

*Full Length Research Paper*

# Market research – base of business decision making (company examples from Serbia)

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**Market research in developed countries is condition sine qua none business of successful companies. On the other hand, market orientation as the key mechanism of allocation of limited economic resources in the countries of transition is still in the implementation phase. This paper deals with the issues of market research in the function of business decisions, on the example of companies in the South Backa region (Republic of Serbia). The many-year transition process (it has been going on for 20 years now), the insufficiently developed market mechanisms, the problems imminent to the nature of transition – monopolies, slow decentralization and non-efficient institutional system resulted in the fact that companies are relatively slow in the implementation of modern business methods. The first part of the paper aims to define market research on theoretical-methodological level. The second part of the paper deals with the influence of research on company businesses, as well as the implementation of the research on company decision-making. The third part of the paper presents certain aspects of market research of companies in the South Backa region. The aim of the research implies the representation of market research analysis as a modern business method. The informative significance that company management attaches to market research results in the context of business decision-making has also been analyzed. The fourth part of the paper is reserved for the research results.**

**Key words:** Market research, companies, business decisions, business.

## INTRODUCTION

Globalization, as well as innovations more and more present in the field of technology significantly changed the rules of the game on the world market and introduced novelties in the business orientation of companies. The fight for winning market is becoming more aggressive and more dynamic and only companies that included high level of flexibility and innovation in their business environment would survive. New marketing orientation of a company means moving the focus from the production to the consumer, but also to all other participants on the market, especially to competitors. To be competitive on the global market means to meet the consumer requirements in full, as far as the quality of the products and services are concerned and faster than the other rivals on

the market. In new significantly different business conditions, there is no single true and universal behavior for all participants on the market, but on the basis of thorough analysis of critical business factors, the management should define the strategy that would earn profit based on marketing decisions in the market economy of companies. The access to global market requires appropriate strategic determination, new combination of business functions adapted to business affairs, winning markets beyond national borders.

The key importance is the capacity of managers to recognize chances in the environment, to select target markets, to get introduced to and adapt to cultural and other differences of the selected markets. If we know that only the fastest companies win the world market, that is, those ones that respond faster than others to newly occurred situation, it is hard to expect from our managers (managers of Serbia) to fit in the new rules of the game without the application of marketing functions of market

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research. On the world market, the competition is going on more and more with non-price elements like quality, safety and reliability of the products, shelf life, speed of delivery and packaging. The offers in Serbia mostly lack all these elements.

## METHODOLOGY OF THE RESEARCH

The problem that we want to point out in this research is how important is market research on the one hand, but also how it is actually present in the company in Serbia, and what is its practical application in making business decisions. Market business requires the application of modern market tools, and if the market wants Serbia to be further developed, it must use the research as their indispensable tool. The main objective of this research is:

1. Consideration of the application and conditions of application of market research in companies in the region;
2. Reviewing both the problems and possibilities for further promotion of the implementation of market researches, in accordance with relevant international experience.

In the focus of research are companies in Serbia (South Backa region), which conducted research should show us what percentage of companies is actually using research as a method. The study sample was purposefully a selected sample. The advantage of deliberately selected sample is the ability to collect data on those elements of the basic set, which is easier to get, or it is likely that they will be willing to provide information about themselves, as was the case here. The sample size was determined in accordance with the number of active companies located in the South Backa region and accordingly included 1,000 companies of the South Backa region.

We used in our research the statistical method-market research. The poll data was collected through questionnaire techniques. It was a closed-type questionnaire, meaning that, the questions and the provided answers were previously defined, and each participant had the opportunity to complete one offered answer. The research was done in June, 2010 and all the polled companies submitted the requested information.

## Determinants of market research

The concept of market research is a colloquial expression used both by professionals and laymen. For most professional market researchers, this is the use of a certain number of qualitative and quantitative research techniques in order to obtain data, based on which the existing or potential markets are described and analyzed. The concept "research" is explained as systematic, detailed and relative long-term endeavor in order to detect and establish facts related to a certain issue or issues, as well as to related laws and principles. The concept "research" is also described as an active, permanent and integrated study process, aiming to detect, interpret and clarify facts. This intellectual study is implemented with the aim of creating higher knowledge on events, behavior and applicable theories and law. The term research is also used for the description of a whole set of information on a certain issue and it is usually related to science and scientific research method. The definition of market research by the "American Market Association" is the following:

*Marketing research is the function which links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and*

*problems, generate, refine, and evaluate marketing actions; monitor marketing performance and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results and communicates the findings and their implications.*

Market research according to Philip Kotler (Kotler and Keller, 2009) is systematic planning, collection, analysis and communication on data and findings, relevant for a specific situation that companies face in marketing. The concept "market" is explained as a place where offer and demand, as well as purchasers and sellers meet. Market is the place where the act of exchange takes place (apart from the act of production, distribution and consumption that make the process of social reproduction). The market offers the possibility of contacts between the seller and the purchaser aiming at the implementation of exchange, and marketing makes this contact efficient. The market is characterized by (Pride and Farell, 1985):

1. Purchasers with their needs, paying capacity, readiness for purchasing and authority for purchasing specific products.
2. Sellers with their products and services, ready and capable for offer.
3. Value received in exchange.
4. Space where the contact between the purchaser and the seller take place, and
5. Time when the contact between the purchaser and the seller take place.

