

# VIEWPOINT

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Shri Mansukh Bhai Prajapati- The Innovator of “Mitticool”
- S. K. Yadav (NCERT) : Online Examination in Teacher Education Programmes  
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Rahul Singh

# VIEWPOINT

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# EDITORIAL

On 21st March, 2020, when the first lockdown announcement was made by the Hon'ble Prime Minister (Janata Curfew), we (here 'we' represent the Indians) sensed that something was very wrong and as the news channels disseminated, COVID-19 was here to stay.

The figures kept on increasing. Initially, India was nowhere in the top ten charts. The pace of growth in number of cases was pretty low in India as compared to the developed nations. The rate kept increasing exponentially and a day came when we surpassed the developed nations.

A day came in our life when we heard about the first case in our city. We shivered down the spine. And when the first case was reported in our township/ colony/residential area, we took all precautionary measures to avoid even moving in that direction where that 'case' resided.

Next in row was our own apartment building. All the residents of our and the adjacent building were instructed to stay inside for 14 days ('quarantine' was the new word added to our vocabulary).

And look! Now is the turn of our closest friend. Off late my father got infected with this virus and was hospitalised for 10 days. With every stage the stress kept mounting. All of a sudden we have kept that glass we held in our hand for long, which was making our hand feel heavier. To relieve and unburden ourselves, we have started moving at public places- masked or unmasked, relish food in restaurants, started celebrating birthdays and marriages with the same zeal and fervour. This spirit of celebration and never say die Indian attitude has lead us to 8.23 million cases (till today, Nov 2, 2020) with 123K (official figures) deaths. After all, if we can compete zealously in cricket, why not corona. We have to top the charts!

There was a day when at the beginning of the lockdown we started cooking all sorts of delicacies at home (foodies as we are), and started bragging about the homemade 'jalebies' on social media. We started posting pics of our homemade cakes on Facebook and Whatsapp and started competing with chef Sanjeev Kapoor. But we Indians are also very kind hearted breed of Homo sapiens so now we bring down our masks to the chin and relish 'golgappas' so that the poor vendor may also earn his bread. We have started queuing around the famous sweet shops of our locality (arre bhai Diwali hai, mithai to khayenge hi).

As the saying goes, 'if we hold on the stress for long, it grows'. My advice would be that let's not allow the stress to grow but let the precautionary measures increase so that together we may flatten the curve. Before defying the safety measures think at least once about the kids who have not gone out to play in the parks or are attending the school in front of a computer since past 9 months.

Now that the vaccines are in place, even the doctors and medical staff are hesitant to take it. Someone has to set an example. And for this once again the entire world is looking at the health warriors to take the lead so that the commoners may also repose their faith in the vaccine and the world may become free from the shackles of this menace.

**Prof. Vaishali Dhingra**

*Chief Editor*

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## Invited Viewpoint

# Parth Narania under the Tutelage of Shri Mansukh Bhai Prajapati- the Innovator of “Mitticool”

Manish Dhingra\*

The year was 2011 when at Teerthanker Mahaveer University The Entrepreneurship Development Cell was initiated. Inviting Shri Mansukh Bhai Prajapati was a natural choice to make a beginning that kindles a spark among the young students to come out of their shells, to surpass all hurdles and do something on their own.

I and my wife received Shri Mansukh Bhai at Indira Gandhi Airport. We expected a mid-aged and tired person just out of a long flight but the gentleman we received was full of energy, with sparkling bright eyes, ready to move the world with his innovative ideas. His nephew, Parth Narania accompanied him- a young handsome looking boy in his early twenties.

We went in a 7 seater Qualis to receive Shri Mansukh Bhai. But when we saw the accessories he carried with him for display and demonstration to the students, we realised that either the luggage can fit in or five of us along with the driver (Myself, my wife, Mansukh Bhai, Parth and one very good friend of Mansukh Bhai).

Any other boy in place of Parth would have been hesitant in helping to unload the huge “Mitticool Refrigerator” which Shri Mansukh Bhai brought along with him for the purpose of demonstration to the students. But Parth meticulously loaded the Mitticool company products in the car, folding the backseat to make room for the clay refrigerator. He was so much careful about the comfort of his “Kaka” that he didn’t mind to fold his legs and sit very uncomfortably besides the luggage in the backseat during a journey of 4.5 hours. During their two day stay in the campus we realised that Parth was more like a son to Shri Mansukh Bhai. What the President Award winner “clay scientist of the country” spoke in a jam packed auditorium was something to cherish forever. He said that we must always remain associated to our roots. There is so much to learn from our native culture. Perhaps this lesson transformed his disciple Parth into such an entrepreneur who is associated to his roots and that is where he derives his core competency from.

After taking a degree in Business Management from the prestigious University of South Australia - Parth initiated his own venture in Ahmedabad and moved to “ThanGarg”, Gujarat where he belongs to, for establishing his factory of classic ceramic-ware.

We met him after a span of more than ten years- recently, in January 2021. This time he came to our house along with his wife- Prishilla, a pass out of National School of Design. During the four hour interaction with both of them we realised as to how much they cherish their attachment to their roots in Thangarh. Prishilla, a brilliant designer worked hard with her husband to set up their venture which they take pride in. She, although born and brought up in a metropolitan city, Jaipur, and studied in NSD, Ahmedabad, was all praises for the food, for the culture and lifestyle of this small place in Gujarat where she lives in a traditional joint family of in-laws, cooking traditional Gujarati food, taking care of the elderly in the family and at the same time designing finest of the pieces of art with her husband for their high end clients in India and abroad.

While imparting lessons of entrepreneurship to the students we rarely teach them respect for elders, importance of staying connected to the roots and learn the trait of business with humility and humbleness, as it is there that young entrepreneurs will draw their strength from.

Since these characteristics are not mentioned in books of Entrepreneurship, I just thought of sharing them for the sake of reaching out to many budding entrepreneurs like Parth Narania.

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## Invited Viewpoint

# Online Examination in Teacher Education Programmes During Post Covid-19

S. K. Yadav\*

Teachers' education is process for preparing professional school teachers for teaching from pre-primary to higher secondary stages. Necessary knowledge, attitudes and skills for effective teaching are inculcated among them through pre-service and in-service education programme of teacher education. Both the programmes are well planned and are run in about sixteen thousands teacher education institutions and universities on continuous basis whole of the year. During the month of March, 2020, the different scheduled activities of teaching and assessments of these institutions were stopped due to sudden occurrence of corona virus disease in our country which is not curable so far. It has infected millions of people globally in about 200 countries. It is an acute infections respiratory disease caused by newly discovered corona virus (SARC-CoV-2)). The first case was found in Wuhan in China which was reported by WHO office in China on 31st Dec, 2019. The symptoms of this disease are illness to pneumonia, fever, cough, sore throat, headache. World Health Organisation (WHO) announced a new name COVID-19 on 11th Feb, 2020. COVID-19 means a disease caused by a new strain of corona virus in 2019. CO strains for corona, VI for Virus, D for Disease. Keeping in view the consequences of this disease, the Government of India took precautionary measures and declared lock down on 22nd March, 2020 in the name of Janta curfew to make aware and alert about this dangerous disease to the people of our country. This lockdown was extended to 68 days in four phases up to 31st May, 2020. The first was from 25th March-14th April, 2020; second from 15th April-3rd May, 2020; third from 4-17 May, 2020 and fourth from 18 - 31st May 2020. During lockdown period, all the teacher educational institutions were closed down. The annual and semester examinations of teacher education programmes were either postponed or cancelled. Traditional exam at centre were not possible. But after a short duration, an alternate mode of examination was used and shifted from traditional mode of examination to online mode of examination for assessing the performance of student teachers who have joined the different courses of teacher education programmes. An online examination system is a internet computer based test system that measure knowledge, attitude and skills of student teachers. They can give online open book exam from their own devices at their own time from their home. In open book examination (OBE), student can consult their

books and notebooks. They can also consult and use other accepted material for answering questions. The aim is to develop skill and creative thinking among the students.

Now, the Government has unlocked the lockdown period from 1st June, 2020. In this situation, OBE will continue during post covid -19 pandemic period because teacher education institutions are still closed. This type of examinations have been recommended earlier in many policy documents. Some of the recommendations are mentioned below.

## Policy Recommendations Open Book Examination

National Policy of Education (NPE, 1986) recommended re-cast of examination system. In this regard, Programme of Action (POA, 1986) of NPE suggested that innovative ideas like open book examination (OBE), diagnostic evaluation etc. may be experimented with evaluation process and examination reforms. This recommendation was implemented in many places in the country. Yadav (1988) in his study found that OBE was introduced in Uttar Pradesh for evaluating the achievement of students of class IX on experiment basis. The aim was to emphasis command of knowledge as distinguished from recall of factual information, develop skill and creative thinking. It was recommended in the study that OBE should be introduced in other states also. The Gujarat State Board of School Education had also made limited experiment on OBE. Examination of this type seems to be more popular in mathematics, engineering and the sciences. The National Curriculum Framework (2005) recommended that open book exams without time limits are worth introducing as small projects across the country. These innovations would have the added advantage of shifting the focus of exams from testing memory to testing higher level of competencies such as interpretation, analysis and problem solving skills. Position Paper on National Focus Group on Examination Reforms (2005) recommended pilot programme on open book exams and resource analysis based assessment without time limit. The exams must gradually move towards on-demand when candidate is ready. A small beginning of this in computer science as a pilot project and its future expansion to math and physics



exams. Yashpal committee (2009) recommended Graduate Record Examination (GRE) like test needs to be evolved for purpose of university education. GRE is a computer administered test used by many graduate programmes. NCFTE (2009) suggested a modular approach to the development of teacher education curriculum along with a focus on independent study and on-line offering involving interactive modes of learning and consequent modification in the approach to assessment and evaluation has indeed a potential to make education reach the unreachable. J. S. Verma Commission (2012) endorsed the above recommendations. Regarding online assessment and examination, NEP (2020) recommended that appropriate Bodies, such as proposed National Assessment Centre or PARKASH, School Boards, NTA, and other Bodies will design and implement assessment framework encompassing design of competencies, portfolio, rubrics, standardized assessments and assessment analytics. Studies will be undertaken to pilot new ways of assessment using education technologies focussing on 21st century skills. The above recommendation of online exams was introduced in many institutions in the country by using various digital tools for conducting online exams during covid-19.

## **Platforms for Online Examination & Assessment**

Many digital tools for on-line examination are available for assessing the performance of student teachers who are undergoing different teacher education programmes. Some of these are discussed below which can be used during post covid-19 pandemic period.

### **MOODLE (Modular Object Oriented Dynamic Learning Environment)**

It is an online educational platform that provides personalised learning environments for students. Teachers can create lessons, manage courses, and interact with students. Course materials can be accessed by students from anywhere and at any time. That means they don't to be in classroom or have physical material on hand. MOODLE can be used for conducting the on-line examination to find out performance of students.

### **Google Forms**

It is one of the most useful educational technologies that can be used to create many different types of questions, automatically collects usernames, sends data to a spreadsheet, self-grading options, collect any type of data from students/teachers. In this form, 11 types of question formats are available, namely short answer-one line answers, paragraph-long answers, multiple choice-one answer among different options, checkboxes-many answers among options, dropdown-month, year, programs are available. Beside these, file upload-photo,

multiple choice grid- matrix form with one answer in each row, checkbox, grid - matrix form with multiple answers in each row date, date of joining, date of birth, etc. are also available.

### **Google Classrooms**

Google classroom aims to simplify, distributing, creating and grading assignments. Classroom is a way to get all students in one place and allows you to easily assign work and for students to turn it in. Helps teachers and students to work collaboratively. Create and assess assignment, can give feedback, track pending work etc. Teachers can give there lectures on Google classrooms as well.

### **SWAYAM (Study Web of Active learning for Young Aspiring Minds)**

This programme was initiated by Government of India to achieve the three cardinal principles of Education Policy viz., access, equity and quality .It is an instrument for self-actualisation providing opportunities for a life-long learning. They can choose and access anyone course at any time from hundreds of courses taught in classrooms from 9th class till post-graduation at the university / college / school level. All the courses are interactive and prepared by the best teachers in the country. The courses on SWAYAM have video lecture, specially prepared reading material that can be downloaded/printed, self-assessment tests through tests and quizzes and an online discussion forum for clearing the doubts. Recognition and accumulation of credit earned are to be put in place. Human, material and technological resource support are provided for ensuring quality of these courses.

### **Coursera, Udemy, Skill share etc.**

These online platforms are very interactive. Assignments and questionnaire are given at the end of each module. Teachers can also develop such courses by following the guidelines of these platforms.

### **Easy Class**

Easyclass is a platform that allows educators to create online classes whereby they can store the course materials online; manage assignments, quizzes and exams; monitor due dates; grade results and provide students with feedback all in one place.

### **BYJU's, Khan Academy, Vedantu, Top Rankers**

All of them provides complete course material from K-12 that can be accessed by students at their own pace. The app also tracks student's progress in each lesson. They have their own facilitators and teachers who are teaching here.

## Think Exam

It is most trusted and widely accepted online exam software and can be used to create online tests and allocate assignments to students. It can also create anti-cheat settings.

## Class Marker

It is secure, professional web-based Quiz maker, easy-to-use, customizable online testing solution for business, training & educational assessment. Results are automatically graded.

## Socrative

It is a smart student response system that empowers teachers to engage their classrooms through a series of educational games and exercises via smart phones and tablets. These apps are super simple and take seconds to load and run. Teachers control the questions and games on their laptop, while students respond and interact through their smart phones/laptops.

## Hot Potatoes

It includes six applications, enabling you to create interactive multiple-choice, short-answer, jumbled-sentence, crossword, matching/ordering and gap-fill exercises for the World Wide Web. Hot Potatoes can be used any purpose or project and can be integrated with Moodle. Besides above, a teacher can host their assignments on these collaborative platforms such as Google Docs, Google Drive, Google Hangouts, MS Teams, Slide Share, Mine craft, Kahoot, Mural, Voice Thread, Edmodo, etc. for learners to collaborate, discuss, listen to others, reflect, assess peers and make it an immersive learning experience.

## Status of online examination

University Grants Commission has also issued guidelines to universities and given them option to conduct exams by following any mode on-line, offline, blended approach for final year students. UGC also mentioned that such practice was used in a large number of best universities across world including US, UK, Canada, Germany, Australia, Singapur, Hongkong and other countries. Many institutions and universities have introduced on-line exams not only for final year students but students for all the classes. They were promoted to next grade or class based on the performance and achievements of online exams. For example Apeejay Satya University, Sohna, Gurugram, Haryana introduced on-line exams. Moodle (Modular Object Oriented Dynamic Learning Environment) Software was used for conducting annual examinations of all the disciplines including teacher education programmes and students were promoted to next grades on the basis of result of MOODLE. Invigilation

work was conducted through Zoom. Yaswant Rao Maharashtra Open University, Nasik conducted on-line exams for all courses of graduate students. More than hundred universities namely Mumbai University, Delhi University ; Amity University, Noida; Delhi Technical University, Delhi ; Ambedkar University, Delhi and Central University of Punjab, Bhatinda have also introduced online exams. IIM, Sambalpur, introduced online exams for first year students.

Eklavya is a online exam platform used by many universities, professional training institutes, for their entrance exam like medical, engineering, management teacher education institutions. Online mode is also used for the purpose of internal assessment of students, collection of examination fee, admission etc.

Online pre-final exam for of first year and second year students of two year Diploma in Elementary Education (D.El.Ed) of District Institute of Education and Training (DIET), Keshavpuram, New Delhi was conducted during covid-19. Online assessment of multiple choice questions was auto grade whereas the essay type questions received through e-mail were evaluated separately by teachers. The students had to complete their examination within prescribed time. The concerned teacher discussed the strength and weakness of students on the basis of the performance of the result of the online exams.

## Prevention of Cheating

Electronic technology is used for preventing cheating. Cheating on web is harder than in a traditional classroom. AI — Powered Remote Proctoring Technology can conduct exams even for remote candidates. System capture signature, photograph and facial recognition of candidate. Proctor U is another digital platform, which integrates webcams with microphones that enables well trained live proctors to monitor and record test takers by watching body language, eye movement, or other physical attributes know to indicate suspicious behaviour. Webcams can also verify physical features like facial structure with Ids besides these, for preventing cheating, variety of tests are set and given to students randomly; questions are to be attempted within set time; and problem solving type questions are set for online exams. Copy and pasting are caught through plagiarism.

## Advantages

There are number of advantages of online examinations. It will save time ; save papers, save trees and save money for buying paper ,stationary, printing of papers, arranging logistics at examination centres for conducting exam. There is no expenditure of students on transport because they have to appear in examination from their home .It is cost effective and affordable. It also provides opportunity to students for self-analysis of own abilities and performance , encouragement for learning ,create



sense of competition ,development of personality and confidence .

It is auto grade exam that will grade itself like multiple choice completely automation & hassle free auto, confidential and more secure than class exam. There is .no need to arrange invigilators, exam superintendents, and other staff for conducting examinations. It also provides opportunity to use and consult specialised e-material on exam-pattern across globe. Besides these, students become more technology savvy by using computer or mobile devices during on-line exams.

## Disadvantage

Traditional examination shifted to online mode suddenly without preparing the system. Students are not familiar to use computer and laptop for online exam from home. Traditional exam at centre not possible. Facilities of online exams are very poor in remote, rural & tribal areas. In many places, electricity, library, internet, computer and laptop are not available. Beside these, online examination creates fear, health problems, anxiety, stress, pressure, tendency of suicide, loss of confidence, breaking friendship and disinterest in studies among students. In some cases, online exams are not taken seriously and taken in a casual manner because they are allowed to consult books and notes in answering questions. There are some other instances where, students faced difficulty in finding answers of the questions and consumed lot of time in finding answers from books and notes. In such situation, they failed to attempt all questions because direct questions are not asked in these exams. Regarding assessment in open exam system, answers of multiple choice questions are auto grade but in case of essay type questions, it is not auto grade and are to be checked by teachers separately. Equality and preparation of all students is difficult to judge.

## Suggestions for Action

Keeping in view the above, there is need to revise the system of assessment of both the pre-service and in-service education of teacher education programmes. In this regards, the following actions are suggested.

### Pre-Service Teacher Education (PSTE)

In pre-service teacher education programme, school teachers from pre-primary stage to higher secondary stages are prepared which are run by teacher education institutions and university departments. But COVID-19 pandemic has changed the teaching and assessment system of examination. In view of this, there is urgent need to overhaul completely the structure, programmes and policies of all 15 pre-service teacher education programmes namely were Diploma in Preschool Education (DPSE.), Diploma in Elementary Education

(D.El.Ed.), Diploma in Physical Education (D.P.Ed.), Diploma in Elementary Education Through ODL, Diploma in Arts Education (Visual Arts), Diploma in Arts Education (Performing Arts), Bachelor of Education (B.Ed.), Bachelor of Physical Education (B.P.Ed.), Bachelor of Education through ODL, Bachelor of Education programme 3 year (Part Time), Master of Education (M.Ed.), Master of Physical Education (M.P.Ed.), Bachelor of Elementary Education (B.El.Ed.), B.Ed.-M.Ed (Integrated 3- Years Course), B.A.B.Ed/B.Sc.B.Ed (4- Years Integrated). NCTE revised and notified on 29th August, 2019 the regulations, norms and standard of Four Year Integrated Teacher Education Programme (ITEP) for preparing art and science teachers from pre-primary to secondary stages. In all the pre-service teacher programmes, the on-line assessment system should be incorporated in all the four components of teacher education programme namely theory/foundational papers, assignments/ practical, pedagogy and internship and students should be assessed accordingly.

In the same way, there is also need to revise the course curriculum and structure of Master of Education (M.Ed) programme which is basic qualification of teacher educators who are responsible for preparing school teachers of different stages. Online mode of examinations and assessment should be introduced Master of Education(M.Ed) programme.

### In-Service Education

Our country has a strong mechanism and networking of teacher education institutions from national level to school level for providing in-service education to different target groups for their growth and development. Generally cascade mode is followed in the training programme and their performance was assessed by following traditional method like pre and post tests. But COVID-19 pandemic has changed the scenario of teacher education programmes. The traditional mode of in-service education provided in institutions and universities was discontinued suddenly due to covid-19. The mode of in-service education was shifted from traditional face to face mode to online mode. The participants had to attend these programme from their home through online mode. They will have to be assessed through online mode.

At present, our country is having more than 1000 universities, 16000 teacher education institutions, 66 Human Resource Development Centres (HRDCs) in universities, 38 Institutes of Advanced Studies in Education (IASes), 110 Colleges of Teacher Education(CTEs), 29 State Council of Educational Research and Training(SCERT), more than 650 District Institutes of Education and Training ( DIETs), Block Resource Centres (BRCs) and Cluster Resource Centres (CRCs). There are other national level organisations like National Council of Educational Research and Training (NCERT), New Delhi which are responsible for conducting

professional development programmes for teachers, teacher educators and other personnels. These teacher education institutions and universities should organise online orientation and capacity building programme for students, teachers, teacher educators, administrators and parents for making them aware about consequences of COVID-19 and for assessing their performance by using online tools. Different types of e-material and modules on this issue should be prepared and used in these programmes. Some modules are suggested below.

- Module on online training transaction for assessing the trainees should be developed. In the module, training methodology should focus on assessment of local specific activity based training approaches. The transactions of training for conducting online exams should focus on audio/video demonstration of skills, competencies, interventions and strategies followed by group discussion, group reflection; panel discussion; brain storming sessions etc. Digital platforms like Eklavya, MOODLE, SWAYAM, which provide opportunity for conducting online examination should be part of this module.
- Module on conducting online exam after opening schools, colleges, universities and teacher education institutions after post-covid-19 period should be prepared. The module should include MHRD, NCERT, NCTE, UGC Guidelines and different strategies for continuance of online study after lock down period is over. The mode of blended learning should also be part of this module.
- Module on strong mechanism for monitoring, evaluation and follow of in-service training programme through online mode should be developed. Various digital platforms should be part of this module. This will help to diagnose the strength, weaknesses and outcome of the programme with corrective measures for optimizing the effectiveness of the programme.

By way of conclusion, it is stated that there is urgent need to take new initiatives by the Government of India, state government and national institutions like NCTE, UGC, CIET of NCERT to popularise the online examination through teacher education programmes so that future challenges to be occurred during post covid-19 can be faced. The government should create digital infrastructure in teacher education institutions particularly in rural areas. More e-material for online exam should be developed by these institutions and should be made available to all stake holders. Well in advance necessary preparation should be made for implementation of PM e-Vidya Yojana and implementation of recommendations of National Policy of Education to be announced by Government of India soon. Modality for using blended learning and assessment to be worked out before normalcy take place. In this regard, there is need to have deep thinking and action on the part of both policy planning and implementation at micro and macro level.

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# Netflix, Inc. in the Time of Covid-19: A Case of Managing and Strategizing

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**Case Perspective:** This case has been developed as a basis for academic discussion and analysis of the pertinent issues from divergent angles, in an objective manner, rather than to illustrate handling of any business or management situation. The case is based on the information publicly available through company annual reports, brochures, leaflets, newspapers, magazines, government and institutional reports, websites, and other such material. All the sources are gratefully acknowledged. As the case has been prepared for an academic purpose, the stakeholders and other interest groups should not use any information for drawing any conclusion or opinion about any company or business issue.

## Netflix, Inc. in the Time of COVID-19

CEO Reed Hastings looked out the windows of his corner office and contemplated the decisions that need to be made. As he looked at the palm trees Hastings thought, how can Netflix avoid the missteps of 2011 while growing in the face of serious constraints. Hastings knew that in today's fast changing world companies must be innovative to stay ahead of their competitors in order to survive and be relevant in the market. However, he had some trepidations about moving forward. It would require a skillful strategy to keep the company from failing in a serious economic downturn precipitated by the COVID-19 pandemic.

Founded in 1997 by Reed Hastings and Marc Randolph, Netflix began as a company that rented DVDs through the mail and in 2007 launched a video streaming service. The adoption of video streaming services of Netflix and other companies that followed a similar business model reduced the need for physical rental stores. Due to significant reduction in demand of major rental chains, companies like Blockbuster saw a sharp decline in revenue and went bankrupt.

Between 2006 and 2011 Netflix enjoyed the position as an early mover and dominant player in the industry. However, in 2011 Hastings' vision for Netflix and hasty decisions led the firm to a near catastrophe (Allen, 2012). The economy was still recovering from the effects of the 2008 financial crisis, customers and investors were not ready for Hastings' decision to split the current service into separate streaming services and DVD by mail and to raise prices. Many customers were still suffering from the recent recession and were either out of work or were earning a

reduced income. Hastings decision caused customers to react with rage which led to many subscribers to cancel their service with Netflix (Allen, 2012). In September 2011, the company announced that it was expecting to lose close to a million subscribers and stock prices dropped dramatically (Allen, 2012). Netflix needed to turn the situation around and navigate the change while winning back the trust of its customers. By the end of 2012, Netflix was on track with increasing streaming subscribers and Hastings vision was coming to fruition. In 2013, Netflix began to produce original content of movies and TV series created specifically for their audience. By 2018 Netflix was streaming more than 1,000 original content movies and shows, as well as third party licensed content.

Now, in early 2020 the world was rocked by corona virus disease 2019 (COVID-19). The corona virus pandemic is the defining global health crisis of our time that has spread to virtually every content in just a few short months. Countries are racing to slow the spread of the virus by limiting travel, quarantining citizens, and cancelling large gatherings of people at sporting events, concerts, and schools (UNDP, 2020). COVID-19 has created devastating social, economic and political crises that will have long-term effects on the world. This pandemic has affected every industry in the world including the cable television (CATV) systems industry.

## Netflix, Inc. Case Analysis

Founded in 1997 by Reed Hastings and Marc Randolph, Netflix began as a company that rented DVDs through the mail. Now Netflix, Inc. is the world's leading internet television network with over 117 million streaming memberships in over 190 countries enjoying more than 140 million hours of TV shows and movies per day, including original series, documentaries and feature films. Netflix core strategy is to grow streaming membership business globally and with expanding operations internationally will come several political challenges. According to Netflix (2020) website Netflix is not yet available in China, Crimea, North Korea, or Syria due to U.S. government restrictions on American companies.

Netflix operates in the CATV Systems Industry. According to Business Insider (2017) the CATV Systems industry, which includes companies that provide cable services, on-demand services, and other media services. The major competitors in the industry for Netflix are Amazon Prime



and Disney Plus. For the purpose of this analysis we used two competitor companies that were comparable to Netflix and that were publicly traded. It needs to be stated that of the three companies, Netflix is the least diversified in terms of products and services.

Netflix current strategies fit the generic strategy for competitive advantage. Netflix integrates low cost and differentiation strategies to create a sustainable competitive advantage. Netflix has been able to differentiate themselves from their competitors by producing original content. However, like many firms around the world, Netflix and the streaming industry have been affected by Covid-19. Netflix has several key competencies that help create competitive advantage for the company and they need to capitalize on those competencies. Netflix's current business model allows them to add on more services to expand their product offering to customers. Without offering more products to customers Netflix will not be able to be the top streaming service forever. Innovation is necessary for Netflix to stay alive during and after the COVID-19 pandemic.

## External Environment

The external environment of Netflix consists of external influences that impact its decisions and its performance (Grant, 2016, p. 64). The environmental influences that affect Netflix are political-regulatory, economic, socio-cultural, technological, demographic and global forces. Netflix is affected by the external environmental influences under normal operations and must be aware of additional stress COVID-19 pandemic adds to the external environment of the company as well.

## Political-regulatory Forces

Netflix, Inc. is the world's leading internet television network with over 117 million streaming memberships in over 190 countries. Netflix core strategy is to grow streaming membership business globally and with expanding operations internationally will come several political challenges. According to Netflix (2020) website Netflix is not yet available in China, Crimea, North Korea, or Syria due to U.S. government restrictions on American companies. Netflix CEO Reed Hastings stated in an interview with Greenberg (2016) that in China companies need specific permission from the government to be able to operate, and so far, Netflix has not been able to get that permission. In addition, according to New York Times (2019) Netflix must follow different political and moral landscapes of other countries. Countries that have religious sensibilities have allowed Netflix to stream only after signing agreements that Netflix will follow regulations and censorship of their content. Netflix has either altered contents to be more appropriate for certain countries or has removed what can be viewed as offensive content from streaming in those countries (Marshall, 2019).

In addition to the pressure of political-regulatory forces under normal operations, Netflix also faces restrictions imposed due to COVID-19 pandemic. When looking at political and regulatory forces that are affecting Netflix during the COVID-19, the company is under the orders of UE officials to reduce streaming quality during the pandemic (Gold, 2020). Due to these political regulations Netflix may lose customers in Europe due to poor streaming quality. With so many people on house quarantine puts a huge strain on the internet. Netflix and other streaming companies are forced to reduce the quality of streaming in Europe to prevent the internet from collapsing.

## Economic Forces

Currently Netflix is in over 190 countries and must consider the fluctuating exchange rates of the countries they operate in. According to Yahoo! Finance (2016) adverse foreign exchange rate fluctuations and higher added tax could impact Netflix's revenues in its international streaming segment. During COVID-19 pandemic, American dollar rose sharply, and Netflix was affected by the foreign exchange rates. Netflix's international revenue will be less than previously forecast due to the dollar rising sharply (Bursztynsky, 2020). In addition, Netflix has to charge different monthly fees in different countries not only based on the countries' economy but also based on the content they are able to stream due to government restrictions. According to Yahoo! Finance (2016) the price per month of Netflix's streaming service in international markets ranges from \$6 to \$19 per month. In the United States, Netflix's streaming service is priced at an average of \$10 per month.

Economically Netflix does not benefit from Covid-19 if current subscribers are quarantined and are watching more content (Feldman, 2020). Netflix charges a flat subscription fee and would only benefit from new memberships not existing ones during this pandemic. Netflix is a non-necessity expense. During this time when people are being laid off jobs and are living paycheck to paycheck, they may consider canceling unnecessary memberships. Netflix can potentially suffer economically if people are unable to afford extra expenses during this time and temporarily cancel their subscriptions.

## Socio-cultural Forces

Over the last several years the way consumers view television has changed dramatically. According to Forbes (2019) a growing number of Americans are cutting the cord with cable TV and only using streaming services. Between 2011 and 2019, the number of paying Netflix subscribers worldwide rose from 21.5 million to 158 million (Peirson-Hagger, 2019). In a recent article by Forbes (2019) Netflix customers skew slightly younger and less rural, and fewer tend to have incomes less than \$100k per year. The current cultural trend among younger viewers is that they are watching video content on their

smartphones rather than traditional TV screens. Netflix also understands the need to constantly be innovating and keep up with consumer demands. Netflix now allows for customers to be able to stream content directly with their phone through the Netflix application.

When looking at the socio-cultural environment during the COVID-19 pandemic, things look good for Netflix. People are forced to stay at home during the pandemic therefore more people are watching TV. As people are forced to stay at home their behaviors change from their regular life before Coronavirus. Families are going to spend more time at home and avoid places like malls, restaurants and bars. According to Rushe and Lee (2020), in the last three months Netflix has doubled the number of new subscribers. Netflix announced that since the pandemic began, they have had 15.77 million new subscribers globally (Rushe & Lee, 2020).

## Technological Forces

We are living in the era of digitalization and technology is evolving faster than ever. Netflix must stay ahead of its competitors when it comes to technological advancements. Netflix was one of the first companies to use new internet technology to drive nearly its entire business model (Forbes, 2019). One of the biggest advantages that Netflix had was original streaming content, however other companies like Amazon Prime are now doing that as well. Consumers choose Netflix because of their original content, and personal recommendations suggested by Netflix's AI-powered algorithm (Forbes, 2019).

