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RESEARCH FOCUS

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Editorial

Victoria Folea, Ovidiu Folcut

Welcome to the first issue of Research Focus! Our Journal aims to bring up the special interests of graduate and undergraduate students in the area of social sciences. Throughout its issues, the Research Focus will, well, *focus* on these special interests in areas of economics and business and management, however, articles pursuing different interests will be published as well.

We intend to bring you what topics and issues are interesting for young people, undergraduate and master. Our young colleagues are extraordinary, they have many things they would like to discuss, and they are passionate about certain areas that they would like to explore more. As we grow older and/or more experienced, we tend to stick to well-established avenues of research, the ones that have precise labels and can be easily recognized by peers. Our young colleagues, however, bring their fresh ideas and perspectives, helping us to find new and innovative ways of thinking and research.

These fresh ideas have their own voice. While working with articles for this first issue, we discovered that students like to express their ideas in a very personal manner. Their passion for the topic they write about becomes apparent in the style they use; they are involved and committed, they want to speak directly to the audience, they make things close and personal. Their enthusiasm and passion are wonderful!

The Journal

The Research Focus Journal is open to all students, undergraduate and graduate, and young researchers that want to have their perspective, point of view or results more visible. The Journal welcomes manuscripts from all scientific and academic disciplines. Special issues dedicated to certain topics may be launched. *Research Focus* considers multiple types of submissions in the journal: Research Articles (peer-reviewed scholarly papers), Literature Review Research Articles (focused on specific topics), and Opinions (may include interviews or invited papers). *Research Focus* publishes two issues per year. For open issues, submissions are accepted at any time. For the special issues, a call for submissions will be announced, with a deadline for publication within three months from the call was open.

All submitted research articles will be evaluated in an open peer review process by two reviewers (referees) with expertise in the relevant subject area.

Manuscripts that are literature review are verified by the Editorial team and do not undergo a peer review. Research articles and Opinions are submitted to peer review. The reviewers provide comments within two to four weeks, highlighting scientific errors and evaluating the design and methodology used. The referees also judge the originality of the paper.

Open Access

The Journal is published as open-access. Open Access represents the way research results are distributed online, free of cost (or with a minimal cost). In this way, the researchers can publish their papers free of most copyright and licensing restrictions.

The main advantage of open access journals is free access to scientific research. For researchers, publishing their articles openly accessible brings the benefit of maximizing their research impact.

Research Focus makes all articles and related content available for free on the journal's website ('gold' open access). There are no costs associated with reading or publishing.

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Volume 1, Issue 1

In the first Issue of Research Focus (2019), we are happy to bring you a selection of articles illustrating the research interests of graduate students regarding mainly digital technologies but not only.

Digital technologies impact our everyday life, both social and professional aspects of it. We literally live in the digital era, and it is interesting to see the trends and patterns forming already. Therefore, we dedicated the first Issue of Research Focus to exploring the current landscape of digitalization by reviewing the existing literature on topics such as marketing, finance, banking, aviation, and esports.

Serena la Ferrara and **Alexandru Toma** show that the marketing world has transformed into a very efficient environment and has connected everybody with everything. Digital marketing offers a simplified way of understanding and use of technology, saves a lot of money and helped people reach new horizons ("***Marketing in the Digital Era***". "***Digital Marketing***").

Facing global digital challenges and opportunities, the banking system is changing at a breathtaking speed, striving to improve their services and develop modern methods to keep their customers. **Cosmin Andrei Mateias** and **Vincenzo Ranelli** show that among the digital innovations banks take into consideration are smart banking, blockchain, cryptocurrencies as well as robo-advisory ("***Smart Banking: Cryptocurrency and Blockchain. A snapshot of the future.***" "***Digitization in Finance: Fintech and Automated Investment Tool***"). Moreover, **Maria-Emilia Catut** tells us that blockchain will have a major impact on international trade finance as well because it will eliminate intermediaries, thus reducing transaction costs ("***The power of digitization in international trade finance***").

Artificial Intelligence continues to evolve and expand impacting not only finance and banking but also the travel industry as a whole. **Mahmoud El Masri** shows that, while the race for an autonomous car and improvements to our driving experience remains in the headlines, the airline industry is making strides as well ("***Artificial Intelligence in Aviation Sector***").

A very interesting topic is brought up by **Ivan Todorov Churov**. His passion for esports reveals interesting developments and trends in this area, as well. Esports combines two concepts, sport and video gaming, becoming 'esports' in the online realm. 'Esports' is already present, and it will be a significant domain in the future – be it from a financial, marketing, entertainment, etc. point of view ("***Esports - introducing the basics***").

However digital our world is at the moment, we should not forget that business deals and agreements are still reached at the negotiation table. Our life and work may well be online and digital but **Omar Hussein** reminds us that we still need important negotiation skills and knowledge to navigate around, especially in a globalized multi-cultural world ("***International Business Negotiations***").

We hope you enjoy reading the papers and find new insights that can develop into further research questions and studies.

Victoria Folea & Ovidiu Folcut

Editors

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Marketing in the Digital Era

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Abstract

This paper aims to explore the digital marketing era as a whole, to make the reader understand what is it all about and how it affects our generation. Using information from recent articles in the field of marketing, I want to present the new trends and focuses of our times. This paper presents in a few pages the most essential things and gives an overview of the new ideas in online marketing.