Theory and practice emphasize that, for the concept of market research the term marketing research is more appropriate, research of marketing or research for the needs of marketing. Some theorists emphasize that marketing research is a more extended concept than market research and the difference between marketing research and market research is that, the first concept also includes the other one, but it cannot be applied vice versa (Ajduković and Marić, 2008). Marketing research includes marketing research of the environment of all subjects on both macro and micro levels. For the time being, it has also been accepted that MIS – Marketing Information Systems is the most extended term related to research and follow-up of events concerning the market, and that marketing research is considered a significantly specified term related to problem oriented researches with the focus on primary data collection. It is also emphasized that market research, market analysis, market reconnaissance, market observation and others are not synonyms. Market research is one of the first terms used when talking about market researches, while the other terms, market analysis and market observation are only single segments of market research.

## Companies as market researchers

Modern marketing significantly contributed to the refocusing of companies from products to the market and consumers. The very process of data collection on the market in the function of business decision-making is called marketing research. Thus, market research implies the use of quantitative and qualitative techniques directed to information collection, relevant for determining the basic market characteristics. Companies join the process of market research due to the following reasons:

1. To identify changes on the existing market.
2. To get better insight in market characteristics, so that they would appear in negotiations with suppliers more efficiently.
3. To create a database.
4. To resolve ad hoc issues.

#### 6. To monitor the success of current operations.

Market researchers are developed to such extent that, both the manufacturers and the deliverers of services - who are serious in their wish to satisfy the needs of their clients have access to the same data<sup>1</sup>. Many companies have an established system that insures correct research, but the final result predominantly depends on the subjective characteristics of the researcher. Directors have the most experience and they are the primary link between the researcher company and the client. In small companies they monitor the projects and are included in their final phase, especially in the final interpretation of research findings. Traditional marketing information system (MIS) is a mechanism for collection, verification, storage and continual innovation of information on the market, so that qualitative "information inputs" would be available to the creators of business decisions. MIS may be conceptualized in a way to enable the use of internal and external information sources, permanent information analysis and adaptation of information to specific needs of the company. For these large investments, time as well as funds are needed. Cost-benefit analysis in small companies would hardly justify such investments. Such firms (small businesses) would typically seek answers to the following types of questions as well (Wreen et al., 2007).

#### Customer research

1. Which customer groups represent the best target markets for my product or services?
2. How large is the existing and potential market? What is its rate of growth?
3. What unfulfilled needs exist for my product? How are customers currently fulfilling those needs?
4. Under what circumstances would customers use the product? What benefits are customers seeking to gain in these circumstances?
5. Where would customers expect to buy the product? What decision process do they go through when buying the product?
6. Who makes the purchase decision for this type of product? How are they influenced by others in household (or company) when making this decision?
7. What is the value customers place on having their needs fulfilled by this type of product?

#### Competitor analysis

1. Who are my competitors (that is alternatives to addressing the needs of potential customers)?
2. How brand loyal are customers to my competitors?
3. How do potential buyers perceive competitors' offerings?
4. What are my competitors' competitive advantages and how are they exploiting them through their marketing programs?

#### Operational environment

1. By what means (channels, methods) is this type of product or service made available to customers? Is there an opportunity to innovate here?

2. How are customers made aware of this type of product? What opportunities exist to increase efficiency and effectiveness in promotion?
3. What technological developments are likely to occur in this market and how will they affect our competitive position?
4. What cultural/social environmental trends could impact our business? How?
5. What will be the impact of the regulatory environment on our business now and in the foreseeable future?
6. What economic and demographic trends are occurring which could affect the nature of the market opportunity? How?

The aim of market research is collection of data and information necessary for planning, organization and control of the business process. Market research enables us to make key decisions based on authentic information obtained by research, as well as resolution of problems and obstacles on the way to business success. The necessity of market research is reflected in risk, which can never be fully eliminated. Therefore, by collection of information one can decrease the risk in business decision-making. Many companies decide on market research only when they have no sufficient information necessary for making the key decision (Novaković, 2008). The basic aim of market research is to decrease the risk of decision making by providing the management with relevant, accurate and well-timed information. Qualitative market research must meet several essential requirements:

1. Efficiency - to provide a satisfactory number of relevant information for the specific marketing issue.
2. Phase procedure in data collection, processing and analysis.
3. Availability of various resources.
4. Applicability on any aspect of marketing that requires information and research.
5. Accessibility of the research results and their implications to decision makers (Evens and Berman, 1997).

The most important part of market research is research on the level of companies that must adapt to market demands, that is, to consumer needs in immediate living conditions. Market research is the basic form of activity assisting the company to get information on consumers and non-consumers, competition and distribution channels serving as grounds. The major aim of the research is to decrease insecurity and uncertainty in business decision making. Vasiljev points at two factors influencing the necessity and permanency of market research on company level. He emphasizes the progress of technology as the first factor in the last couple of decades, which was so strong that, it dramatically changed the production basis in many companies that require constant monitoring of the market and fast adaptation to it (Vasiljev, 2006). According to him, the second factor is changes in consumer requirements, not only on the market of final consumption, but also in the domain of production consumption, especially in the domain of reproduction material, that is purchase market. These changes were huge, especially concerning the demand of new materials.

