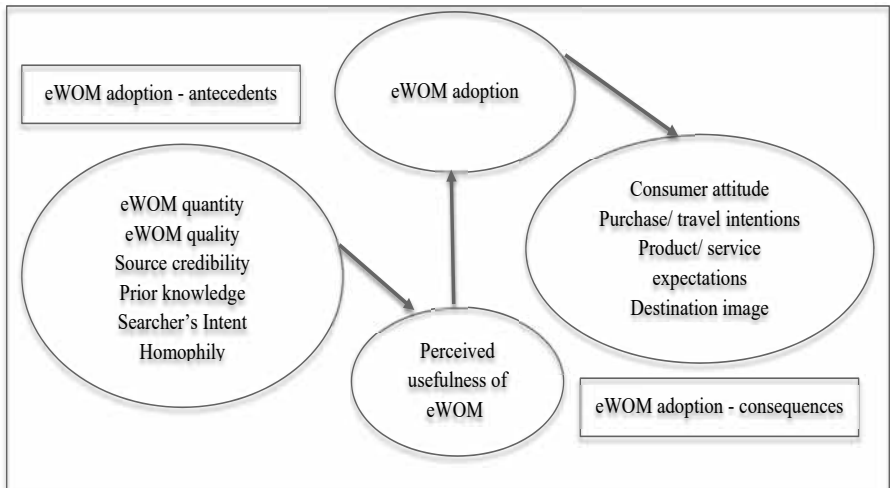


Fig 1: Conceptual Model

IMPLICATIONS FOR TOURISM MARKETERS

Smart tourism destination marketing has become more complex because of the technological improvements that has led to the collective integration of resources for value co-creation by all the participants in the eco-system. Information and communication technology, leadership innovation and social capital supported by human capital are core components of smartness (Buhalis *et al*, 2016). Travel experience has a significant impact on using eWOM and this correlates to the Theory of Planned Behavior (Jalilvand & Samiei, 2012). Social medium is just another marketing channel to be wisely used in integrated communications marketing of tourism services. The three factors that are very influential regarding the use of information retrieved from twitter are reliability, degree of involvement, expertise (Sotiriadis & Vanzyl, 2013). Tourism marketers must understand their guests are going online in large numbers. The marketers should be knowledgeable about the forthcoming technologies and be cognizant of the strategies by competitors. New electronic intermediaries do not provide face to face contact, but they are more powerful than the old ones. As usual, eWOM plays an important role in the consumer decision-making process through reviews (Litvin *et al.*, 2008).

This research brings to light the implications of eWOM for organizations engaged in tourism-related services, such as tourism boards of various destinations, tour providers, hotels, restaurants, etc. Tourism services marketers can understand the impact of eWOM on travelers while taking travel-related decisions. They can emphasize featuring online reviews on websites that are considered as “neutral” rather than only hosting reviews on their own sites. Marketers can encourage review writers to create online profiles to increase the credibility of the reviews. Tourism services marketers may encourage travelers to write more reviews online with the promise of incentives for future purchases of their services. Marketers may encourage reviews that are elaborate and experience-based in nature, as consumers are likely to find detailed stories to be more useful. Marketers may try to overcome the impact of negative reviews by providing counter-arguments.

CONCLUSION

The rise of social networking platforms allowing individuals and tourists to share their views and experiences with potentially unrestricted virtual communities have brought in both opportunities as well as challenges to tourism destinations and related businesses. Tourism marketers have begun to understand that ICT and social media has forever shaped the tourists’ consumption behaviour significantly. Understanding them and predicting their behaviour will go a long way in ensuring successful tourism marketing. This literature review provides a piece of strong evidence that the decision-making process in the context of tourism is today impacted by several eWOM variables. Further, the conceptual model can be used by the researchers for empirical analysis in the context of various regions and nations.

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LETTER TO SHAREHOLDERS OF S&P BSE – 100 COMPANIES: READABILITY ANALYSIS

Pardhasaradhi Madasu¹

ABSTRACT

The paper extends prior readability research through an examination of the readability levels in the letters to shareholders as published by constituent companies of BSE – 100 Index. Further, the study aims at finding the statistical significance of readability between the letters published by listed financial and non-financial firms. In total, 83 letters written by respective Chairpersons during FY 2019 were examined. Inspired by the extant literature, readability measurement formulae from computational linguistics named Fog Index was used to measure the readability of the letters. Readable.IO, an automated algorithm, has been used to get a score for Fog Index. The exiting body of literature on the readability of chairperson's letters was mostly written in the context of developed financial markets. Very few studies of this nature have been conducted in emerging economies such as India. The present paper is expected to fill the research gap to a certain extent.