Keywords: mobile marketing, influencer marketing, artificial intelligence

Mobile Marketing

In a world of online marketing, mobile is being talked about as a direct digital marketing tool in a big process of expansion. Recent research shows that the mobile phone offers the greatest intrusion of all electronic communication devices and that it grows exponentially. The connection between the user and his or her mobile phone or tablet is personal and much more intimate than the one with other communication channels, so advertising campaigns must be

dedicated to this channel (Evan, 2019). Smartphones are considered to be somehow a digital extension of the user, which means that they will not run any call-to-action message if they are not personalized and relevant to it.

According to Rodriguez Lang (2019), the world we live in becomes more mobile-centric every day (Lang, 2019). For the best outcome of the mobile marketing strategy, she highlights some core concepts: speed, simplicity, and convenience. Also, she puts into consideration the fact that mobile technology is one of the fastest growing markets and new products are released every day. While it's important to start building a mobile marketing strategy that works now, it's vital to keep looking for new mobile marketing trends in the future. After all, the opportunities presented by these trends will allow the company to distinguish the brand from the competition.
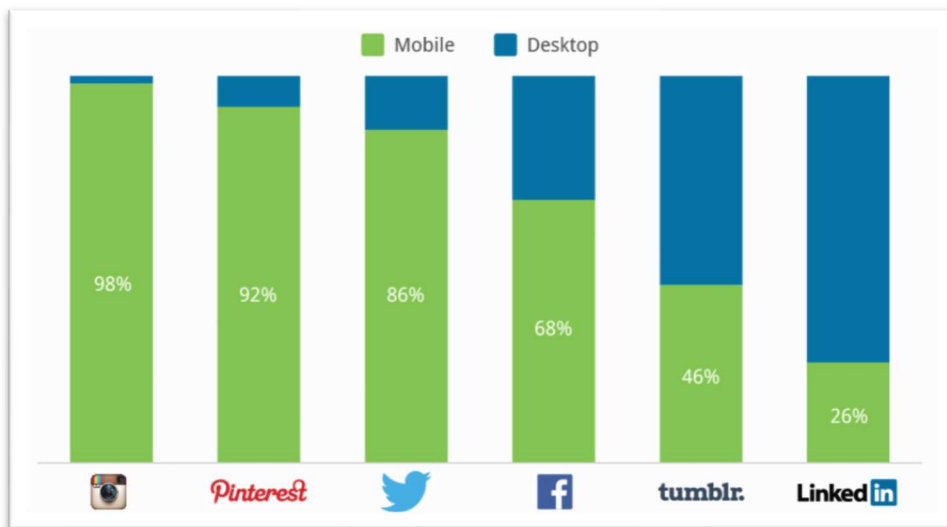
Figure 1. The percentage of time spent on social networks in the United States, by platform

(Source: (Richter, 2014))

Mobile devices play an increasingly important role in daily media consumption, social networks have been among the first activities that have first become on mobile. Although, some social networks are much more mobile than others, as the chart shows. While Instagram, Pinterest, and Twitter are used almost exclusively on mobile devices, Facebook usage is distributed

evenly across various devices. The future of social networks is clearly through mobile, with Tumblr and LinkedIn being the only two exceptions to the rule (Richter, 2014).

Influencer Marketing

Influencer marketing involves using key brand advocates to bring the message to the broader market in an organic way. It identifies people with a high social interest who impact the target audience, then focuses on marketing efforts that present those key factors. The influencer is the person whose presence in the online environment has a significant impact on a certain niche of the public and influences the choices of the community that follows it through the content it creates and posts in Social Media. Usually, the influence of this person is not limited to a single social network: he can be a blogger, a vlogger, an Instagrammer, a popular Facebook group admin, all of those listed before, or simply a person known in social media for its well-argued opinions or recommendations, which inspire confidence. Influencer marketing is the series of actions that have the forefront of the influence described above, which, through its channels of communication, conveys creatively to its niche the messages of the brands with which it collaborates. Long story short, instead of direct communication with your potential clients, collaborating with an influence helps not only to reach your target audience faster, but also to build a trusting relationship between the public and the brand, just by the recommendation made by the influencer , which adds value to the messages (Haran, 2019). People listen and trust other people more than in brands when it comes to buying products or services. Another reason why this change took place is that some brands have not yet found a way to speak normally, they sound like robots, and consumers are rejecting such messages (Cole, 2019).
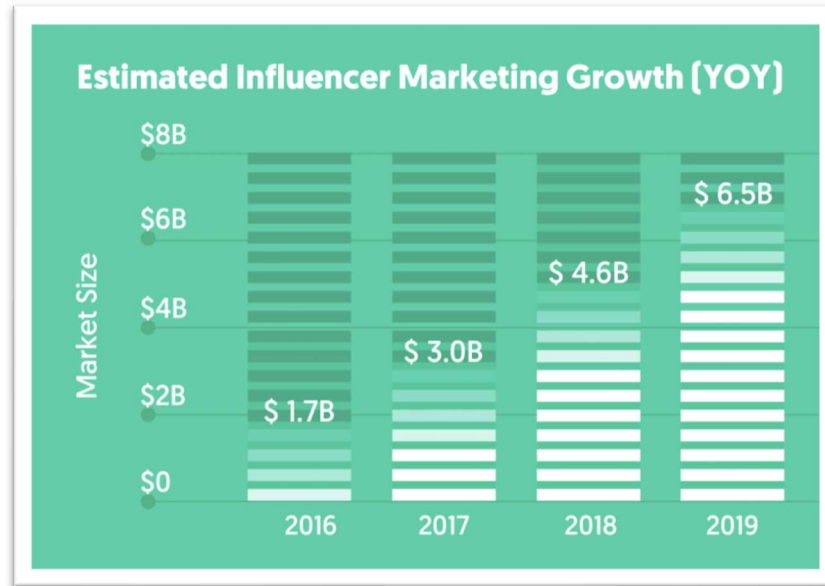
Figure 2. The state of influencer marketing 2016-2019

(Source: (Influencer Marketing Hub, 2019)

Collaboration with influencers is not a new thing in marketing and PR, but in the last two years, things have become much more serious. A lot of new influencers have emerged in the landscape, as well as agents that impress them. Also, a large number of brands have started to allocate a special budget for such collaborations from the total investments in marketing.