Technological factors that are affecting Netflix are changes in the data center marketplace. Netflix has been using Amazon Web Services for their storage and content delivery for the last ten years. Netflix also operates its content delivery network entirely within its own infrastructure (Condon, 2020). During COVID-19 Netflix had to deal with supply chain issues given that Netflix's primary server manufacturer is based in California. Netflix had to move some of their manufacturing elsewhere and partner with Equinix for getting cross connect provisioned quickly where needed, in order to get interconnect beefed up in certain markets (Condon, 2020). Netflix also announced that it would reduce streaming bit rates across Europe to take some pressure off the network infrastructure (Condon, 2020). As markets become constrained and businesses look for more space, power, cloud capacity and other such resources Netflix wanted health care and other urgent needs companies to have broadband access and capacity during trying times of COVID-19 pandemic.

Another technological advantage that Netflix has over their competitors is that they are in over 190 countries. Currently Netflix is working on a dubbed version of Netflix's content in up to 27 languages, including English (Roettgers, 2019). This will allow Netflix to continue to provide entertainment around the world in their native

language. Netflix had to overcome the local competition of the countries it operates in and secure content deals region by region.

## Global Forces

In 1999 Netflix began offering online subscriptions to its customers, and the shift from DVD ordering via mail was made. In 2010 Netflix began streaming their content globally and by 2017 was in over 190 countries. Netflix's global growth is a big factor in the company's success (Brennan, 2018). Netflix understands the importance of global expansion, however there are some global forces affecting Netflix. According to Harvard Business Review (2018) today Netflix has close to 73 million of its some 130 million subscribers that are outside the U.S. Netflix must use different approaches in different markets across the globe to find out which offerings work best. Some countries do not allow certain content to be shown in their locations. Netflix needs to be aware of the cultures and their sensitivity to content. The number of international subscribers continues to grow as Netflix continues to improve technology and develop country-specific knowledge is critical for success in local markets (Brennan, 2018).

## Demographic Forces

Netflix started their international expansion in 2010. Netflix carefully selected its initial adjacent markets in terms of geography and psychic distance, or perceived differences between markets (Brennan, 2018). Netflix first expanded into Canada because of geographical proximity and cultural similarities. From the expansion to Canada, Netflix gained a lot of knowledge and experience and used that information to enter other markets. By 2017, Netflix has expanded to 190 other countries except for China, Crimea, North Korea, or Syria due to U.S. government restrictions.

According to Statista (2020) an estimated 37 percent of the world's internet users use Netflix. Even though Netflix has a global presence, the United States continues to serve as the most important market with over 60 million paid streaming subscribers (Watson, 2020). According to Forbes (2019) Netflix customers are considered the 'Mainstreamers' and skew slightly younger and less rural than other video streaming services, and fewer tend to have incomes less than \$100k per year. At the end of 2019, Netflix subscribers numbered 167.1 million. Of these, 61 million accounts were registered in the US, with the remaining 106.1 million (63%) spread over the rest of the globe (Iqbal, 2020).

## Industry

### Industry Structure

Netflix operates in the CATV Systems Industry. According to Markets Insider (2017) the CATV Systems industry, which includes companies that provide cable services,



on-demand services, and other media services. It is the nature of this market to be constantly evolving with new innovations and ideas emerging every decade or so. The following assessment of the industry is prior COVID-19 pandemic.

### **Fragmented**

The CATV Systems industry operates in a fragmented industry. A fragmented industry is one in which many companies compete and there is no single or small group of companies which dominate the industry. A few years ago, when there were fewer streaming services the industry was concentrated. At that time Netflix was the leader and the innovator of the industry. Currently, there is no one company that is in an overly strong or influential position in the industry. There are many cable services, on-demand services, and other media services that are competing for the top spot.

### **Economies of Scale**

The CATV Systems have reached economies of scale. Consumers used to only subscribe to cable companies, rent DVDs from stores and go to theaters to watch movies. Netflix was one of the first companies to stream content to customers. As the streaming services became more popular other companies have joined the CATV Systems industry. Together these companies have been able to reach economies of scale as the number of DVD stores went out of business and customers switched from cable to streaming. In addition, more customers have been choosing to stream movies at home rather than going to a movie theater. According to McClintock (2020) global box office revenue hit a record \$42.5 billion in 2019, despite a mixed performance in North America, where combined ticket sales came in at \$11.4 billion, a 4 percent decline from 2018's historic \$11.88 billion. Box office must compete with streaming services, movies have to seem fresh and original to draw today's audiences, who have a massive level of choice for their entertainment (McClintock, 2020). While box office revenue for 2019 was \$42.5 billion streaming service company's revenue for 2019 was \$58.8 billion from home entertainment/mobile this excludes pay TV subscriptions (McClintock, 2020). Global home streaming entertainment revenue had record growth in 2019 with a 14 percent increase from 2018. If the streaming industry continues to innovate and deliver interesting original content to their customers where, when, and how they want it, then the industry can continue to have economies of scale.

### **Learning Curve Effects**

In 1999 Netflix started to offer subscriptions through the internet for customers to rent DVDs for a flat fee (Hosch, 2020). Netflix was one of the first companies to allow customers to rent DVDs for a flat fee while most stores charged for rental of each DVD. In 2007 Netflix began offering subscribers the option to stream some of its movies and television shows directly to their homes through the Internet (Hosch, 2020.) Customers could stream unlimited content for a flat fee. Again, Netflix was

one of the first companies to do this. Starting in 2013, Netflix began to offer customers original content produced specifically for their company. By 2018 Netflix was streaming more than 1,000 original content movies and shows. Netflix has been able to achieve the learning curve effect in the industry first. With advances in their technology and innovation, Netflix has been able to provide customers with content that they are able to watch what they want when they want for a flat fee. Netflix continues to provide more content, original shows and movies, that customers can stream through computers, TV and now their mobile devices for one flat fee. Netflix will continue to use technology to make their streaming content better, faster and cheaper. The competition is rising in the CATV Systems industry. Netflix has been the leader so far in the industry. Using the learning curve effect Netflix can continue to innovate and keep their competitive advantage.

### **Stage of Growth Cycle**

The CATV Systems industry is in the maturity stage of the growth cycle. In 2007, Netflix was one of the first companies to offer streaming services to customers. Hulu introduced their streaming services shortly after Netflix in 2008. In 2013, Netflix started to produce their own original content and became partially a production company. Amazon Prime started to produce their own content in 2014, and Hulu followed a few years later with their own original content (Von Emster, 2019). Recently the market became over saturated with streaming services. Companies such as Apple, Disney and Google have been known for other things and are now getting into streaming services as well. The streaming industry has become crowded. Netflix is still one of the top competitors in the industry. Netflix must continue to innovate to protect their market share as other companies continue to expand and enter the market.

### **Degree of Product Differentiation**

The CATV Systems industry is very competitive and companies try to create competitive advantage with product differentiation. Many streaming service companies, including Netflix, are able to show third party content through licensing. Netflix used to have a license to show Disney content, until Disney recently pulled that license and created their own streaming platform. Several companies including Netflix have implemented in-house productions and release their own original content. Companies like Netflix have exclusive control over the content they create, which means if enough people are interested in it, it will differentiate their product (Von Emster, 2019). Different companies offer different content either through third party licensing or original content movies and shows. Some companies offer live video of sport or other events that customers can stream on their TV, computer or mobile device.

### **Industry Scope**

The CATV Systems operates on a global scale. According to McClintock (2020) the number of subscriptions to

online video services around the world increased to 863.9 million, that is a 28 percent spike since 2018. More than 100 streaming companies are competing for users' attention in a global industry with \$58.8 billion revenue from home entertainment/mobile. Netflix is currently the global leader in the streaming industry with 139 million subscribers in over 190 countries.

### Size of Industry

The CATV Systems industry revolutionized the way consumers watch TV. Netflix was the first to launch its streaming platform in 2007 and create their own content in 2013. With Netflix as the leader in the industry other companies soon followed their lead. Currently over 110 different streaming services currently exist, offering sports, live TV, movies, international TV and many more options (Von Emster, 2019). In 2019 the streaming industry reported \$58.8 billion from home entertainment/mobile streaming globally (McClintock, 2020).

### Pace of Technological Change

The CATV Systems industry evolved rather quickly over the last ten years. It all began when Netflix began streaming services to customers in 2007. By 2013 Netflix was producing its own shows and other companies followed. Netflix began as a product and process innovator in the industry and continues to take the lead among its competitors. According to Von Emster (2019) the rise of Netflix was aided by technological advancements, such as improvements in Internet speeds and an explosion of mobile devices. With constantly changing technology Netflix has been able to provide personalized content to its viewers. People can stream content on TV, computer or mobile device. Since the streaming industry has reached the maturity stage of the growth cycle and the market has become saturated with competitors, the pace of technological advancement has slowed down for the streaming industry. Netflix needs to continue to monitor and evaluate the industry and stay technologically competitive with other companies to keep their competitive advantage.

### Capital Requirements

The CATV Systems streaming market is overcrowded with more than 100 competitors, yet only a handful of companies are in the lead. Only a large company that is worth billions of dollars could enter the streaming market. When Netflix launched their streaming platform in 2007, the company was already established in the video industry. According to Von Emster (2019) Netflix's venture into streaming has propelled the company to stratospheric heights, allowing its valuation to be in excess of \$100B. Both Netflix and Hulu started their operations through licensing of other networks' content. Third party licensing alone became too expensive for Netflix and the company became an in-house production company. Becoming a production company has allowed Netflix to create their own shows and movies. Netflix has created enormous wealth for the company that now Netflix can hire Hollywood movies stars to be in their original

productions. Companies such as Amazon, Apple, Disney and Google that have \$100B in market capitalization can be contenders to the market (Von Emster, 2019).

### Industry Profitability

The CATV Systems industry is very profitable for the current leading companies. In 2019 the revenue was \$58.8 billion from home entertainment/mobile streaming, this excludes pay TV subscriptions (McClintock, 2020). According to McClintock (2020) the number of subscriptions to online video services around the world increased to 863.9 million, that is a 28 percent spike since 2018. For companies like Netflix with 139 million subscribers in over 190 countries the industry is very profitable. However, as said before in the analysis of the industry it is in the maturity stage, the market is saturated with competitors only the top companies benefit from the profits of the industry.

### How COVID-19 Affected the Industry

As Americans were forced to stay at home many are turning to streaming for home entertainment during the pandemic. According to Swartz (2020) the overall paid subscriptions for streaming TV and video jumped 32% the week of March 16. Currently Netflix has 87 percent of the streaming industry market share (Feldman, 2019). However, Netflix may be losing its market share to competitors. Since the corona virus outbreak, 29% of new subscribers chose Disney Plus, followed by Hulu (21%), and Netflix (15%) (Swartz, 2020). Netflix is still able to differentiate itself from competitors with the volume of its original programming. Netflix can keep its competitive advantage due to the fact it has completed most of its programming for the year. According to Swartz (2020) competitors are trying to build a catalog and are coping with production shutdowns.

Netflix's competitors Disney Plus has also suffered from the corona virus pandemic. Disney Plus has been enjoying a good position in the US streaming industry and is carrying the momentum of its launch in November. Due to the Covid-19 Disney Plus has had more subscribers than anticipated, however the international launch has not been as successful. Disney Plus had to postpone some of the overseas platform launches due to streaming bandwidth caps that are designed to avoid overloading communications networks that are already overburdened during this crisis (Lovely, 2020).

According to Sweney (2020) Disney Plus has doubled its number of subscribers since coronavirus began earlier this year. Disney Plus has reached 50 million subscribers globally in five months after launch. It took Netflix seven years to reach the same number of subscribers as Disney Plus currently has (Sweney, 2020). Disney Plus is enjoying this surplus of subscribers due to the Covid-19 outbreak. However, the numbers of subscribers are flattening out for all competitors in the industry (Sweney, 2020). The reason that Disney Plus has been able to get 50 million subscribers in less than six months is partially due to the

Covid-19 outbreak. Since everyone is forced to stay home including children who otherwise would be in school, parents must entertain them somehow. The reason that it took Netflix seven years to achieve the same results as Disney Plus is due to the fact that streaming was a new concept and people were not ready to cut ties with cable. Now customers are much more accepting of streaming platforms. With the combination of Disney's brand recognition and the coronavirus breakout it was easy for them to get that many customers so quickly.

## Porter's Five Forces Analysis

Porter's five forces of competition framework looks at the profitability of an industry as determined by five sources of competitive pressure (Grant, 2016, p.68). The five forces of competition include supplier power, substitute competition, buyer power, threat of entry and industry rivalry.

### Power of Supplier

Netflix relies upon several partners to make their service available on their devices. Netflix currently offers members the ability to receive streaming content through a host of internet-connected screens, including TVs, digital video players, television set-top boxes and mobile devices. Netflix has agreements with various cable, satellite and telecommunications operators to make their service available through the television set-top boxes of these service providers. In many instances, agreements also include provisions by which the partner bills consumers directly for the Netflix service or otherwise offers services or products in connection with offering service. Netflix intends to continue to broaden their relationships with existing partners and to increase capability to stream TV shows and movies to other platforms and partners over time.

Currently there are battles over content as many of the major studios are withdrawing content rights from third-party streaming platforms, likely in preparation to launch their own services going forward. With more movie networks and television stations getting into streaming services, these companies are not willing to share their content with Netflix. Some suppliers have created strategic partnerships or alliances such as Hulu which has joint business between ABC TV Group and NBC Universal Television. The situation simply means suppliers have a high bargaining power. This is one of the reasons why Netflix partners with companies who are loyal to releasing content only to Netflix.

### Threat of Substitutes

The CATV Systems Industry is facing a dynamic paradigm shift that is at the epicenter of evolving consumer technology and the means by which society experiences media. There are so many rapidly expanding forms of CATV Systems, the competition within this industry is steep. Companies and sub-industries are constantly battling for viewership, subscriptions, and sales. There are

several products or services on the market that meet a similar customer needs in different ways. The threat of a substitute product for Netflix is high as they offer a value proposition that is uniquely different from present offerings of the industry. As a substitute to streaming content consumers can choose to watch movies at a local theater. Consumers can choose to listen to music, read a book, take a walk in the park. Customers can choose to spend quality family time playing board games instead of watching TV. There are many other substitutes that consumers can choose to do, therefore the threat of substitute competition in the industry is high.

### Power of Buyers

Buyers are often demanding a lot from businesses especially when there are substitutes. They want to buy the best offerings available by paying the minimum price possible.

The product differentiation within the industry is high, which means that the buyers are not able to find alternative firms producing a particular product. Customers must subscribe to several different streaming services to get all the shows or movies they want. This difficulty in switching makes the bargaining power of buyers a weaker force within the industry.

The streaming industry is not very price sensitive. As all the services are priced at very similar rates, viewers will mainly focus on the quality of content. As of January 2020, Netflix basic subscription costs \$8.99 for one screen, \$12.99 for two screens. Amazon Prime is free with prime benefits, otherwise it's \$8.99 per month. Amazon Prime does have a rent option for movies and shows that are not included with the membership. Hulu is \$5.99 for basic package and \$11.99 for commercial free streaming and Disney Plus \$6.99 a month. Since the prices are very competitive consumers are more interested in the content that the companies are providing. In addition, unlike cable subscriptions viewers are not tied to a contract and can cancel anytime. The power of buyers is high because of how easy it is to join or cancel subscriptions, therefore if buyers can't find what they want on Netflix they can move to other platforms with ease.

### Threat of New Entrants

Barriers to entry are high for a new entrant who doesn't already produce their own video content. Companies that do produce their own content are a high threat for Netflix. For established organizations such as recently launched Disney Plus the barriers to entry are fairly low, as they will be able to immediately launch the service with their own content and can already have a fan base for the organization as a whole or for a specific series. Disney had content on Netflix for consumers to view, but when Disney decided to start their own platform, they pulled all Disney content from Netflix.

The threat of new entrants is a serious and rising issue for Netflix with an increasing number of organizations deciding to launch similar services with their own content.



Due to the size of these organizations that means initial costs for technology and marketing are not an issue for these companies. With this many companies, customers will have multiple subscriptions, there will come a time where subscribing to so many services is no longer viable so they may decide to close some of their accounts.

### Power of Rivals

When Netflix started video streaming, the industry rivalry was low because they were one of the first companies. As the streaming market is growing the industry rivalry is on the rise. The number of competitors in the industry in which Netflix Inc operates are growing. Most of these companies are large and well known among consumers which creates intense competition for Netflix. The competition among these companies forces them to retain customers through differentiation of products offered, affordable prices and other benefits.

Competitive rivalry is high for Netflix. Some competitors such as Amazon offer additional services for customers' subscription fees, other companies are removing popular video content from Netflix to show on their own platforms, such as Disney Plus. The number of different platforms that customers can choose from can lead to overproduction. Therefore, companies must cut prices to stay in the competition. This makes rivalry among existing firms a stronger force within the industry. If competition continues to increase, it will be difficult for companies that are struggling to exit. The exit barriers within the industry are particularly high due to high investment required in capital and assets to operate.

### Industry Attractiveness

According to Porter's 5 Forces Analysis, an attractive industry has few threats of entrants, substitute products, bargaining power of buyers and suppliers and rivalry. Netflix operates in a business environment that involves strong competition, high threat of new entrants, high bargaining power of suppliers, high power of buyers and moderate powers of substitute products. Looking at Porter's 5 Forces Analysis we can say that the CATV Systems Industry is not attractive at this time.

### Major Competitors

According to Markets Insider (2017) the CATV Systems industry, which includes companies that provide cable services, on-demand services, and other media services. In the CATV Systems industry the major competitors that Netflix faces currently are Amazon Prime and Disney Plus.

## Competitor Firm Profiles

### Amazon.com, Inc.

Amazon Prime is one of the largest e-commerce companies in the U.S. Amazon prime engages in consumer retail of third-party products. Amazon also manufactures and sells products like Kindle, TVs, Echo and Alexa. Amazon Prime offers perks to their members that include two-day free shipping and many others. Amazon has

Prime Reading that allows customers access to over 1,000 books and magazines. Amazon offers music streaming of over two million songs, commercial free to customers. Amazon started streaming services to Prime customers in 2011. Prime members are given access to over 5,000 movies and TV shows without ads for free (Yurieff, 2018). Amazon Prime membership fee is \$119 annually.

Amazon reported revenues of \$280.52 billion for the fiscal year ended December 2019, an increase of 16.97% from 2018. The company's operating profit margin was at 5.55% in 2019 and the net profit margin was 4.13%. There was a slight increase in the profit margins from 2018.

### Walt Disney Company

The Walt Disney Company is a diversified international family entertainment and media enterprise (CNN Business, 2019). The Disney company produces animated and live action movies, has branded merchandise, multiple amusement parks, resorts and cruises. In 2019 Walt Disney Company launched a streaming service called Disney Plus. Disney Plus streams only content that belongs to the company which includes Walt Disney Pictures, Pixar, Marvel, Lucasfilm and Touchstone. Disney Plus membership fee is \$69.99 annually.

The Walt Disney Company reported revenues of \$69.57 billion for the fiscal year ending in September 2019, an increase of 14.57% since 2018. The company's operating profit margin was at 22.04% in 2019 and the net profit margin was 15.89%. There was a decrease of 3.11% in the operating profit margin and a decrease of 5.31% in the net profit margin since 2018.

### Competitor Analysis

Amazon and Disney are multidivisional corporations that are highly diversified companies compared to Netflix. Therefore, their competitive advantage lies in their diversification of products. The following competitor analysis focuses on the internal capabilities of Amazon and Disney companies. The analysis is not solely focused on their streaming services but the company as a whole.

### Amazon.com, Inc.

Amazon is a leader in ecommerce that started as an online retailer and has expanded to other online services. According to Reisinger (2020), at the end of 2019, Amazon had 112 million Prime members. These numbers show that Amazon has a very loyal customer base who value what Prime membership has to offer which includes Prime video. Amazon has streaming services in over 190 and territories (Singh, 2019). When conducting VRIN Analysis for Amazon Prime streaming services we can look at the library content, price, technology and innovation, and brand image. When considering if these resources have competitive capabilities, we can conclude that Amazon has an established brand image that is globally recognized with 112 million members. Amazon's brand image is valuable, rare, difficult to imitate and non-substitutable. No other company has been able to expand

and evolve on the scale that Amazon has been able to. Amazon has been focusing on providing original content on their Prime streaming app and the price of \$119 annually not only includes video streaming but many other perks like 2-day shipping, music and audiobook streaming and much more. When looking at Amazon Prime streaming app we can conclude that their content and price is valuable and rare as well as difficult for other companies to imitate. No other competitor has been able to match the price of Amazon and provide as many perks for that price. The original content for Amazon Prime streaming is also valuable and rare as the content only available through Amazon Prime subscription. The original content that Amazon Prime offers is not difficult to imitate because Netflix, Disney Plus and Hulu offer original content. Amazon Prime price and content are substitutable because customers can choose to view original content from competitors for similar price. Amazon has impressive technology and innovation that took the company from an online bookstore to an ecommerce powerhouse that continues to dominate the market. When looking at Amazon's technology and innovation, this is the resource that gives them the most competitive advantage. Their technology innovation is valuable, rare, difficult to imitate and there is no substitute for it. When looking at the company, Amazon has a competitive advantage. When analyzing the streaming services of Amazon Prime, we can see that imitation of Netflix, with production original content and trying to keep up with the CATV Systems Industry.

### **The Walt Disney Company**

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. In November 2019, Disney launched their new app called Disney Plus and in less than six months surpassed 50 million subscribers (Sorrentino & Solsman, 2020). When conducting VRIN Analysis for Disney Plus streaming services we can look at the library content, price, technology and innovation, and brand image. When considering if these resources have competitive capabilities, we can conclude that Disney has an established brand image that is globally recognized. Disney's brand image is valuable, rare, difficult to imitate and non-substitutable. Disney has the most awareness globally as they have several international amusement parks and resorts. Disney Plus has been launched in twelve different countries and will continue to expand in the next few years. When looking at Disney Plus streaming content we can conclude that it is rare, valuable, difficult to imitate. Disney has been making animated and action live movies since 1937. Once Disney launched their streaming app, they pulled all Disney and affiliated content from other streaming services. The only place you can view Disney, Pixar, Marvel, Lucasfilm and Touchstone content is on Disney Plus. When considering if Disney Plus is substitutable, we can say yes, it is. Customers can choose to stream Netflix, Hulu, Amazon Prime and HBO, among others. Price point for Disney Plus is lower than its major competitors Netflix and Amazon Prime is not a competitive advantage. The current annual price is \$69.99,

however with limited adult content, Disney Plus is geared to a younger audience. Parents are signing up mostly for their kids to watch, parents don't mind spending \$7.99 per month on their kids. When looking at Disney's technology and innovation they have always been the leader. Disney is the oldest company of the three competitors, Netflix and Amazon. Disney has found ways to innovate with their amusement parks and resorts. Disney is the first company to create original content starting in 1937. Disney continues to create and release new live action and animated movies on a regular basis. The launch of the Disney Plus app is just one of their latest innovations. Disney's innovation and technology are their main competitive advantages that are valuable, rare, difficult to imitate and non-substitutable.

### **Assessment of External Environment**

When assessing the external environment of the firm and taking COVID-19 effects into consideration, we can say that Netflix is strong against competition during this pandemic. Netflix has 87 percent of the streaming industry market share (Feldman, 2019). Netflix has gained 15.77 million new subscribers globally (Rushe & Lee, 2020). We can see that the number of new subscribers is flattening out all over the industry and that the surge of subscription may be only temporary. Some opportunities that are facing Netflix can also be looked at as a threat for the company. One particular opportunity is all the new subscribers due to the Covid-19 and forced quarantine. This opportunity can be good for Netflix as these subscribers will probably keep their subscriptions after the quarantine is over because they may be invested in shows or movies. The end of the quarantine can be a threat for Netflix because people are no longer staying at home all day and do not need to watch as much TV, or they have watched all the shows and movies they were interested in. As Derrick (2020) recalls a tweet he saw which simply stated: "I finished Netflix today." This could be something funny people joke about because of how much time they are spending at home and binge-watching TV. However, this will not be funny for Netflix and its shareholders if no new content is released for a long time and consumers are canceling their subscriptions.

The biggest threat right now for Netflix is the uncertainty of how long this pandemic will last. Netflix and other companies are unable to produce new content. Netflix stated that they have new content to last them a few months, but no one knows when they will be able to get back to making new content. Netflix can use the free time that writers have as an opportunity. The writers and producers could be working on new content ideas from home and be ready to invest in those ideas when the quarantine lifts. Netflix has several opportunities that are available to explore during this time and external threats that can affect the company.

## Opportunities

### Expanding Product Offering

Netflix has been the leader in the CATV Systems Industry. It is time that they look into expanding their product offering with more variety of third-party licensing like music streaming, gaming and more video content.

### Expansion into New Markets

Netflix has been trying to expand into China but has been having difficulties. The best way for Netflix to expand its company into China is through a joint venture. Joint ventures are a commonly used company structure in China (Wong, 2019).

### Live Streaming

Netflix can invest into live streaming events like UFC (Ultimate Fighting Championship) fights, boxing or another other sporting event that you have to pay for. Netflix can charge extra for customers to stream live sporting events either per event or monthly subscription add-on.

## Threats

### Competition

One of the biggest threats for Netflix currently is competition, Netflix used to be the leader and innovator of the industry with few competitors. Currently there are over 100 other companies that are streaming content. Some of the biggest threats are Amazon Prime, Disney Plus, Hulu, Apple and YouTube.

### Government Regulations

Netflix is already familiar with government regulations in the U.S. and other countries. Government regulations will always be a threat to Netflix especially in other countries when it comes to restriction of what can be shown in other countries. Trying to penetrate the China market is an opportunity for Netflix, however Chinese strict government regulations pose a threat for Netflix when considering expansion.

### Piracy of Content

Digital piracy not only affects Netflix but all companies in the CATV Systems Industry. There are many free sites available where people can steal and download movies and TV shows. Piracy has been around before Netflix began streaming content and as technology evolves people find different ways to release proprietary content illegally.

### Internal Environment

The internal environment of the firm looks at the resources and capability strength of Netflix. The internal environment looks at the business and its current strategies, the market being served and the financial performance of the company. The internal environment of the company shows how strong the company is to survive the effects of COVID-19 pandemic.

## Company Profile

Netflix's mission statement is "We promise our customers stellar service, our suppliers a valuable partner, our investors the prospects of sustained profitable growth, and our employees the allure of huge impact."

Netflix, Inc. is the world's leading internet television network with over 117 million streaming memberships in over 190 countries enjoying more than 140 million hours of TV shows and movies per day, including original series, documentaries and feature films.

Netflix was founded in 1997 by Reed Hastings and Marc Randolph (Hosch, 2020). Originally Netflix offered online subscriptions for customers to rent movies and TV shows on DVD. Customers paid a flat monthly fee and could rent DVDs, keep them as long as they wanted. When the customers returned the DVDs, they could receive new items. Netflix had tens of thousands of movie titles in its catalog, DVDs were delivered from more than 100 distribution centers (Hosch, 2020). In 2007 Netflix launched their streaming service, delivering select titles to customers through the internet. Customers could rent DVDs as well as stream content online. In 2011, Netflix expanded their online library content and began to offer streaming only plans. In July 2011, Hastings announced that the company was splitting into two separate DVD and streaming services (Allen, 2012). The separation of the two services also created a price increase for customers who wanted to use both streaming and DVD rentals. The economy was still recovering from the effects of the 2008 financial crisis, customers and investors were not ready for Hastings' decision to split the current services. Many customers were still suffering from the recent recession and were either out of work or were earning a reduced income. Hastings' decision caused customers to react with rage which led to many subscribers to cancel their service with Netflix (Allen, 2012). In September 2011, the company announced that it was expecting to lose close to a million subscribers and stock prices dropped dramatically (Allen, 2012). Netflix needed to turn the situation around and navigate the change while winning back the trust of its customers. By the end of 2012, Netflix was on track with increasing streaming subscribers and Hastings vision was coming to fruition.

Starting in 2013, Netflix began to offer customers original content produced specifically for their company. By 2018 Netflix was streaming more than 1,000 original content movies and shows. Netflix product lines consist of licensed and original content of TV series, documentaries and feature films across a wide variety of genres. These products are delivered by digital streaming to over 167 million paid memberships. Netflix still offers its original DVD service. DVDs are delivered to over two million customers in the U.S. by mail. In addition, Netflix began international expansion with Canada in 2010 and by 2017 was in over 190 countries.



Netflix has a multidivisional organizational structure which is structured based on the needs of the company. The business structure of Netflix allows for the company to make rapid decisions and changes. At the top of the organizational structure is founder and CEO Reed Hastings. Below the CEO is the corporate staff of Netflix which consists of Chief Talent Officer Jessica Neil, Chief Communications Officer Rachel Whetstone, General Counsel David Hayman, Chief Product Officer Greg Peters, CFO Spencer Neumann, Chief Content Officer Ted Sarandos, and CMO Jackie Lee-Joe. Netflix's organizational structure is relatively flat which relates to their corporate culture. Netflix encourages independent decision-making by employees, sharing of information openly, broadly, and deliberately (Netflix, 2019). This corporate culture begins with the CEO and flows down to all employees. As of December 31, 2019 Netflix, had approximately 8,600 full time employees (U.S. Securities and Exchange Commission, 2019). According to Putter (2018) Netflix has maintained a voluntary attrition rate of 3-4% over the last two years and an involuntary departure rate of 8%, which is not far off the U.S. average of 6%.

Netflix founder and CEO Reed Hastings is one of the biggest assets of the company. Hastings took the company from DVD rentals through mail, to become the leading company of online video streaming. Netflix originally streamed only third-party content, but Hastings quickly realized the importance of producing original content. According to Khandelwal (2020) Netflix spent around \$15 billion on content in 2019, with the bulk of it on original programs. Netflix was the first to start creating original content. Netflix's proprietary assets are their technology and content recommendation algorithm.

Netflix has a corporate office that is in Los Gatos, CA and has been with the company since 1997. In addition, Netflix has two other corporate offices located in Manhattan, NY and Albuquerque, NM, Salt Lake City, UT, and Washington, DC. Netflix has several studios in the US. First studio is located in Los Angeles, CA, second studio in Albuquerque, NM. Netflix has three studios located in Canada and three studios located in Europe. Netflix has five corporate offices in Europe, six offices in Asia Pacific, one office in Brazil and one office in Mexico (Clarke, 2019).

Netflix has been able to create competitive advantage because they have been able to adapt to the evolving technology. Netflix has put a lot of effort and money into research and development. Research and development expenses consist of payroll and related costs incurred in making improvements to Netflix service offerings. Research and development expenses were \$1,673 million, \$1,218 million and \$981 million for the years ended December 31, 2019, 2018 and 2017, respectively (US Securities and Exchange Commission, 2019). Netflix has been the leader in the CATV Systems Industry because of their innovation. Because of their innovation, Netflix has been first to provide streaming services, first to expand globally and first to provide original content. This

innovation has given Netflix a brand image that is globally recognized as the leader in the industry. Netflix is the world's leading subscription streaming entertainment service with over 167 million paid streaming memberships in over 190 countries. The service is becoming so popular that an estimated 37 percent of the world's internet users use Netflix (Watson, 2020).

## How COVID-19 Affected the Firm

Netflix has been positively impacted by corona virus; their stock is up 14 percent since the beginning of the year. The current stock price for Netflix is \$375 per share (Trefis Team, 2020). Netflix was the only company of 30 S&P 500 that gained in the first quarter of 2020 due to Covid-19 (Swartz, 2020). Analysts believe this is since all live entertainment events were canceled because of the virus, people were forced to watch other content.