Keywords: Letter to shareholders, S&P BSE-100 Index, Readability, Fog Index, and Readable.IO.

JEL Classification: M41

BACKGROUND

In recent times, the corporate disclosures (CDs) have received much of the attention from both academicians and regulators. One of the reasons for the keen attention towards CDs is the changing nature of stakeholder's information needs of the business entities and the response from the business entities. The nature and scope of information demanded by stakeholders and supplied by the firms have undergone a sea change. In tune with the changing information needs of the stakeholders, the corporates firms also have started to disseminate both financial and non-financial data (FDs and NFDs) through CDs. Out of the various forms of CDs, the annual reports (ARs) are considered the prominent disclosure. Bowman (1982) believes that the top management team (such as CEOs) tend to view AR as a significant communication device to many of the stakeholders, both internal and external.

ARs consist of both quantitative and qualitative (narrative) data. Present or prospective stakeholders who have some financial interest in the firm would consume both variant of data, available in ARs to make informed investment decisions. In recent times, quantitative data, also referred to as narratives of ARs, have become

¹ Associate Professor, Siva Sivani Institute of Management, Secunderabad
Email: mpardhasaradhi@ssim.ac.in

equally important to numbers in the financial statements. In this backdrop, financial market regulators all over the world are promoting the publication of narratives in ARs such that more quality information is available to stakeholders. (Beattie, McInnes, & Fearnley, 2004).

Financial statements, which are the significant chunk of quantitative data in AR, are historical in nature and provide information on what has happened in the past fiscal year. However, the users of ARs also want to know the perspective of the top management team on the future of the company. This is where the role of narratives has become prominent. The objective of the narrative reporting is to provide that extra bit of futuristic information to the users of AR (Uddin & Safiuddin, 2015). The narratives are primarily discretionary and represent management's explanation of the corporate events. Textual properties of narrative disclosures have received considerable research interest in accounting and finance literature (Hasan & Habib, 2020). From the research point of view, the narratives in ARs are studied from various dimensions, such as predictive ability, readability studies, and impression management studies (Aerts, 2015).

Because of the importance given by accounting professionals, regulators as well as the users of integrated reports, the narratives have become an integral part of ARs. Narratives are supposed to provide a view of the firm 'through the eyes of management'. Apart from delivering a futuristic view of the company, the descriptions are also useful in providing the social and environmental performance of the business entity. The narratives in ARs are in the form of management commentaries such as the chairman's statement or CEO statement, chief executive's review, operating and financial review, risk reporting, and corporate governance statement. Out of these, few are voluntary, and others are mandatory narratives (Campbell & Slack, 2008). Because the narratives of AR are not subjected to audits similar to financial data, there is an opportunity of using these narratives for self-serving attribution biases such as impression management. Occasionally, the narratives are open for confusion and manipulation (Balata & Breton, 2005).

Narratives in ARs are meant to make complex financial and accounting content accessible to non-expert audiences (Jameson, 2000). In this regard, one of the prominent narrative of AR is the 'Letter to the Shareholders', 'CEOs Letter', or 'Executive Letter'. Letters to the shareholders are the most widely read section of AR (Hyland, 1998). The letter to shareholders are typically written at the end of the financial year or within the first few months of the next fiscal year, and their function is to provide an account of the previous year and make predictions of the next financial year (Murphy, 2013).

Letter to shareholders provides the opportunity for the readers to understand the top management's perspective about the past and the future. Due to this unique nature, the chairperson's letters or CEOs letters have become the much-loved topic

for both accounting and linguistic researchers. In the stated backdrop, it would be worthwhile to have a brief overview of the nature and scope of letters to the shareholders.

LETTERS TO SHAREHOLDERS – AN OUTLINE

Annual Reports (ARs) provide much-needed information for the stakeholders. The narrative segment of the ARs has received much of the research attention from accounting professionals, regulators, shareholders, and the academic community. Letters to shareholders in the report represent the one-to-one communication attempt by high-level executives such as CEOs with owners (Dorrell & Darsey, 1991).