By marketing research, companies collect information from the market and based on this information the marketing functions are made and implemented: planning and development of product, distribution and promotion. The results of these activities are decisions in certain marketing instruments and their combinations by which companies make an impact on consumers, in fact on the demand for their products. By marketing research, feedbacks are obtained (from the consumers to companies) about the effects of instruments of marketing mix. This circular flow of information makes marketing communication. Marketing research influences adequate business and marketing decision-making. Marketing research provides data that make the fundamentals of the market strategy of companies, determining the mode and direction of company development, as well as necessary instruments directed

<sup>1</sup> Providing information about the activities and output of certain suppliers has been the aim of business information research and collection for years. Later, the need for data collection about competitors has become necessary, as this field is ruled by special standards of moral behavior and techniques are used, adapted to special situations where the research is going on.

to the defense of strategic directions. Market research is the first phase in the process of marketing management. The choice and planning of the marketing strategy is the prerequisite for successful integration of the company in domestic and international business activities. By adequate strategy rational, relation may be established between the objectives and capacities of a company and the environment where this activity is going on, decreasing thus the risk of wrong decision-making. Companies use marketing strategy in order to make use of the possibilities on the market, that are not visible to other companies, in order to establish rational relation between objectives and possibilities provided by the environment where the activity is going on. Qualitative market research enables the company to select the marketing strategy most appropriate to its production program, capacity and export markets.

Good knowledge of the market is a pre-condition for efficient decision-making. The principal value the research in business decision-making is that, it decreases the insecurity of business by collecting information that make business decision-making easier in marketing strategy and tactics in achieving the set goals. In case all other elements are equal, good knowledge of the market contributes to better decision-making, and insufficient or inadequate knowledge leads to bad decisions. Market research is a process by which companies become familiar with their own market, in order to make a solid ground for business decision-making. Good knowledge of the market is the result of interpretation of information resulting from market research. Many companies rely exclusively on their bases made according to internal experience and professionalism. The application of research is often mentioned in problem-solving situation. A problem may be any situation in business decision-making for which numerous solutions are possible, but we do not know which the best one is. The existence of a problem indicates that, a certain field of decision-making can be judged better, if some questions are answered by research. Growth and development of a company is an example of such a "problem".

## MARKET RESEARCH – EMPIRICAL ANALYSIS AND RESULTS

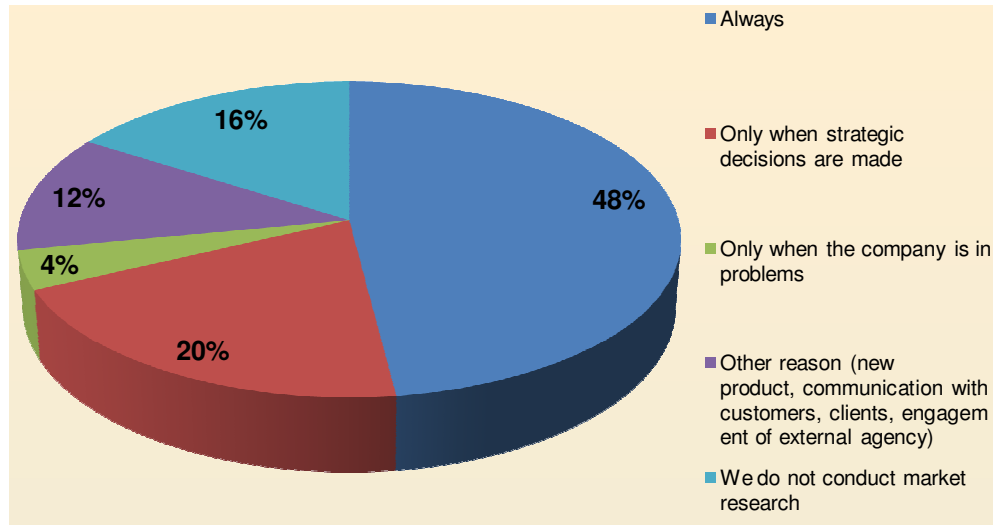
Transition in Serbia, assuming market orientation in business affairs, forced the businessmen of the South Backa region, to apply all relevant techniques in their operations that should decrease the risk of market-oriented business activities and to enable stable economic growth of companies. Market research is the first and unavoidable method and a prerequisite for all forms of market appearance. Although the market of Serbia is still full of monopolies, as well as strong political influence on the economy, the market laws are inexorably clearing a path and are recognizable in business activities of companies. The risks of market-oriented business, as well as the negative effects of the world economic crises direct the companies more and more to proven and usual techniques applied by companies in developed countries. In order to establish how much the businessmen of the South Backa region apply market research, as well as the obtained results in the procedure of business decision-making, a poll was conducted among businessmen who carry out their business activities on the cited territory (Appendices A and B) (Figure 1).

The received answers to the question "How often does your company conduct market research?" show that less