Netflix has announced that in the first quarter of 2020 subscriptions were up 15.77 million internationally and expects to add 7.5 million global subscribers in the second quarter (Bursztynsky, 2020). Netflix does understand that subscription and viewing growth will likely decline once social distancing mandates are eased and people get back to normal life ((Bursztynsky, 2020). With increased number of subscriptions and viewing hours Netflix announced that it does have enough new content for the next few months (Swartz, 2020). All Netflix productions have been shut around the world due to corona virus and some titles will be delayed. The company can't anticipate when production will resume (Bursztynsky, 2020).

Almost all television and television film production has now ceased globally due to the corona virus pandemic (Guzman, 2020). Hundreds of people have lost jobs in the industry, not only actors but supporting crews as well like electricians, carpenters, drivers, hair and makeup artists and more. According to Guzman (2020) Netflix established a \$100 million relief fund for production crews. Most of the fund will go toward Netflix's own workers, but \$15 million will go to "third parties and non-profits providing emergency relief to out-of-work crew and cast in the countries where we have a large production base" (Guzman, 2020).

Another good thing that Netflix is doing that has nothing to do with promoting itself and getting more subscribers is the launch of a new live series on Instagram. Netflix Instagram series will focus on how to take care of yourself and your mental health during the COVID-19 global pandemic (Perez, 2020). This series is aimed at the younger generation who use Instagram. This series features the stars of some of Netflix's top Young Adult shows and movies who will be talking with trusted mental health experts from partner organizations (Perez, 2020). This series is about leveraging the existing stars' power to do some good and help young people with struggles while coping with COVID-19 (Perez, 2020).

## Market

Netflix has customers in over 190 countries, but the US market continues to be the most important with over 60 million subscribers. According to Watson (2020) around 60 percent of U.S. based adults had a current Netflix subscription as of December 2018, and around 77 percent of all CATV Systems users subscribe to Netflix. In addition to its massive user base, Netflix subscribers are quite attached to the service, with 59 percent of young users rating it as their most indispensable TV network (Watson, 2020). Over a third of user's state that Netflix original programs are their most enjoyed content on the entire Netflix platform, and over 60 percent of subscribers state that original shows are either very important or critical when it comes to their decision to use Netflix (Watson, 2020). According to Hahm (2019) Netflix created 371 new TV shows and movies in 2019 alone, representing a 54.6 percent year-over-year increase from the 240 released last year.

When looking at the market segmentation of Netflix we mostly focus on customer demographics, psychographics and behavioral profile. Netflix is a global company and we can look at the geographic segmentation as well, however Netflix operates as one segment. According to the Netflix 10-K annual report for 2019 the company operates as one global operating segment. Historically, Netflix reported contribution profit (loss) for three segments: Domestic streaming, International streaming and Domestic DVD (US Securities and Exchange Commission, 2019).

The demographics of Netflix customers are skew slightly younger and less rural, and fewer tend to have incomes less than \$100k per year (Ewing, 2019). Most Netflix viewers are between 35-54 years old which accounts for 42 percent of customers. Millennials account for 39 percent of Netflix customers. According to Ewing (2019) most Netflix customers are single, about 58 percent and 78 percent live in urban areas. Half of Netflix viewers have kids and at least some college education. Most streamers use their smart phone to view content, which accounts for 65 percent of the customers. Netflix viewers can be considered main streamers, they have time to watch TV. According to Clark (2019) the average Netflix subscriber spends two hours a day on the service. Most Netflix customers can be considered medium users who use Netflix services about ten times a month. In the US, 35 percent of members are in the light users segment, which means they visit the platform once or twice a month, while 45 percent are medium and almost 20% are heavy users, which means they visit the platform more than ten times a month (Castro, 2019). Netflix customers enjoy original content and personalized recommendations. The success of Netflix shows that consumers want products that are easy to use and tailored to match their preferences (Morgan, 2019).

When looking at the current market of the firm and how it has been affected by COVID-19, the conclusion is that the market has not changed much. Over the course of Covid-

19 pandemic Netflix has gained an additional 15.77 million new subscribers globally (Rushe & Lee, 2020). Based on what we know of the previous customer base, we can assume that the new subscribers fall under the same demographic. Confirmed by Netflix CEO Reed Hastings as to who the 16 million newest members are, Hastings said they are "more of the same" and not a brand-new demographic group (Hayes & Goldsmith, 2020). The only thing that has changed are the behaviors of new and existing customers who are watching more TV due to the home restrictions of the quarantine. Netflix is gaining new customers who are possibly subscribing to watch something during the pandemic that would not have subscribed before. Netflix is also possible keeping customers who were considering canceling their membership and changed their mind due to spending more time at home and needing something to do.

## Value Chain Analysis

Porter's Value Chain Analysis is a framework that assists in identifying activities of a firm that create value and competitive advantage. The value chain analysis looks at primary activities that are involved with transforming inputs and getting them to the customer. The primary activities are supported by support activities such as firm infrastructure, HR management, technology development and procurement (Grant, 2016, p.123).

The primary activities for Netflix are directly concerned with creating streaming content for its viewers. These primary activities can be identified as inbound logistics, operations, outbound logistics, marketing and sales, and services.

**Netflix Inbound Logistics:** Netflix inbound logistics consists of relationships with third party companies who provide content for streaming. Netflix has a high dependency on third party content. As other companies are starting their own streaming platforms, Netflix is losing a lot of its licensed content. Netflix must maintain relationships with actors, directors and writers so that they can continue producing original content.

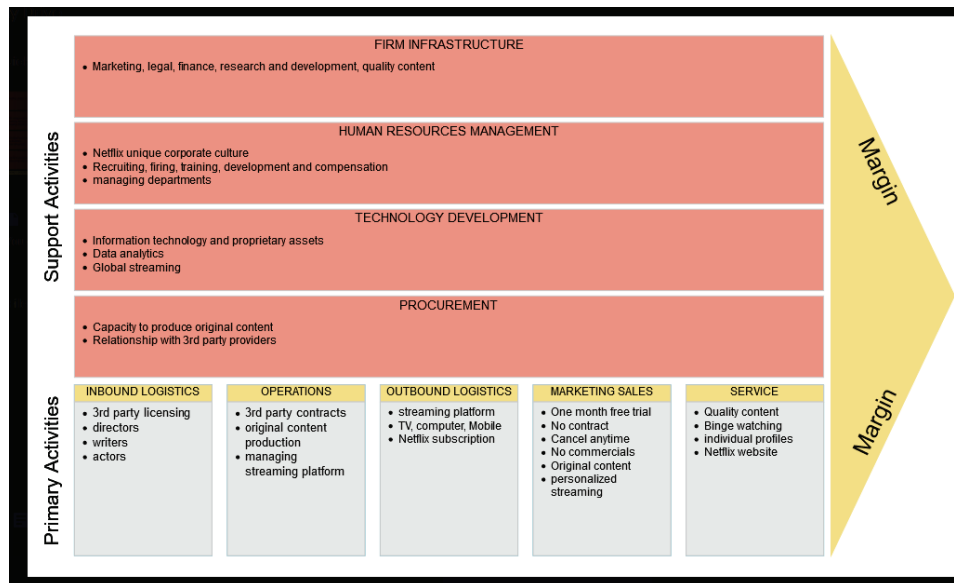
**Netflix Operations:** Operations for Netflix would be turning raw materials into a finished product. This will include filming movies and shows for Netflix original content. Securing contracts for third party licensing. Managing and improving Netflix streaming platform.

**Netflix Outbound Logistics:** Netflix outbound logistics is how the company delivers the finished product to its customers. Netflix distributes its product through various technology platforms. Customers can stream Netflix content on their TV through streaming platforms and mobile devices. Netflix content is all located on one platform that is user friendly.

**Netflix Marketing and Sales:** Netflix personalizes streaming content for each viewer account. Netflix uses algorithms to track what customers are watching and

### Netflix Value Chain Analysis Diagram

The following diagram summarizes the Netflix value chain.



#### Primary Activities

suggesting more content based on similarities. Netflix provides original content that customers can view only on Netflix. Netflix offers a one-month free trial to new customers. After the one-month free trial, basic service is \$8.99 per month, standard is \$12.99, and premium is \$15.99. Netflix offers unlimited movies and TV shows, no commercials and customers can upgrade or downgrade service anytime. Netflix does not have contracts and customers can cancel anytime.

**Netflix Service:** Netflix services include maintaining customer relationships by providing quality content and ability to watch as much content as they want. Netflix has an easy to use website that can provide help to customers. Netflix allows customers to create different profiles for different users and find your own list of personalized recommendations.

### Supporting Activities

Supporting activities of Netflix assist the primary activities through firm infrastructure, human resource management, technology development and procurement.

**Firm Infrastructure:** Infrastructure supports the entire value chain, and not individual activities. Netflix infrastructure consists of accounting, marketing, legal, administrative functions and quality planning. Netflix operates in over 190 countries the legal section of the firm maintains compliance to censorship, that varies based on region and culture. Marketing department develops Netflix pricing strategy and subscription model to ensure affordability and new customer acquisition. Netflix needs to focus on the support systems and functions that can allow the company to continue expanding its original content.

**Human Resource Management:** Netflix has created a unique corporate culture and they only hire people that fit that corporate culture and will help Netflix keep moving forward. Netflix has several different departments that human resources manages product development, corporate functions, content and marketing. Within these departments are individual teams or positions. Netflix HR activities include recruiting, hiring (and firing), training, development and compensation of Netflix employees.

**Technology Development:** Netflix has been able to create competitive advantage because they have been able to adapt to the evolving technology. If Netflix continues to innovate and invest in technology development, they can keep their competitive advantage. Currently Netflix uses data analytics to review customer viewing history and recommend new content. Software developers are constantly designing and enhancing Netflix customer experience. According to Thimou (2019) using proprietary software called Branch Manager, Netflix can now map out all the possibilities of a story and then let you decide which way to take the character. Netflix is creating interactive movies that allow the user to change the plot.

**Procurement:** Procurement relates with the inbound logistics of the value chain analysis. The challenge Netflix is to obtain the best possible deals through negotiation with third party providers for content licensing. Netflix needs to build and secure partnerships with studios, production houses, actors and directors to be able to continue producing original content. Through these relationships Netflix can expand its video library content.

## Company's Current Strategies

Netflix business model seems to fit the generic strategy for competitive advantage. Netflix integrates low cost and differentiation strategies to create a sustainable competitive advantage. When looking at cost advantage, Netflix business model offers flat-rate subscription with no advertisements on the streaming platform. Netflix differentiates their streaming platform from competitors with production of original content.

According to Porter's model, cost leadership requires the firm to find and exploit all sources of cost advantage (Grant, 2016, p. 178). Netflix was the first company in the industry to start streaming content via the internet, therefore they set the price. Netflix had a cost advantage when competitors started entering the market. When competitors entered the market, Netflix had to keep their competitive advantage through minimized costs and minimized selling prices. Netflix realized that licensing third party content was very expensive and began to produce their own original content. Netflix was able to bypass the middlemen of content distribution and distribute their own content directly to their customers. By keeping costs low for subscriptions and continued commitment to no advertisements Netflix is able to generate more customers and intensify their global growth.

Differentiation advantage exists when a firm provides something unique that is valuable to buyers beyond a low price (Grant, 2016, p. 178). Netflix has developed competitive advantage by differentiating their original content from competitors. Netflix chose to not only stream licensed content like their competitors but started producing their own original content. In addition to original content Netflix offers personalized content recommendations. In the global market Netflix continues to differentiate themselves with original local-language content. Netflix differentiated strategy helps retain and attracts subscribers and to continue their global growth. Related diversification as a corporate strategy refers to sharing and transferring resources and capabilities between business units (Grant, 2016, p. 355). Netflix uses corporate strategy that aligns with related diversification. Netflix entered a new business activity when they started to produce their own content. This new activity was related to the company's existing business activity. Expanding into production of original content was a smart move for Netflix as competition intensified in the industry. Netflix current strategy is to focus on original content to drive growth. Netflix is aiming to build a portfolio of movies which will attract and retain viewers and optimize the cost of licensing these movies (Trefis Team, 2017).

## Company's Current Financial Performance

### Ratio Analysis

Financial ratios allow a diagnosis of a firm's financial

condition. We will be using the company's income statement and balance sheet to assess the financial health of Netflix. From the income statement and the balance sheet information we can calculate profitability ratios, liquidity ratios, leverage ratios, and activity ratios. When looking at the company's current financial performance we need to keep in mind that of the three companies, Netflix is the least diversified in terms of their products and services compared to its competitors.

### Profitability Ratios

**Return on Assets:** ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings (Hargrave, 2019).

Netflix return on assets was 5.49% for the year 2019. The firm earns a return of 5.49% when both its creditors and shareholders are considered. Netflix raised their ROA by .83%. Currently Netflix is using 5.49% of their assets to generate profits. Amazon return on assets was 5.14% for the year 2019, which means that they are using 5.14% of their assets to generate profits. Amazon had a decrease of their ROA by 1.05% percent in 2018. Disney return on assets was 5.70% for the year 2019. The firm earns a return of 5.70% on their assets. Since 2018 Disney had a decrease in their ROA by 7.08%. Out of the three companies, Disney's management uses their assets in the most efficient way to generate profits. Disney also had the biggest drop of their ROA in the last year. Netflix uses their assets efficiently compared to its competitors and has had an increase in their ROA.

**Return on Stockholders Equity:** ROE is used to measure how effectively management is using a company's assets to create profits. This is an effective measure of how the company uses stockholder funds (Hargrave, 2020). Netflix had a return on stockholder's equity of 24.62%. This was an increase for the stockholder by 1.5% since 2018. Amazon had a return on stockholder's equity of 18.67% and this was a decrease of 4.46% since 2018. Disney's ROE is 12.44% and this company also had a decrease of 13.39% since 2018. Out of the three companies Netflix's management is above average at using the company's assets to create profits. According to Hargrave (2020) a return on equity near the long-term average of the S&P 500 (14%) as an acceptable ratio. Netflix, Amazon or Disney do not have preferred stock; therefore, the Return on Common Equity is the same as ROE.

**Operating Profit Margin:** The operating margin measures how much profit a company makes on a dollar of sales, after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax (Kenton, 2019).

Netflix earns operating profits of just over 13 cents for every dollar of sales. Amazon earns operating profits of just over 5 cents for every dollar of sale. Disney earns



operating profits of just over 22 cents for every dollar of sale. Looking at the three companies, Disney has the highest operating profit margin. Netflix has increased their profit margin by almost 3 cents since 2018. The reason that Netflix has such a low operating profit margin is because the dollar amount of operating profit is relatively low to the revenue of sales.

**Return on Sales:** Return on sales (ROS) is a ratio used to evaluate a company's operational efficiency. This measure provides insight into how much profit is being produced per dollar of sales (Hayes, 2020).

Netflix had a return on sales of 9.26%. This means that for every dollar of sale, Netflix earns 9.26 cents after tax profit. Netflix had an increase of ROS by just over one and a half cents since 2018. Amazon had a return on sales of 4.13 cents for each dollar of sales. Disney has a 15.89 cent return of sales after tax profit. An increase of ROS for Netflix could indicate that the company is growing more efficiently.

## Liquidity Ratios

**Current Ratio:** The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables (Kenton, 2019).

Netflix has a current ratio of .9012 which has decreased from 1.49 since 2018. This could mean that Netflix does not have enough capital on hand to meet its short-term obligations if they were all due at once. Amazon is the only company in this analysis that has a current ratio above one. Amazon's current ratio is 1.10 and has kept that ratio since 2018. Amazon does have some capital on hand to be able to meet short-term obligations if need be. Disney has a current ratio of .8974 which is the lowest of the three companies. This means Disney might not be able to quickly convert assets to cash if they need to meet their short-term obligations if they come due.

**Quick Ratio:** Quick ratio excludes inventory in the calculation. Companies must be able to meet short-term obligations without relying on sales of inventory. Quick ratio only uses assets quickly convertible into cash.

Netflix does not carry inventory therefore the ratio is the same for quick ratio as it was for the current ratio. As a rule of thumb, the quick ratio should be 1.0 or higher. All three companies have a ratio below 1.0. Netflix has a quick ratio of .9012, Netflix has a ratio of .8636 and Disney has a ratio of .8447. Because all three companies are close to 1.0, they are in a decent position to cover some of their current liabilities, liquid assets aren't quite able to meet each dollar of short-term obligations. Netflix has the best position because they are at .9012.

## Leverage Ratios

**Debt-to-Total Assets:** Netflix has a debt to total asset ratio of 77.68% this means that 77.68% of the firm's assets are funded by debt. The company's debt to asset ratio went up 52.70% from 2018. This high jump in debt to asset ratio could be because Netflix is taking on more debt to finance the shows that they make only for Netflix. Amazon has a debt to asset ratio of 72.45%, this means that 72.45% of the firm's assets are funded by debt. Disney has a debt to total asset ratio of 51.60%, this means that 51.60% of the firms' assets are funded by debt. Disney has had an increase of 5.18% of debt to asset ratio, this could be because Disney needed to take on more debt to launch the Disney Plus streaming platform. Netflix has the highest debt to total assets ratio out of the three companies in this analysis. One of the reasons that Netflix has such a high debt to total assets ratio is because Netflix does not have inventory. Both Amazon and Disney both have inventory which helps both of those companies to increase their total assets.

**Debt-to-Equity:** Netflix has a debt to equity ratio of 348.10%, this means that for every dollar of stockholders' equity, the firm has borrowed \$3.48 from creditors. Netflix's debt to equity has gone up by \$2.24 since 2018. Amazon has a debt to equity ratio of 262.95%, this means that for every dollar of stockholders' equity, the firm has borrowed \$2.63 from creditors. Disney currently has a debt to equity ratio of 112.62%, this means that for every dollar of stockholders' equity Disney has borrowed \$1.13 from creditors. Out of these three companies, Disney has the lowest debt to equity ratio and Netflix has the highest.

Having a high debt to equity ratio is not bad for all industries, because some industries tend to use more debt financing than others. Debt typically has a lower cost of capital compared to equity; therefore, Netflix could be taking out more debt to fund their current activities.

**Long-term Debt-to-Equity:** Netflix has a long-term debt to equity ratio of 194.66%, this means that for every dollar of equity, \$1.95 of long-term debt financing has been employed. As stated previously, Netflix is currently producing their own original content. Netflix could have a high long-term debt to equity ratio could be because Netflix is funding growth without diluting the stockholder's equity. Amazon has the lowest long-term debt to equity ratio using almost .38 cents of long-term debt financing for every dollar of stockholder's equity. Disney uses almost .43 cents of long-term debt financing for every dollar of stockholder's equity.

**Times-Interest-Earned:** Disney is in the best position to meet interest payments. Disney can meet its interest obligations twelve times over. Amazon can meet its interest obligations almost nine times over. Netflix has the lowest TIE ratio, being able to meet its interest obligations only four times over. Disney is in the best position to continue investing in the business.

## Activity Ratios

**Fixed Assets Turnover:** Fixed assets turnover indicates how effectively the firm is using its fixed assets. Each dollar of Netflix's net fixed assets produces \$35.66 of sales. Amazon only produces \$2.87 of sales from each dollar of net fixed assets. Disney produces the least amount, \$2.20 of sales for each of their dollars of net fixed assets. Netflix uses their net fixed assets in the most efficient way compared to Amazon and Netflix.

**Total Assets Turnover:** This ratio is like fixed assets turnover, except total assets ratio measures how well the firm utilizes its total assets. For every dollar of total assets Netflix produces \$0.59 of sales. Amazon produces \$1.25 of sales for each dollar of their total assets. Disney produces \$0.36 of sales for each dollar of their total assets. The reason that Netflix could have such a low total asset turnover is because they do not have inventory to help them increase their total asset value.

**Average Collection Period:** For Netflix it takes just over 17 days to collect accounts receivables. Amazon takes just over 27 days and Disney takes just over 67 days to collect their accounts receivables. Netflix collects their accounts receivables much faster than Amazon or Disney.

## Common Size Statements

**Common Size Income Statement:** Cost of goods sold for 2019 for Netflix was 61.72%, Amazon was 73.35% and Disney was 60.40% when compared with sales revenue. Netflix cost of goods as a percent of net sales is comparable to its competitors. Amazon and Disney are much more diversified in their goods and services compared to Netflix. Netflix incurs a much higher cost of original content production and content licensing when compared to sales revenue. Netflix has the highest operating expense because of the high cost of content production. Disney has the highest net income after interest and tax while Amazon has the lowest. Netflix enjoys a middle position between the two at 9.26% net income compared to sales revenue.

**Common Size Balance Sheet:** When looking at Netflix's common size balance sheet and comparing 2018 to 2019, cash assets stayed relatively the same. Accounts receivable increased from zero to 2.88% and total current assets decreased by 19.13% from 2018. According to Yahoo! Finance Netflix balance sheet, total current assets for 2018 were \$9.69 billion and \$6.18 billion for 2019. This is the reason why current assets had such a high decrease when compared to total assets. Long-term investments had increased slightly, depreciation and net fixed assets had no noticeable increase. Accounts payable had decreased slightly from 2018 and accrued expenses increased by 0.64%. Long-term debt increased by 3.55% when compared to total assets. Retained earnings increased slightly by 2.83% as a percent of total liabilities and shareholder's equity.

When comparing three companies using the common size balance sheet for 2019, compared to other companies Netflix has cash 14.78% of total assets. Amazon has 16.16% cash of total assets and Disney has 2.79% which is significantly lower than the other two companies. Netflix has the lowest accounts receivable with 2.88% while Amazon has the highest at 9.24%. Netflix has the lowest machinery, equipment and fixtures at 2.89% of total assets, while Amazon has the highest at 64.29%. Netflix again, has the lowest net fixed assets at 1.66% of total assets while Amazon has the highest at 43.44%. The reason that Netflix has the lowest net fixed assets compared to total assets is because they have lower intangible assets and other long-term assets compared to Amazon and Disney. Amazon has higher liabilities at 38.98% when it comes to accounts payable, accrued expenses and income tax payable. Which means that they have the highest current liabilities compared to total liabilities and owner's equity. Netflix has the highest long-term liabilities at 43.44% of total liabilities and owner's equity. This could be due to the fact that Netflix is financing their production operations. Disney has the highest retained earnings at 21.91% of total liabilities and owner's equity while Amazon had the lowest at 13.86%. Disney also has the highest total equity at 45.82% of total liabilities and owner's equity. Netflix has the lowest total equity at 22.32%.

## Growth Rates

In a two-year period from 2017 to 2019 Netflix had a compound growth rate of 31.30% of reported total revenue. This means that Netflix increased their sales by 31.30% in the last two years. Over a two-year period, Amazon had a growth of 25.59% and Disney had a growth of 12.33% of total revenue. Netflix had the highest growth rate over the last two years of the three companies. When looking at a simple growth rate formula Netflix had 72.38% growth over a two-year period compared to Amazon who had 57.73% growth and Disney had 26.18% growth over the last two years of their reported total revenue.

## Assessment of Internal Environment

When assessing the internal environment of Netflix, we can look at the strengths and weaknesses that the company has. We can also look at the key capabilities of Netflix compared to other firms if they are rare, valuable, difficult to imitate and non-substitutable.

## Strengths

### Exponential Growth

Since 2007 Netflix has become one of the most recognized and leading companies in the CATV Systems industry. Over the last ten years Netflix has gained a global customer base in over 190 countries with over 167 million subscribers.



### Original Content

Since 2013 Netflix has been producing original content specifically for its streaming platform. By 2018 Netflix was streaming more than 1,000 original content movies and shows. Netflix created 371 new TV shows and movies in 2019 alone. Netflix's original content became so popular that customers were subscribing just to view those movies and TV shows. Some of the most popular were Stranger Things, watched by more than 67 million viewers within the first four weeks of release. Bird Box was its biggest movie yet and was watched by 45 million accounts worldwide in just its first week (Clark, 2019).

### Innovation and Technology

Netflix's big strength is innovation and technology. Netflix was the first company to start streaming content via the internet. Netflix was the first company to create original content and to expand globally. Netflix has top of the line technology which allows them to continue to advance in the CATV Systems industry with things like recommendation algorithms and original local-language content.

### Weaknesses

#### High Operational Cost

Netflix made a smart move to start producing original content, but it comes at a high price. Netflix spent \$13 billion on content in 2018, with 85% of new spending earmarked for originals (Trainer, 2019). According to Trainer (2019) Netflix expects content costs to continue growing at a similar trajectory, which would put the company on pace to spend \$17.5 billion in 2019.

#### Imitable Business Model

From the beginning of Netflix streaming operations in 2007 were innovative but imitable. Netflix did not patent their business model right away and competitors began to imitate and copy the business model. When Netflix began to produce original content on their platform competitors soon followed suit.

### Price Increase

Netflix has been steadily increasing the price of their monthly subscription over the years. When Netflix first introduced streaming the price was \$7.99. Today, depending on the streaming plan the customer would like they could be looking at paying \$16 per month.

### VRIO Framework

The VRIO framework looks at a company's resources and capabilities if they are valuable (V), rare (R), non-imitable (I) and organized (O) compared to other companies. The VRIO framework helps companies identify if there is a sustainable competitive advantage.

The following diagram summarizes Netflix VRIO framework.

#### Valuable

Netflix has been around and successful longer than any other streaming platform in the industry. Netflix has created global brand awareness and their streaming app is a key resource for delivering content to customers. Netflix has extensive library content. Netflix has several third-party content providers, but their original content is what gives Netflix their competitive advantage. Netflix uses an algorithm to constantly analyze data to improve viewer content and provide suggestions to users. Netflix used innovation and technology to get ahead of the competition when they started streaming content to consumers first. Netflix has access to some of the best writers, actors and producers for creating original Netflix content. Netflix has comparable prices to other streaming networks, but Netflix is one of the few that does not have ads or commercials. Netflix's resources are valuable and create a competitive advantage for the company.

#### Rare

Netflix started streaming content and expanded globally in 2007. Currently Netflix is in 190 countries with 139 million subscribers. Amazon started to expand into other countries shortly after Netflix, and currently is available in over 190 nations. Hulu is slowly expanding into the global

Resources/ Capabilities	Value (is it valuable?)	Rarity (is it rare?)	Imitability (is it hard to imitate?)	Organization (are we organized around it?)	Competitive Implication
Global Brand Awareness	• YES	• NO	• YES	• YES	Temporary Competitive Advantage
Global Streaming Platform	• YES	• YES	• YES	• YES	Competitive Advantage
Original Content	• YES	• YES	• YES	• YES	Competitive Advantage
Technology	• YES	• NO	• NO	• NO	Competitive Disadvantage
Writes, Produces & Actors	• YES	• NO	• NO	• YES	Competitive Equality
Commercial Free	• YES	• NO	• YES/ NO	• YES	Temporary Competitive Advantage

market but is currently only available in Japan and the U.S. Apple TV+ is planning on making its streaming service to be available to over 100 countries (Singh, 2019). Netflix global platform is one of a kind that helps users find content that might interest them through an algorithm. In addition, each platform is different in different countries with tailored censorship content. Original content is key to Netflix success. Their original content is only available on Netflix streaming platform. Netflix technology has been one of the top technological advances in the industry. Recently Netflix has slowed down on technology advancements. If they want to keep their competitive advantage, Netflix will have to evolve their technology beyond the content suggesting algorithm. Netflix does have some of the best writers and producers for creating original content, but so do other streaming companies that are creating their own original content. The actors that Netflix uses are not under contracts to only work for Netflix they can work for any company they want. Netflix is a commercial and ad free platform and that has been their competitive advantage for a long time, however, other companies like Amazon and Disney Plus are also streaming ad free.

### **Difficult to Imitate**

Netflix's global awareness and platform streaming has been difficult for other companies to imitate. Amazon is the only other company that is available in as many countries as Netflix is. The advantage for Amazon is that customers who subscribe to Amazon Prime get free streaming. Amazon is a global company with their product website but was not the first to stream in other countries. In addition, Netflix has the best streaming platform that no competitor has been able to imitate. Currently Netflix is working on providing content to other countries dubbed in their language. As said before, Netflix original content is what gives them the best competitive advantage, no company will be able to create the same original content as Netflix. Companies have been trying to imitate Netflix streaming technology. Because Netflix did not patent their streaming technology, companies have been successful in creating similar platforms as Netflix. Netflix does have some of the best writers and producers that write its original content, but Netflix and Amazon have great original content as well. Not many streaming companies have been able to imitate Netflix's commercial free streaming. HBO, Disney Plus and Amazon are both commercial free, but Hulu and other companies have not been able to imitate them.

### **Organized**

Everything Netflix does focuses on global awareness of the brand. It was the first company to expand globally, the company sensors content to accommodate sensitive countries. Streaming platform is user friendly and Netflix shows different content in different countries on their platform. Since third party content companies have been pulling their content from Netflix to start their own streaming platforms, Netflix has been focused on its original content. The company has been expanding and

became a production company as well. Netflix is working on purchasing a studio for filming their own TV shows and movies. Netflix has been focused on hiring the best actors, writers and producers to create original content. Netflix has not used technology patents to its full potential. Netflix should have patented its technology early in the game to prevent competitors from imitating them. Netflix has been focused on providing commercial free streaming. While other companies have been showing content with ads or commercials, Netflix CEO promised to keep commercials off its platform (Vanable, 2020).

### **Strategic Implications**

Key strengths for Netflix are its global streaming awareness, global streaming platform and its original content production. Netflix is committed to providing content to users globally through user friendly platforms and original content. The implications for Netflix are that they may not be able to expand further than they already have due to government restrictions. Netflix will need to concentrate on providing new original content on a regular basis to keep customers interested. Netflix may want to investigate creating original content specifically for other countries, not just show U.S. content in altered versions.

Key weaknesses for Netflix are lack of patents on their technology and lack of technology advancements in the last few years. Netflix was the first mover to start streaming services and they should have patented that technology. Now Netflix knows that it has competitors who are trying to imitate them, Netflix should patent new technology before releasing it to the public. Netflix needs to use its research and development to create more technology advancements to keep Netflix ahead of their competition.

### **Assessments of Internal Environment**

When assessing the internal environment of Netflix, we can see that they have several key capabilities that give them a temporary competitive advantage. The key capabilities of Netflix are their global brand awareness and streaming platform, original content, technology, ad free streaming. Key strengths for Netflix are its global streaming awareness, global streaming platform and its original content production. Netflix is committed to providing content to users globally through user friendly platforms and original content. These key strengths have been especially beneficial for Netflix during the COVID-19 pandemic. The current strength that Netflix possesses is the stock of original content that has not been released yet on the platform. Depending on how long this pandemic continues and Netflix is unable to create new original content to entertain subscribers, they have some unreleased content. Netflix stated that it completed most of its programming for the year and does have enough new content for the next few months (Swartz, 2020). Second strength for Netflix comes from a revenue model that is almost entirely subscription based (Grothaus,

2020). Netflix does not rely on advertising revenue while most of its competitors do. According to Grothaus (2020,) if the economy goes into a recession, one of the first things companies cut are ad budgets. If advertising budgets go, Hulu, Google and Disney could see their ad revenues sink. Netflix is better positioned to survive a recession because they do not rely on ads for revenue. The third strength that Netflix has is the support of the stars from their young adult shows. These stars are willing to help Netflix make a difference during this time in young people's lives by donating their time. This shows that Netflix has a good relationship with their actors and other supporting crew members.