The contents of ARs may vary considerably across companies; however, due to some regulatory prescriptions and some standard practices, these reports tend to share some common features. One of the elements among all well-drafted ARs is the presence of narrative in the form of a letter to shareholders at the beginning of the AR. The letter to the shareholder is a non-statutory and non-audited statement from either chairman or CEO of the company (Wisniewski & Yekini, 2014). The several page message from the leader of the company is essential for two reasons, one, the letter, or the message explains the past performance and second, offers a vision of top management about the future (Poole, 2016). Due to this unique nature of the letter to shareholders, it is considered as the most essential reading of the AR (Franzén & Ingvarsson, 2017).

The narratives in a letter to shareholders do not undergo any kind of regulatory check. They are, in a way, used to project a favorable image of the company and top management. There is a possibility of ‘obfuscation’. In this backdrop, the textual features of the narratives in letters to shareholders may not be appropriate to convey the accurate picture. Firms now and then use obfuscation in place of rationalization to manage the impressions associated with the disclosure of poor performance. The researchers are concerned with the latter way of dealing with disclosure of poor performance (Smith, Jamil, Johari, & Ahmad, 2006). Because of the possibility that the letters are in to use for obfuscation or impression management, they have become the subject matter of accounting research.

Accounting researchers have subjected the letters to shareholders for various quantitative and qualitative research tests. Letters were analyzed from multiple dimensions of research interest such as readability and rhetorical tone analysis, language choice, presence of obfuscation and impression management, the predictive ability of the narratives, the relation of the textual features with the corporate reputation, and so on.

Among the various dimensions of academic research interest concerning the letters to shareholders, the readability analysis has found a prominent place. A readability analysis of the letters to shareholders has gained prominence because of the simple fact that, if the letters are not readable and are involved, they do not serve the purpose for which they are intended. A readability analysis of the narratives in annual reports involves the application of readability formulae (Courtis, An Investigation into Annual Report Readability and Corporate Risk-Return Relationships, 1986). The following section provides a summary of readability formulae.

READABILITY ANALYSIS – A BRIEF NOTE

Many authors, in many ways, define ‘Readability,’ and there is no one definition, which is applicable universally. Readability is the term used to cover the numerous aspects of written materials, which together determine the reading difficulty of a printed page. Bjornsson (1971) defines it as “*The sum of linguistic properties in a text, that makes the text more or less available to the reader*” (Björnsson, 1971). This definition separates delinks readability from the layout issues. The description of readability by Klare (1963) focuses on ease of reading and ease of understanding. Both these definitions point to one aspect that the written document should be easy to understand and comprehend. In this backdrop, the concept of readability is very much crucial for the corporate firms which disseminate much of the corporate information to stakeholders through written documents such as ARs.

A proper communication presupposes comprehension, and the primary tenacity of readability analysis is thus to measure the comprehensibility of a piece of writing. In general, readability studies are concerned with ascertaining whether a given part of written communication reaches and affect its audience in the way that the author intended (Zamanian & Heydari, 2012). From the perspective of financial disclosures, readability is defined as the effective communication of valuation-relevant information (Loughran & McDonald, 2014).

Larsson (2006) states that previous research has established many factors that affect readability. Factors such as the content of texts, vocabulary, and style of writing influence readability. Not all the readers can understand the same written material in the same way, and we have to use the classification of readers based on ‘readability levels’. The term readability level is often used to describe the educational level a reader needs to understand a text. To determine the level of readability, it has to be measured with readability formulae.

One of the popular automated algorithm-based software to measure readability is Readable.IO (Lourenço, Oliveira, Branco, & Inácio, 2017).

READABILITY MEASUREMENT – FOG INDEX

A considerable amount of research has been conducted on the linguistic features of the narratives in the annual reports. One of the well-researched linguistic features of the yearly public reports is the ‘Readability’. Zurel (2014) states that readability measures focus on two significant aspects semantic units and syntactic units. It is assumed that high readability is necessarily achieved by the usage of short words and sentences. DuBay (2004) elaborates that by the 1980s, researchers were deliberating on 200 readability formulas and over a thousand studies published on these formulas. However, from a financial and accounting research point of view, few readability indices such as Fog Index have been used persistently.

In this backdrop, the Gunning-Fog Index (Fog Index), as developed by Gunning (1952) and having its origin in computational linguistic literature, is an accessible yet straightforward readability measure (Ajina, Laouiti, & Msolli, 2016). The popularity of the Fog Index as an index to measure readability could be inferred from the fact that the index is used by many of the famous studies. (Li, 2008), (Biddle, Hilary, & Verdi, 2009), (Miller, 2010) and (Lawrence, 2013) have used the index for measuring the complexity of the narratives.