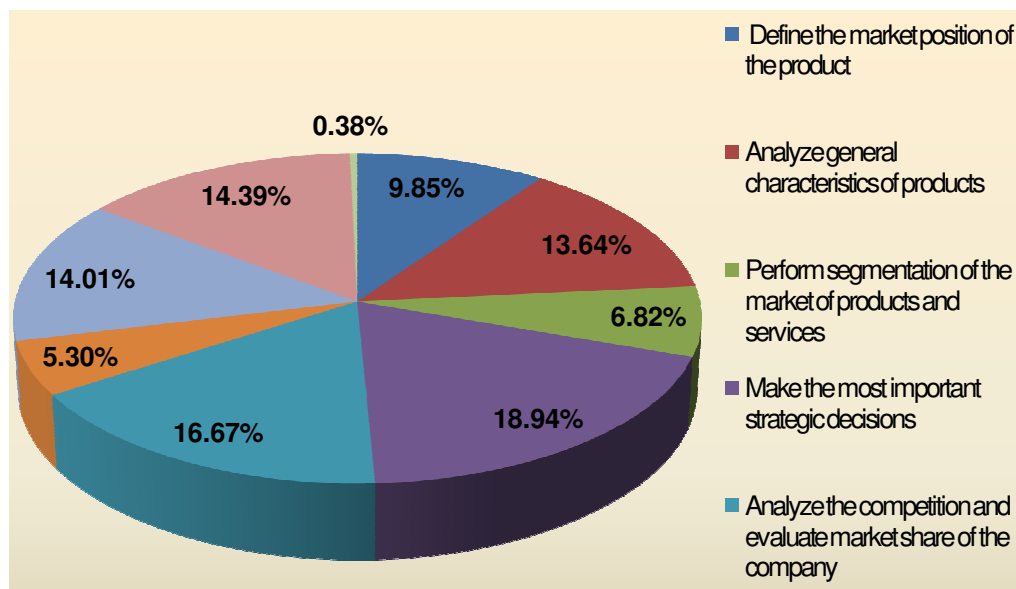
than half of those polled, to be precise 48% companies permanently do market research, which means that the management realized that there is no successful business without good knowledge of the market.

However, on the other hand, this percentage supports the thesis that there are still non-economic factors on the market that significantly influence the business activities of companies. 20% of companies carry on market research only when strategic decisions are made, which nevertheless shows that the company managements are aware that strategic development cannot be based on experience and intuition, as it used to be in the past. 4% of companies implements market research only when in problem, which is very often late for essential help. 12% are those companies that emphasize something else as a reason (only in case of a new product, occasional engagement of an external agency, they monitor the market through communication with customers, they analyze the market only by collecting information from clients in regular business activities with them, if necessary). Those who said that they do not conduct any research make 16% of the total number of companies polled. These are mostly small family businesses with up to 10 employees that place their products on the market and make their strategic decisions based on previous experience and managerial intuition.

It is emphasized both in theory and practice that, lower prices than the competitors' prices are better, but nowadays this is not a sufficient source of competition. Differentiation strategy is becoming more common and this relies on strong marketing activities and own researches. Nowadays, it is expected from the marketing and functional marketing research to plan and find new markets, thus providing vitality of companies and enabling to foresee the future position of the company on the markets. When we speak about reasons for market research, the companies of the South Backa region have given the following answers (Figure 2). The question was: "Why does your company conduct market research and what would you like to achieve by the research?" 18.94% of the companies stated that, the most important reason was to make important strategic decisions. This shows that managers are aware of the significance, quality and priority of information coming from the market. 16.67% answered that they would analyze competition and evaluate the competition climate. 14.39% of companies answered that they would evaluate the potential position of the company on the market. 14.01% of companies would analyze the price structure. 13.64% answered that they would analyze the general characteristics of the product. These relatively high percentages (though this region is the most developed one in Serbia, market philosophy has not been fully present yet) show that when talking about competition, market share, product or price competition, company managers still consider market to be the most reliable barometer. Other answers have less than 10%, so managers obviously do not think that market is reliable for them!



**Figure 1.** Companies according to frequency of market research implementation. Source: Author's calculations based on empirical research.