Key weaknesses for Netflix are lack of patents on their technology and lack of technology advancements in the last few years. Netflix was the first mover to start streaming services and they should have patented that technology. Now Netflix knows that it has competitors who are trying to imitate them, Netflix should patent new technology before releasing it to the public. Netflix needs to use its research and development to create more technology advancements to keep Netflix ahead of their competition. Some weaknesses that Netflix faces due to the Covid-19 pandemic is the current inability to produce original content due to government restrictions. Another weakness of Netflix is that they may not be able to keep customers long-term that only subscribed during the pandemic. If new customers subscribed only for something new to watch during the quarantine may not see the need to continue the service once the pandemic has passed. Netflix may struggle to retain paying customers that signed up during the pandemic after Covid-19 lockdown measures are eased. Over the course of the first quarter of 2020 Netflix has gained 15.77 million new subscribers. According to Thomas (2020) that is almost double the new sign-ups Netflix saw in the final months of 2019. This growth would be notable, however spectacular growth in a period where most of the world's internet users are under orders to stay at home is a bit less impressive (Thomas, 2020). Netflix has seen a flattening growth curve of new subscribers up until now. Netflix currently has 87 percent of the streaming industry market share (Feldman, 2019). This surge of new subscribers is mostly due to the Covid-19 and forced home quarantine.

When looking at profitability of Netflix compared to its competitors, we need to understand that of the three companies, Netflix is the least diversified in terms of products and services. Amazon is the most diversified, and Disney enjoys a middle position between Netflix and Amazon. For the purpose of this analysis we used two competitor companies that were comparable to Netflix and that were publicly traded. Netflix product and services consist of only streaming memberships, while Amazon offers the streaming platform as part of the whole Prime package. Disney Plus is a streaming application that is on a monthly subscription like Netflix, however, public financial information available about Disney is all bundled together as one company. When evaluating if Netflix has

above average returns compared to its competitors, we need to take the above information into consideration.

When looking at the three companies, Netflix has a very comparable return on assets to its competitors. All three companies have an average of 5.44% return on assets for 2019. According to CSI Market (2020) the industry average for ROA was 4.66%, Netflix was slightly above the industry average. When looking at return on investments, Netflix has a return of 7.9%, while the industry average is 6.27% (CSI Market, 2020). Netflix had above average return on equity at 24.62%, while the industry average was 12.2% (CSI Market, 2020). Net income margin for Netflix was 9.26% which was 2.9% below the industry average. Compared to Amazon, Netflix had above net income margin, but below Disney. Disney had the highest net income margin at 15.89%. Netflix had the highest quick ratio at 0.9012 compared to Amazon and Disney, as well as the industry average which was at 0.48. When evaluating Netflix compound growth rate, we used a two-year period from 2019 to 2017 to calculate the growth rate. Netflix had a compound revenue growth rate of 31.30% over the last two years. The industry average for compounded growth rate was 18.19% for the past five years (CSI Market, 2020). Netflix had above average growth rate when compared to Amazon, Disney and the industry. When taking into consideration that Netflix is less diversified in its products and services than its competitors, overall Netflix has above average returns. From this we can conclude that Netflix does have a competitive advantage.

Overall, we can conclude that Netflix has a temporary competitive advantage over its competitors. There are several things that Netflix does that makes them the current leader in the industry, but other competitors are catching up. Competition in the CATV Systems Industry is getting intense for Netflix. The domestic market of streaming for Netflix is nearing the maturity stage but foreign market opportunities look good. With new entrants such as Disney Plus, and continued competitor Amazon, it will be important for Netflix to provide original and worthy content to their viewers. Keep prices relatively low and continue to dominate the market with add-free streaming. In addition, platforms offering the broadest portfolio of content will likely attract the most subscribers. With the rise of streaming services, consumers are being forced to manage and pay for multiple subscriptions in order to enjoy all their desired content. In fact, the prevailing sense is that consumers are only willing to commit to a certain number of streaming services. Research has shown that consumers are only willing to pay for up to three streaming services, a number that has remained constant for two years (2020 Telecommunications, 2020). If Netflix can find a competitive advantage among their rivals, then consumers are likely to continue to choose them as the leading streaming provider.

Based on research Netflix is doing everything they can to attract and retain customers. They have been the leader in



the industry from being the innovator of streaming platforms to production of original content. Compared to its competitors, Netflix has the most subscribers globally and is one of the few firms who does not have ads on their platform. Netflix did have a large surplus of subscribers during the Covid-19 pandemic. It is a problem for Netflix that they may lose most of these subscribers after the Covid-19 home restrictions lift. There is nothing that Netflix is not already doing that they can do to keep the subscribers who choose to leave.

## Conclusion

Currently Netflix does have a temporary competitive advantage over its competitors. The CATV Systems industry is getting crowded and the competition is getting intense. Based on the external and internal analysis of the company (i.e., strength and opportunities as well as key capabilities), there are some things that Netflix can do to keep their competitive advantage. Netflix understood early on that original content was key to its success and competitive advantage. For Netflix to create a sustainable competitive advantage the company needs to continue to be innovative. Netflix cannot continue to recycle old content given COVID-19 related production slowdowns. Netflix's current business model allows the addition of more services and product offerings. Netflix has the research and development teams and the technology to continue to innovate and revolutionize the industry. Currently Netflix is the leading company in the industry, but competitors are advancing quickly. Without further development and innovation Netflix cannot be the top streaming service forever. Netflix may not want to follow its competitors and imitate their products. Therefore, they Netflix innovate, because doing nothing will leave Netflix in a competitive disadvantage.

## Afterthought (Final Thought)

As Hastings looked out the window and assessed the current situation, he well understood COVID-19's positive impact on his company. Home confinement led to a higher demand for streaming services and brought in 15.77 million new subscribers in just a few short months. Original content has been a key to Netflix success, but if the effects of COVID-19 last longer than expected that may be a problem. Hastings felt confident that release of new content will last a few months. The uncertainty of the pandemic and the lasting effects weighed heavy on his mind as he recalled a tweet he saw, which simply stated: "I finished Netflix today" (Derrick, 2020). Hastings watched a few of his employees rushing back from lunch break in facemasks and knew that navigating the new normal was going to be tricky. The world is changing daily as the uncertainty of the pandemic continues. The effects of the coronavirus could be long lasting. Hastings knew that innovation is necessary for Netflix to thrive during and after COVID-19 pandemic. Finding himself in the same position as 2011 Hastings knew Netflix had to move fast in

order to reduce the risk of being outpaced by the competition. With a heavy sigh Hastings contemplated the decisions that needed to be made.

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# Digital Marketing: Disruption, Expansion and its Impact on Businesses

Ritesh Dwivedi\*

## Abstract

The research paper is about Digital marketing: disruption, expansion, and its impact on businesses. In this research paper I will discuss about the various types of digital marketing tools used by companies. I will take three tools of the digital marketing and how they help the companies to attract more audiences. I have focused on SEM (Search Engine Marketing), use of websites and use of keywords. As digital marketing has become a useful tool for the companies and help them to lower down their cost of marketing activities therefore correct use of the tools like SEM is necessary for the companies to target the potential audience similarly proper use of websites is necessary to give useful information to the audience and with good content help the companies to draw more traffic, further how keywords are an important tool to increase the ranking of the websites in the search engine result page (SERP). Further I have discussed about the current trends followed by companies during covid-19 pandemic and to know whether digital marketing is a helpful tool to generate revenues for companies during this crisis. For my research I have focused on both primary and secondary data to find out how these digital marketing tools help the companies in their business.

**Keywords:** Search Engine Marketing, website, use of keywords.

## Introduction

As we all know marketing is a very wide term which is being used by many companies or say is used in every small or large business. We can also say that marketing refers to the activities used by the companies to promote their products and services. Marketing basically includes advertising of products, selling of products and delivering of the end product to the consumer and to other businesses.

Professionals those who are involved in a corporate world of marketing and promotion departments in the organization try to seek their key potential audiences via advertising.

Promotional activities are mainly used by the businesses and companies to boost their sale for which they even take the help of celebrities, use phrases and even catchy slogans, take the help of graphic designers to design different and catchy packaging for their products and even utilize the help of all media platforms.

- In marketing there is a term called "marketing mix" which is also known as 4P's – product, price, place, promotion.
- The main objective of marketing is to sell the products and services of the company or businesses and try to identify its ideal customers, help to draw the attention of their customers to the various products and services available for them.

Marketing as a term also means attracting the customers and building a relationship with them, and try to offer them the exact products and services they are looking for and converting their potential customers into permanent, marketing also helps in making their customers a loyal one towards their products and services.

When the company is able to match its products and services with that of its customers wants and needs it makes the sale of goods and services and hence increases the profitability for the company and business.

The four P's of marketing are- Product, Price, Place and Promotion, collectively they are called marketing mix.

Let's talk about them a bit,

## Product

Product generally refers to the first stage and also the first "P" of marketing mix. It offers the items, goods, and services which the business has for its customers. The product offered by the company should be good enough to capture the market and offer what the customer is actually looking for and should also have some distinct features so that it can be differentiated from the other competitors in the market. Before launching the actual product into the market the marketers should properly study the market as to what products are being sold in the market and what the customers have to offer, whether there is a substitute product of the same or not so that a proper marketing company can be done.

## Price

Then comes the second p of the marketing mix “Price”, it generally refers to for how much the company is ready to sell its product for. Before finalizing the actual price of the product there are some things which the company should keep in mind like the cost per unit price, its marketing cost and the distribution expenses. The companies should also keep in mind that the prices set by their competitors selling the alternative products so that it's easy for the customers to switch between the two.

## Place

Third “P” refers to the place where the final distribution of the product has to be done. For this the company decides various distribution channels like whether to sell the product via physical store, online or both. What should be sold in a storefront, and which type of product placement should be done? And when it's sold online which digital product placement should be done?

## Promotion

When we talk about promotion it's the last “P” of marketing mix it involves various marketing campaigns which include activities like advertising, selling, sales promotion, public relations, direct marketing, sponsorships, etc. before promotion the company finalizes the other 3 “P's” and depending on that it promotes the product to the target customers.

Keeping 4P's in mind every organization plans their marketing strategies which can help them to grow their business and create their brand image in the market. Marketing is an important tool for every business organization as with the help of proper marketing they can showcase their products and services in the market and get a suitable position in the market.

When we talk about different marketing methods there are two main forms of marketing that comes in our mind, traditional marketing and digital marketing. As we all know traditional marketing is the oldest form of marketing which is still used by many companies use of newspapers hoardings etc. are some of the traditional marketing techniques used by companies to make people aware about their existence in the market and to attract customers but with the changing scenario and changing techniques companies have changes their marketing techniques and shifted from traditional to digital marketing, digital marketing is a common term which is used now a days by every other business men of organizations, as this is the tool that helps the organizations to reach a wide amount of audience within a less span of time, its comparatively cheaper than traditional marketing therefore all the small companies try to take full advantage of this marketing technique. Talking

further digital marketing give companies a platform to present their products and services on a digital/ online platform as now a days use of internet is very common and every other person has a mobile phone with an active internet connection, this allows companies to advertise their products and services online and target large market.

Digital marketing tools like website, SEO, SEM, etc allows companies to know more about their customers taste and preferences and allow them to offer exactly the same product or service which their targeted audience is looking for. in this research we have mainly focused on digital marketing and some of its tools like use of website in attracting audience's attention, use of keywords that can help companies to attract more traffic and help to show their website on higher level in the Search Engine Result Page(SERP), further we talked about the use of SEM in overall growth of digital marketing and is SEM a great tool in order to boost the company's performances in the digital channels.

Further we have also collected the data from which we would be able to identify how much budget does the companies set for their different marketing activities, from which social media platform does companies get more traffic and from which platforms they are able to earn more revenues. In addition to this considering the current situation of Covid19 pandemic, how companies are adapting the changes and is there any change in their marketing techniques or not. Is digital marketing a better option in this time of crisis to generate revenues for their businesses? And to know which digital marketing trends do they follow.

## Traditional marketing

Traditional marketing is the oldest and very common form of marketing which also encompassing the advertisement that we see and hear every day and can be categorized into four types:- print, broadcast, direct mail ,and telephone.

It is also a conventional mode of marketing that helps the companies to reach out semi-targeted audiences with various types of offline advertising and promotional methods.

Traditional marketing is a type of marketing which is very hard to ignore and includes the traditional ads we encounter on a daily basis. Many of the common and most tried offline marketing are as follows:-

1. Print which include -magazines, newspapers, etc.
2. Broadcast which include TV, radio, etc.
3. Direct Mail which include-catalogues, postcards, etc.
4. Telephone which include -telemarketing, sms marketing, etc.
5. Outdoor which include-billboards, fliers, etc.

## History of Digital Marketing

1990s was the year when digital marketing was first introduced. This was the time when internet was introduced and development of Web 1.0 was under process. Web 1.0 use to allow users to find the information they are looking for but it didn't allow them to share that information over the web. As at that point of time the use of internet was not that much popular as people were still unaware of this term and considering this the marketers were still unsure of the use of digital platform.

The digital era started in the yr 1993 when the first clickable banner went live, and this was then purchased by HotWired for their advertising. By this gradual shift in the marketing methods in the yr 1994 and Yahoo was launched and various companies come up with different technologies for their digital marketing.

In the yr 1996 when World Wide Web came into existence on the very first year Yahoo received about 1 million hits. Looking at this company stated to optimize their websites as they see a lot of change in the digital market space and to increase their search engine rankings. Many other search engines and tools were also launched in the same yr like the HotBot, LookSmart and Alexa.

It was the yr 1998 when Google was launched. To compete in the digital market Microsoft launched the MSN search engine and Yahoo come up with Yahoo web search. After the launch of all these two yr down the line all the small search engines were wiped out or left behind and all the control was taken over by these big companies. It was the yr 2006 when digital marketing saw it's largest rise as the search engine traffic was reported to have grown to about 6.4 billion in a single month. Seeing this to compete with Google and Yahoo Microsoft launched Live Search.

In 2007, Tumblr was launched. Also web streaming service Hulu was also found in this year. Mobile giant Apple launched its iPhone in the same year.

Spotify launched i the yr 2008 and Groupon also went live in the same yr.

Google also launched real-time search engine in the yr 2009 . With this Google also come up with products like Google Ad Words which helped the companies to show their 3 line ads on the top of the search engine and to get cost-per-click advertisement Ad Sense was introduced. To target its customers Google come up with this technique to show ads to the customers as per their interest and it became a helpful tool in digital business.

Soon Web 2.0 was introduced which allow the people to interact with other users as well as other businesses, people were becoming active users and started to contribute in the digital platform. Internet was also know was 'super information highway' by this information volume also increased and use of digital marketing also increased and internet advertising also increased.

Then came the social networking sites. MySpace was the first social networking site to arrive in the digital marketing world which was then followed by Facebook. After the launch of all these sites companies realized that the beginning of new era of business has started, as companies found out new ways to promote their product and brand. With the help of new resources they try to utilize the most form the social networking platforms.

2012 was year of social media, around this yr companies have increased their social media budget up to 65% and Google has also launched it's Google knowledge Graph. As MySpace and Facebook was the most popular social

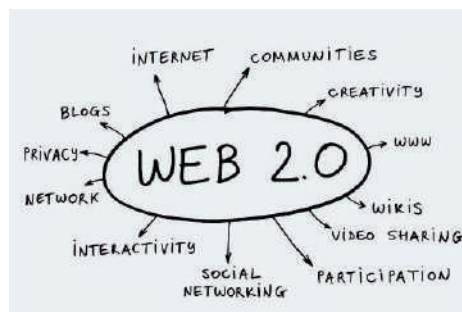


Fig.1 Web 2.0

media sites companies thought that it will help them in expanding their business all over the net and promote their products and brand on various channels.

The introduction of cookie was also a plus point for digital marketing industries. The first cookie was designed to record user habits which means to track the browsing habits and patterns of users how frequently they use

internet so that the companies can promote their products to the users as per user preference. Since then the use of cookies have been altered by the time as of now cookies are used to collect the literal user data.

As we see in the current scenario digital marketing has shown more growth opportunities which can help the business to grow. As we see now a day's more than 180

million people have smartphones and have access to internet are all active on social media platform therefore it's a huge task for the digital marketers to understand the behavior of their customers.

As we all know the main work of digital marketing is very helpful tool used by companies in order to promote their products and brands with the help of various online channels to reach to their targeted and potential customers.

As we all know how the buying behavior of the consumers have changed from the past decades as people have started to move to online and digital markets. This shift of customers from traditional to digital has made the companies to shift their businesses to a digital platform and adapt with the changing scenario.

It is very necessary for the businesses to understand and know how the digital marketing works so that they can form their own marketing strategies and use different digital tools for their marketing campaigns to capture its targeted audiences.

### **What is digital marketing?**

So when we talk about digital marketing the first thing to know is what is digital marketing?

Digital marketing is nothing but the buying and selling of product and services and promoting brands using different digital channels. Digital marketing helps the businesses to find their target audience and attract customers with the help of internet and other digital platforms.

When we talk about digital marketing there are various technologies used by the companies in order to get their marketing message to the target audiences. When we talk about current scenario it's important for every company to have their own website as we all they need to invest on PPC and display ads, email marketing, use of mobile technology like smart phones, social media, and various other digital mediums to attract their target audiences.

In the current time internet plays a significant role as it affects the buying behavior of the customers and it's important for the businesses to have a digital platform which also help them to boost their visibility as much as possible.

### **How Digital Marketing works?**

For the businesses to work the owners need to understand how the digital marketing works so that they make an appropriate marketing decision and helps in making their digital marketing campaigns for all these to work they should understand how it all works and help in reaching their marketing goals.

### **Website Marketing?**

Website can be said as the cornerstone of digital marketing strategy. This is the face of the company where

the targeted customers first land and find the useful information which they are seeking for, as this is the place where our potential customers will become the paying one. The main goal of digital marketing is to attract, engage and convert the potential leads into making purchases and for this an attractive website is very necessary.

There is a great saying that "First Impression Is the Last Impression" so according to this companies also try to make their first impression the best one with the help of a website as it's the only platform where the targeted audience will first encounter when looking for goods and services. Keeping this thing in mind the company should pay proper attention in the layout of the site and use of proper design, graphics and colors. According to the data about 8% of the people will stop engaging with the website they find unattractive.

Not only the appearance but your website should be easy to navigate and gives proper guidance for the next step that consumers need to take. And also the website should be fully optimized for mobile devices which help in improving the site experience when using from a mobile device.

## **Search Engine Optimization**

Search engine optimization another big term in digital marketing that helps that helps companies to reach and convert their consumers in this digital age. Investing in SEO and optimizing your site's content so that it appears to the search engines like Google and help's to reach more customers and make more leads. The ultimate goal of the company is to rank higher on the Search Engine Result Page (SERP) so that your website is more visible to your targeted audience and drive more organic traffic.

SEO helps to bring more traffic but also helps in ensuring that the leads that your company is generating are of higher quality, it helps the company to target the right audience who are actively looking for your product and services. By wisely choosing correct keywords and giving proper content in your website you can reach a wide amount audience who are interested in your products and services.

## **Content Marketing**

Another important tool of digital marketing is content marketing, it helps to create and promote content helps to engage people and targeted audience who are interacting with you. It can also be used to create brand awareness of the product and services, increasing leads, retaining loyal customers.

Whichever digital marketing tool you use content is always useful to support your tool as content is used to



provide smallest and detailed piece of information to your customer like a "Thank You" mail to your potential customers or a E-Book that describes the challenges faced by the customers when searching online.

## Social Media Marketing

As we now days with the use of social media platforms companies try to reach their target audiences it can be used as effective digital marketing tool used by companies. It includes popular channels like Facebook, Instagram, LinkedIn and many more. Social media help companies to increase their brand awareness, help in generating more leads, and even improve customer engagement.

## Literature Review

Digital Marketing industry in India has spread to almost all the business sectors. Some of the important applications of E-Marketing are shopping and order tracking, online banking, payment systems and content management. How digital marketing has changed the total retail and retail E-commerce sales in India (2013-2018), Indians having active internet connections and where digital marketing has the greatest commercial impact, (M. Sugiraj) has come up with all these points in his research (Growth of online marketing in India). Further to know more about digital marketing (Hima Vamanan Nair) come up with the research (Digital marketing: a phenomenon that rules the modern world) in which he talked about the meaning of

**Difference between traditional marketing and digital marketing**

<u>Traditional Marketing</u>	<u>Digital Marketing</u>
1. Traditional marketing is a one way communication.	1. Digital marketing is a two way communication.
2. Traditional marketing is an expensive form of marketing.	2. Digital marketing involves less cost than traditional marketing.
3. Print, TV Ads, Direct mail, and telephone are some examples of traditional marketing.	3. Online advertisement, social media, email marketing and text messaging are some examples of digital marketing.
4. Slow results.	4. Fast results.
5. With the help of traditional marketing it's easy to reach local audience.	5. With the help of digital marketing its easy to reach targeted audience.
6. Traditional marketing is a personal approach.	6. In digital marketing physical presence is not required.
7. In traditional marketing a hard copy of products and services is provided.	7. Digital marketing use all the digital platforms like website videos to provide information.

*Table 1: Difference between Traditional marketing and digital marketing*

digital marketing its scope for the companies significance and its functioning. Digital marketing not only helps the people in their businesses and corporate sectors but also help in the education sector as well. Digital Marketing has expanded the boundaries of education. In this era of digitalization where every industry is focusing on becoming digital, educational institutions from all over the world are no longer finding it difficult to market themselves to their audience or suffer from a lack of brand awareness. Due to the big spread of information, educational institutions have the chance to show the opportunities that students could get from the service they provide, not only in the country but in a world-wide market (PATRUTIU BALTES, 2015). To illustrate the impact of digital marketing in Big Choice Group, the researcher (Isidro fierro) used a case study (Digital marketing: a new tool for international education) in which she compares the digital innovations within the structure of the company. Digital marketing has not only affected the sectors but the people and their buying behavior as well. In the research (Digital Marketing and Its Impact on Buying Behavior of Youth) by (Dr. S. Sivasankaran) has talked about the same how digital marketing has affected Indian markets and the youth. To understand more about

digital marketing and to know the difference between traditional marketing and digital marketing and how it has impacted on the sales of a firm (Afrina Yasmin, Sadia Tasneem, Kaniz Fatema) have done the research (Effectiveness of Digital Marketing in the Challenging Age: An Empirical Study) using different statistical tools to draw the conclusion for the same moving on from sales and difference between different marketing another important point is to built a good customer relation, (Marko Merisavo) in his research (The Effects of Digital Marketing on Customer Relationships) talked about the same. In order to sell more products and services the companies should know the purchase behavior of the people which factors affect them and which attracts them (Mrs. K.R. Mahalaxmi, P.Ranjith) in their research (A Study on Impact of Digital Marketing in Customer Purchase Decision in Trichy) paper talked about the same using different statistical tools and prove the hypothesis by using chi-square test.

With the use of smart phones and active internet connection people are more likely to spend more time with their phone and here comes the role of social media according to (Lindsey Julian) in his research (Using Social

Media to Increase Consumer Loyalty to a Brand) companies try to make best use of this opportunity, moreover to see how social media changed the way brands act toward customers and how customers gained power in their relationships with brands (Charles Rupin) in his research (Social media as a new engaging channel in brands' relationship marketing). Use of digital marketing is an important tool for companies to know more about digital marketing and tools involved in it like SEM (Search Engine Marketing) and SEO (Search Engine Optimization) use of website etc. (Achmad Nizar Hidayanto, Moch. Sidhki Adha, Meganingrum Arista Jiwanggi, and Tisha Melia) in their study (Utilization of Google Tools and Social Network Websites to Improve Performance of Search Engine Marketing (SEM)) talked about the same in their research. To know more about SEO (Search Engine Optimization), its algorithms and how it helps companies to grow their business (Patil Swati P, Pawar B.V and Patil Ajay S) in their study (Search Engine Optimization: A Study) talks about the same. Moreover to get more insights about SEO and SEM and how they work and help companies in making strategy for their business (Achmad Nizar Hidayanto, Moch. Sidhki Adha, Meganingrum Arista Jiwanggi and Tisha Melia) in their research (A study of impact of search engine optimisation to internet marketing strategy) explained the ways how companies can use internet and different web tools to drive more traffic to their sites. SEO techniques are discussed that enterprises, web developers and bloggers can use to increase their site's visibility in SERP's (Raza ul Mustafal, M. Saqib Nawazl, M. IkramUllah Lali) in their research (SEARCH ENGINE OPTIMIZATION TECHNIQUES TO GET HIGH SCORE IN SERP'S USING RECOMMENDED GUIDELINES) talked about the use of SEO and use of proper keywords which can then help the active customers to get what they are looking for another important point that comes here is how SEO helps in the ranking of the pages testing different theories in their research (Karthikeyan, K & Sangeetha, M) talked about and discussed that search engine marketing can contribute remarkably to a web site's search engine visibility, which in turn can bring great value to a web site. (Page Rank based Design and Implementation of Search Engine Optimization). To know more about SEM and its (Chris Barry and Debbie Charleton) done their research on SEM (In Search of Search Engine Marketing Strategy Amongst SME's in Ireland) and talked about SEM strategies SEO strategies and challenges in SEM. To get a great and healthy traffic it is necessary for your website to be on top with a higher ranking (Khalil ur Rehman and Muhammad Naeem Ahmed Khan) talked about methods that can help to increase the ranking of their website in their research (The Foremost Guidelines for Achieving Higher Ranking in Search Results through Search Engine Optimization).

## Research Methodology

Methodology is a very important part of research as it consists of different steps and concepts which need to be considered before starting the research. The main

structure of research is research design which is important to give right direction and angle to the research, it's like a work plan or blueprint which help the research to move in a right path. It is used to answer the initial questions of the problem and also helps in answering the logical questions. It also helps in identifying whether to go for a qualitative research or quantitative and also helps in determining the sample size and whether it will be descriptive or explanatory. Overall it's all about choosing the best way to do the research. In my research I have done data collection and then analyzed the data collected. Analysis of the collected data is important to get the actual result of the research and to clarify the objectives and to conclude the research.

## Purpose of the study

To know the use of digital marketing by different organizations and tools of digital marketing which can help in the growth of the organization. To know if SEM is a great tool to boot the performance of the company, to know the use of website and is it a great way to capture large amount of people and to know the use of keywords and how they are helpful in targeting a large market. Further to know how companies are using digital marketing in covid-19 pandemic.

I have used excel for the analysis part and the following analysis have been done-

- Correlation
- Regression
- Cross tabulation

## Analysis

### Correlation

Correlation can be described as a tool that helps to indicate the degree of relationship between two variables and also helps in making predictions about future behavior.

### Correlation has following values

- a) 1 means a perfect positive correlation
- b) 0 means no correlation
- c) -1 means perfect negative correlation

## Regression

Hypothesis is defined as an assumption about something. Hypothesis testing is done to check the plausibility of the given data from a set of population and to check whether the stated hypothesis is acceptable or not. In the process of testing hypothesis we try to gather as much data as possible to prove our hypothesis.

- Null Hypothesis: this is generally denoted by  $H_0$ .
- Alternative Hypothesis: this is generally denoted by  $H_a$ .

P-value is used to test a hypothesis test and help to accept or reject the null hypothesis.

- A smaller  $p$  ( $<0.05$ ), then we reject the Null Hypothesis. This indicates that null Hypothesis is invalid.
- A larger  $p$  ( $>0.05$ ), then we reject the Alternate Hypothesis. This indicates that Null Hypothesis is valid.

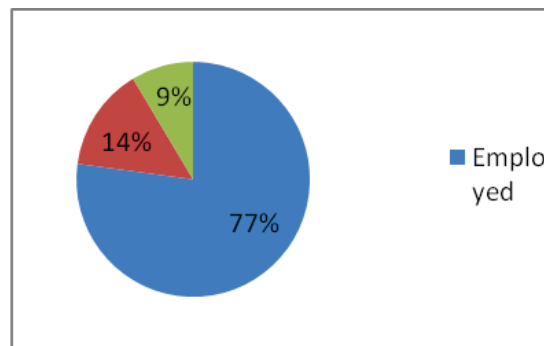
R-square is a statistical tool which helps to measure how close the data is to the fitted regression line. It can also be termed as coefficient of determination, or the coefficient of multiple determinations for multiple regressions.

R-square always lies between 0 and 100%

The problem identified in this research was to know since when the companies are using digital marketing and is SEM a great tool for companies to boost their business, moreover use of websites and keywords are also taken in consideration. In order to understand the use of digital marketing and its tools, questionnaire was prepared in

order to know more insights from the companies containing questions about the use of digital marketing and SEM. The demographics were also taken into consideration as controlled variable. The results of the 105 participants are as follows:

Digital marketing has changed the way of marketing for the companies, switching from traditional to digital is a big change by the companies. Still many companies still prefer to choose traditional marketing then for digital maybe because they feel it is more convenient and easy to use. As we see from the above pie chart maximum number of respondents are employed (77%) working in a corporate firm using digital marketing for their day to day marketing activities and to expand their business, then comes self employed (14%) who use digital marketing to expand their business and to generate more revenue. Use of different tools and use of SEM (Search Engine Marketing) help the companies to boost their sales using different SEM companies try to target more potential customers. Using websites can help to target more audience and providing them the information they are



Pie diagram. 1 Demographic

looking for, with the proper use of keywords can help to increase the visibility if the website and reach wider audience.

#### Research objective- 1

- Use of Digital marketing helps to lower down the overall cost of marketing and helps in generating revenues.

1. Correlation between use of digital marketing when launching a new product through digital marketing platform.

<b>ducts with the help of digital marketing helps to target your company is using digi</b>			
<b>Launching new products w</b>	<b>1</b>	<b>-0.156396841</b>	
<b>Since how long your comp:</b>	<b>-0.156396841</b>		<b>1</b>

Table 2. Correlation Between digital marketing and launch of new products

As we can see from the above table there is a weak negative correlation between the two statements. Which indicate that though the companies are using digital marketing for the betterment of their companies marketing activities and for growth but still they don't prefer to launch their products via online mode, companies still believe that to launch their new products they should go for some traditional methods like TV, newspapers etc. so that people get aware of the product or service and then go on the digital platforms to look for them.

Research Hypothesis 1 – To test the use of digital marketing helps in lower down the overall cost of marketing activities or not?

H0- digital marketing doesn't help to lower down the overall cost of marketing of the companies.

Ha- digital marketing helps to lower down the overall cost of marketing of the companies.

<i>P-value</i>	0.038025918
R Square	0.041118411

**I. Table 3 Research Hypothesis 1**

As we can see from the above ( $0.03 < 0.05$ ) which means that Alternative Hypothesis ( $H_a$ ) is accepted and Null Hypothesis is rejected ( $H_0$ ) this indicates that digital marketing helps the companies in reducing their overall marketing cost.

Moreover R Square value is 4% which is still not more but can be taken into consideration as there are many other factors which affect the marketing activities of the company and should be taken into consideration.

<u>Row Labels</u>	<u>Since how long your company is using Digital Marketing?</u>
<u>0-3 yr</u>	<u>48</u>
<u>3-5 yr</u>	<u>30</u>
<u>5-7 yr</u>	<u>8</u>
<u>7 yr and more</u>	<u>19</u>
<u>Grand Total</u>	<u>105</u>

**Table 4. Time period of companies using digital marketing**

- Since how long your company is using Digital Marketing?