Lawrence (2013) states that the Fog Index is a computational linguistic index that is used to measure the readability of English writings. The Fog Index grades complexity using a combination of the number of words per sentence (WPS) and the number of syllables per word (SPW), representing the number of years of formal education required to read and comprehend the text. Gunning (1952) states that the higher the index value, the more difficult it is for the readers to understand the text. The formula for Fog Index is:

$$\text{Fog} = (\text{Words per Sentence} + \text{Percent of Complex Words}) * 0.4$$

Note: Complex words are those words with three syllables or more. Fog Index of greater than 18 is considered unreadable, and an index value of 14-18 indicates that the text is difficult to read, and any value below 14 is considered as an acceptable level of readability.

(Gunning, 1952)

REVIEW OF LITERATURE

Readability studies of accounting narratives have been a very popular phenomenon post-2008 global financial crisis. Readability studies have used annual reports as a whole unit or specific segments of the annual report, such as a letter to shareholders or MD & A report as the corpus for research. Courtis (1995) states that readability studies relating to annual reports dealt with two issues: first, the prediction of whether prose passages are likely to be readable by the target audience and, second, whether there was any deliberated manipulation in the reading ease to signal

corporate results. Among both first issues was the popular choice of research among academic investigators. Out of many segments of the annual report, the president's letter or chairman's letter was the most popular subject matter for the researchers.

The notion of 'Readability' analysis in the accounting narratives has been implemented based on the studies that were made in the field of communication and political sciences. As per Dreyer (1984), the basic aim of readability analysis is to match the reader and the text. Earlier, the researchers used to see whether a given text is suitable for a reader based on the reader's interests, background, and abilities, as well as the text's format and difficulty. In this context of Courtis (1995) states that one of the tenets of communication is that the readers of the messages should be able to interpret the message in the same way as the sender intended it to be. So, the readers of annual reports (which is a prominent communication medium) should be able to read and understand with ease.

The readability studies of accounting narratives have become popular from the last 15 or 20 years, but the foundation for these kinds of studies was laid back way back in the early 1960s. Few of the early studies include Pashalian & Crissy, 1952; Soper & Dolphin, 1964; Smith & Smith, 1971; Healy, 1977; Still, 1972; Pound, 1981; Parker, 1982; Courtis, 1986; Lewis *et.al.*, 1986; Jones, 1988; Smith & Taffler. 1992a, 1992b. The common findings of these studies are that the annual reports as a whole unit or segments of it have a difficult or complicated reading ease and are beyond the fluent comprehension skills of the adult population. Courtis (1995), in his study, states that those responsible for preparing narrative sections of annual reports normally are writing corporate messages at a reading level outside the educational skills of their target audience.

The majority of the readability studies have focused on the annual reports published by companies located in Australia, New Zealand, the UK, and the USA. Few studies were made in the Asian context and especially in India's background. The present study draws from the body of knowledge grounded in the past studies and measures the readability of chairmen's letters in the Indian framework.

NEED AND IMPORTANCE OF STUDY

Capital (equity) markets are the prominent source of long-term funding for corporate firms in India. Both institutional and individual (Retail) players contribute to the capital markets. In the current past, the participation of individual investors in equity markets has improved. Limaye (2019), in his study, has pointed to new trends in the equity markets. First, investors from Tier-2 and Tier – 3 cities have increased substantially. Secondly, in terms of value, individual investors account for about 38 per cent of the equity market, and the number of individual investors has been increasing at a 10-year CAGR of 11%. In other sense, individual investors play a significant role in equity markets.

Institutional investors have not much of a challenge in understanding and comprehending the disclosures of the corporates. However, in the case of individual investors, it may not be so easy to read and understand the narrative disclosures of the listed entities. The majority of the corporate publish their annual reports in English, and in Indian content, English is may not be the first language of the readers as well as prepares. So, reading ease becomes essential for proper corporate communication. In this framework, it is very much necessary to conduct a focused study on the narratives published by the listed entities in India.

OBJECTIVES, DATA & METHODOLOGY

The study has two primary objectives: a) To ascertain the readability metrics of the sample companies and b) To assess the significance of the difference in readability levels of financial and non-financial firms. To achieve these objectives, the readability metrics of the letters to shareholders was needed.