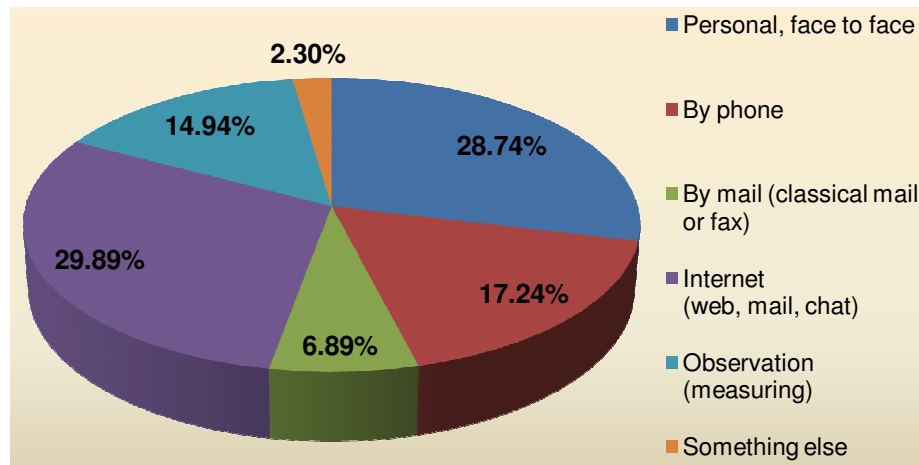


**Figure 2.** Reasons for market research of companies. Source: Author's calculations based on empirical research.

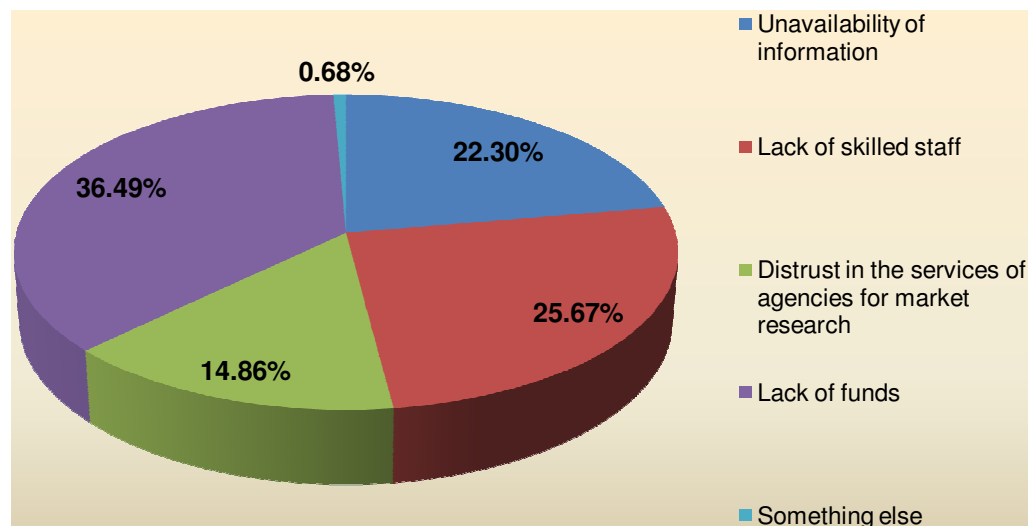
For many companies unofficial conversations with distributors, key purchasers and competitors represent the only aspect of research. If the mode of publishing of the research is not controlled, it may happen that the collected information is inaccurate and the results accepted only because they confirm the existing opinion and prejudice and the information collection procedure is cheaper. When we talk about the South Backa region, the following research methods have proven up-to-date (Figure 3). The question was: "What market research method do you use the most often?" 29.89% of companies answered that they most often use the

Internet as a research method. This data is very encouraging, as it shows that entrepreneurs are using IT more and more, which is an important prerequisite for entering the world market and for survival on the world market. 28.74% of companies mostly use face to face method, which shows that the factor of experience and personal acquaintance in market positioning still plays a very important role in this part of the world. Other methods, viewing for years back, show constant fall and are most often – if possible – replaced by the Internet.

To the question "What is lacking for more qualitative market research?" the companies of the Southern Backa



**Figure 3.** Market research methods used. Source: Author's calculations based on empirical research.

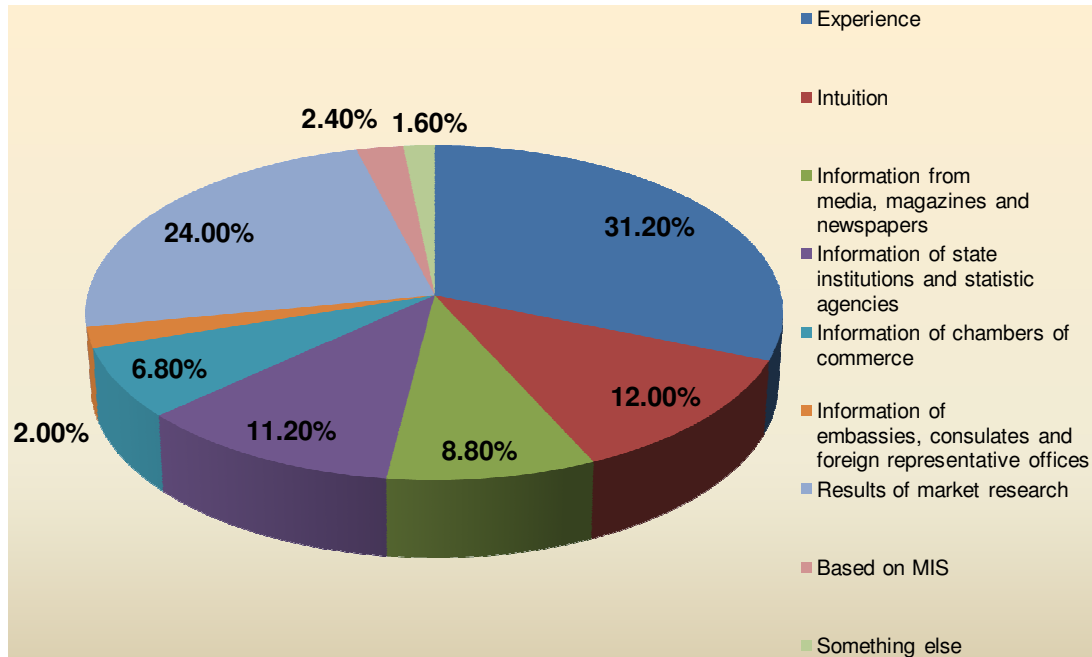


**Figure 4.** What is lacking for more qualitative market research? Source: Author's calculations based on empirical research.

region answered the following (Figure 4). When talking about defects hindering more qualitative market research, companies mostly pointed out the lack of funds (36.49%) and the second reason was the lack of skilled staff (25.67%). The lack of the two most important factors, financial and human resource, show that company managers know not only which two resources are exactly the key ones for qualitative market research, but also for more qualitative decision-making based on collected information. The next reason is unavailability of information (22.30%) which is a well-known problem in all former transitional countries where the factor of transparency is still not on high level. The great distrust in the services of market research agencies (14.86%) results from very frequent abuse of agencies by certain groups of interest who very often wish to justify their activities by

research. Without knowing the market, the company management cannot make decisions efficiently and the quality of knowledge will determine whether their organization will be successful or not. This is what company employees know as well. This may be contained in databases, reports, patents, plans, financial plans, notes etc. Markets themselves are unstable, thus companies can easily lose insight in market conditions. New strategies are developed, new products are placed on the market, orientation is directed towards new markets and new service packages are introduced, thus companies must carry on business activities on new markets as well. The solution of this situation is in the good knowledge of the market harmonized with the development of business affairs.