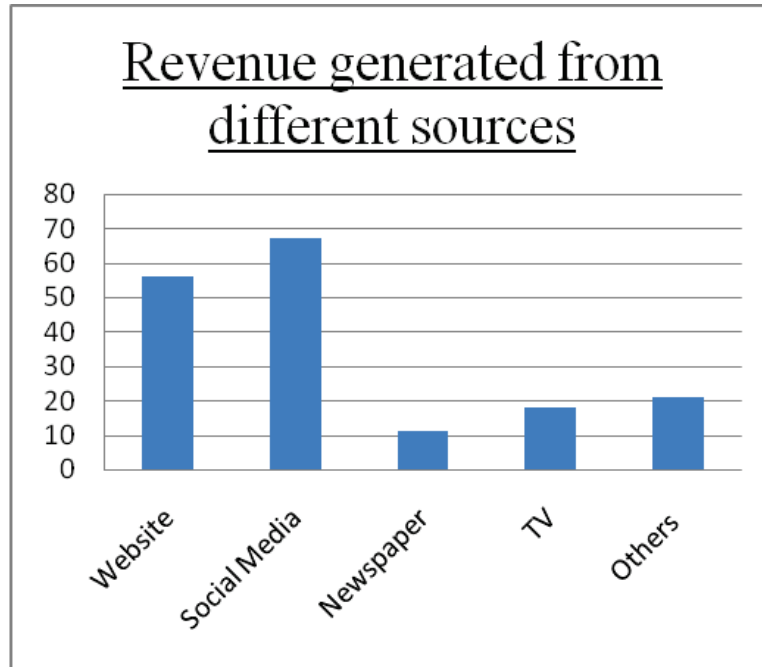
From the above table we can see that there are total 105 numbers of respondents using digital marketing who have responded to the given questionnaire. Digital marketing is seen as an important tool for companies to grow their

business with everything becoming digital companies also try to take their marketing practices digitally. By understanding the importance of digital marketing we can see most of the companies have opted to digital marketing on the span of 0-3 and 3-5 years. Moreover others are using it since a quite long time.



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also try to take their marketing practices digitally. By understanding the importance of digital marketing we can see most of the companies have opted to digital marketing on the span of 0-3 and 3-5 years. Moreover others are using it since a quite long time.



**Fig 2. Revenue generated from different sources.**

As we see from the above bar diagram we see that the max revenue that is generated from social media channels and website which means that in the changing scenario digital marketing helps the companies to generate more revenue via online channels and promote their goods and services

#### **Research objective 2-**

- Using SEM (Search Engine Marketing) to increase sales and bringing healthy traffic to the company.

Correlation between uses of SEM (Search Engine Marketing) and SEO (Search Engine Optimization) is a helpful tool for business and it helps to target the right audience at the right time and right place.

<b><i>SEO are useful for the companies to gain max right time and at the</i></b>		
<b>SEM and SEO are useful</b>	<b>1</b>	<b>0.603</b>
<b>SEM allows you to reach</b>	<b>0.603</b>	<b>1</b>

**Table 5. Correlation use of SEM and getting right audience.**

As we can see from the above table there is a strong positive correlation between the two which means companies prefer to use SEM and SEO to target more potential audiences. SEM and SEO are the important tools when we talk about digital marketing so use of them can help companies to promote their goods and services and target their potential customers who are looking for the

same. And it also helps to increase the visibility of the websites so that they can be ranked higher in the SERP (Search Engine Result Page). Use of different type of SEM can help to boost the digital marketing activities of the companies.

- SEM is an important tool to increase visibility of website?

<u>Row Labels</u>	<u>SEM is an important tool to increase visibility of website?</u>
<u>Agree</u>	<u>63</u>
<u>Disagree</u>	<u>3</u>
<u>Neutral</u>	<u>23</u>
<u>Strongly Agree</u>	<u>15</u>
<u>Strongly Disagree</u>	<u>1</u>
<u>Grand Total</u>	<u>105</u>

**Table 6. Use of SEM to increase visibility of website**

Form the above table we can see that there are total 105 numbers of respondents digital marketing who have responded to the given questionnaire. It consists of both employed and self-employed people, out of which about 15 people Strongly Agrees that Search Engine Marketing (SEM) is an important tool to increase the visibility of their website, whereas 63 people agrees to it

and about 23 people responded neutral. On the other hand only 3 people disagree towards this and only 1 respondent feels that SEM is not a helpful tool to increase the visibility of their website.

- Which type of Search Engine Marketing does your company uses?

<u>Row Labels</u>	<u>Which type of Search Engine Marketing does your company uses?</u>
<u>All of the above</u>	<u>50</u>
<u>Local (Maps)</u>	<u>7</u>
<u>None</u>	<u>12</u>
<u>Organic (Unpaid)</u>	<u>14</u>
<u>Organic (Unpaid), Local (Maps)</u>	<u>5</u>
<u>PPC (Pay-Per-Click)</u>	<u>11</u>
<u>PPC (Pay-Per-Click), Local (Maps)</u>	<u>2</u>
<u>PPC (Pay-Per-Click), Organic (Unpaid)</u>	<u>4</u>
<u>Grand Total</u>	<u>105</u>

**Table 7. Types of Search Engine Marketing.**

Form the above table we can see that there are total 105 numbers of respondents using digital marketing who have responded to the given questionnaire. When using Search Engine Marketing there are various type of SEM which companies uses in order to increase their visibility and attract their potential customers. As we see 50 respondents said that they involve all the 3 type of SEM in their marketing strategy, they are as following PPC (Pay-Per-Click), Organic (Unpaid), and Local (Maps), whereas 14 respondents go for Organic(Unpaid). Moreover there are some other ways also which companies and business

use to improve their marketing, as we can see 12 respondents have selected None which means they must be using some other techniques or tools for their marketing.

**Research objective -3**

- Using website is an important tool to gain more audience and to promote goods and services.

Correlation between use of website to expand business and timely update in website help to gain more audience.

<u>website is an important tool to date your content</u>	
<u>website is an important tool to date your content</u>	<u>1</u>
<u>How often do you update your website</u>	<u>0.190</u>
	<u>1</u>

**Table 8. Correlation between website and update in website**

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<b>website is an i</b>	<b>1</b>	<b>0.190</b>
<b>How often do y</b>	<b>0.190</b>	<b>1</b>

**Table 8. Correlation between website and update in website**

As we can see form the above table we see there is a weak positive correlation between the two. As website is an important tool for expanding businesses as it is the first thing which people look and if the website is attractive enough they'll spend more time in the website and explore different features, and it may help in converting them into a potential customers of the company. Timely update and changing strategies with the changing market is also an important factor. Use of proper keywords also helps to increase the visibility of the website.

Research hypothesis 2- To test whether keyword is a helpful tool for websites in increasing their visibility or not?

H0- keywords are not a helpful tool for websites in order to increase their visibility.

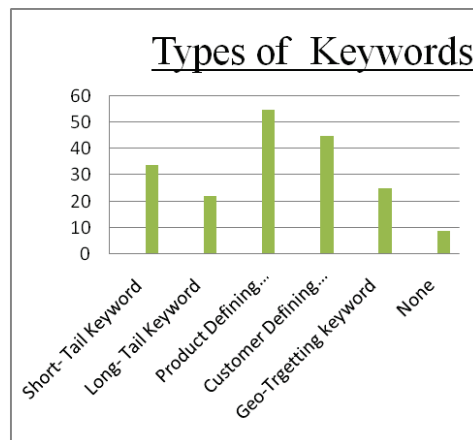
Ha- keywords are a helpful tool for websites in order to increase their visibility

P-value	0.003219894
R Square	0.081179206

**Table 9. Research Hypothesis 2**

As we can see form the above table p-value is (0.003 < 0.05) therefore Alternative Hypothesis (Ha) is accepted and Null Hypothesis (H0) is rejected, which means keywords are a helpful tool when it comes to increase the visibility of the websites.

Moreover R Square value is 8% which is not more but can be taken into consideration as there are other factors also which effect in the visibility of the website and add into companies digital marketing activities.



**Fig 3. Types of keywords**

As we can from above column diagram we see that companies usually focuses on Product defining Keywords and Customer Defining keywords to get the targeted audience and to know their potential customers. Then comes the short-tail keywords and Geo-targeting keywords, short-tail keywords are the small search

phrases which consists of only one word whereas geo-targeting focuses on the geographical location it helps the searches to reach to a particular outlet or place which they have searched for.

- Website is an important tool for business?

<u>Row Labels</u>	<u>Website is an important tool for business?</u>
<u>Maybe</u>	<u>12</u>
<u>No</u>	<u>3</u>
<u>Yes</u>	<u>90</u>
<u>Grand Total</u>	<u>105</u>

**Table 10. Website is an important tool for business**

Form the above table we can see that there are total 105 numbers of respondents using digital marketing who have responded to the given questionnaire. About 90 respondents agrees to the fact that website is an important tool for a business and said yes on the other hand only 3

respondent said no for the use of website for their business, moreover 12 respondents said maybe for the use of website.

- How often do you update content on your website?

<u>Row Labels</u>	<u>How often do you update content on your website?</u>
<u>Daily</u>	<u>22</u>
<u>Monthly</u>	<u>25</u>
<u>Quarterly</u>	<u>6</u>
<u>weekly</u>	<u>50</u>
<u>Yearly</u>	<u>2</u>
<u>Grand Total</u>	<u>105</u>

**Table 11. How often do you update content on your website**

Form the above table we can see that there are total 105 numbers of respondents using digital marketing who have responded to the given questionnaire. About 50 people responded that they update their website weekly as compared to 25 respondents who update it monthly and 22 respondents who update daily. On the other had people updating their websites quarterly are 6 and yearly are 2. Different companies have different strategies which they use for their business therefore updating website timely can also be considered as a strategy used by companies.

Research Hypothesis 3- To test whether Digital marketing helps to lower down the overall cost of marketing for the companies and helps in generating revenues for the same during covid-19 pandemic or not.

H0- Digital marketing does not helps to lower down the cost and don't help in generating revenues during covid-19 pandemic.

Ha- Digital marketing helps to lower down the cost and help in generating revenues during covid-19 pandemic.



<i>P-value</i>	0.007441953
R Square	0.067495067

**Table 12. Research Hypothesis 3**

As we can see from the above data we see that the p-value is less than 0.05 ( $0.007 < 0.05$ ) which means that we'll reject the Null Hypothesis ( $H_0$ ) and accept the Alternate Hypothesis ( $H_a$ ).

This means there is a relation between the two and digital marketing helps lower down the overall cost of marketing which then helps the companies to properly allocate the amount for different activities and it also helps in generating revenues for the companies during this

world crisis and help the companies to do their marketing activities by staying safe and generating revenues. Moreover R Square value is 6% is not more but can be taken into consideration as there are many other factors which affect the marketing activities of the companies and companies allocate the revenues by considering all factors.

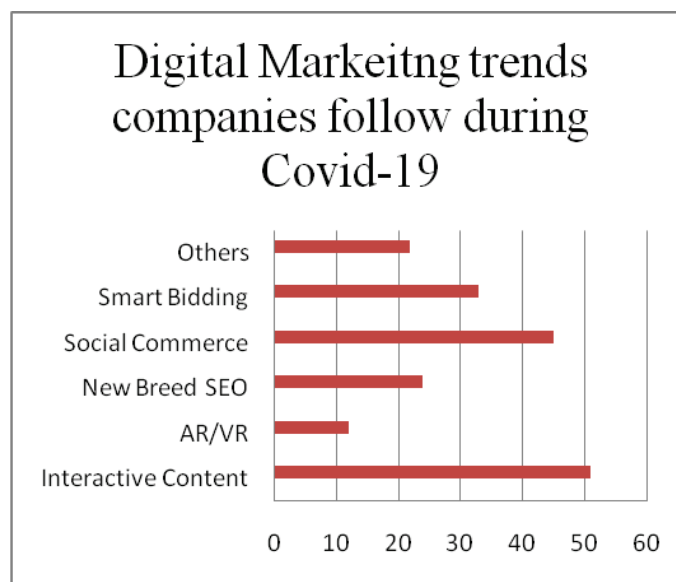
- Companies have changed their way of marketing techniques during Covid-19 pandemic?

Row Labels	Companies have changed their way of marketing techniques during Covid-19 pandemic?
Employed	81
Others	9
Self Employed	15
Grand Total	105

**Table .13. Use of Digital Marketing during Covid-19**

From the above table we can see that there are total 105 numbers of respondents using digital marketing who have responded to the given questionnaire. As we can see in the changing scenario whole world is facing problems due to Covid-19 therefore to keep their business to run smoothly all the companies and businesses have changed their way of marketing techniques in order to maintain that stability

and can generate revenues in this situation as we can see from above 81 employed respondents agree to the fact that their companies have changed their way of marketing in this situation similarly 15 self-employed respondents also agreed to this fact and 9 other respondents working as a intern as agrees with this fact.

**Fig 4 Digital Marketing trends followed by companies during Covid-19**

The above bar diagram shows the different Digital Marketing trends which are being followed by the companies during Covid-19 pandemic. As we can see from above companies mainly focuses on Social commerce and Interactive content this means giving more information to the people via website and all the social media channels. Then comes the smart bidding and new breed SEO this means that use of proper keywords in attracting more audiences and increasing the website ranking in the search engine result page.

## Findings

**Use of Digital Marketing** - It was found out that many companies have changed their marketing techniques and have shifted from traditional to digital whereas there are still many companies or firms who are still using the old methods of marketing and find it more reliable and productive than the digital one.

**Use of SEM (Search Engine Marketing)** - It was found that SEM is a great tool to be used by companies in order to boost their marketing, it also helps and supports other marketing activities of the companies and helps to reach the right customer at the right time and at right place.

**Use of Website** - It was found that website is an important tool when it comes to promotion of goods and services as it is the face of the company and it proper and timely update in the website is necessary to hold customers for a longer duration in the website and guide them in becoming a potential customer.

**Use of Keywords** - It was found that the use of keywords is important to support the marketing activities and help in creating the visibility of the website of the companies. Selection of proper keywords and bidding on right keywords which matches the relevance of the content in the website helps the website to get a higher ranking in the search engine result page (SERP)

**Use of Digital Marketing during covid-19** - It was found out that during this time of crisis digital marketing is helping companies to generate more revenues and to run their business with the help of digital marketing. We also found out the current trends which the companies are following during this Covid-19 pandemic.

## Conclusion

From the above research it was observed that SEM (Search Engine Marketing) is an important tool to be used in digital marketing which help the companies to target the right audiences, moreover use of website can be said as a beneficial tool for the companies to expand their product and services by reaching wide number of audiences, and use of correct keywords can help to increase the visibility of the website and helps to get a higher ranking in the search engine ranking page (SERP).

Although use of SEM and other tools are necessary in digital marketing, companies are able to earn more revenues via digital medium (website, social media). But still there are firms who are not fully converted into digital they still prefer traditional marketing methods in order to launch their products and reach their audience.

The data from the above research clearly suggest that use of SEM is beneficial for the companies as it supports all the other marketing activities as well and give a clear picture to what steps to be taken next, it also give proper insights of the different marketing activities and helps in allocating budgets to different activities. Similarly it goes for the use of websites and how they have helped companies to increase their brand image and how important it is to timely update the content on the website to attain the customers. Moreover use of correct keywords is also an important tool that can help companies to outlook their competitors and help in driving more traffic to the websites.

As from the above data we say that 0.60 is a strong positive correlation between the use of SEM to target more audience at the right time and right place. Therefore use of SEM is beneficial for companies to expand their businesses in the right direction and giving the customer the exact thing which he is looking for.

Moreover we have also discovered that digital marketing is a helpful tool for the companies during the Covid-19 pandemic. Using digital marketing to sell products and services, for improving brand image, and helping companies to generate revenues through digital channels. Further we found out different digital marketing trends which companies follow during this pandemic.

## Limitations

Due to Covid-19 pandemic the collection of primary data was restricted to some companies only as there were no personal meeting because visiting companies was not possible. Due to covid-19 only some data has been collected of 105 respondents which is the analysed for further study. Due to few numbers of respondents it was difficult to find out the exact situation of the markets and how digital marketing has impacted the markets.

More over internet connectivity was a problem in gathering more information regarding the research, analysis of data has been done using excel and using excel tools as use of other analysis tools was not possible.

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# Youth Self-Employment Readiness: A Literature Survey, Propositions and Conceptual Framework

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Mohar Yusof\*\*

Mohammad Saeed\*\*\*

## Abstract

Studies on youth self-employment have drawn profound attention to academicians and practitioners because of pressing need of young people to change their mindset from job seekers to job creators contributed by low capacity of governments and private institutions to employ a growing young population. Young people are encouraged and supported with training and financing to establish business venture. However, few dare to employ themselves by venturing to business mostly in informal sector in order to earn their living while majority of them are afraid of risk and uncertainty. Extant studies focused much on understanding students' intention towards self-employment using different models or theories such as Theory of Planned Behavior, Shapero's entrepreneurial even model and the Theory of Reasoned Action. Although intention is a good predictor of entrepreneurial behavior, it does not reveal practical experiences and it does not always end up into action due to social, cultural and institutional challenges. However, there is less focus on understanding on readiness and its antecedents of few young people who devoted to venture into self-employment. Using resource-based view and socio-cognitive approaches, this study provides conceptual review of the influence of entrepreneurial mindsets, self-efficacy, motivation, networking, and learning on youth self-employment readiness. Thus, by examining readiness of youth in self-employment engagement, it helps understand practical experiences on the endeavour to push their ventures into another stage and contribute to an evolving concept of readiness in entrepreneurship. The aim of this study is to review the relevant literature on youth self-employment and thereby construct conceptual framework that will be later empirically tested.

**Keywords:** Self-employment readiness, learning, mindset, self-efficacy, motivation

## Introduction

Over the past three decades, youth self-employment has been a major focus in national and global development agendas (International Labour Organization (ILO), 2015; Minola, Criaco, & Cassia, 2014). This is due to low capacity of government to provide jobs that absorb all graduates (Delle & Amadu, 2015), infant private sector development in developing countries (Schillo, Persaud, & Jin, 2016) and reluctance of employers to recruit less experienced youth (Bell, 2016). World Bank estimates about 11 million young people in Sub-Saharan Africa enter in the job market every year, with higher risks of growing numbers of urban youth without meaningful occupation (Bezu & Holden, 2014; McCowan, 2014). Under this situation, young people are required to change their minds from job seeking syndrome to job creating mentality (Dolan & Rajak 2016; Delle & Amadu, 2015) and raise their enterprising culture of opportunity recognition (Wall, 2015).

Although young people are given entrepreneurial training and financial support to venture into self-employment activities to address unemployment problems, they have still fear of failure to partake in self-

employment activities (Kew, Namatovu, Aderinto, & Chigunta, 2015). It is evident that youths' aspirations and belief systems are critical factors in self-employment and successful outcomes in their ventures (Mgumia, 2017; Isah & Garba, 2015). Nevertheless lack of entrepreneurial skills, access to finance, social network and familiarity with the business environment exacerbate their worries, representing major barriers to youth self-employment (Duell, 2011). Yet, education system is tailored with low innovative aspects of imparting graduates with entrepreneurial mindset that could easily motivate them in self-employment activities (Collet & Cinneide, 2010).

Majority of studies on youth self-employment focus on motives for self-employment choice (Gómez-Araujo & Bayon, 2017) and student's self-employment intention at secondary schools and universities. Although intention is an important predictor to entrepreneurial behavior, it does not always guarantee actions because of cultural, and institutional circumstances individuals experience that influence them change their prior intention (Fayolle & Liñán, 2013; Gollwitzer, 2014). Scholars recommended studies beyond intention (Fayolle & Liñán, 2013) and thereby focusing on behavior of real-life entrepreneurs

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(Fayolle, 2014), venture creation and growth (Nabi, et al., 2017). This has influenced the emergence of studies on entrepreneurial behavior, competencies, and readiness. However, extant studies on self-employment readiness almost have succumbed in intention narrative, which hardly explaining real practices and behavior of youth entrepreneurs. This study measures readiness beyond intention, the under-research area, in entrepreneurship (Halim, Ahmad, Ramayah and Hanifah (2017).

Therefore, the study intends to understand readiness of youth who have engaged in self-employment activities. By self-employment readiness means willingness and ability to pursue self-employment activities upon recognizing and developing previously unrecognized opportunities and pulling together enough resources not only launch and manage business when other have not done but also grow it to another stage. Popov and Puchkova (2015) argue that readiness allows a person to quickly adapt to a condition of professional activity and that becomes an important variable for venture performance, considering that more than 50 percent of new venture fail within five years of establishment.

The study is quantitative in nature adopting resources base view and socio-cognitive approaches examining individual antecedents influencing self-employment readiness in Zanzibar, Tanzania. This study uses individual level analysis of self-employed youth because an individual is a core of entrepreneurship through his/her occupation choice of self-employment and success of new venture (Trevelyan, 2011). The study examines influence of entrepreneurial mindsets; self-efficacy, motivation, networking, and entrepreneurial learning on youth self-employment readiness and testing mediating effect of entrepreneurial mind set in the relationship between individual antecedents and employment readiness. Lastly investigating any difference of youth self-employment readiness in relation to gender, education, and experience.

## Contextual Setting

Zanzibar is located along the Eastern coast of Africa in the Indian Ocean having two main islands of Unguja and Pemba with total 2,534 square kilometers of which 1,534 square kilometers for Unguja and the remaining 1,000 square kilometers is for Pemba Island. It is found between 5 and 7 degree south of Equator. Zanzibar is also surrounded by several habitant and unhabitant islets. It is a cosmopolitan society having 1.5 million people with 2.8 percent annual population growth rate. Zanzibar united with Tanganyika to form Tanzania in 26th April 1964, and retained semi- autonomy with its own Judiciary, House of Representatives and Executive.

Historically, Zanzibar was famous in trade and business activities in East and Southern Africa prior to colonization. After the 1964 Revolution, Zanzibar adopted socialist policy which constrained the role of individuals to engage

in entrepreneurial activities. Individual citizens could not participate much into entrepreneurship because of the government intervention in business activities. At end of 1980s, liberalization policy was adopted as an implementation of Structural Adjustment Policy (SAP) imposed by the World Bank and International Monetary Fund (IMF). The 1990s was the renaissance period for entrepreneurship activities in Zanzibar. With establishment of institutions such as Zanzibar Technology and Business Incubator (ZTBI) in 2015, ministries responsible for trade and entrepreneurship activities, Non-Government Organizations, the Chamber of commerce and introduction of entrepreneurship education in higher learning institutions help support entrepreneurship activities in the country. A proper coordination for entrepreneurship activities due to many policies and institutions, streamlining entrepreneurship in education system, scaling up entrepreneurial awareness programmes, research and development activities, increasing microfinance facilities, supporting mentoring and business development services are very important strategic initiatives for the development of entrepreneurship. Such interventions would help change entrepreneurship from necessity, informal based into opportunity driven, and create more employment opportunities for young people.

## Theoretical Perspective of the Study

Understanding of self-employment readiness is a complex phenomenon that needs synergy of theories to explain its nature and antecedents. Since self-employment is a process with four component; intention, entry, success and persistence/commitment (Baluku, 2017), the concept of readiness exclude intention component. As noted earlier, majority of studies used TPB to explain self-employment intention. Because readiness is a multidimensional concept involving both psychological and social parts, the use of single theory beyond intention is hardly sufficing. This study, therefore, positions self-employment readiness in theory of entrepreneurship, and uses resource -based view to connect human capital theory and social network theory and socio-cognitive theories.

## Resource -Based View (RBV)

RBV is the influential theory in the field of strategic management, which started its intellectual origin from Penrose (1959), who explained the role of resources in organization growth (Kellermanns et al., 2016). RBV equates the firm's competitive advantage with strategic resources and capabilities to exploit opportunities, offset external threats and avoid internal weakness (Barney, 1991). Entrepreneurship researchers have built insights from RBV to understand the factors influencing performance of individuals and start-ups. The pioneers who linked RBV into entrepreneurship are Mosakowski (1998) and Alvarez and Busenitz (2001). For instance, Alvarez & Busenitz (2001) extended the RBV into

entrepreneurship through the concept of “entrepreneurial recognition” meaning the recognition of opportunities and opportunity-seeking behaviour as a resource, and the process of combining and organizing resources as a resource.

This study benefits from RBV because, in principle, entrepreneurship requires individual-level resource (Brieger & Clercq, 2019). Barney & Alvarez (2002:3) emphasised that the RBV can be “a unifying theory that the field of entrepreneurship has lacked”. Therefore, this study uses the RBV as connecting theory of Human Capital Theory (HCT) and Social Network Theory (SNT) to explain entrepreneurial learning and entrepreneurial networking respectively. HCT was developed by Becker (1964) who accentuated the significance of investing in education and training for improving productivity. SNT emphasizes the needs for establishing connection for leveraging opportunity to the given resources at disposal.

### Entrepreneurial Cognition and Socio-cognitive theories

In 1980s, entrepreneurial cognition theory (ECT) came as a response to lacuna of personality trait approach, which claimed that people become entrepreneurs because of inborn trait such as needs for achievement, risk taking and high locus of control. The ECT was adopted from cognitive psychology, explaining the way entrepreneurs think, reason, and behave in relation to the creation of value and wealth through the identification and implementation of market opportunities (Mitchell, 2014a; Krueger, 2003). Entrepreneurial cognitions are “the knowledge structures that people use to make assessments, judgment, or decisions involving opportunity evaluation, venture creation, and growth” (Mitchell, et al., 2002: p 97). Entrepreneurs use mind-set to connect information for grasping opportunity, and necessary resources to start and grow business.

The concept of knowledge structure is connected to social cognitive career theory (SCCT), which used to achieve individual effectiveness in a certain environment (Sánchez, Carballo, & Gutiérrez, 2011). This creates close connection between ECT and SCCT, which considers that individuals exist within a total situation or configuration of forces described by two pairs of factors: one being cognition (mind-set) and motivation, and the other being the person in the situation. In other words, this also explains that cognition is dynamic shaped by individuals and situation interaction (Mitchell, Randolph-Seng, & Mitchell, 2011). SCCT by Bandura (1977) explains the concept of self-efficacy, the judgment of one's capability to organize and exercise the course of. Self-efficacy influences individual's expectation of outcome and desire towards performance. Outcome expectation relates to human motivation on the accomplishment of tasks. Therefore, individuals are motivated into self-

employment in order to increase financial success, independence, needs for achievement.

## Literature Review and Conceptual Framework

### Entrepreneurial Learning

Entrepreneurial learning (EL) is an integral part of entrepreneurial process, from starting to managing of ventures (Xiao, Marino, & Zhuang, 2010a). Markman (2007) relates EL with entrepreneurial competence, meaning an aggregate of knowledge, skills and ability of entrepreneurs in the entrepreneurial process. From cognitive perspective, EL is a complex transformative process of converting career experiences into entrepreneurial knowledge (Thompson, Scott, & Gibson, 2010). EL is related to experiential learning based on learning by doing, meaning, in order to learn about entrepreneurship, one has to engage on it. Learning from experience builds practical intelligence of entrepreneurs which is very important for venture creation and growth (Baum, Bird, & Singh, 2011). Entrepreneurs' experience is obtained through both prior success and failure (Politis, 2005). Entrepreneurs should learn from ‘intelligent failure’ which is basis for changing future behaviour, by utilizing feedback information of the failure in order to manage the existing firm effectively (Politis 2005). Through grief recovery process, entrepreneurs are more able to learn from the failure. However, failure may sometimes constrains cognitive ability, decision making, which result to poor organization change and adaptation (Shepherd, 2003).

In other words, constructivistic perspective conceptualizes learning as an active process where individuals construct their own reality, deriving sense and meaning from activities and events through individual experience and prior knowledge. Therefore, entrepreneurs are alert of dynamic and uncertain business environment, using prior knowledge and experience in decision making and problem solving. Even though people differ on how to use prior knowledge and experience, they are foundation for discovering and creating certain opportunities, i.e. market structure, ways to serve the market and customers and overcome challenges of liability of newness (Politis, 2005).

Empirical studies show that EL is an important construct in building entrepreneurial capability of youth for starting and developing venture (Rae & Carswell, 2000) through opportunity recognition and exploitation (Corbett, 2005; Holcomb, Ireland, Holmes, & Hitt, 2009), and promotion of innovation in entrepreneurial activities (Ravasi & Turati, 2005). EL activities become effective when combining with theoretical studies and involving students to business activities (Prianto, Zoebaida, Sudarto, & Hartati, 2018).

**Proposition 1:** Entrepreneurial Learning has significant effect on youth self-employment readiness.

### Entrepreneurial Networking

Entrepreneurial networking (EN) is an important construct in the analysis of its influence on youth self-employment readiness. EN is sometimes referred to as a strategic networking particularly when used to achieve a firm success (Miller, Besser, & Malshe, 2007) or network capabilities when a firm develops and utilizes inter-organizational relationships (Äyväri & Jyrämä, 2007). Hite (2005, p 113) describes EN as 'ability to provide conduits, bridges and pathways to external resources and opportunities.

EN differentiates successful entrepreneurs from non-successful ones (Carsrud & Brannback, 2007) and its effects are visible at venture creation and growth (Adams, Makramalla, & Miron, 2018). However, the actual benefits accrued from networking depend on entrepreneur's network capability, social and people skill to identify, establish and maintain relationship with different players in the market (Äyväri & Jyrämä, 2007).

Farooq et al., (2018) identified four benefits of networks to entrepreneurs namely; 1) emotional support in the form of encouragement, empathy, trust and caring, 2) instrumental or tangible support in the form of finance, technology, machinery, goods 3) informational support in the form of advice, guidance, suggestion or useful information and 4) companionship or social support meaning connection with others or giving someone sense of belonging. EN, therefore, acts as a perseverance strategy, what Johannisson, (1987) called it "social bricolage" that enables entrepreneurs to face challenges such as scarcity of resources, uncertainty and ambiguity by it connects with different stakeholders for resource acquisition such as business partners, suppliers, customers, bankers, mentors and others as well as well as overcoming liability of newness in business (Lamine, Mian, & Fayolle, 2014).

There are three important parts of networking namely the content of the relationship, the governance and structure of the relationship, which subsequently determine entrepreneurial outcomes (Hoang & Antoncic, 2003). The content of relationship is the way in which individuals or firms get access to different types of resources such as information and advice for the start-ups. The governance of relationship is the mechanism for resource exchange, enabling the network to sustain through trust among actors resulting the quality of resource flow. The structure of relationship refers to as amount and diversity of resources exchange, dynamic in nature determining network size, access to resources, inward flow of information and ideas, and organization emerging (Semrau & Werner, 2014). Network interaction entails several factors such as frequency of contact, social relations, reciprocity, durability, flow and mode of communication (Sharafizad & Coetzer, 2016). Network structure is manifested through 1) actors who have diverse characteristics such as age, gender, family affiliation,

education, nationality and ethnicity; 2) links which vary from strong ties or weak ties, formality, intensity, trust, multiplexity and motives 3) flows associated with affect, power, information and goods sharing within the network and 4) mechanism modes of interaction between the individuals within the network. Individual may interact using different modes such as using telephone, social media or face-to face meeting (Elfring & Hulsink, 2019).

Mostly studies on EN focused at firm level, which link networking with performance (Lin & Lin, 2016). Studies found EN positively influencing dimensions of self-employment readiness such as resource acquisition, vision and opportunity (Semrau & Werner, 2014). EN therefore contributes to new venture creation (Carolis, Litzky, & Eddleston, 2009), growth and survival of the ventures (Stuart & Sorenson, 2007). However, it is claimed that youth are not good in networking, which undermines access to resources and opportunities (Potter, Halabisky, & Thompson, 2014).

**Proposition 2:** Entrepreneurial Networking has significant effect on youth self-employment readiness.

### Entrepreneurial self-efficacy

Entrepreneurial self-efficacy (ESE) is an important construct in explaining individual capacity to create and run business venture successfully. According to Bandura (1986), self-efficacy is a person's belief about his/her capabilities to achieve something. Self-efficacy indicates the strength of individual's belief, which enable to successfully accomplish various roles and tasks related to entrepreneurship. It is agreed that self-efficacy is a domain specific targeting specific behaviours as the case of entrepreneurial self-efficacy (Newman, Obschonka, Schwarz, Cohen, & Nielsen, 2018). Klyver and Thornton, (2010) confines ESE with an individual's belief on the ability and competence to discover and exploit opportunity during business creation and development. McGee et al. (2009) conceptualize it as confidence on the ability to carry out searching, planning, marshaling and implementation in entrepreneurial process. When young people embark on journey of self-employment, they must face ups and downs, so the need to determine their self-efficacy is paramount. Over the past two decades, there is a growing research interest of studying it because of its influences on motivation, intention, behaviors, and performance as well as outcomes on education (Newman et al., 2018).