The letter to shareholders (Chairmen's letters) was collected from the annual reports (FY 2018 – 19) of listed companies, which are part of the S&P BSE100 index as of 31st March 2020. Out of the 100 companies, only 83 companies (66 non-financial firms and 17 financial firms) have published chairmen's letter to shareholders. Annual reports are posted as PDF files, and from these PDF files, letters to shareholders were converted into word documents. Finally, the corpus for the study consisted of 83-word documents. Online readability assessment software available on readable.com was used to measure the readability metrics of the letters and downloadable in the .csv file format. IBM SPSS statistics software has been used to conduct statistical analysis. Descriptive statistics and independent-sample t-test were applied to fulfill the study objectives.

RESULTS

Descriptive statistics of readability metrics are given three panels of **Table 1**. The letters of chairpersons of the sample companies are difficult to read ($M = 15.41$, $SD = 1.99$). The readability of letters to shareholders published by financial firms ($M = 15.07$, $SD = 2.09$) is slightly better than non-financial firms ($M = 15.49$, $SD = 1.97$). The 95% confidence intervals also indicate that the estimated minimum Fog Index is 14.97 for all firms put together and 13.99 and 15.00 for financial and non-financial firms. The minimum level of confidence levels also indicates that the narratives of the letter to shareholders are difficult to read. Other variables, such as words per sentence or passive voice count, do not differ much among the sub-samples.

Table 1: Readability Metrics - Descriptive Statistics

Variable	Mean	SD	Min.	Max.	Confidence Interval*	
					Lower Bound	Upper Bound
Panel A: All Sample Companies (N = 83)						
Gunning Fog Index	15.41	1.99	9.60	19.80	14.97	15.84
Words with Six Letters	531.39	353.51	24.00	2093.00	454.19	608.58
Words With Seven Letters	413.76	274.16	19.00	1640.00	353.90	473.63
Words Per Sentence	20.92	3.03	13.00	27.60	20.26	21.59
Passive Voice Count	5.80	5.27	0.00	26.00	4.64	6.95
Panel B: Sub-Sample 1 - Financial Firms (n = 17)						
Gunning Fog Index	15.07	2.09	11.30	18.20	13.99	16.15
Words with Six Letters	643.53	533.84	136.00	2093.00	369.05	918.00
Words With Seven Letters	496.68	413.68	113.00	1640.00	282.95	708.34
Words Per Sentence	20.57	3.73	13.00	25.90	18.65	22.49
Passive Voice Count	6.41	7.04	0.00	26.00	2.79	10.03
Panel C: Sub-Sample 2 - Non-Financial Firms (n = 66)						
Gunning Fog Index	15.49	1.97	9.60	19.80	15.00	15.98
Words with Six Letters	502.50	288.73	24.00	1282.00	431.52	573.48
Words With Seven Letters	392.67	224.70	19.00	1033.00	337.42	447.90
Words Per Sentence	21.01	2.85	15.20	27.60	20.31	21.72
Passive Voice Count	5.63	4.77	0.00	21.00	4.46	6.81

Note: Confidence Interval (CI) is at 95%; Fog Index lower value indicates the text of higher readability.

Table 2 shows the correlation between the various readability metrics. Words per sentence and words with seven letters have a significant positive correlation with the Fog Index ($r(83) = .800, p < .001$) and ($r(83) = .302, p < .001$). Table 3 depicts the results of the normality test for both the sub-samples i.e., financial firms and non-financial firms. Based on Shapiro-Wilk test, it is found that the sub-groups (financial and non-financial firms) are normally distributed and both the null hypothesis are retained ($W(17) = 0.11, p = 0.20$ and $W(66) = .0.09, p = 0.18$) respectively. Before conducting the independent sample t-test, all the underlying assumptions were verified. It was found that the data is amenable for independent sample two mean t-test. An independent-sample t-test (Table 4) was conducted to compare the Fog Index among financial and non-financial firms. There was not a significant difference in the Fog index scores between both categories of firms ($t(81) = -.775, p = 0.441$).