There is also a change in the influencers chosen for the campaigns. If advertising budgets were going to bloggers in the past, in 2018 most of the campaign influences were Instagrammers or vloggers - and the trend appears to be in place in 2019. It is enough to take a look at industry profiles and blogs to see that marketing influence is an intensely discussed topic on the list of the most effective channels for promoting a business online. And the data is conclusive: According to a study conducted by Influencer Marketing Hub, over the last three years, there has been a 1500% increase in Google searches for "influencer marketing" (Influencer Marketing Hub, 2019).

Artificial Intelligence

Artificial Intelligence is a branch of computer science with the aim of building intelligent machines and shaping human intelligence. More generally, artificial intelligence aims at programming and studying intelligent systems that perceive the environment and contribute to the attainment of man-made goals. From SIRI to self-driving cars, artificial intelligence is progressing rapidly. If in SF films or novels the artificial intelligence is presented in the form of robots with humanoid characteristics, it is actually more widespread, from industrial robots that have to perform certain tasks in the production process and have the ability to improve their way performing these tasks to Google algorithms or other search engines on the Internet and to systems that automatically control the heating, ventilation or brightness of an office building to optimize consumption (Tegmark, 2016).

At the present moment, artificial intelligence fulfills certain specific functions, with a higher degree of complexity or a lower one. The first one is known as weak artificial intelligence and is designed to carry out a simple task (for example, just to make facial recognition, to search for web results relevant to certain terms entered into the search engine, to drive a car, to speak like SIRI). On the other hand, strong artificial intelligence, also known as artificial general intelligence, is an artificial intelligence system with generalized human cognitive abilities. This artificial intelligence system is able to find a solution without any human intervention when presented with an unfamiliar task (Rouse, 2010).

Artificial Intelligence has come in many ways into our daily lives. It's available in online stores and is used to make recommendations for new purchases based on your previous purchases. It is one of the smart engines behind platforms like Siri and Alexa. Artificial intelligence analyzes and recognizes who or what appears in a photo, detects spam or bank card fraud. Besides all these uses, here are some of the most important applications for artificial intelligence, some of which are already common in today's technology: healthcare, entertainment, finance, data security, manufacturing, automotive industry (Mukherjee, 2018).

These artificial intelligence systems learn to accomplish objectives and processes by analyzing the examples they receive from outside, usually without being scheduled to complete a particular task. The idea of artificial intelligence is related to neural networks because their development is the only current method by which artificial intelligence can be developed (Castrounis, 2016). The role that artificial intelligence systems and applications will have in the

future can only evolve from one year to another, and road openers are the major global companies that specialize in this direction, such as Google, Amazon and Apple show that interest in artificial intelligence is not at all ephemeral.

Conclusion

At the present moment, we are in continuous digital expansion, with which we must constantly keep up the pace and keep ourselves up to date. New digital technologies and digital marketing techniques begin to appear at a global state and are developing very fast, and through them, we can develop business and marketing strategies at the next level.

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Digital Marketing

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Abstract

The aim of this paper is to illustrate how the marketing world has changed and evolved, from traditional approaches to the 21st centuries techniques that are much more effective. Throughout this paper different aspects of digital marketing will be shown and how new innovations and features can help not only the big corporations and investors but also smaller businesses and individuals. The paper presents a review of very recent trends as they are illustrated in the literature.

Keywords: marketing, digital marketing, chatbots, visual search, video marketing

Introduction

Digital marketing is the marketing of products and services using technological tools, most of them utilizing the internet or other digital mediums. The most efficient way to market your business correctly is to provide customers with the proper offer placed at the right time and

place. Things have to be done at the right time and not to try to have the past moments reborn. A business should keep pace with the trend. The majority of today's consumers are online and through the digital approach, it is easier and more effective to get in touch with them. Even though you may go personally and purchase a product, one will probably go online before making the purchase to gather information about the product and try to make the right decision. Nowadays content is much easily distributed due to all the social platforms and the search engine optimization program. As a business, you can advertise your website and products online where consumers can reach and be aware much faster (Digital Marketer, 2019).

Traditional vs. Digital Marketing

Traditional marketing is practically any type of advertising or promotional campaigns that companies or different entities have used that have proven to be a success. In can include tools from TV ads to newspapers, billboards, radio or flyers to even physical items as newspapers or magazines. Basically, traditional marketing includes anything that is not digitalization of your brand. As you have more presence online, everything and everyone will be more connected and will stay in touch. Digital marketing's objective is for people and various entities to find you.

Even though traditional marketing still exists it is in a very small proportion and even that is transitioning to a digital place. Newspapers and magazines have transformed into online platforms and there have appeared online banking systems and ways to pay your bills or easily navigate through any difficulties. In today's world having an online presence is crucial, utilizing the web to reach the customers (Figure 1) (Digital Marketing Strategies, 2018).