ESE is dynamic in nature as it develops and changes overtime by skills obtained through experiences, entrepreneurial training and supportive environment (Lucas & Cooper, 2004). However, one challenge related to self-efficacy is overconfidence of the entrepreneurs, which lessens their efforts to action and resource mobilization. Referring to hubris theorists, (Trevelyan, 2011) reports that overconfidence causes entrepreneurs to suffer from bias of making decision about which course of action to follow. Nevertheless, Hayward, Forster,



Sarasvathy, and Fredrickson (2010) maintain that high confidence resulting to team commitment and resilience. Literature shows that the influence of ESE on performance is determined by factors such as optimism (Hmieleski & Baron, 2008), environment, gender-stereotyping (Sweida & Reichard, 2013), training (Loi Di Guardo, 2015), national cultural practices (Schmutzler, Andonova, & Diaz-Serrano, 2014), entrepreneurial passion (Manag & Siddiqui, 2016), proactiveness (Vantilborgh, Joly, & Pepermans, 2015).

Empirical studies indicate ESE has positive impact on students' entrepreneurial motivation and intention (Baidi & Suyatno, 2018). In particular, ESE has positive impact on new venture development (Trevelyan, 2011), behavior of readiness for change (Emsza, Eliyana, & Istyarini, 2016); passion for work (Johri & Misra, 2014). ESE mediates individual level factors such learning, risk taking and readiness to self-employment. ESE is an incredible precondition for supporting entrepreneurial mindset (Pollard & Wilson, 2014). However, Pauli (2014) found low impact of self-efficacy on opportunity development due to weak relationship to opportunity development and sense making.

**Proposition 3:** Entrepreneurial Self-efficacy has significant effect on youth self-employment readiness

#### Entrepreneurial Motivation

Kaur (2018:3) defines Entrepreneurial Motivation (EM) as "the drive of an entrepreneur to keep up an entrepreneurial will in all their actions". It is the driving force behind action in entrepreneurial process from opportunity identification, resource mobilization to venture creation and growth (Santos, Caetano, & Curral, 2013). Studying EM is essential to understand entrepreneurs' behaviour, providing the link between intention and action. The motivation construct became popular following the work of Maslow (1946) who defined motivation as the human drive to satisfy the body's need for survival, with its highest form reflected in achievement motivation (Ach) (Carsrud & Brännback, 2011). Motivation is an individual's self-image and needs and become stronger if there is relationship between action taken and expectation. The individual's motivation exhibited during start up is a link to sustaining behaviour in later stage. However, expectations of entrepreneurs change over time since during start up, owners goal become the goal of the firm. It is when "achievement of the firm meets or exceeds expectations of the owner, the owner is motivated to sustain entrepreneurship" (Naffziger, Hornsby, & Kuratko, 1994:10).

In general, EM influences individuals on their decisions to start business and become the driving force to run business despite the challenges on the way (Shane, Locke, & Collins, 2003). Jahn and Geissler (2016) emphasized that focus of EM should also go beyond new venture creation stage. EM differentiates necessity entrepreneurs from opportunity entrepreneurs. Those who are internally pushed into entrepreneurship are necessity

entrepreneurs, "survivalists" who engage in entrepreneurship for meeting basic needs. They lose jobs and are forced to enter into business, sometimes called "forced entrepreneurs" (Eijdenberg & Masurel, 2013). They have less survival rate and low growth expectation than opportunity entrepreneurs (Patel, Wolfe, & Williams, 2018). Opportunity entrepreneurs are those entrepreneurs who engage in entrepreneurship after exploiting opportunity at their disposal (Tyszka, Cie lik, Domurat & Macko, 2011).

There are seven common factors related to EM namely need for independence/autonomy, material incentives/make money, need for achievement, recognition and status, job dissatisfaction, contribute to community and flexibility with family responsibility and recognition and status (Kaur, 2018); Studies indicate EM is associated with launching of venture and performance of small business, venture formation, and influence innovation behaviour of start-ups (Gundolf, Gast, and Géraudel, 2017).

**Proposition 4:** Entrepreneurial Motivation has significant effect on youth self-employment readiness.

#### Mediating Role of Entrepreneurial Mindset

Entrepreneurial mindset (EMS) is an important construct of measuring youth self-employment readiness, and it is gaining more popularity in entrepreneurship (Lynch, Kamovich, Andersson, & Steinert, 2015; Ireland, Hitt, & Sirmon, 2003). EMS is sometimes used interchangeably with other terms such as entrepreneurial perspective (Kuratko, 2005), entrepreneurial personal capabilities (Laukkanen, 2000), entrepreneurial can-do attitude (European Commission, 2013), entrepreneurial cognition (Busenitz & Arthurs, 2007). Historically, the concept of mindset was conceptualized by Würzburg School of psychological research founded by Oswald Külpe in the end of the 19th century. The Würzburg School pioneered the experimental study of human motivation and mental functioning and found that most human thinking happens without image and named this new category of human thinking "Bewusstseinslage," meaning "state of mind," or "mindset" ("Einstellung"). It is understood to be automated process of stimuli, responding certain environment (Mathisen & Arnulf, 2014).

The study of mindset, therefore, got attention not only in entrepreneurship but also in other fields such as cognitive psychology, business and sociology. Scholars have underscored the importance of mindset on shaping individual's behaviour and learning (Rae & Melton, 2016), motivation (Gollwitzer & Bayer, 1999), development of attitude (Heckhausen & Gollwitzer, 1987), decision process (Henderson, de Liver, & Gollwitzer, 2008), self-efficacy (Pollack, Burnette, & Hoyt, 2012), opportunity recognition (Smith, Mitchell, & Mitchell, 2008) and on the illusion of control (Gollwitzer & Kinney, 1989). In addition, mindset is seen as malleable strategy for interacting with environment (Mathisen & Arnulf, 2014).



Studying of EMS helps understand the way youth self-employed behave, perceive and value entrepreneurship (Bosman & Fernhaber, 2018). It is related to thinking and actions about business and opportunities, enhancing business creation and growth even under uncertain environment (Dhilwayo and Vuuren, 2007). It is ability and willingness of individuals to rapidly sense, act, and mobilize in response to judgemental decision under uncertainty about possible opportunity gain (Shepherd et al., 2010). Naumann (2017) have associated EMS with adaptable thinking and decision making in complex, uncertain and dynamic environment. Scholars argue that EMS is cognitive habit of mind (Pollard & Wilson, 2014; Nabi et al., 2017), happening due to transformative learning experience and enabling an individual to shift from a more novice mindset to a more expert mindset (Kurczewska et al., 2018). Individuals with EMS can easily start new business and achieve its growth (Isah and Garba, 2015), since they are ready for continuous learning, self-education, and embracing changes (Kurczewska et al., 2018).

Literature shows that EMS has been measured in different levels, at firm level (Ruhara & Kayitana, 2018), national/regional level (Smith et al., 2009) and few in individual level (Neneh et al., 2012) with less focus on youth self-employment readiness. However, EMS is unclearly conceived as intention (Benchrif, Asli, & Zerrad, 2017) and self-efficacy (Pfeifer, Šarlija, & Zeki Sušac (2016). McGrath and MacMillan (2000) measured it with five components; passionate seeking of new opportunities, enormously discipline pursuit of opportunities, pursuit of only the best opportunities, adaptive execution, engagement of energies of everyone in one's domain. Rekha, Ramesh, and Jaya Bharathi (2014) categorized EMS as a set of four qualities namely risk-taking ability; learning from the mistake and success; a key in search of innovative ideas and being optimistic and motivated. Ireland et al., (2003) identified components of EMS as recognition of entrepreneurial opportunities, entrepreneurial alertness, real option logic, entrepreneurial framework and an opportunity register. Li, Harichandran, and Nocito-gobel (2018) have related EMS with three scales (3Cs) namely curiosity, connection and creation of value. Gundolf, Gast, and Géraudel (2017) associated EMS with the three dimensions of entrepreneurial orientation at individual level namely risk taking, proactiveness and innovation.

Empirical studies have indicated that EMS is important in business success and survival (Ruhara & Kayitana, 2018), mediating relationship between entrepreneurial self-efficacy and small business performance (Ngek, 2015). Conversely, lack of proper EMS to entrepreneurs results to crisis or failure of the ventures (Neneh, 2012). Davis, Hall, & Mayer, (2014) observed few studies on EMS, most of information about EMS are on blog with less scientific vigor, as such, incorporating EMS construct would advance the science of entrepreneurship. Similarly, Lynch

et al., (2015) acknowledged the need for more studies on EMS in order to address some methodological challenges in studying how entrepreneurs think entrepreneurially. Meanwhile, Nabi, et al., (2017:13) suggested for the studying of mediating effect of EMS on entrepreneurship. Proposition 5a: Entrepreneurial Mindset has mediating effect on relationship between entrepreneurial learning and youth self-employment readiness.

**Proposition 5b:** Entrepreneurial Mindset has mediating effect on relationship between entrepreneurial networking and youth self-employment readiness.

**Proposition 5c:** Entrepreneurial Mindset has mediating effect on relationship between entrepreneurial self-efficacy and youth self-employment readiness.

**Proposition 5d:** Entrepreneurial Mindset has mediating effect on relationship between entrepreneurial motivation and youth self-employment readiness.

**Proposition 6:** Entrepreneurial Mindset has significant effect on youth self-employment readiness

#### **Youth Self-employment Readiness**

Youth join into self-employment activities after or before completing their studies, which help protect them from delinquencies, dependent attitude and enhance personal's belief on self-capability (Katundu & Gabagambi, 2016). Youth career choice is a significant to human development process than a specific event in their lives, usually starting during adolescence and influencing their personal and professional life (Hsiao & Nova, 2016). Integrating them into labour market helps promote entrepreneurial competence, reducing labor market discrimination and thereby offering local solutions to economic disadvantaged (Nikolaev, Boudreaux, & Wood, 2019). Successful nature of new business start-up depends on youth's readiness to turn their ideas into business (Akolgo, Li, Dodor, Udimal, & Adomako, 2018). However, perception of young people affecting their choice toward self-employment, they are ready to wait for long time to get employed (Berou, 2013). For economists and psychologists, self-employment provides youth what they called procedural utility. This means individuals not only value outcome, but also condition and process leading to outcomes, which is a measure of self-determination and freedom.

Scholars have differed on what constitute self-employment readiness and measure it differently. Lau, Dimitrova, Shaffer, Davidkov, and Yordanova (2012) conceptualized entrepreneurial readiness as a persons' cognitive attributes of capability (competence and network) and willingness (motivation, commitment, and fear of failure) towards behavior in an entrepreneurship process. The construct of the entrepreneurial readiness is measured through attitude, social norms, and behavior control as incorporated in the Theory of Planned Behavior (Iqbal, Melhem, & Kokash, 2012; Zulfiqar et al., 2017).

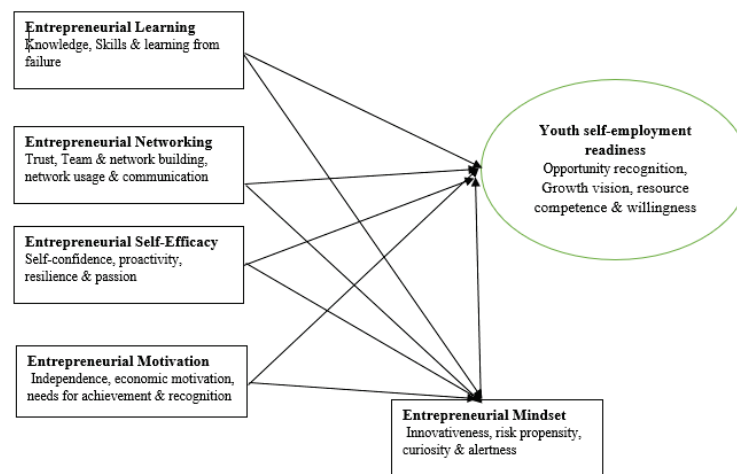
Halim, Ahmad, Ramayah and Hanifah (2017) observed under-researched areas on entrepreneurial readiness and classified it from four dimensions, intention, ability, learning and attractiveness towards new venture formation with respect of government and training support of bottom of pyramid community in Malaysia. Olugbola (2017) classified entrepreneurial readiness into opportunity identification, motivation, resources and ability. Other scholars measured it in terms of individual's willingness and capabilities in undertaking entrepreneurship activity (Othman, Hashim, & Wahid, 2012; Lau et al., 2012). Since studies on youth self-employment based on intention (e.g. Kahando and Mungai, 2018; Ayalew and Zeleke;2018) than behavior, while readiness interchangeably used as intention, it is

difficult to assess practical side of those engage in self-employment activities.

## Conceptual Framework of the study

This figure below provides a framework that will guide this research. It specifies the variables that can be observed directly quantitatively or qualitatively. The review of literature and theories helped the researcher to construct this framework, showing individual antecedents namely entrepreneurial learning, networking, self-efficacy, motivation and mindsets relating with youth self-employment readiness. The framework further testing the effect of entrepreneurial mindset in the relationship rest of individual constructs and youths' self-employment readiness (Figure 1).

**Figure 1. Proposed Conceptual Framework**



## Proposed Research Methodology

This study uses quantitative methods design to examine the influence of individual antecedents on youth self-employment readiness. The quantitative research uses statistics to test hypothesis and establish relationship of the variables. The study will be ex post facto in nature since it will be done after youth have got entrepreneurship training program and now engaging in self-employment initiatives. In this case, unit of analysis is youth who have decided to venture into self-employment activities. Stratified sampling will be used to select youth who engage from self-employment activities and make inference of the entire population. Databases from Zanzibar Technology Business Incubator, Chamber of Commerce and Ministry of Youth would be used to select 340 from 1,310 drawn using Hair et al (2003) formula  $(Z^2 \frac{B}{cL}) \left( \frac{P \times Q}{A^2} \right)$ . This study therefore will use a survey method to generate primary data in order to test relationship between individual antecedents and self-employment readiness among youth entrepreneurs in Zanzibar, Tanzania.

Primary data will be collected through structured questionnaire designed with closed ended questions, which will be piloted to ensuring its validity and reliability. The questionnaire design involves both adoption and modification of existing instruments that had been developed by Lamine et al., (2014), Fatoki and Oni, (2015), Washington (2013), Shepherd, Patzelt, and Wolfe (2011). Quantitative analysis will be employed to data assigned with numerical values, which help in the generation of descriptive statistics, correlation, regression and structural equation modeling.

## Conclusion

This study reviews various literature on self-employment readiness and its related individual antecedents. As noted earlier that, existing studies have devoted much on understanding students' intention towards self-employment does not always end up into action due to social, cultural and institutional challenges. However, there is less focus on understanding on readiness and its antecedents of few young people who devoted to venture

into self-employment. Using resource base view and socio-cognitive approaches, this study provides conceptual review of the influence of entrepreneurial mindsets, self-efficacy, motivation, networking, and learning on youth self-employment readiness. Thus, by examining readiness of youth in self-employment engagement, it helps understand practical experiences on the endeavours to push their ventures into another stage and contribute to an evolving concept of readiness in entrepreneurship. The review of literature provides a solid justification for the testing the model in order understand the effects of individual antecedents on youth self-employment readiness.

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# Regional Economic Theories and Strategies: A Case on the China - Central Asia Economic Corridor

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## Abstract

This literary review of the classics sheds a possible and yet plausible formation of the China – Central Asia economic corridor. China has had its interest in Central Asia and with the Belt and Road it extends, formalizes, and solidifies this interest. What is uncertain, is the manner and approach that this partnership will take in establishing a regional integration within the region. Five distinct regional theories were discussed in light of this economic partnership; location theory, growth pole theory, economic base theory, circular cumulative causation theory, and regional life cycle theory, and the discussion here begins with a build-up from the simplest form of economic activities stamping from an identified location towards developing and expanding that location into an active economic region. The heart of the matter is focused on regional economic integration. This research paper explores the thoughts and theories the likes of Johann Heinrich von Thünen, Alfred Weber, Harold Hotelling, Walter Christaller, August Losch, Francois Perroux, Arthur Weimer, Homer Hoyt, Douglass North, Charles Tiebout, Karl Gunnar Myrdal, and Raymond Vernon in possibly shaping the China – Central Asia Economic Corridor. Should the partnership converge into a political union administered by the Shanghai Cooperation Organization, then the effects of this partnership's regional trade agreements on the people, jobs, businesses, culture, and living standards could spark long term debates.

**Keywords:** Neoclassical Theories, Regional Economics, Integration Strategies, China, Central Asia

## Introduction

As the first half of the literature review to this research paper has been addressed in the preceding article "China - Central Asia's Economic Geography and Globalization: A Literature Overview", the continuing half is in this study and it provides a deep discussion of the classical theories that has been developed and used in assessing regional economies. Understanding these theories of the past is crucial to understand the undertakings of modern day economic integration. The discussion below is a build-up from the simplest form of economic activities stamping from an identified location towards developing and expanding that location into an active economic region. Further along the research study, the heart of this research is deliberated and discussed with China and Central Asia in mind for a possible regional economic integration. This would then steer and serve as an impetus to the thinking and strategizing of future regional economic formation and collaborations. At this point, the China – Central Asia Economic Corridor reflects on the best way for integration that the region will adopt or adapt in order to achieve maximum long term benefits. The study begins by looking into the history of regional economic integrations of methods and approaches, and the study ends with questions regarding the integration approaches of the economic partnership between China and Central Asia.

## Classical Regional Economic Integration Theories

For many years, a number of reputable and recognized local and regional development theories have been developed, empirically tested, and discussed in detail. Some of these theories have ousted for not being up to date or have been shun aside for not being relevant. Nevertheless, these theories remained as main references and citations. Credit is given where it is due and without these theories, new one would never have formed to resolve current problems of local and regional economies. In this part of the research, five major theories will be discussed. These theories are discussed from the point of concept and where necessary, it will be tied back to the research topic at hand. The five are, location theory, growth pole theory, economic base theory, circular cumulative causation theory, and regional life cycle theory. All of them are relevant to this research paper as it brings and shows the possible outcomes when they are put in context of the China – Central Asia economic corridor. This is not a comparison analyses between the theories. It is used as a descriptive analysis to explain the fundamentals of regional integration and the forms it will take for this economic partnership to materialize. As a disclaimer, no one theory is better or superior than the other and they should be seen as an integrated block to assess and understand economic integration.



## Location Theory

Location theory is related to the geography, the economies of the place, and also the protagonist of business activities. It tries to explain and illustrate how decisions are made based on these elements. Location of a business is chosen based on the propensity to maximize profits with the lowest operating and production cost. This is a main reason of what, why, where, businesses choose their respective locations. Another reason for location is to ensure that the resources used is at maximum by cutting down on the distance. Just by these 2 reasons, the China – Central Asia partnership does not seem feasible. For one,

geographical distance. Imagine goods from Shandong Province in China which is located at the far east of the country is being transported to the Ankara, Turkey. That is a distance of 7173 km cutting across all the countries in between. This is clearly illogical but, technology and transportation has vastly improved in China by leaps and bounds making this trip very possible and low cost. Hypothetical situation, should such economic engagement were to happen and the transport of goods from Shandong to Ankara by land (freight train) is the choice of transportation, then the total cost per kilometre is as follows:

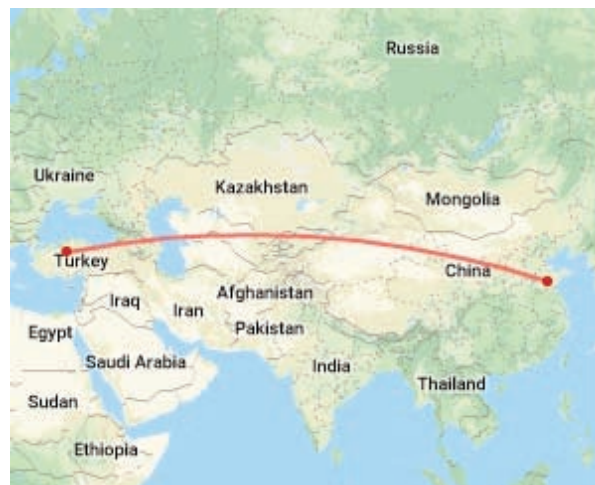


Figure 1: Map of Shandong Province in China to Ankara, Turkey.

Location: Jinan (Shandong Province) to Ankara (Turkey)  
 Destination: 7173 km  
 Transportation: Freight train  
 Diesel cost: \$0.81 per litre (pump price in China (Trading Economics, 2018))  
 Fuel efficiency: 1 litre per 1 km (assumption)  
 Total cost: 7172.97 litres of fuel, which amounts to a fuel cost of \$5,810.11 or ¥40336.11 (Calculator.net, 2018)

This fuel efficiency assumption is not ideal but it is for the purpose of illustration only.

For freight train efficiency, CSX Transportation has proven it, (Lownes, 2013)

NOTE: Even in the worst case scenario of assumption, this is a very cheap and feasible trip considering the amount goods a freight train can carry to compensate the fuel cost. Although this illustration is not ideal and there are hidden costs that are not factored and the final price will be inflated when it passes through all the countries in between plus the transfer of goods during the point of crossing international borders. Also, fuel are paid for by the Chinese government. A proven case of the above illustration can be read further here – Yiwu to London freight cargo in 15 days (Josephs, 2017)

Location theory literature has been produced and analysed since the 1800s. Major traditionalist of location theory is of Johann Heinrich von Thünen, in 1826. Alfred Weber wrote extensively on industrial location and its production positioning in 1909. Harold Hotelling contributed his research on spatial competition in 1929. Walter Christaller and August Losch made research breakthroughs in their efforts to study central places and optimal market area theories in 1933 and 1939 respectively. Johann Heinrich von Thünen is said to be the first economist to observe the relationship between the price of production (agricultural crops) and the distance to market determines the location of production, i.e. the efficiency to produce. He says that accessibility shapes market and land use. This is ideally logical as it brings and connects seller and buyer. Too far and cost of transportation increases, not to mentioned cost for storage and also the possible perishable cost. When the market location is fixed and the suppliers of the economy surrounds the market over a fixed or predetermined distance, ceteris paribus, makes an economy feasible. The end goal of the China – Central Asia corridor is to gain access to the Far East into Asia. The distance has been predetermined, making it a fix cost that can be easily factored into production outputs. Like Johann Heinrich von Thünen said in his work on “location rent”, the further the

suppliers are from the market, the cheaper the rent will be. Likewise for this corridor initiative, the separation of distance with a fixed market location becomes economically viable. Adapting and adopting Johann Heinrich von Thünen work today, and factoring modern technology advancements into it marketplace and production equation, makes this economic corridor initiative even more possible. The importance of Johann Heinrich von Thünen model is in the analytical approach to explain land use pattern or marginal productivity. This model is formalized as:

$$R = Y(p - c) - Yfm \quad (1)$$

where,  $R$  is the land rent,  $Y$  is the yield per unit of land,  $c$  is the production expenses per unit of productivity,  $p$  is the market place price per unit of commodity,  $F$  is freight rate,  $m$  is the market distance (Rodrigue, 2017). This model is still relevant as a guide for distance transportation cost in regional economies but it is to also note that this model was developed in the 19th century when agriculture farming was the priority of economic exchange prior industrialization, hence technology never existed to be part of the consideration. Another contribution to this field of study is of Alfred Weber's analysis on industrial location. Formulated in 1909, he said that knowing what the location can produce will then extend the economic activities of the location in terms of its supply chain. Using Weber's thinking and putting it in context of China – Central Asia, he said that the 4 stages of industrial process that affects the end-to-end of an economy is in securing the production location itself and also the equipment to use to cultivate the land, obtaining the raw materials and the energy, the production process itself that will decided on the output, and the distribution or supply chain of the production. In each of these 4 stages, it requires the economy or business to bear different measures, investments, and expenditures and it is important to know and decide which of these prices would differ according to the location of a particular or a certain given industry. The region at hand is gigantic and it can be sectorized into different economic zones to produce what is best from the land itself that will then decide on the production output and market structure with consideration of the investment to harvest, to process, and to produce. As more businesses of the same kind opens up and operates within the same economic zone of the sector, it will then impact the location. This is in tandem with Weber's observation that agglomeration would have an impact on the location decisions of the industry. This means that industry and production cost and prices will change when many of the same kind are in the same location and to avoid this, the economic collaboration of China – Central Asia must first know and identify the supposedly supply chain of the given industry (Carl Joachim Friedrich, 1929). Weber went on to specify general cost elements that are common for all industries and it can be used to identify regional considerations of location. These are as follows (Carl Joachim Friedrich, 1929):

- The cost of production sites
- The cost of building, machines, and equipment
- The cost of obtaining materials and energy
- The cost of labour
- The cost of transportation
- The cost of interest rates
- The cost and rate of depreciation of fixed capital

Weber identified that the cost of labour, transportation, and material as regional factors may or will vary from geographical locations and would impact on location decisions of the industry. He simplified his formulation by expressing that the cost of material is embedded in the cost of transportation. The cost of transport will depend on the type of transportation used versus the type of materials carried. In light of these, industry would seek a production location with "minimum ton - miles" in terms of transportation cost, as illustrated in above in Figure 3.1. The closer the market place is, the cheaper the cost to transport (subject to the type of raw materials transported). This is well captured and explained by the Weber's location triangle where it says that the total cost of transportation consideration is based on the total cost of raw materials from various location, the total cost of transportation to the market. This can be formularized as follows:

$$\begin{aligned} TC1 &= d(S1) * w(S1) * p(S1) \\ TC2 &= d(S2) * w(S2) * p(S2) \\ TCM &= d(M) * w(M) * p(M) \end{aligned}$$

Hence, making the total transportation cost to be:

$$TC = TC1 + TC2 + TCM \quad (2)$$

where  $d(S1, S2, M)$  represents the distance between production facility, supplier, and market.  $W(S1, S2, M)$  is the weight of the raw material and final product, and  $p(S1, S2, M)$  is the unit cost of transportation per ton – mile.  $TC1$ ,  $TC2$ , and  $TCM$  are transportation cost for each leg. Is this relevant to the China – Central Asia economic corridor? Yes, for corridor to be profitable and lucrative, it must consider the distance travelled, the type of materials it is transporting, it must also factor in the sot exchange between the region and the cross border cost, not to mention the cost to market, wherever it may be within the region. This is imperative as the length of the of China – Central Asia economic corridor spans east to west of over 7000 km crossing multiple countries, being implicated with multiple economic policies. This is vital to comprehend as cost changes hands when other remain constant. And for profit maximization, businesses involved must properly adjust the output – input combination, location, and price. Another major location theory contribution was from Harold Hotelling whose research was on spatial competition in 1929 and this specifically spoke on consumer utility and pricing behaviour of a business in a the marketplace and their impact on location decisions. The interest of this research was on market competition with assumption that consumers will only purchase from the cheapest competitor that would cause

imbalance in the economy's equilibrium. The downside of Harold Hotelling's work is that all goods involved in the market are assumed to be standardized (Hotelling, 1929)(Hotelling, 1931)(Chari, 2014). To a point that this can be a valid consideration when protagonist of the economies are demanding for a standardized commodity; e.g.: palm oil, rubber, brent oil, etc, but these days, commodity prices are controlled making it hard to disrupt market prices, unless economic sanctions are imposed over economies who purposely intending to undercut prices for sell off inventory. Harold Hotelling further stated that businesses that wanted to capture a bigger market share will then relocated to the central area or closer to the market in order to expand their portions of the market share. The concern for this is that clusters of businesses will be created that will in turn increase the social cost of the location and by such decisions and modifications eventually disrupt the utility or disutility of the consumers and the overall impact of the location itself. When Harold Hotelling's arguments are taken into the context of the China – Central Asia corridor, and knowing that this is a Chinese initiative of the BRI, with investments channelled into the BRI by the Chinese government, the possibility of China changing and modifying economic rules of the regional economies cannot be side lined and discounted. After all, it is China that wants to move its goods into Asia and for this reason alone, China may or will established commerce agreements operated under Chinese's provisions across Asia stating that it wishes to monitor and track the end-to-end transactions of the entire economy movement and this will inevitably include the local and the respective national economies in the region. This is a valid concern when national sovereignty are open and exposed to foreign national eyes. Hotelling may be right in this case as it will disrupt and disturb consumers' utility of the location. The Hotelling model also demonstrates that the pricing policies could be used as a competitive advantage and in fact resulting to the location itself being part of the competition. This will mean that parts of Central Asia

where the BRI cuts through, operated, and oversighted by China will be in competition with the adjacent location run by local authorities simply due to pricing policies and this may cause the sovereign land and its local economies to be lopsided. Should this materialize and happen in accordance to Harold Hotelling's research work, then spatial competition will lead to the clustering of businesses between BRI and non BRI initiated businesses. The central place theory that was developed by Walter Christaller and August Losch is another classical approach to location theory. It is a simple explanation using geometry to the changes and evolution of locations. The central place are convergence of goods and services to a certain identified area. It is like a shopping mall established to serve the needs of the people living within the radius of the location. Central place theory is categorized into 2 types of settlements – low order (general) and high order (specific). Low order settlements are like petrol stations, wet markets, food outlets, and the likes of others where goods and services are consumed almost daily and are accessible to everyone within the location. High order settlements are like hospitals, higher education institutes, or specific specialized services where it may not be consumed daily (Getis, 2007). Such goods and services are accessible to everyone but it is not always consumed by everyone. Central place also looks at where the most consumed goods and services would congregate before establishing. In a small town, a large fully equipped hospital may not be the best establishment to consume, as compared to a small medical clinic who then can refer to the large hospital for emergency cases located in the town centre. In the rural setting, a shopping mall may not be feasible but instead a grocery store. Walter Christaller designed the central place model based on the available market place, transportation to the market place, and also the administration structure of the place itself. Depending of the location, it will decide on the type of services and it also depends of the distance travelled to consume these goods and services which then can influence the market size.

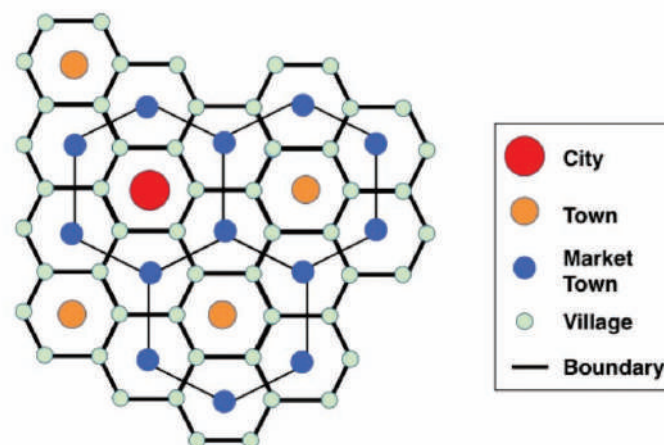


Figure 2: Christaller's Central Place Theory.