The fact that the information is collected does not mean



**Figure 5.** Information sources used for business decision-making. Source: Author's calculations based on empirical research.

that they are used. The issue of integration of the market knowledge in the process of decision-making of companies is not a characteristic only for marketing. Information is necessary for conducting almost all company functions. Company management with good market knowledge satisfies the company needs by information obtained from external and internal sources. The key difference is – in comparison with traditional information systems – that management with good market knowledge recognizes the importance of not only expressed but also tacit understanding possessed by the employees whether by knowledge or in their notes. Though subject to all sorts of errors, if conjoint, they might be a basis for good insight in the market. Managing systems based on market knowledge are usually related to mighty computer hardware and software meant for manipulation with large volume data. The primary task is to accept the necessity of market knowledge in the whole organization. How much market research is incorporated in business decisions made by companies of the South Backa region is shown by the received answers to the following question (Figure 5).

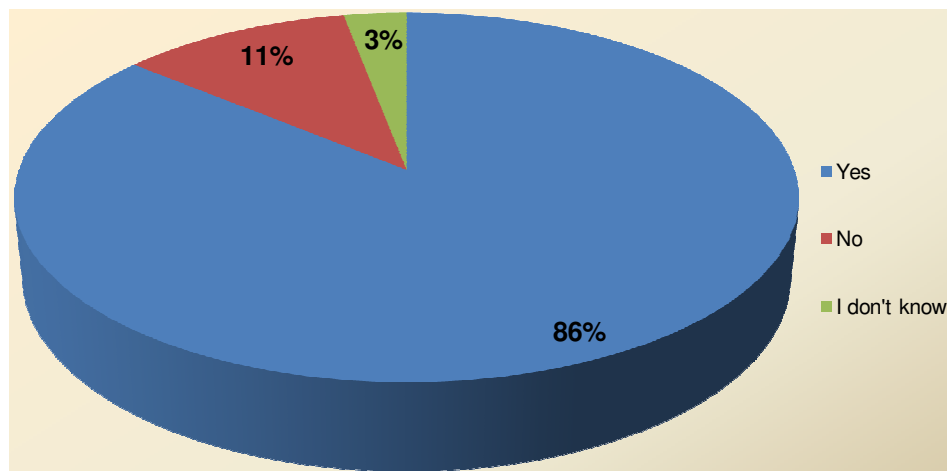
To the question on what basis they make business decisions, most companies answered that, their business decisions are based on experience (31.2%). These results show that, managers mostly believe in their experience and then (24.0%) make their business decisions by application of market research results. There is a high percentage (12.0%) of those who make their business decision based in intuition. This shows that, there is a great risk in their business affairs. We should emphasize

that information issued by state institutions and research agencies are insufficiently used (11.2%) and so are the information of chambers of commerce (6.8%). It is interesting that, companies hardly use MIS (2.4%) and it means that market monitoring is not used to decrease business risks and to help in projections of prospective business affairs. How significant the research for strategic decision-making is and how aware of it the managers of the South Backa region are, is seen in the answers of the poll (Figure 6).

To the question whether you think that strategic decisions based on market research is a prerequisite for the successful business of your company, 86% of companies gave positive answers, 11% of companies gave negative answers, while 3% of companies replied that they did not know. The very high percentage of positive answers shows that, businessmen are aware of the fact that market research should precede each strategic decision, so that the best possibilities would be perceived and risks would be avoided in business. On the other hand, the answers to question no. 4 showed that, lack of financial and human resources mostly prevent entrepreneurs from considering researches as a system and dealing with them systematically, although it would greatly enable them to increase the efficiency of their business on the market.

## DISCUSSION

This paper and the conducted research emphasizes the



**Figure 6.** Companies according to the way of thinking about the significance of research when making strategic decision. Source: Author's calculations based on empirical research.

significance of market knowledge for each business venture, and we especially underlined the significance of market research as the primary form of activity helping companies to decrease insecurity and uncertainty in business decision-making, as well as to gain the necessary market information on consumers and non-consumers, competition and distribution channels, that serve as a basis for recognizing the needs and possibilities of sale on the market, for identification of business issues, as well as analysis of business control. The market is an inexhaustible source of information, and only those who keep collecting, processing and analyzing information may make good business decisions. Market itself is unstable, so companies may easily lose insight in the market conditions.

In new and significantly different business conditions there is no single and universal behavior for all participants on the market, but according to thorough analysis of critical business factors the management is expected to define the strategy that in the given circumstances will provide profit, based on marketing decisions in the market economy of commercial companies. Access to global markets requires appropriate strategic focus, a new combination of business functions tailored to the business and winning markets beyond national borders. Of crucial importance is the ability of managers to identify opportunities in the region, select target markets, learn about and adapt to cultural and other differences of the selected markets. To be competitive in the global market means maximally to serve customers concerning the quality of products and services, and faster than other rivals on the market. On the basis of the conducted poll on the application of market research in companies doing business in South Backa region, in accordance with the aims of research, we can conclude the following:

1. Most managers believe that strategic decisions based

on research are a precondition for successful operations of the company. Practice has shown that the fundamental value of research in business decision making is in the fact that, it reduces the uncertainty of the business because it obtains information facilitating decision making in marketing strategy and tactics in achieving the set goals.