Table 2: Pearson Correlations Among Readability Metrics

Variable	Gunning Fog Score	Words with Six Letters	Words with Seven Letters	Words Per Sentence	Passive Voice Count
Gunning Fog Score	1.00				
Words With Six Letters	.295**	1.00			
Words With Seven Letters	.302**	.998**	1.00		
Words Per Sentence	.800**	.380**	.377**	1.00	
Passive Voice Count	.171	.807**	.804**	.243*	1.00

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 3: Tests of Normality for Gunning Fog Index

Firms	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial Firms	.113	17	.200*	.958	17	.596
Non-Financial Firms	.099	66	.184	.970	66	.105

Table 4: Independent Samples Test - Gunning Fog Index

	Levene's Test		t-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.
Equal variances assumed	.418	.520	-.775	81	.441	-.4203	.5424
Equal variances not assumed			-.748	23.837	.462	-.4203	.5622

DISCUSSION

Readability as measured by the Fog Index of letters to shareholders published by the top 100 listed Indian entities range from 9.60 –19.80 (M = 15.41, SD 1.99). In the sample, the best readable letter was published by a company represent the chemical sector, and on the other hand the most difficult to read the letter was from the company representing the automobile sector. Generally, a Fog Index score of 7 to 8 is considered as optimal, and any rating higher than 12 is treated as complex for average reader. A Fog Index of 12 indicates that the narrative could be read by high school senior students and any score above that requires college-level education. Fog score of 20 indicates a post-graduate level of education for reading and comprehending the narrative.

The letter to shareholders of Indian companies is far more readable when compared to the globally listed entities. The Fog Index for US companies' narratives in whole annual reports (10-K files) between fiscal years 1993 – 2003 was higher, which indicated difficult to read (M = 19.39, SD = 1.44). The Fog for MD & A

section of the same companies also were classified as difficult to read narratives ($M = 18.23$, $SD = 2.55$). The Fog for notes to financial statements indicates that the reader requires a senior college degree to read and comprehend the narrative in that section ($M = 18.96$, $SD = 1.53$). In summary, the narratives of 10-K files required minimum senior college degree to read and comprehend the given content (Li, 2008).

In a country such as India, where the individual investors may not possess the required English reading ability, companies should see that the narratives in the annual reports and other corporate communications should be readable. It could be hypothesized that if the corporate communications concerning the financial and non-financial performance are more readable, the participation of individual investors in capital markets would further grow.

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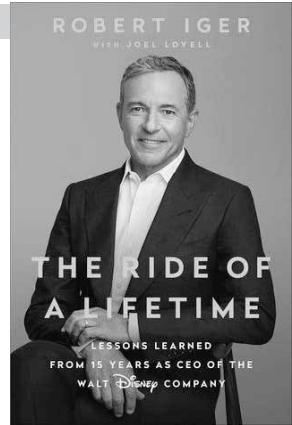
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BOOK REVIEW

The Ride of a Lifetime

Author : Robert Iger
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Robert Iger became Chief Executive Officer of The Walt Disney Company in 2005. It was a difficult time. Competition was more intense than ever. Technology was changing faster. Iger had a grand vision. His vision narrowed down to three clear ideas. These include - Recommit to the concept that quality matters, embrace technology instead of fighting it, and think bigger, think global. The goal was to turn Disney into a stronger brand in international markets.

Twelve years later, Disney is the largest, most respected media company in the world, with Pixar, Marvel, Lucasfilm, and 21st Century Fox among its properties. Its value is nearly five times what it was when Iger took over, and he is recognized as one of the most innovative and successful CEOs of our era.

In this book, *The Ride of a Lifetime*, Robert Iger shares the lessons he has learned while leading Disney and leading its 200,000 employees. He explores the principles that are necessary for true leadership.

- ▶ Optimism - Even in the face of difficulty, an optimistic leader will find the path toward the best possible outcome and focus on that, rather than give in to pessimism and blaming.
- ▶ Courage - Leaders have to be willing to take risks and place big bets. Fear of failure destroys creativity.
- ▶ Decisiveness - All decisions, no matter how difficult, can be made on a timely basis. Indecisiveness is both wasteful and destructive to morale.
- ▶ Fairness - Treat people decently, with empathy, and be accessible to them.

This book is about the relentless curiosity that has driven Iger for forty-five years. It is also about thoughtfulness and respect, and a decency-over-dollars approach that has become the basis of every project and partnership Iger pursued, from a deep friendship with Steve Jobs in his final years to an abiding love of the Star Wars mythology.

One of the key takeaways from this book is that it is not possible to hide from disruption. Sometimes, disruption comes from out of the blue leaving executives with little time to react, but at other times one can see that changes are coming far ahead of time. If you are leading a dominant company in an industry that appears vulnerable to disruption, you can choose to either ignore the threat, take defensive steps, or go on the offense using the strength of your current position as a springboard to turn the tables on your new competitors.

“The ideas in this book strike me as universal” Iger writes. “Not just to the aspiring CEOs of the world, but to anyone wanting to feel less fearful, more confidently themselves, as they navigate their professional and even personal lives.”

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