As Figure 1 shows, there have been huge increases in the expenditure in May 2018, almost $100 billion at a global level, compared to October 2017. The objective is to reach customers much more easily through the SEO (search engine optimization), various voice-controlled assistants such as Siri or Alexa or through social media where most of the "possible" consumers exist and spend a relevant period of their day.
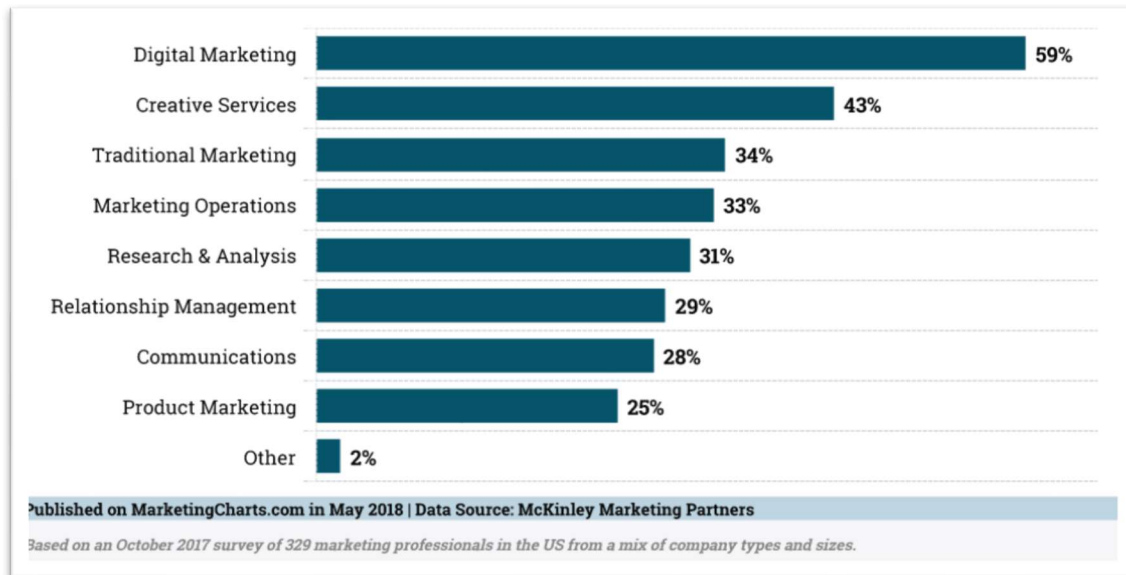
Figure 1. Demand for marketing talent, by function

(Source: (Marketing Charts, 2018))

Due to the marketing extension of the online and huge increase in the industry, there have appeared fraud techniques having people and companies fooled without them even noticing. Big companies have started taking measures against these attacks that consist of fake ads and fake clicks, where the generated traffic actually goes to the hackers and not the company displaying them. This also raises the brand safety issue due to the fact that company's ads tend to appear next to inappropriate online content and this pushed companies to pay more attention and use better channels of how they reach their target audience (Busvine, 2018).

How digital marketing is optimizing our world

Opening up a business nowadays is way easier than it used to be because you can make people aware faster and more effectively. Small companies now have the necessary resources and capabilities to perform marketing and sales online that before only large corporations would have them available. By using digital marketing to promote their services and products, small business owners stated that they obtained considerable savings and how they now have more money available in order to secure other costs. Due to the efficient way of digitalization instead

of using traditional methods companies generate almost 3 times better growth revenue expectancy. As mobile phones have evolved from an accessory to a necessity, over 90% of adults in the US have their phones within reaching distance, this means everyone is much more connected so feedback and reviews should be prompt. One of the keys to success when dealing in this environment is to generate as much traffic as possible which will transform into sales, the more traffic you generate the faster you increase your return on investment. People nowadays offer their trust in different ways, most of them would trust getting information about a brand if they hear it from a person they know (Gregorio, 2017).

The terrain of digital marketing is also changing adjusting and adapting to today's needs. Our phones are basically computers in smaller versions, so everything comes in handy. Because our mobiles are always in reach we can provide actions and answers way faster. Possible clients are 70% more likely to take action in one hour than someone who is supposed to go home and provide a response from the laptop or a PC. Online content is very important; so Google changes their algorithm in order to always provide the most relevant content to customers in order to provide an equal chance to big and smaller enterprises. With today's viral trend of videos, it is much easier to get in touch with people than having them read 10 pages and losing their attention meanwhile. Videos are now exploding because people would rather watch something catchy and they understand much better (Abenstein, 2019)

As people got used to this technological transition that directly and indirectly affects billions of people, changes and improvements have started to be publicly available that allow us to perform our tasks and duties with the help of new tools which make our work easier and much more effective. With everything and everyone connected, below are presented are some trends and digital features.

Artificial Intelligence (AI). With the help of computer systems developed by humans, we no longer have to complete all the data analysis and workouts to reach certain information. Artificial Intelligence can use the information from social media platforms, search patterns and analyze consumer behavior in order to help businesses get in touch with what the customers need and how they get ahold of it.

Chatbots. Due to the AI technology, chatbots improved the customer service area of response and information providing. Around 1.5 billion people interact with chatbots and through these services, companies can save billions every year. Usually, customers prefer interacting with

chatbots when needed because they answer fast and with a response that addresses the exact needs of the clients and they do not lose their nerve if someone doesn't understand something and they keep coming back to it. These companies' virtual assistants have had very good feedbacks and they met customer service expectations.

Video Marketing. Expectancies have risen a lot in the past few years and even the standard of a website that should attract customer and make their life easier has been affected as well. Nowadays companies should have an easy to locate product website and try to be as user-friendly as possible. More and more statistics have shown that companies have had a bigger success because they shared the brand's video or they started promoting themselves through this channel. It is much more useful for everyone, people would rather watch a video where they would easily understand every aspect than read a lot and most possibly lose interest at some point.