2. Managers often make business decisions based on experience, and then they use the results of market research. Research has shown that managers make business decisions primarily on the basis of experience, and then use the results of market research. Also in many cases, intuition is used as a method by which decisions are made. Information of state institutions, statistic agencies, embassies, consulates, foreign representative offices, chambers of commerce is little used and has a modest share. Compared with the previous conclusion, it should be noted that these institutions provide basic information about both the domestic and foreign markets. These data are available; they do not require large financial resources and may constitute a basis for further market research. It is obvious that in companies of the South Backa region, there is still no necessary level of confidence in this kind of information, and neither habits nor knowledge to use them. The results also show that, they very rarely use MIS companies (2.4%) for making business decisions.

3. Less than half of the companies continuously conduct market research. The market is an inexhaustible source of information and only those who constantly collect, process and analyze information can make proper business decisions. Instability that is imminent in particular to the global market is the consequence of ongoing development of new technologies, new strategies, new products that are sold into new markets. If companies do not monitor the market on an ongoing basis, they often lose a real insight into market events. Consequently, many companies are forced to operate in practically completely



unfamiliar markets. The solution to this problem is to develop business in line with market development.

4. Managers believe that lack of funds is the main obstacle to quality research. Regardless of the size, companies point out that the lack of financial resources and lack of trained staff is the greatest obstacle to quality market research. They also think that they are not sufficiently familiar with sources of information (22.30%), which indicates a still large unavailability of data.

## Conclusion

The results of research shows that, entrepreneurs in their operations rely on market research as an essential tool for market operations. The results of such research are the basis for decision making in companies. The purpose of this research is that, the Regional Chamber of Commerce Novi Sad knows that in its own business, and in the first place in creating strategic plans for development of the region, can rely on plans and strategies of companies. This is because they are in the most part, the result of market research, which is of great importance for further development and improvement of market operations both in South Backa region, and in the whole of Serbia.

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**Figure 1.** South Backa region. Source: (One World - Nations Online) with author's modifications (Appendix A).

## APPENDICES

### Appendix A: South Backa region characteristics

The poll was conducted electronically, using the logistic support of the Regional Chamber of Commerce Novi Sad, in its region, the South Backa region, which includes 12 municipalities. The district the South Backa region covers a territory of 4,016 km<sup>2</sup>, which has 603,000 residents, or 30.3% of the total population of Vojvodina, and 8.2% of the total population of the Republic of Serbia (Figure 1). According to official data in 2009 in this area, 9784 companies were operating with 189,000 active employees. The structure of active companies is made up of 9243 small, 433 medium-size and 108 large companies. In the period 2001 to 2008, the number of active companies was generally steadily increasing.

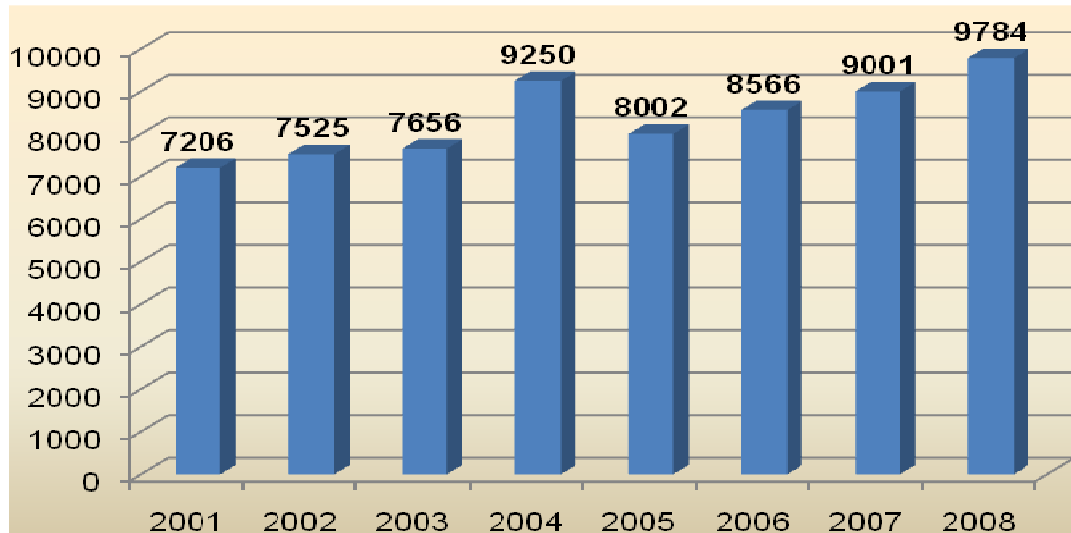
In accordance with the creation of favorable economic conditions and the adoption of new legal framework, with the arrival of foreign investors and development loan offer of banks, but in painful transition conditions for many employees, the increased activity through a number of major undertakings only indicates a good stimulus for creation of new companies with new ideas, products and services (Figure 2). In the area of the South Backa region in 2009, the average number of employees was 202,114, which is 10.7% of the total number of average employees

in the Republic of Serbia, that is, 40.6% of the total number of employees in the Autonomous Province of Vojvodina. In the period 2004 to 2008, the average number in the area of South Backa was constantly growing. In 2009, due to the global economic crisis, which number went back to a slightly higher level than in 2004, in fact employment decreased for 16.4% (Figure 3).