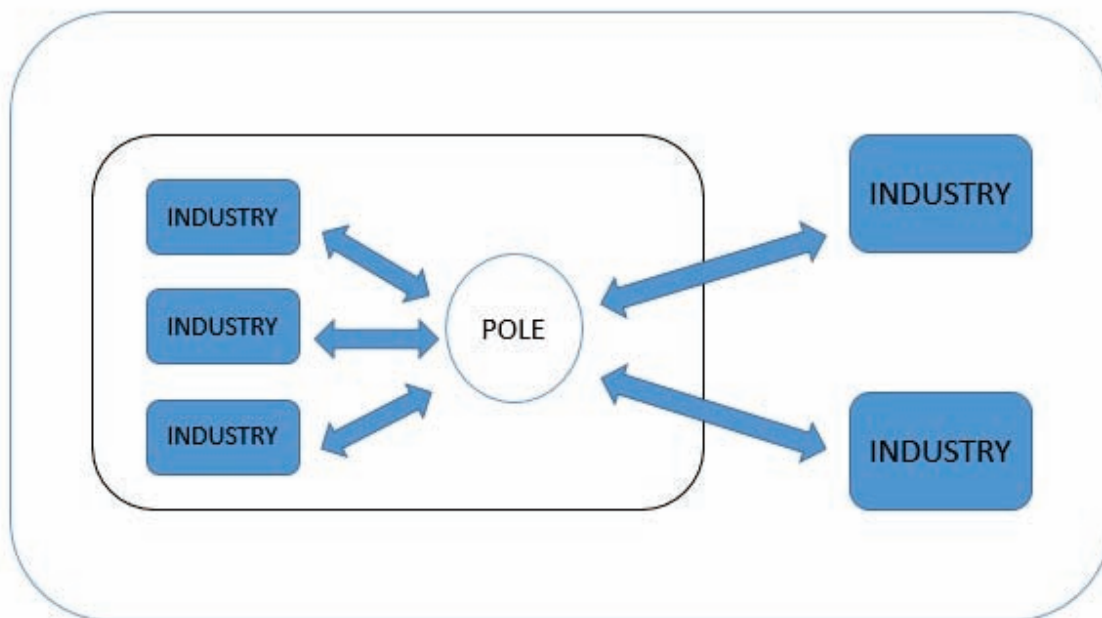
Source: [www.aboutcivil.com](http://www.aboutcivil.com)

Christaller suggested in his works that a location can be best represented in a hexagon shape (not in real life as market areas are seldom or never hexagonal) that will cover the entire area leaving no parts uncovered. The transportation factor in his work proposes that it can be better organized based on the distance and route between two sub-locations within the same location stemming from the main or the large central point. The administration aspects overlooks the improvements of the location where need be (Christaller, 1966). In 1939, August Losch modified Christaller's model to reflect real life conditions as Losch's argument said that bigger or large central locations would likely dominate and control market areas causing distribution of location to be uneven and based on the type of goods and services offered in a designated location, it will then limit development to take place in other locations as it does not want to lose market dominance (Bellafiore, 2018). The central place theory deals only with relationships between consumers and producers in a region. It does not consider settlement patterns that are the result of long-distance trade between regions. Furthermore, central-place theory rests on the assumption of uniformity of space making this not an appropriate theory for the China – Central Asia Economic Corridor. However, Losch's model can still be used to assess the inner creations of settlements within the length and breadth of the BRI. This will be very interesting to analyse how new locations will transpire and develop from this economic initiative and collaboration in fulfilling the model's condition and requirements. Today, location theory is still the basis of almost all regional development and economic geographic theories. The models that have been discusses in this section has been used and expanded by researchers to further dissect and

understood its usage in modern times factoring the changes that could have not been done by the classical theorist.

## Growth Pole Theory

In 1950, Francois Perroux propounded that growth is not uniform over a particular region, but in fact it takes shape around specific clusters of economic activities and this cluster or clusters are often characterized based on key industry or industries to develop. Such key industry can involve a wide range of agriculture, oil production, automotive, or electronic manufacturing of the likes to many others. For example, a certain potential open field that has the tendency for crop rotation to fully maximize the land and for that economic activities are created in support of the potential. Since the inception of this, the formal definition of "cluster" has been discussed extensively as it could bear the meaning of an identified resource for development or it could also mean a potential geographical location (Gavrila-Paven, 2017). Researches that followed or used Perroux's model based it on geography rather than resource as it has had significant influence on policymakers and has been one of the most used models of regional science and economic geography. Direct effects imply the core industry purchasing goods and services from its suppliers (upstream linked industries), or providing goods and services to its customers (downstream linked industries). Indirect effects can involve the demand for goods and services by people employed by the core and linked industries supporting the development and expansion of economic activities such as retail.



**Figure 3: Growth Pole Theory.**

*Source: Own Illustration*



The expansion of the core industry implies the expansion of output, employment, related investments, as well as new technologies and new industrial sectors. Because of scale and agglomeration economies near the growth pole, regional development is unbalanced. Transportation, especially transport terminals, can play a significant role in such a process. The more dependent or related an activity is to transportation, the more likely and strong this relationship. At a later stage, the emergence of secondary growth poles is possible, mainly if a secondary industrial sector emerges with its own linked industries, contributing the regional economic diversity. Global supply chains have challenged several dimensions of the growth poles theory since growth and linkages generated by a core industry could concern activities located elsewhere. According to Perroux, his concerns were that economic spaces are not defined by economic physical spaces but rather by the economic activities. He further explained that there are three type of spaces; 1. as defined by plan, 2. as a field of force, and 3. as a homogeneous aggregate (Darwent, 1969). From Perroux's argument, a business entity is just the basic factor of production where it is established in accordance to the identified economic needs and activities. Further along to Perroux's discovery, he expounded that a business has also an economic space that is defined as a domain of forces that consists of the clusters as these clusters are the sources of "centrifugal and centripetal forces" that attracts or deflects factors of production, economic elements, suppliers and demands into their space. For example along the China – Central Asia economic corridor, there could be organizations with large influences based on a designated geographical zone in the region but its influence of the economic zone is beyond its geographical location. This could bring about a negative effect as it will attract economic elements like workforce from adjacent clusters that would put them in a weak position. Or it could be positive as the cluster will then grow and trigger other nearby cluster to develop. These are like mining towns. On the third point of Perroux's economic spaces, he argues that homogeneity is relative to the business, their structure, and interaction with each other. Businesses structure is based on the price factor and depending on the market competitiveness environment, even or uneven, each business would have its own price (John Speakman, 2013). In a globalized world, growth pole theory is more relevant than ever before. Large multinational companies possess all forms of characteristics as described by Perroux. The growth pole for China – Central Asia is a paradox of limitless and limited possibilities based on its economic elements and activities. A potential petrochemical plant in Turkmenistan could be a growth pole for a distribution chain in Almaty, Kazakhstan, and this could be a growth pole of suppliers in Xinjiang province, that could be a possible growth pole for China's refineries in Ningxia province but it is limited by economic resource but limitless by potential multiplier.

## Economic Base Theory

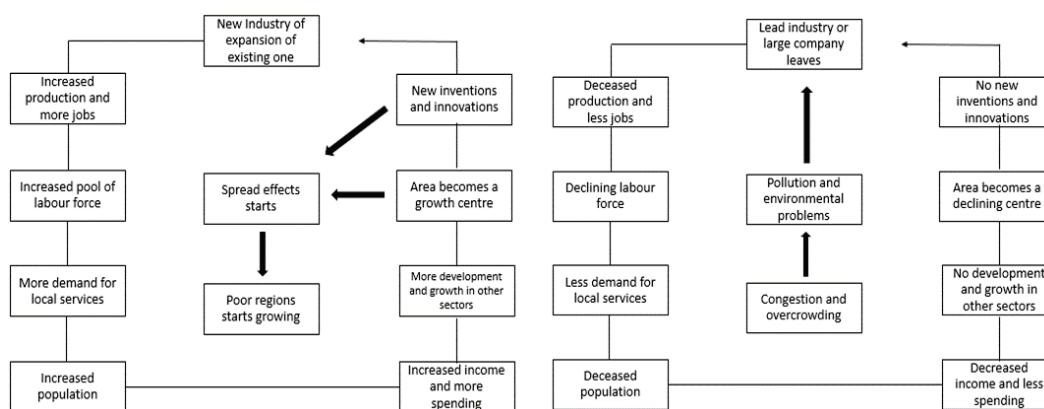
The theory of economic base is one of the standard and the most well-known theories of regional development. It tries to explain why different regions have different economic levels. The basic idea, on which the theory is based, is that the basic income of the region is export. The activities producing goods and services for export are called basic activities. Incomes from exported goods and services are then used to meet the needs of the region's population. In order to meet the internal demand, there is the need to further expand the production of goods and services. Production of goods and services for the needs of local residents is called non-basic activities. In this way, export generates the growth of production and employment. The principle of this approach is that by supporting export companies, there will be automatically the increase of the demanded quantity of inputs from non-export companies and service providers, and thereby it also causes the growth of these sectors. The advantage of the theory is an easy applicability and usability for foresight in compliance with interpretive caution on the basis of restrictive conditions. As a check and balance, prediction or forecast is on the basis of the current state of the economy and its dependence on exports based on the period for which is forecasted, the situation is likely to change. It is also important to realize that the increase in demanded quantity (or possibly demand growth) is a prerequisite of growth, however, the realization of growth can occur only when this demand is satisfied by increasing production. So if the current supply will not be able to respond flexibly, it will not even lead to the growth of the region (Hoyt, 1954). The economic based theory was developed by Arthur Weimer and Homer Hoyt in 1939 and their contribution made the economic base concept a recognized tool in land use planning. (Isserman, 2007), said that in order to utilize the economic base concept in land use planning, the first step is to identify basic and non-basic industries then the base ratio and base multiplier is calculated. The final step is to use the base multiplier to forecast the basic exports needed that in turn will help the estimate of total exports. These exports forecast will then be used to estimate the demand for land, resources, and infrastructure. This model was initially meant for town planning but the model, with some modification is able to analyse local and regional economic development and this is ideal to understand which are the potential locations that will prosper through the exports of the region and economic clusters can be created around it as stated by Perroux. The growth of a region is closely associated with the success of its export base and it would be prudent to pay attention to and examine in more detail the causes of the change in growth or decline in the export base. This is credited to the works and contribution of Douglass North's "Location Theory and Regional Economic Growth" and Charles Tiebout's work and contribution of "Exports and Regional Economic

Growth" for the Journal of Political Economy in 1956. This model is useful to explain the level of income of the regional economy as well as sources of variation in income. In light to the economic corridor, the economic based model could provide useful empirical foundation for measuring and understanding industrial clusters and agglomerations, cumulative causation, flexible production, and competitive advantage of regions in a globalized world. It is also a tool that policymakers of the BRI to set targets and measure their results and outcome (Isserman, 2007).

## Circular and Cumulative Causation Theory

In any regional study, the geography and the economics are uneven. Uneven development of regions across the

world has been a major problem and concern for policymakers as it shows and provides evidence of inequities. Regional disparities tend to continue and even increase in the China – Central Asia economic corridor. The way to resolve this is by creating and establishing a competitive market where all the available economic resources would be allocated and used efficiently and the growth potential would fully be utilized and materialized and in turn support the movement towards regional economic convergence and equilibrium. Karl Gunnar Myrdal, a Swedish economist and sociologist stated that market forces would not push towards equilibrium and due to its strong interconnection among these forces, any change would generate further interactions and cumulative process. This could be positive or negative.



**Figure 4: Positive and Negative Cumulative Causation Theory.**

*Source: Own Illustration*

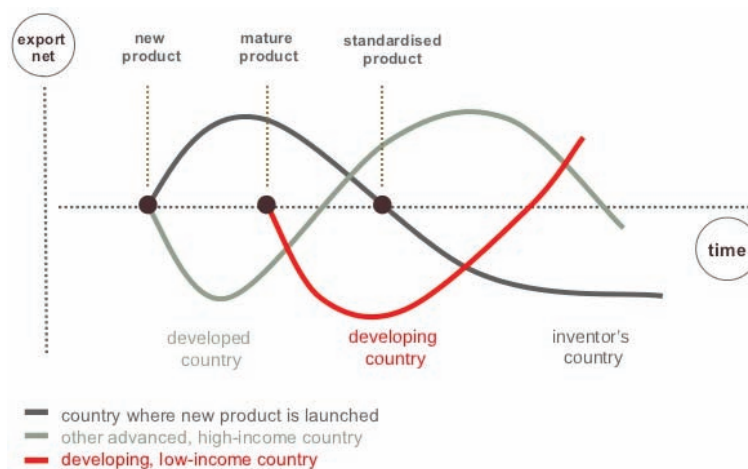
Myrdal reasoning for this is that under normal circumstances, a change would not necessarily cause counter changes, instead it would trigger changes that will advance the change further in the same direction. He then used this concept to regional economies and mentioned that market forces would more likely broaden the interregional difference due to the well-established external economies in the rich regions and the backwash effects would slow down growth in the less fortunate areas of the same region. This would only mean that poorer regions will only flock towards the more fortunate regions as factors of production and this will make the rich region more productive and would produce increasing returns and as a result its production output will be cheaper with a wider market reach. This description was the situation of Uzbekistan when its skilled workforce flocked to Russia during the oil boom leaving only the poorer or less fortunate workforce to tend to the industries within the country. This happened in the same regional area. Low skilled work force do not attract investments. Myrdal also

discussed that in any economic development, it will undergo 3 stages of growth. The first is when the nation or region as a whole will grow and become richer and will trigger a second wave of development and then a regional convergence will follow. Like the growth process experienced in China. This is important as the spread effect would then expand and grow the original economic area as soon as the demand for products and the increasing demand would then initiate the circular and cumulative growth process in the poorer regions. This is particularly crucial to the economic corridor as it traverse into 5 uneven countries where growth and development are based on the endowment factors and this may cause certain unrest within the region as workforce and capital flow will influence movement that will then leave certain parts of the region unattractive for development. Should this happen by then what will the overall effects be for a lopsided regional economic development? This is a serious factor of consideration and deliberation.

## Regional Life Cycle Theory

Raymond Vernon developed the life cycle theory in 1966 in his research piece "International Investment and International Trade in Product Cycle" where he explains regional development patterns and addresses the shortcomings of international trade theory model. The simplicity of the model has been incorporated into location shifts of regional development and economic geography (Taylor, 2001). Vernon highlighted that international trade theory focused more on the comparative cost and side-lined innovation, economies of scale, and trade pattern uncertainties. He also mentioned that developed nations would have access to the best scientific knowledge and will be able to understand the principles but would not necessarily create new products based on it. In essence, Vernon is arguing that given all the best resources, together with the best minds of the industries, businesses would not necessarily be able to produce and innovate the best product for the market and this is because the huge gap between knowledge and marketable product and it takes an entrepreneurial steps to narrow the gap. In the same 1966 research work, Vernon explained two factors that are related to business investment. One, he said that knowledge is not universal because not everyone is privy to the same and equal type of knowledge. Two, he said that not all businesses are aware of the needs of the market yet alone when it is in a different location from the business itself (Vernon, 1966). To tie both of these factors together, he said that only through proper communication would a business response equally or partially to the market queries, and therefore be given the opportunity to tend to that. Taking into consideration what he had said, he then developed the product life cycle and described and implied that businesses operating in any market location would know

about the opportunities to then introduce new products compared to those businesses who are not in the same geographic proximity. The product life cycle theory has been used and applied widely to local and regional economies to explain clusters and agglomerations. In the beginning of the product life cycle stages, new products are introduced to relatively small markets and as the product matures some form of standardization takes place and the product is then extended to larger markets and as the product matures in the market, it then can be brought back to the original market that it was first introduced to. This done by competitive advantage that a particular region can offer, which is determined through the cost of capital, scale, and labour cost. When economic of scales has been achieved, i.e.: product maturation; the market of the product is large enough to compensate the transport cost which then can be brought back to the original market location. This is precisely what China is doing. When low labour manufacturing of products are rising in cost, the entire outfit is relocated deeper or elsewhere where it is cheaper, like Vietnam, Laos or even to Central Asia. It must be noted that these manufacturing products may or may not be high technology but the work input to make the product is relatively low in skill sets, hence moving to a cheaper labour cost location will then help to maintain the product pricing and resource allocation needed. Presently with the escalation of the trade war between the US and China, Chinese state-owned manufacturing plants that produces US based products are now moving out of China and into cheaper regions. How is this relevant to the China – Central Asia Economic Corridor? Well, for one, the movement of productions from China who is now giving focus to higher technology innovations, two, maintaining market pricing with lower production cost, and thirdly, lower skill sets employment creation in Central Asia. Win-win.



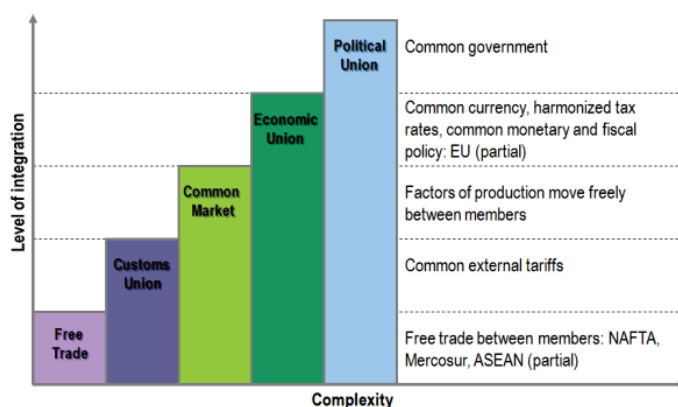
**Figure 5: Vernon's Product Life Cycle**

Source: Centre for Social Initiative and Management, Bangalore, India.

## Regiocentric Strategy of Integration

Regiocentric in economics are markets deemed similar to each other within the same geographical location. The orientation of regiocentric is specific to the characteristic and features between countries and their markets located in one region and are integrated and developed based on a needed unification strategy. It should be noticed that clusters of countries emerge due to trade liberalization processes (Drachal, 2014), an examples would be the European Union. Market segmentation is based on finding and grouping regions that are similar to each other. Such similarities may exist based on economic, cultural or political background. In this case, Central Asia fits as a cluster. Regiocentric strategy hypothesize that all countries from the same geographical region can be regarded as a single market which will then allow for much greater economy of scale. Proving this hypothesis will be challenging for the China – Central Asia region. Geographical clustering of this region is the easiest to establish as these 6 countries are literally next door

neighbours but to establish it as a single market would require massive economic and political reengineering. Regiocentric strategies for integration are understandings and agreements between countries in a given geographical location to facilitate economic activities by reducing tariffs and non-tariffs for the free flow of goods, services, and factors of production between each other. In theory, regiocentric strategies benefits everyone who agrees to the pact and over the last 10 years there have been many initiatives of regional trade agreements. But, is regional economic integration a good thing? While regional trade agreements are designed to promote free trade, there are legitimate concerns that the world is moving towards a situation in which a number of regional blocs compete against each other. If this scenario materializes, the gains from free trade within blocs could be offset by a decline in trade between blocs. There are 5 levels of regiocentric strategies for integration and the China – Central Asia economic corridor will need to assess which it would want to adopt or adapt to ensure economic success.



**Figure 6: Levels of Economic Integration**

*Source: The Geography of Transport System*

As the level of economic integration increases, so does the complexity as it involves a set of numerous economic and political regulations, enforcement, and arbitration mechanisms. Arbitration is included as cross border activities becomes inevitable. The level complexity is at a cost that could and would undermine competitiveness of the identified and agreed region for economic integration since it is less flexible towards any national regulations and policies (Online, 2018). Free trade area is the lowest extent of national integration, political union the greatest. Each level of integration incorporates the properties of those levels that precede it. In Free Trade Area, countries remove all barriers to trade among members, but each country determines its own barriers against non-members. Policies will differ greatly against non-member countries from one country to another. Countries in a free trade area also establish a process to resolve trade disputes between members. The next level of complexity

is the Customs Union where countries remove all barriers to trade among members but erect a common trade policy against non-members. This is different from a free trade area in that members treat all non-members similar and sometime equal (in certain cases). Countries might also negotiate as a single unit with trade organizations such as the World Trade Organization. Common Market is another approach to regional economic integration and in a common market setup countries remove all barriers to trade and the movement of labour and capital between themselves, but erect a common trade policy against non-members. This adds the free movement of important factors of production such as people and cross-border investment. Common market requires cooperation in economic and labour policy, making it very difficult to attain. Economic Union is another integration strategy where countries remove barriers to trade and the movement of labour and capital, erect a common trade



policy against non-members, and coordinate their economic policies like the Eurozone. This requires members to harmonize their tax, monetary, and fiscal policies, create a common currency, and concede a certain amount of sovereignty to the supranational organizations. The most complex of them all is the Political Union where countries coordinate aspects of economic and political systems and members accept a common stance on economic and political policies regarding non-member nations. Nations are allowed a degree of freedom in setting certain political and economic policies within their territories (Andrei, 2012)(Balassa, 1994). This is a possible setup and integration approach for Central Asia in dealing with China. There are both economic and political arguments supporting regional economic integration. Generally, many groups within a country oppose the notion of economic integration. Regional economic integration is an attempt to achieve additional gains from the free flow of trade and investment between countries beyond those attainable under international agreements such as the WTO. Since it is easier to form an agreement with a few countries than across all nations, there has been a push toward regional economic integration. Politically, integration is attractive because by linking countries together, making them more dependent on each other, and forming a structure where they regularly have to interact, the likelihood of violent conflict and war will decrease by linking countries together, they have greater clout and are politically much stronger in dealing with other nations. Integration is not easy to achieve or maintain. There are two main impediments to integration; it can be costly - while a nation as a whole may benefit from a regional free trade agreement, certain groups may lose and it can result in a loss of national sovereignty. Regional economic integration only makes sense when the amount of trade it creates exceeds the amount it diverts. Trade creation occurs when low cost producers within the free trade area replace high cost domestic producers. Trade diversion occurs when higher cost suppliers within the free trade area replace lower cost external suppliers. In the proceeding subsections, examples of regional integration are discussed that highlights the process and complexity in establishing integration as part of the regional strategies.

## Conclusion

This research paper has clearly laid out the fundamentals to integration from the perspectives and research works of classical economic theorist and the application of integration that has been establish around the globe. The BRI is deemed to be a "new" integration exercise that the global economies will feel its impact, although the Silk Road has been around for the last 2000 years, but in this modern setting and the with forces of change in economic dominance are shifting from the west to the east, the BRI is the biggest of such integration that the world has ever experience. It is no longer about countries integrating with countries but rather a single country is integrating with the world and this is redefining globalization to a

whole new meaning. The China – Central Asia Economic Corridor is the most complex out of the 6 corridors that China is establishing. It has to internalize the classical theories, understand and learn from the mistakes of existing regional economies integrations, apply newer approaches and methods that will work in the current economic climate which is said to be volatile, uncertain, complex, and ambiguous, realize and reaffirm that the application and the implication of this mammoth integration will bring about global oppression and economic rejection when synergizing and consolidating economic and political policies from heterogeneous nations. The whole world is watching and learning as China leads the way into uncharted economic territories. The effects of the China – Central Asia regional trade agreements are on people, jobs, businesses, culture, and living standards will spark debates. These six nations will engage in specialization and trade because of the gains in output and consumption. Higher levels of trade between China – Central Asia will increase specialization, efficiency, and consumption, and raise standards of living. Trade Creation is an increase in trade that results from such regional economic integration. It gives consumers and producers a wider selection of goods and services not available beforehand. It also lets consumers and producers to acquire goods and services more cheaply following the lowering of trade barriers such as tariffs. Lower costs lead to higher demand for goods because people have more money after a purchase to buy other products. Elimination of trade barriers may make it easier to gain consensus as opposed to working in the far larger WTO. China – Central Asia can have significantly greater political weight than countries may have individually. The "group" may have more clout in negotiating in a forum like the WTO as it can represent itself as a single entity. Integration involving political cooperation reduces the potential for military conflict within the 6 countries of the geographical region. The China – Central Asia regional integration can expand employment by enabling people to move to and fro from the region for work, or to earn a higher wage. Caution is also needed in trade diversion as it can occur after formation of a trading bloc because of the lower tariffs charged between the region and group member nations. This can result in reduced trade with a more efficient non-member nation in favour of trade with a less efficient member of the group. Unless there is other internal competition, consumers and producers will pay more due to inefficient production methods and because trading blocs reduces or eliminates barriers to trade, the producer of a particular good or service will be decided by relative productivity. For now it is uncertain if China will be controlling the BRI blocs or will nations have the independence to do so as part of the collaborative efforts. Successive levels of integration require nations to surrender more sovereignty. In this case, with China funding the entire BRI initiative, there are already evidences from Djibouti, Sri Lanka, Kenya, and Ethiopia that massive amount sovereign stakes has been transferred to China as settlement of the investment debt. To what extend will nations involved in the BRI will

continue losing sovereignty? Will China – Central Asia be tied under a “political union” where it is administered by the SCO? Political union requires nations to give up a high degree of sovereignty in foreign policy. Because some bloc members have delicate ties with non-member nations while others have strong ties, the setting of a common foreign policy is difficult. This research paper describes regional integration efforts occurring today. There is much debate about the merits and demerits of regional trade agreements. The government of China is pushing this forward and some other governments and independent organizations act to counter the negative effects of integration. Although there are drawbacks to integration, especially with the China – Central Asia, but these governments that are involved will continue to be enticed by the potential gains from increased trade and by the desire to raise standards of living. Regional economic integration will likely continue to roll back barriers to trade between nations and between existing trading blocs of nations. The complexity of this regional bloc is that China is dealing with poorer economic and unstable political countries.

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## Case Study

# Features and Concepts of Value Education

Anupam Kumar Jagga\*

Schools and society at large have a shared values system, based on their shared positive human values which can provide the growing generation with a clear sense of direction and committed vision about how to create a stable and moral world community.

In the words of **Swami Vivekananda**, "Education is not the amount of information that is put into your brain and runs riot there, undigested, all your life. We must have life-building, man making, character-making assimilation of ideas. If you have assimilated five ideas and made them your life and character, you have more education than any man.

The **Gurukul system** of education, in ancient times, had emphasized on the building of character of students. We should never forget that children learn from observing the values practiced at home and in social life.

**Mahatma Gandhi** dreamt of an "India in which every individual follows eternal values Peace / Harmony happiness / Goodness and beauty of knowledge, discovers and realizes her or his talents and potential by working with others towards restructuring the world, which continues to be characterized by conflicts between nations, within society and between humanity and nature".

All the civilizations of the world have developed along the banks of rivers. If we talk about our great civilization & heritage, then the great sages structured the best moral values through meditation, thought-process and self-observation. Because of these moral values, our country, Bharatvarsha was called Vishwa Guru. Today again the whole world is looking towards us.

Introduction of Values, Morals and Ethics

Let us first describe the difference between Morals, Ethics and Values

**Morals: "What is right versus what is wrong?"**

Morals are the principles and values which are based on beliefs of persons or society about the right, proper or acceptable ways of behaving.

**Values:** These are the guiding principles, Firm beliefs and ideals which provide a basis for individual choices in life and determine his/her thoughts and actions. Values are the Seeds that sprout, become saplings, grow into trees and spread their branches all around.

Everything from eternal ideas and guiding principles that results in desirable behavioral and positive patterns.

**Ethics:** These are your ACTIONS.

**Infect** it is the body of moral principles and values followed by an individual.

**Ethics** are a system of moral principles and a branch of philosophy which defines what is good for individuals and society.

Value education in school is possible only when each stakeholder in the school i.e. students, teachers, parents, management and support staff realizes its inherent worth for the wellbeing of the learners.

The school curriculum, every class, routine activities and school environment becomes valuecentric which result in optimization of the transmission and assimilation of values within and outside the classroom.

## Five categories of value to be inculcated

Now to establish effective value system among our students i.e. future generations.

We need the values to be recognized at five different levels:-

### Individual Level:

The individual is the first building block of the values architecture; **A child is not merely a physical entity but a holistic being.** Individual values reflect how you show up in your life and your specific needs-the principles you live and what you consider important for your self-interest. Individual values include: compassion enthusiasm, trust courage, joy, creativity, humility etc.

\*Principal of Delhi Public School, Ranipur, Haridwar.



**"Personal value  
is the magnet that attracts  
all good things into our lives.  
The greater our value,  
the greater our reward."**

-Jim Rohn



Mrs. Anuradha Vasistha

Individual values reflect how we live our life and what we consider important for our own self-interest. Values reflect our sense of right and wrong. They help us grow and develop. They help us create the future we want. The decisions we make every day are a reflection of our values.

Coming from different walks of life, these are some popular personalities, who, because of their noble deeds and hard work not only inspired well-informed adults but also kids.

Reading these success stories and life incidents of such global personalities will create an indelible imprint on our minds and hearts.

**From this list of individual values circle the 10 values that are most important to you.**

Compassion	Loyalty	Commitment
Trust	Courage	Honesty
Joy	Reliability	Passion
Positivity	Humility	Creativity
Enthusiasm	Goodness	Acceptance
Gratitude	Harmony	Helpfulness

#### Community-level:

The community to which a person belongs, represents the third block.

The relationship between the individual and the community is intimate. It plays an important role in the

identity formation of an individual, and determines the level of security the child enjoys. Values Education goes a long way to minimize the insecurity of communities and to promote a sense of belonging.



# Values to Reckon at community Level

The relationship in between the individual and the community is intimate. It plays an important role in the identity formation of an individual, and determines the level of security the child enjoys. Value education goes a long way to minimise the insecurity of communities and to promote a sense of belonging.



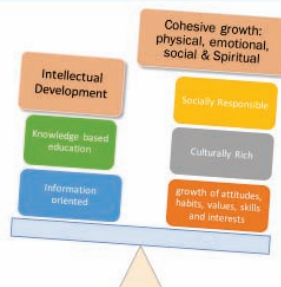
A concern to sensitize the students to the need for peace and harmony and mutual respect between people, their religions and communities underlines the thematic structure of the presentation.

The probable positive outcomes would be to develop responsible co-operative future citizens, having a sense of brotherhood and possessing dignity for themselves and the societal surroundings.



## Need to develop Values at community level

Again and again the question boomerang "Where have the values gone?" While answering this, one notices the present top sided educational structure. Right now, while our country undergoes radical social changes, the future citizens have to be oriented beyond the knowledge based informative education towards cohesive growth of habits, values, skills and interests for a society that is culturally rich and socially responsible.



## National Level

The society is the fourth building block of values. It is an extended family which is characterized by diversities of individuals, and the interests of families and communities. Every society also has certain shared characteristics that its members endorse, adopt and employ, which influence

the collective decisions taken by it. There is a reciprocal relationship between an individual and the society of which he or she is a part. Social mores/customs/traditions are internalized during the process of growing up within a society. Global Level: Values are basic to progress and well-being. Nations at peace comprise the building blocks of global values.

**‘National integration** cannot be built by brick and mortar, it cannot be carved by chisel and hammer. It has to grow silently in the minds and hearts of men. The only process is the process of education’.

*Dr.Radhakrishnan*



### Why Value Education?

According to the NCERT Framework for Values Education in Schools 2012:

‘The diverse and rich cultural heritage that we are so fortunate to inherit in our country is in many ways symbolic of the foundation and wellspring of values from which we draw our values nourishment. Life of individuals and communities and that of our saints, sages and philosophers are examples of values like self-discipline, survival in the absence of Material resources, simplicity, handling conflicts without violence, exploring simple but revolutionary ideas as a mark of superior conduct and living’

The CBSE’s vision of Values Education is to develop our classrooms and teachers as heavens of Education, where the prime objective is: ‘...to provide a safe space for children to express themselves, and simultaneously to build in certain forms of interactions. An atmosphere of trust would make the classroom a safe space, where children can share experiences, where conflict can be acknowledged and constructively questioned, and where resolutions, however tentative, can be mutually worked out. In particular, for girls and children from underprivileged social groups, schools and classrooms should be spaces for discussing processes of decision making, for questioning the basis of their decisions, and for making informed choices’.

#### A. The Values Connect

- What are the challenges faced by teachers in today’s classrooms, regarding student’s behavior and attitude? Share with an example/case study.
- What are the major reasons for this behavior and attitude exhibited by the student?
- What is the importance of Values Education in the school’s context?