Visual Search. The visual search takes the whole search engine experience to the next level. Instead of trying to remember what the item you were looking for looks like or what it may cost, now you can just upload an image of a similar item and the search engine will show you the products they have enlisted. You can upload different items to reach your objectives like a business card or painting in a museum (Dave, 2018).

The impact of digital marketing

After all the internet optimization, there has been an increase in start-ups development, where internet plays a key role that helps them become more publicly aware and are able to collect more funding. Starting from the SEO to social media platforms that help businesses understand where the customers get their information from and what they are looking for, we arrive at different tools that help companies make money even when one just looks for information. Pay Per Click is an advertising tool that a company has to pay for the respective ad only when someone clicks on it. Certain keywords and terms have to be entered in order to get there, this saves a lot of money. Content is very important whether it is on a website or elsewhere. Because of the high competition, companies started optimizing their websites in order to make them as accessible as they can be with the reach of helping the customer as fast as possible. Someone who enters a website can lose interest in it in less than 1 minute if it takes too long

to reach your objective in that area. That is why the quality of the content is very important and especially the layout, people will orient with what they are attracted. Using different analytical tools, one can measure the number of visitors or the traffic you had. This can help you understand the position you are in and whether or not you have to improve different aspects of your online presence or not. It is crucial for a start-up to have clear objectives that are properly justified (Sharma, 2018).

Artificial Intelligence has had a big impact on digital marketing as it creates a better-used experience, more efficient analytical work that all offer a better return on investment. With AI analyzing more aspects of the consumer search and having it ease the customer search it will predict consumer behavior and chatbots that will ease and fasten the whole experience as to create something pleasant, easy to use and right to the point. With AI implemented in digital marketing, it can maintain the web risk-free and can get smarter as to predict the future choice of the customers granting them access to suggestions to get faster to the final product. All of these can create an algorithm for the AI to have a better ROI. Having the AI predict the consumers' preferences it can show future ads that are right to the consumers' choices and can allow AI to predict these taking in considerations demographics, their personal interests, and other aspects. The key is to not only make the company's way better but to also solve customer issues (Korada, 2019).

Groundbreaking new technologies are released in the world, having the marketing world boost their methods to captivate the attention of new customers. The key to having good sales is to get the people's focus on your product or service and to try to create the best customer experience. By creating a roaring new industry of reality enhancers, the virtual reality (VR) technology allows the user to see a parallel reality right of your mobile phone. You can either see something different or observe something added or modified to the current reality, which is called augmented reality. Companies like Ikea who already had millions of apps downloads which lets the customers do this stated that this technology increased their sales. It helps the clients use their devices and see what would the furniture you want to buy would look like in a room than just imagining this in a store. It captivates the eye and creates a pleasant experience in our minds (Allen, 2019).

The moment smartphones started to be the next big things, it became a global trend and people now are really dependent on their mobile devices. We are so dependent that sometimes we

just stare at it and scroll on Facebook or other social media platforms in almost any place that makes us lose our focus and lose track of time. It also has a psychological impact that when you see the phone on the table you have to check it, this decreases productivity and affects people in the long term. Scientists have created a technology, which allows the user to voice control the device and perform tasks. This means we should no longer be so addicted to always grabbing the phone or losing time nonsense, this will help us perform tasks while we are doing something else. You can work at the office and even though you may not know how everything works on a computer, this will help you because you just order the voice-controlled system to perform tasks. This will help increase day to day duties and even spread this technology to elders who do not use such smartphones or such devices because they do not know how or it would take too long to learn, now there is a better way (Treffiletti, 2019).

Conclusion

The world has changed a lot in the last century, new technologies appeared and impacted our life whether we see it or not. Now the choice is ours if we decide to embrace these new developments or look the other way. After these new implementations, the marketing world has transformed into a very efficient environment and has connected everybody with everything. Not only are people connected between themselves, but we are also connected to the products, having the possibility to see what something in our minds would look like to voice control devices and perform tasks without even touching our phones or computers. Digital marketing offers a simplified way of understanding and use of technology, saves a lot of money and helped us reach new horizons. We made the world easier to process, now it is a matter of choice how we utilize it.

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Smart Banking: Cryptocurrency and Blockchain. A Snapshot of the Future.

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Abstract

Facing global digital challenges and opportunities, the banking system is changing at a breathtaking speed, striving to improve their services and develop modern methods to keep their customers. Among the digital innovations banks take into consideration are smart banking, blockchain, and cryptocurrencies. The present paper aims to present an introduction to these concepts based on recent information. The paper is intended as a starting point for future research on the topic.

Keywords: smart banking; cryptocurrency; blockchain; digital banking

Introduction

We live in a very dynamic world where banks have to adapt their businesses to cover more and more customers (individuals as well as companies) while facing low trust and brand loyalty.

Among the new (digital) technologies that are considered by banks to accommodate their customers' needs, the more notable ones are the smart banking, the blockchain technologies and the cryptocurrency. The change is just at the beginning. It remains to be seen whether the traditional banking and regulatory systems and the bureaucracy red-tape found everywhere in banks will be capable to adapt to the new needs of the customers.

However small and regardless of the pace, the banking system is changing. Small and fast processes are becoming the norm with today's speed and ubiquitous online interactions, and the banks need to adapt to the customers' needs. Even inside banks, the workplace is becoming more and more digital and dynamic, including the interactions with the customers, and many online tools and systems already exist to assist in these processes (Avanade, 2014). It became apparent that banks need to become more and more innovative and develop modern methods to keep their customers, however, they should preserve the balance with traditional good practices and avoid the trap of over-modernizing everything (Stokes, 2014).