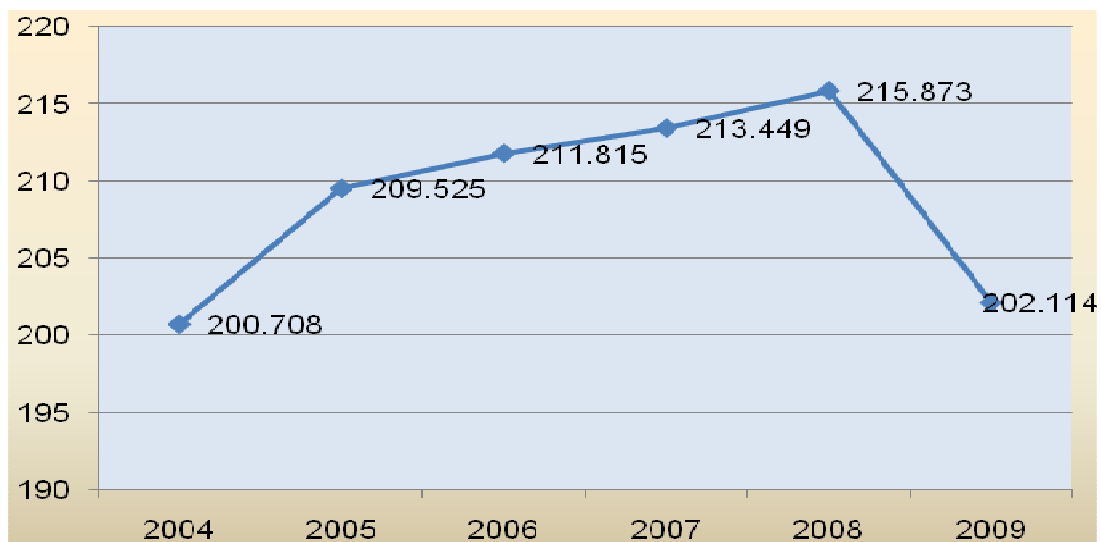
According to the latest statistics, about 189,000 people are employed in the South Backa region. Of this number, the industry employs 100,700 people; the non-industry 42,500 and 45,800 people are employed in independent businesses. Most of them are employed in manufacturing industry - 17.1% and in the commercial sector 11.8%. At the end of 2009 in the area of the South Backa region, the number of people trying to find a job was 65,385 (about 53.3% of women) (National Employment Agency, February 2010).

### Appendix B: Comparative advantages of the South Backa region

1. Geo-strategic location and infrastructure connections of the South Backa District with the countries in the region represent a real advantage for faster economic integration into the international mainstream. Favorable natural and geographic and transport positions are



**Figure 2.** Number of active companies in the region in the period 2001-2008. Source: Regional Chamber of Commerce. (2010). 'Annual Report of Regional Chamber of Commerce'. Regional Chamber of Commerce, Novi Sad, Republic of Serbia (Appendix A)



**Figure 3.** Number of employees in the South Backa region ( in thousands, 2004-2009). Source: Regional Chamber of Commerce. (2010). 'Annual Report of Regional Chamber of Commerce'. Regional Chamber of Commerce, Novi Sad, Republic of Serbia (Appendix A).

advantageous for the development and efficient functioning of river and land traffic and a prerequisite for attracting significant transit traffic.

a) Novi Sad is located on Corridor 7 or the Danube Corridor which represents one of the most important European roads. Together with the Rhine and Main, it is the most important waterway on the continent. Apart from the capital of Vojvodina, the ports on the Corridor are also Ulm, Regensburg, Passau, Linz, Vienna, Bratislava, Budapest, Apatin, Belgrade, Vidin, Ruse, Giurgiu, Braila,

Galati, Ismail.

b) Corridor 10 is one of the pan-European transport corridors, stretching from Austria to Greece, and runs mostly through the former Yugoslav republics (Slovenia, Croatia, Serbia, and Macedonia). It includes both rail (length 2528 km) and road corridor (length of 2300 km).

2. Closeness to the EU markets is particularly important if we take into account the fact that, the EU markets are the largest export markets of the Republic of Serbia.

3. Preferential trade arrangement with Russia, Belarus

and Turkey. The Russian Federation is one of the most important economic partners of Serbia and the region, thanks to continual high-level of the total bilateral trade. Republic of Serbia is the only country outside the community of independent states, which signed a free trade agreement with Russia.

4. Dynamic private sector growth. Intensive development of the private sector since 2000 is the result of the started structural reforms, accelerated privatization program and any stimulus measures and activities from local to state levels.

5. Cross-border cooperation with Croatia and Hungary, as well as improving the competitive ability of the region, represents a challenge to the global economy through the implementation of joint cross-border strategies.

6. Skilled labor, good technical staff and a high percentage of graduates is one of the key strengths of the region.

7. Euroregion DKMT (Danube Kris Mures Tisa), which includes the AP Vojvodina, an area of southern Hungary and western Romania is improving cooperation and future development of peripheral areas in a special way, contributing thus to better life quality of residents of these areas.

8. The South Backa district and the city of Novi Sad, are the driving force of economic development of Vojvodina. In this area, there are a large number of world famous companies such as Metro Cash & Carry, Erste Bank, Intesa San Raolo Group, Fondiaria SAI, Lafarge, Carlsberg, Heineken, Mercator, Credit Agricole and many more.