### Why do we need Education for Values?

- Concern about degeneration of values. Impact of change on children and youth.
- Dysfunctional families, increased crime and violence, the effect of media and information overload.
- The competitive mindset among students, parents, teachers.

### What Values Education Aims at:

- Holistic development of the child while addressing the head and the heart.
- Revisiting values and making everyone aware of eroding values.
- Creating a balance between child and community.
- An education that connects the heart, head and hand.
- Inculcating the understanding of Interdependence between family, society, nation and the world.
- Bringing in a pro-active social conscience. Improvement of the quality of education. Harmony and peace with self.

### Values Education: Challenges before Schools

- Need to prioritize Values Education in the curriculum.
- Integrating Values Education into school activities.
- Defining focus areas and planning for realizing desired objectives.
- Values Concerns at School Stage
- Developing Universal Human Values.
- Values derived from the Indian Constitution.
- Developing problem-solving attitude towards contemporary challenges.
- Holistic development of the individual.
- Responsible attitude towards self and society.
- Nurturing an ethical approach, collaborative skills and respect for Human Rights.

### A Framework for Conducting a Values Education Activity

III. A: The framework for inculcating values in the classroom can follow certain basic procedures.

#### A. 1. Introduce a conflict situation

Students should be provided with background materials to find out the agreeable and disagreeable arguments. As Galileo said, "You cannot teach students anything. You can only help them find it for themselves".

B.

#### C. 2. Identifying the challenges

Once the argument is put forth, many ideas leading to questions are generated in the minds of students which need to be satisfied. In this process, the students connect their questions to answers by identifying the underlying themes and concepts, thus beginning a discussion. Every argument will have its specialty and if well-organized can boost in making the discussion effective.

D.

#### E. 3. Propose suggestions

Once the discussion starts students will have their own perceptions and will respond to the questions put forth. This will generate agreements, disagreements, and confusions to find likely potential answers. At this stage, students will try to understand various arguments and will not conclude anything. This will make students seek and respect diverse views as well as work collaboratively in a classroom environment.

#### 4. Use reasoning for analyzing arguments

To make the concepts clear the students should use logical reasoning rather than jumping straight to a conclusion. The students should explore concepts by examining it deeply by categorising, classifying and developing definitions, to comprehend the argument or subject matter.

F.

#### G. 5. Conclusion and Evaluation

Evaluation is needed to come to a better conclusion as both of these terms are interrelated. It is indeed important to evaluate an argument with the help of a focused approach by the teacher. But this does not mean that the conclusion is a unanimous agreement or consensus. It means that through evaluation the students should have a better understanding of the argument and its future repercussions.

#### H. B: Values integration in the Lessons taught

It should be noted that "Values" cannot be taught like a subject, i.e., like Languages, History, Science or Mathematics. They can only be inculcated through the situations deliberately planned while teaching various school subjects.

It is therefore imperative that Values Education be woven into the teaching of subjects. All Languages contribute to

the development of skills like listening, speaking, reading and articulation of ideas.

The very nature of Social Science (Geography, History, Political Science and Economics) is to understand the human and social environment for developing a humane and values-based perspective.

Mathematics and the Sciences need to be oriented towards their role and responsibility in fostering values rather than being seen in isolation.

Similarly, Sports and Fine Arts (performing and visual) also offer them opportunities to initiate and develop values among students.

Some values are present in every lesson. They may be articulated directly or indirectly in the form of stories, processes or biographical references. The task of the teacher is to identify the apparent or hidden references to values and use them as reference points to initiate a discussion on values within the subject-specific domain.

Discuss, deliberate and share with everyone present how will you integrate values in the given topics (or any other topics of your choice in case you are finding these difficult!):

- Light (General Science)
- Bio-Diversity (Biology)
- Number System (Mathematics)
- Democracy (Social Science)

### Effective Teaching Methods for Values Education

Teaching methods for Values Education can involve a variety of ways that blend the formal and the informal instructional processes.

The success of Values Education and development in students substantially depends on the vision, motivation, skills, attitudes, values and behaviour of the teacher.

Some such teaching methods are listed here, develop a role-play incorporating any 3 of these and brief the other groups after the role-play about them. Don't forget to share why you choose a particular method!

- Discussion starters
- Drawing distinctions/thinking critically about distinctions
- Comparisons
- Good practices
- Finding examples
- Thinking about consequences
- Comparing perceptions
- Different Perspectives
- Analysis of arguments
- Expressing or exploring agreement and disagreement

- Exploring possibilities
- Values judgment

### I. C: Together we can

There was a farmer who grew award-winning corn. Each year his produce fetched him a good price at the local fair. One day a newspaper reporter interviewed him and learned something interesting about how he grew it.

The reporter discovered that the farmer shared his seed corn with his neighbours. "How can you afford to share your best seed corn with your neighbours when they are entering corn in competition with yours each year?" the reporter asked.

"Why sir," said the farmer, "didn't you know? The wind picks up pollen from the ripening corn and swirls it from field to field. If my neighbours grow inferior corn, cross-pollination will steadily degrade the quality of my corn. If I am to grow good corn, I must help my neighbours grow good corn."

He is very much aware of the connectedness of life. His corn cannot improve unless his neighbour's corn also improves.

### So it is in other dimensions.

Those who choose to be at peace must help their neighbours to be at peace. Those who choose to live well must help others to live well, for the values of a life is measured by the lives it touches.

And those who choose to be happy must help others to find happiness for the welfare of each is bound up with the welfare of all.

The lesson for each of us is this: if we are to grow good corn, we must help our neighbours grow good corn." Reflection Points-

- How did the farmer see his welfare?
- Which are the values reflected in the story?
- How can you use this story in your classroom?
- Suggest any other story that you can use in your classroom to promote values?

### J. D: Values Inculcation through Stories and Poems

Every language is a great treasure-house of good stories. Stories often provide good moral values. Through delightful, entertaining and purposeful stories, great moral values can be inculcated. Stories of 'Hitopadesha' and 'Panchatantra' always provide some values. Stories like 'Midas Touch' make the learner think that money or gold is not everything in life. The 'Last Leaf' by O Henry is a story of compassion and sacrifice.

In Hindi literature there are highly inspiring stories of Prem Chand, Jai Shankar Prasad, Bhagwati Charan Verma, Amrit Lal Nagar, Jainendra and Ageya. Prem Chand's great stories

'Punch Parmeshwar, Budhi Kaki, Kafan, Gilli Danda, Bade Bhai Saheb, Poos Ki Ek Rat, Dhai Ser Atta' besides presenting a realistic picture of our country also evoke feelings of sympathy and compassion for the down-trodden. Even Jai Shankar Prasad's story 'Chhota Jadugar' presents a child's innocent joy and his love for his mother, whereas his 'Aakashdeep' presents supreme values of love and sacrifice.

Sanskrit language is replete with examples of universal values that can guide a person to live life properly. Wonderful epigrams like 'Vidya dadati vinayam', 'Paropkaray satam vibhutyahh', Vasudeva Kutumbakam, present universal values.

Poems entertain the readers, refine their feelings, and develop their sensitivity, which ultimately makes them better human beings. While reading the poems of 'William Wordsworth', the readers should feel union with the spirit of Nature, which kindled the spirit of the poet, and he became one with Nature. Wordsworth has written- "My heart with pleasure fills, and dances with daffodils."

The learners can realize with 'Keats': "Beauty is truth, truth beauty, that is all ye know on earth, and all ye need to know." These feelings refine the hearts, elevate sensitivity and develop love for one and all. Thus over-flowing love, sympathy and kindness replace hatred, jealousy, animosity and violence. These lines of "Robert Frost" motivate the learners to work incessantly— "The woods are lovely dark and deep, but I have promises to keep, and miles to go before I sleep, and miles to go before I sleep."

Whereas these beautiful lines of Tagore's poem inspire a person to come out of narrow boundaries- "Where the world has not been broken up into fragments, by narrow domestic walls"

In Hindi literature, there are poems like Haldighati, Jhansi Ki Rani, Kamayani, Panchwati which can entertain a person as well as refine his heart making him a better human-being. 'Woh khoon kaho kis matlab ka jisme swades ka pyar nahin', 'Khub ladi mardani woh to Jhansi vali Rani thee', 'Mujhe tod lena vanmali us path par dena fenk, matrabhoomi par sheesh chadhane jis path jate veer anek' these inspiring and ennobling lines can help a teacher to imbibe the sentiments of nationalism and self-sacrifice.

### K. E: Values Inculcation through examples of Great and Noble Persons

Autobiographies, biographies and experiences of great and noble persons also impart ennobling and inspiring values to the learners. Spirit of self-respect of Shri Jagdish



Chandra Bose, who refused to accept less salary than the British employees for the same kind of work, can inspire our young generation. The indomitable spirit and patriotic fervour of hockey wizard Major Dhyan Chand who refused to be a coach of a foreign team despite financial hardships may instill the values of love for our nation. His words, 'If I become a coach of a foreign team and that team defeats India then how will I show my face to others,' had inspired all Indians. These examples of courage and fearlessness remind us of the famous lines by Rabindranath Tagore, 'Where the mind is without fear; and the head is held high'. A lesson on Mahatma Gandhi presents his vow to always speak the truth and to serve his parents. Dr. Abdul Kalam's advice to the young generation to "Dream always" may inspire children to be dreamers as well as doers to realize their dreams. Our youngsters can learn from the life experiences of these great and noble people who achieved heights of greatness through sheer hard work, devotion, perseverance and determination. Lives of all great men remind us that we can also make our lives sublime. Abraham Lincoln's letter to the teacher of his son may make a person learn the values of self-respect. He writes— "Teach him to sell his brawn and mind to the highest bidders but never to put a price on his heart and soul."

#### L. F: Science and Values

The famous equation  $E=mc^2$  represents a tremendous amount of energy which can be released by splitting of an atom. The equation forms the basis for the release of a large amount of energy in a nuclear reactor and used for the welfare of mankind. The same formula forms the basis for the release of a tremendous amount of destructive energy released at the time of the explosion of a nuclear bomb. Mankind has yet to live down the tragedy and shame of dropping of atomic bombs on Hiroshima and Nagasaki on August 6, 1945.

You are taking part in an inter-school debate on the topic. "Should India continue expanding its nuclear energy projects?"

- Give two reasons in support of your response.
- Which human values can keep a check on misuse of nuclear energy?
- How can these values be promoted in students?

M.

#### IV. Using Value Education Cards

### Reflection of Previous Module

- How to create lesson plans integrating value education
- Effective teaching method for value education
- Various tools to inculcate values- stories, poems, motivational talks etc.
- Values imbibed through life stories of noble person

Task: Create integrated lesson plan using various methods and incorporate values

### Educational Value Cards- a useful tool for teachers

Teachers can utilize value education cards in various ways:

- They can make the best use if these cards in substitution periods, cards can be utilized for useful for activities such as brain brakes, brain storming, storytelling, sharing motivational incidents, interactive discussions, sharing experiences, creative writing etc.
- Through these cards, teachers can Integrate subjects with values, they can pick-up or add value to their lessons while planning and value card act as TLM (Teacher Learning Material) to enhance the quality of teaching,
- Students could be encouraged to develop and inculcate life skills through value cards by quoting day to day life examples such as honesty, integrity, empathy and so on...
- Value cards are store house for holistic growth for all age groups, these cards also help to imbibe discipline, decorum, Emotional Quantum & Spiritual Quantum (EQ + SQ).

#### VI. Teaching Competencies

Teacher must have following competencies as he/she will tackle the most sensitive and delicate subject 'Value Education'



A motivational video on the theme 'why should teaching be considered as calling instead of profession' (for viewing) will be attached

#### Ability to discern and create learning environment:

The teachers should note that the teaching of right attitudes and values is as important as the teaching of concepts. We cannot differentiate values from knowledge nor can we teach values without a relevant context.

#### Ability to use instructional strategies:

The teaching of values is a two-pronged affair. The teacher teaches values inherent in the concepts being taught and teaches general values of social behaviour and humanity in the way the class is conducted. It is important that teachers are given training in techniques like pair work, group work, group learning etc. The output from group work, projects and school activities should be given appropriate credit.

#### Sensitivity to the conflict of values that may occur:

The teacher should understand that in a pluralistic society where changes are taking place rapidly, there is bound to be conflict of values. The ability to deal with such issues sensitively and in a non-judgmental and open-minded manner should be developed through workshops, brainstorming sessions and role-plays.

**Exhibit Intellectual Integrity:**

One of the most important values students should absorb, to be effective participants in a civilized and modern society is intellectual integrity. The internationalization of values is not just about teaching meanings, content, terms and definitions but the entire gamut of relationships, processes and strategies which are designed to enhance learning. The teacher should not only verbally define and communicate the values in the classroom but also model them in his/her conduct.

**Exhibit empathy and consideration:** Tolerance for other's viewpoints, an ability to look at issues without prejudice and with clarity are attitudes all our students should develop. Teachers can develop these values through wide-ranging projects, debates and exposure to different points of view.

**Ability to draw out shy or quiet students:**

Teachers should attempt to involve all students in class discussions or activities. Through group work all students can be encouraged to participate. The more confident and articulate ones should be taught to listen to and consider the opinions of the quieter or shy ones.

**Ability to monitor and evaluate:** As in any other learning programmes, it is important to assess and monitor the progress of the students. However, as far as values education is concerned the evaluation cannot be through examination at the end of the year. At the most, subject exam could include a few questions that test the values e.g. in Science, questions on the scientific process, need for conservation, attitudes towards pollution etc. From the above it can be seen that the teacher can inculcate values in two ways a) by being a good role model and b) by being a skilled teacher who can create relevant learning situations in class and use the appropriate strategies or techniques.

The teachers must however bear in mind the stage appropriateness, the time available and the objectives and learning outcomes of the lesson while transacting values and must follow 5 step approach- Knowing, Making Judgements, Believing, Action, Internalization.

How to introduce value? What is the right time? This is something we need to decide for example subject all lesson for example I am teaching about mountain terrain landfill or land area and if I include the value of patience in this lesson and tell the students see the land if sow some seeds in it then we have to be patient, nurture the nurture and look after the seed give water and eventually it will

grow into a beautiful fruit tree or flower and a student must also be patient in life to get the best outcome and work towards achieving it in the similar way as the seed had to be nurtured. Likewise, we must understand how to use these teaching competencies to help our students and encourage them to become good citizen by inculcating the values of Respect, Honesty, Service, Integrity etc.

**VII. Mass Media and Value Education**

Since its inception, the media, print or electronic media, have been contributing a lot in shaping values, among its audience or listeners by publishing quality content, telecasting debates and discussions, coverage of events and incidents and by sharing success stories.

In the present era of digital technology, people have become friendly, dependent and followers of media. People trust media for the latest news, for obtaining any information, to catch up with the latest, for entertainment, education and for taking decisions.

Media has been acknowledged as a powerful tool for constructing, reinforcing, shaping or distorting people's values.

**For example,**

1. A person's political view or perception might change after listening to a debate or speech on TV, radio or after reading an article in the newspaper.
2. An individual's way of handling situations, attitude towards friends or dealing with peers might change after watching mythological or spiritual programs on TV or after playing an online game.
3. Household preferences of buying consumables for the house may vary after watching TV commercials or advertisements in the newspapers.

The above examples reflect the impact of media on the masses.

Mass media has both positive and negative effects on people. The values, will, either be strengthened or destroyed.

**A. Teachers and Mass Media**

The teachers can show some movies or videos for inculcating and strengthening values among students.

Teachers can also use E-Media for sharing stories of successful people, historical facts etc. with the students and this can be integrated with the lesson plans, also. After

**Following is a list of suggested movies and videos:**

Serial No	Name of Movies	Values
1	Boot Polish	Dignity of labour, Sibling love
2	Bumm Bumm Bole	Compassion, Determination to fight against all odds
3	Bagbaan	Love and respect your parents
4	Blue Umbrella	Honesty, expanding boundaries, empathy
5.	Bose – The Forgotten Hero	Patriotism.
6	Cast Away	Attempt to survive against all odds/grit/determination.
7	Do Aankhen Barah Haath	Based on the morals of Gandhian philosophy
8	I am Kalam	Positive attitude to life, having a good role model
9	Haathi Mere Saathi	The theme of love and compassion for all animals
10	Taare Zameen Par	Every child is special, New standards in teaching children
11	Gandhi	The Gandhian Philosophy
12	Jhansi Ki Rani	Bravery, Patriotism, Values

watching, the teachers can engage students in group discussions and motivate them to present their point of view.

### **Whole School Approach for Values Education**

The aim of this activity is to make the teacher -

1. Understand the whole school approach towards Values Education
2. List out the various methodologies/activities and integrate them in the School

In designing a Values Education Programme, a school needs a clear vision and approach to ensure the integrity and consistency of the effort. It helps to organize thinking and effort to achieve a goal.

Once an Action Plan has been developed, especially in the curriculum, it can be developed spirally, in-depth and width, from grade to grade. This requires adoption and structuring of the curriculum in such a manner that optimizes the transmission and assimilation of values within and outside the classroom.

Every lesson, routine activity and environment becomes value-centric and the entire gamut of relationships and processes in the school is thereby strengthened and

empowered. Values can never be taught in isolation. They cannot be transacted independently from the learning and the activities that take place in the classroom and within the school.

### **B. Whole School Approach for Values Education**

In the whole-school approach, Values Education is woven into the entire academic calendar, which comprises of:

- Interactive practices
- Interpersonal relationships
- School activities
- Rules and regulations by which school is run
- How events are celebrated
- The procedure for sharing good practices and assessment
- Staff development
- Systemic planning
- Integration of individual concerned with society
- The harmony within self and others around
- Spaces for experiential learning where students explore, think, reflect and internalize positive values.
- Feedback and regular reinforcement.

The focus should be on the process of Internalizing Values. This can be done as follows:

- Positioning values a socio-cultural context.

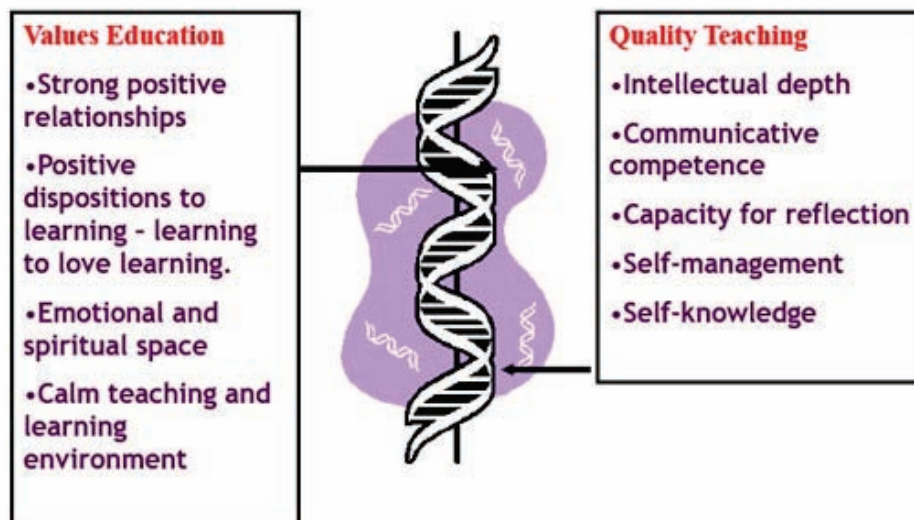
- Socialization (family, school, and friends) and cognitive stage (level of maturity).
- Reinforcement through experiences and observation.

### C. THE DOUBLE HELIX EFFECT

It explores the relationship between value education and quality teaching. Values will become more effective when they are made central or form the core of the school vision, curriculum and of all its activities.

When values become central to school planning and endeavours are made to achieve them, the phenomena improves the quality of teaching and learning in the school. Factors like intellectual depth, communicative capacity, capacity to reflect, self-management and self-knowledge will be prevalent in the school environment.

When teachers and students become respectful, honest, tolerant to each other, the school and classroom environment turns more effective. The students imbibing



values better, will perform better than those who were not able to.

Value education should not be viewed as a separate subject, rather, being, central to the school curriculum, it should be treated as a guiding factor, for selection of the text material and for the methodologies, to be adopted. Values education should always be an integral part of the lesson planning. For example:

While teaching the topic 'Struggle for freedom of India' various values can be brought out like justice, oppression, arbitrary rules, plunder, loyalty, patriotism etc.

Thus, the teaching of values is not external, but an integral part of the teaching process.

### About the author:

\*Dr. Anupam Kumar Jagga is a renowned academician. He has authored several text and reference books of Physics. He has won National Level Awards for the best practices he incorporated in various schools of whom he has been the Principal. He was former Principal of Delhi Public School, Moradabad and currently he is the Principal of Delhi Public School, Ranipur, Haridwar. He can be reached at [anupamjagga@yahoo.co.in](mailto:anupamjagga@yahoo.co.in)



# Changing Buying Behaviour of Consumers During Covid-19 Era

P. K. Yadav\*  
Rahul Singh\*\*

## Abstract

The consumer behaviour has changed drastically in many ways during COVID-19 time. In the initial days of India's first lockdown consumer's felt distressed because of consistent information from media about effect of Covid-19. During Covid-19-time consumers have changes their shopping behaviors drastically. Now they are more focused towards their need and wants rather than fashion and entertainment. Consumers are giving priorities to the products like groceries and medicine over entertainment and electronic products. Their main focus has become the food, shelter and clothes which are the primary needs of human being. During COVID time consumers also learnt to save money for their future. Consumers became a little insecure about their income due to massive layoffs. Most of the consumers have accepted that COVID era has changed them in many ways for ever.

**Keywords:** Changing consumer behaviour, Buying behaviour, Shopping priorities during COVID-19, Consumers' priorities,

## Introduction

Consumers have started giving priorities to their basic needs during Covid-19 time. The lockdown effect and strict government rules and regulations have changed consumers in many ways. The world is not the same in COVID time and hence the consumers too. Consumers have changed their shopping behaviour drastically during Covid-19 time. They have started giving priorities to their basic needs instead of limitless wants. Now consumers are more focused to their foods and medicine rather than entertainment and other luxuries. Consumers have become money saving and more conscious about their future during Covid-19 era.

## Objectives

1. To understand the changing consumer behaviour during COVID-19.
2. To understand the shopping priorities of consumers.

## Literature Review

There is not much literature available regarding the particular topic but this paper is little associated with some articles from McKinsey and KPMG websites. And this paper is widely based on primary data which is collected through Google Form.

## Hypotheses

1. Consumers are more inclined towards their basic need's purchases like groceries and medicine.
2. Consumers are becoming savvy and more conscious about their purchasing pattern during COVID-19

## Reserach Methodology

The research is based on primary and secondary data. Primary data has been collected through online questionnaire and secondary data has been taken from recent published articles and papers.

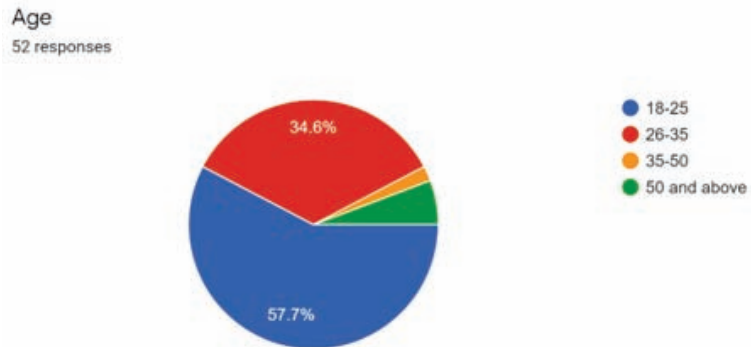
## Design

Based on the objectives of the study, a survey was conducted. An online questionnaire was formed on Google Form and sent to the people of various age group, occupation etc. 50 respondents have participated successfully and based on those responses the design of the study has been made.

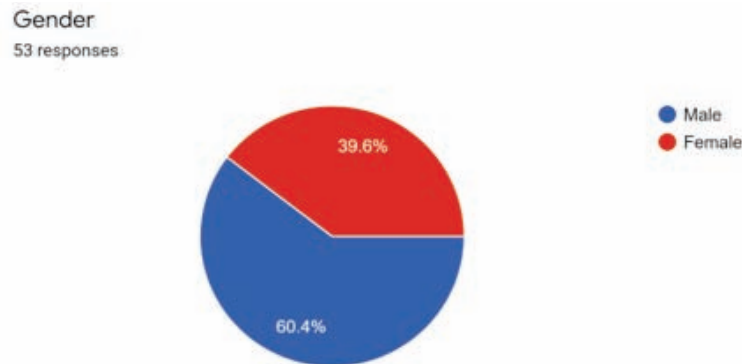
## Analysis and Interpretation

The analysis and interpretation have been done fully on the surveyed questions. The findings of the study will be useful in various aspects like changing buying behaviour of consumers, their priorities and preferences and purchase behaviour during Covid-19.

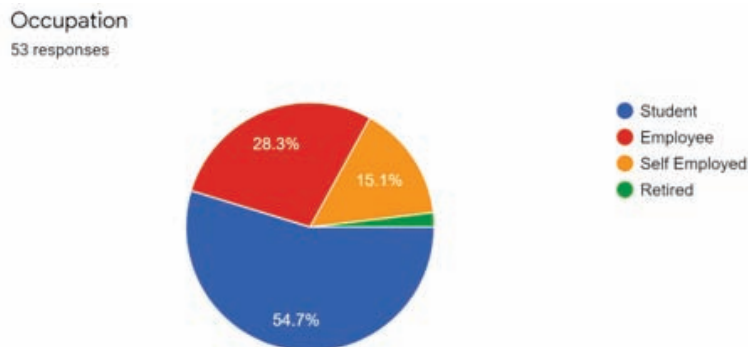
Below is the chart completely based on the responses collected through Google form.



The data showing age of the people participated in the online survey. 57.7 % of the participants were in the age group of 18-25 years while 34.6 % people belonged to the age group of 26-35 years.



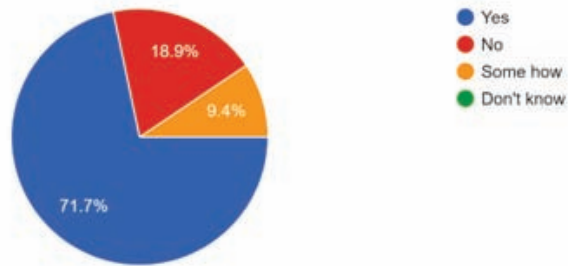
The data is showing the gender ratio of the respondents. In this data 60.4 % respondents were male while 39.6 % respondents were female.



The data showing percentage of respondents from different occupations. According to this, 54.7% respondents were students, 28.3 % respondents were employees while 15.1 % respondents belonged to self-employed category.

Did COVID-19 affect your shopping behaviour?

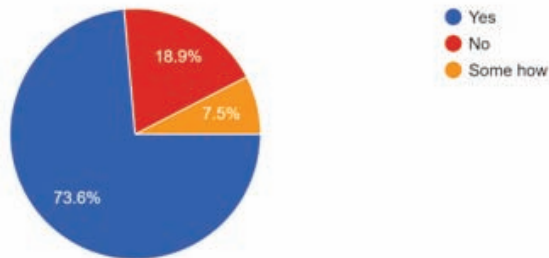
53 responses



In this particular question, 71.7 % respondents said Yes, the favor of the option Somehow. 18.9 % marked No while 9.4 % of the respondents were in

Did COVID-19 change your shopping priorities?

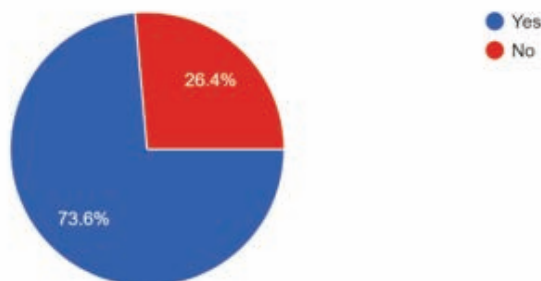
53 responses



In this particular question, 73.6 % respondents agreed that covid-19 has changed their shopping priorities while 18.9 % did not agree and said No. The rest 7.5 % were in the favor of the option Somehow.

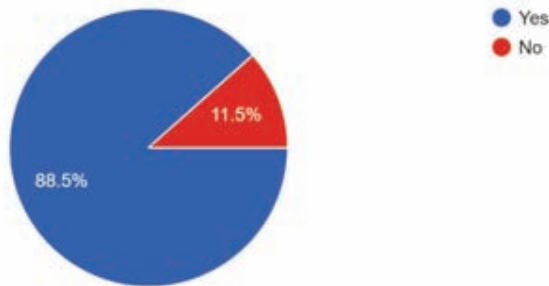
Did COVID-19 change your needs and wants?

53 responses



73.6 % of the respondents marked their option Yes while 26.4 % said No for this question.

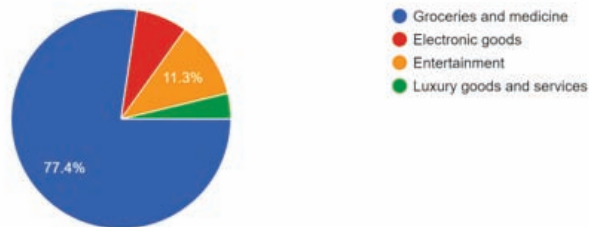
Do you think that you are giving priorities to your basic needs while  
52 responses



88.5 % of the respondents agreed that they are giving priorities to their basic needs while purchasing however

11.5 % of the respondents said No.

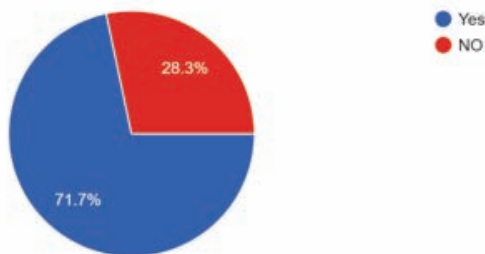
Which of the following area is your priority these days?  
53 responses



There are 4 priority area in this question, and maximum number of respondents i.e. 77.4 percent marked

Groceries and medicine their priority item while 11.3 percent of the respondents marked Entertainment.

Do you feel you have become a little uncertain about your job and income?  
53 responses

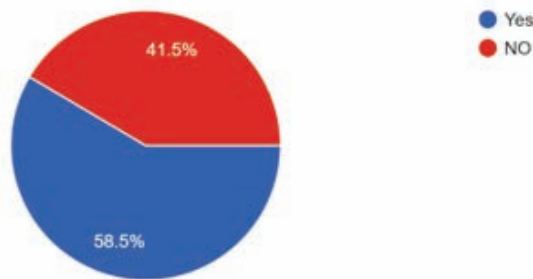


71.7 percent of the respondents agreed that they have become a little uncertain about their job and income while

28.3 % did not agreed for the same.



Will you change your current buying style after COVID ends?  
53 responses



58.5 % of the respondents agreed that they will change their current buying style once Covid-19 ends while 41.5

% of the respondents said No for this.

## Conclusion of the Study

The study is a descriptive study, primarily based on Primary Data. Online Questionnaire from Google Form was used to collect the data. In the midst of COVID-19, this study is very fruitful since the consumer behaviour has been changing drastically these days. The survey for this study is showing the consumers shifting needs and preferences from luxury to basic. Most of the respondents in this study agreed that Covid-19 time has affected their buying behaviour and they are giving more and more priorities to the groceries and medicine. They are thinking about their basic needs and they are also conscious in their spending behaviour. Most of the respondents have agreed that due to Covid-19, they are insecure about their jobs and sources of income. Basically, Covid-19 has changed these consumers into savvy consumers who is

not very comfortable while purchasing high price products and especially luxurious products.

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