The changes will not be easily implemented, in part because of the regulatory systems, and in part because of the remaining effects of the financial crisis of 2008-2009. For example, the European Union is still making big steps in creating banking reforms. The banks also struggle with high-costs maintenance for their legacy infrastructures and lower trust and loyalty from their customers (Oosthuizen, 2015).

Blockchain technology

The blockchain technology is a huge digital ledger of transactions that is incorruptible and can also expand beyond the financial word to other activities. At its core, the blockchain technology is a time-stamp with a unique date and record that is managed by hundreds of computers and servers around the world (Tapscott, D., Tapscott, A., 2018).

Hundreds and hundreds of businesses exchanges, between suppliers, partners, customers, and other entities happen every second of every hour 24/7 around the globe, ranging from goods or services to money and data. Each exchange needs to be precise and reliable for an efficient flow of work involving two entities. Over ten years ago, IBM started using the blockchain technologies to create a block (like a Lego piece) for every single one of the transactions and then to connect the block to the transaction before and the transaction after, resulting in an

irreversible chain to track all financial moves of the company (IBM, 2006). With the blockchain system, data can be distributed but not copied creating a backbone for future security software. In order for someone to alter a record already in the chain, he/she would need to modify millions of chains (Rosic, 2016).

Cryptocurrency

Currencies allow people to convert effort into something that maintains its value. Cryptocurrencies convert plain text into unintelligible text and vice-versa. Since in this day and age everyone is expecting confidentiality, integrity, and authentication, a currency that can provide these aspects has significant importance and value (Deikun, 2018).

Back in 2017, when bitcoin skyrocketed to $20,000 per unit, everyone was talking about it, from investors to brokers to investors. It was the hot topic of the day and everyone regretted not investing in it. However, after just a couple of years, the value of a bitcoin is out of the hyper-bubble, to a more stable $5,000 per coin, and people started to lose interest on the subject. Nevertheless, according to Spilotro (2019), it may well happen that using market strategies the value of bitcoin or other cryptocurrencies will rise again (Spilotro, 2019).

The rise of cryptocurrency is both good and bad for banks around the world. Some banks forbid transactions with cryptocurrencies, whilst other banks are adapting to the trend and create their own cryptocurrency. For example, the Pakistan state bank will launch its own cryptocurrency by the end of 2025 to promote financial responsibility and reduce corruption(Kiani, 2019).

One major issue concerning the cryptocurrency around the word is the security of transactions. Early in 2019, a major attack shook the cryptocurrency world targeting 32 android apps and 100 international banks dealing with cryptocurrencies. These types of attacks will continue and will be more and more frequent as the world is still adapting to a mix between the old money and cryptocurrency (Canellis, 2019).

Conclusion

Banks are trying to adapt to the emerging digital technologies and needs of their customers by becoming "smart" and employing, among others, blockchain and cryptocurrencies. The change is neither easy nor fast because of many reasons. One of these reasons is that people are looking more and more for confidentiality, integrity, and authentication, something banks are not used to provide at the standards we are expecting in today's day and age. Another reason is that banks are being blocked by red-tape from bureaucracy and regulations.

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Digitization in Finance: Fintech and Automated Investment Tool

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Abstract

In recent years, the importance of fintech phenomenon has grown relatively fast, due mainly to the Internet, computers and disruptive or sustaining innovations. Today, the traditional financial paradigm has shown its inefficiencies. Considering the world we are living in, there is almost no reason to still keep it alive, but transforming it. The 2007-2009 economic crisis can be seen as a natural consequence of the global revolution which is taking place in almost every sector of the economy. The purpose of this article is to give a brief definition of FinTech, which is ground zero for a large number of innovations. The paper will also analyze an automated investment tool.

Keywords: fintech, robo-advisory, financial advisory, automated investment tool

Introduction

FinTech is about cryptocurrency, blockchain, mobile payments, crowdfunding, peer to peer lending, trading system, artificial intelligence (AI) and machine learning, digital advisory and even more. The word "fintech" has a large application in different fields, but in order to clarify its meaning, it is possible to define it as a new financial industry that applies technology to improve financial activities (Schueffel, 2016). Investments in Fintech firms have grown by 75% in 2015 with respect to 2014, an amount of 22.3 USD billion (Skan J., Dickerson J., Gagliardi L., 2016). Since 2010, a total amount of 50 USD billion has been invested in fintech firms all over the world (Skan J., Dickerson J., Gagliardi L., 2016).

Robo-Advisory: a FinTech innovation

"Robo-Advisory" consists of digital (online) investment guidance and portfolio management services that are based on algorithms and models (Kaya, 2017). Figure 1 presents the main building blocks of Robo-Advisory.

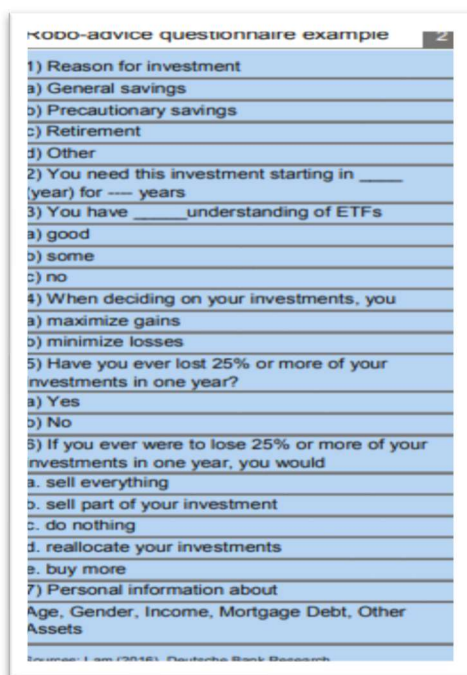| Asset universe selection	Investor profile identification	Asset allocation/portfolio optimization	Monitoring and rebalancing	Performance review and reporting
All systems use ETFs with minor exceptions including: Mutual/ Actively Managed Funds, Sustainable Funds, ETCs, and Index Funds. Different selection criteria include: expense ratio, total costs, liquidity, replication method, and correlation among the ETFs	Online questionnaires focused on identifying clients' risk tolerance as well as investment objectives and horizon. Typically, the questions are compiled to understand the objective risk tolerance through information on age, income, savings, previous investment experience, and investment goals	Most of the systems apply the Modern Portfolio Theory approach, supplemented and modified by various methods (e.g., Black–Litterman, VaR and CVaR optimization*). Notable exceptions include Risk Parity, Full-Scale Optimization and Constant Proportion Portfolio Insurance. A few systems apply constant portfolio weights	Most systems use event/ threshold-based rebalancing based on the daily rebalancing check. The triggers are defined as portfolio structure (i.e., weights), returns (drift), and VaR. Some systems use calendar-driven rebalancing. Some also use optimized dividend and cash-flow (re)investment for the rebalancing	Half of the systems provide control and monitoring possibilities through the website only. The half also provide a smartphone app. Some systems send the monthly statements and quarterly reports automatically by e-mail

Figure 1. Robo-Advisory main components

(Source: (Beketov M., Lehman, K., Wittke M., 2018))

Another expression to name Robo-Advisory is "Automated Investment Tool", given by the Security and Exchange Commission (SEC) in the US. In a document provided by the SEC and

the Financial Industry Regulatory Authority (FINRA), there are 5 tips for the investors related to Robo-Advisory (US Securities and Exchange Commission, 2015): "Understand any terms and conditions; Consider the tool's limitations, including any key assumptions; Recognize that the automated tool's output directly depends on what information it seeks from you and what information you provide; Be aware that an automated tool's output may not be right for your financial needs or goals; Safeguard your personal information".

At the basis of these tips, there is the main concept that Robo-Advisory may rely on assumptions that are incorrect or inapplicable to an individual's financial situation (Fein, 2015). In other words, Robo-Advisory typically rely upon traditional Modern Portfolio Theory, in which the expected return on a portfolio of assets is maximized for a given level of risk and nevertheless just a few data are collected in order to determine the correct risk profile of the customer (age, net income, risk preferences, time horizons, etc.) (Figure 2). This is a very poor approach, especially for long term or multi-horizon investments (IBM Analytics, 2016).

Figure 2. Example of Robo-Advice questionnaire

(Source: (IBM Analytics, 2016))

Figure 3 shows different models used by Robo-Advisory in asset management. As we can see, "modern portfolio theory" is frequently used.
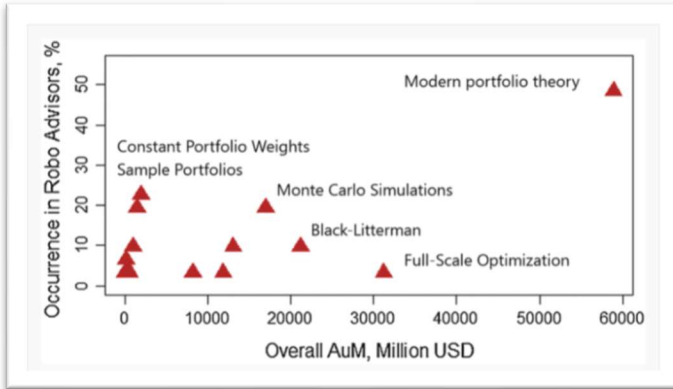
Figure 3. Models used by Robo-Advisory in asset management

(Source: (Beketov M., Lehman, K., Wittke M., 2018))

Robo-Advisory strengths

There are some key advantages provided by Robo-Advisory. It is worth to emphasize that the development of this new way of thinking in financial advisory is allowed by client's ability to access the Internet, their willingness to directly manage their own assets as well as the growing trust in digital systems (Figure 4).

Figure 4. Actual data and forecast of assets under management in the robo-advisory segment

(Source: (Statista, 2019))

Clients are also attracted by the simplicity of the whole Robo-Advisory process, its availability (24/7) and lower fees with respect to the traditional financial advisory. US robo-advisors average fees applied are 0.4%, which is lower than 0.8% fees charged by European competitors (Kaya, 2017).

From the fintech firms' perspective that are offering Robo-Advisory services, lower fees could be applied partially thanks to not paying a human financial advisor and exploiting scale economies. As a matter of fact, this system is highly scalable, and the marginal cost of each new transaction is relatively low. Moreover, the minimum amount required by this new way of investing is relatively lower compared with those of the traditional channels. In turn, this provides better financial inclusion for those investors with low to medium wealth. Another characterizing factor is the large use of exchange-trading funds (ETFs) in Robo-Advisory. ETFs are low-cost financial instruments that have grown exponentially in the past years because of their ability to diversify and relatively easy to understand for the investors. This is one of the factors which allows Robo-advisory industry to charge low fees, according to Deutsche Bank (Figure 5).
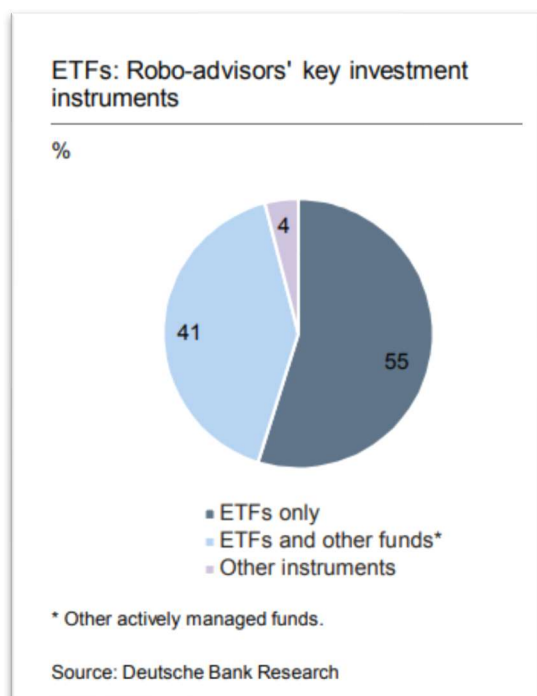

Figure 5. ETFs are key instruments for Robo-Advisors

(Source: (Kaya, 2017)

Considering the large number of ETFs, it is important to underline the robo-advisory conservative approach toward ETF investments. As shown in Figure 6, only 3 to 6% of ETFs are selected by Robo-Advisory.
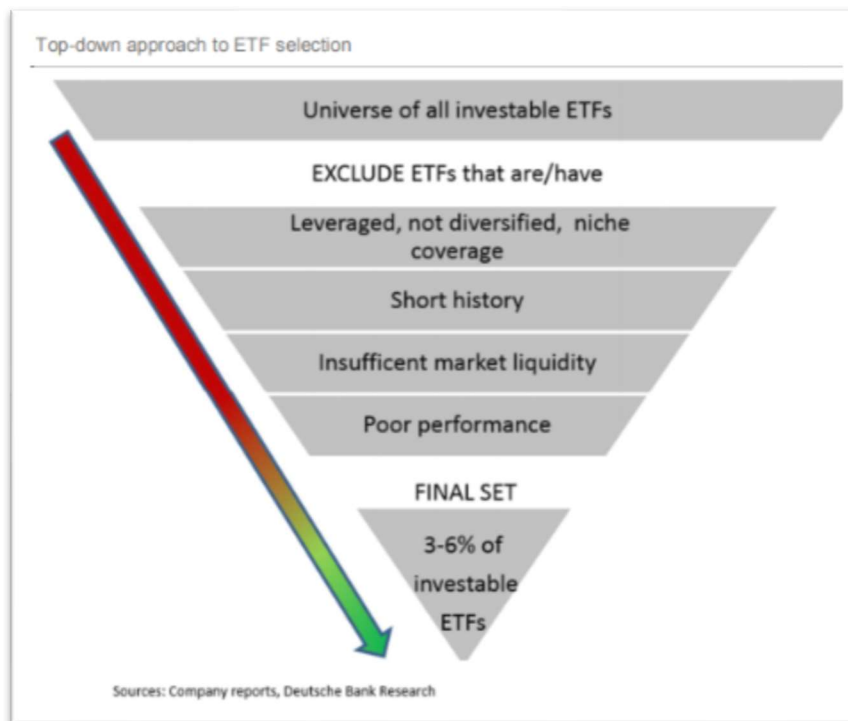
Figure 6. ETF selection in Robo-Advisory

(Source: (Kaya, 2017))

Robo-Advisor weaknesses

Pan and Statman (2013) have analyzed risk questionnaire and they underlined five potential weaknesses that could be used as a general framework for improving Robo-Advisor questionnaires (Pan C. H., Statman M., 2013):

- Each investor has a multitude of risk tolerances
- Existing questionnaire do not assess investors' risk tolerance in the correct way
- Investors' risk tolerance varies by circumstances and associated emotions
- Risk tolerance assessed in foresight probably differs from the one in hindsight
- Not only risk tolerance but also investors' propensities matter to an advisor

All those factors suggest that there should be a more sophisticated framework in order to make sound and reliable questionnaires, especially because of the virtually unlimited capability of Robo-Advisors to reach the crowd, particularly the less acknowledged. Furthermore, the spread of Robo-Advisors could lead to an increase in IT risk and flash crash in financial markets. For these reasons, regulatory and supervisory systems should be improved in order to avoid systemic sources of risk.

Conclusions

There are many advantages for using machine and artificial intelligence as Robo-Advisors in the financial industry, such as low-cost investment, 24/7 availability, easy to track, to access and to make comparisons, improved financial inclusion; potential to improve liquidity in financial markets, and it is also an attractive tool for the young generations. However, Robo-Advisors are not yet able to correctly assess an individual's risk profile. Moreover, the whole system may rely on incorrect assumptions. There are IT risk and a potential source of a flash crash. So far, Robo-Advisors have not been soundly regulated

Different opinions about Robo-Advisory in the financial industry seem to be affected by the difference between today's vs future view. It is not possible to undervalue the potential negative impact of this digitization process, especially because it is a global phenomenon and there is a clear lag in the regulatory framework. On the other hand, it is difficult to believe that the improvements brought by this innovation will fail to reach the target, and this is because of the positive characteristics mentioned above. We believe Robo-Advices will be a helpful tool and will gradually substitute human financial advisory, at least for low wealth investors. Moreover, artificial intelligence and machine learning are being deeply applied in the whole financial sector, advancing the machine-human substitution process.

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The Power of Digitization in International Trade Finance

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Abstract

Digital market platforms are used to facilitate exchanges and transactions. The digital transformation with a very high potential to upgrade the economic and financial system is blockchain. Blockchain is transparent and trackable, it encodes all transactions, it randomizes the process and ensures that no one can force the blockchain to accept a particular entry onto the ledger that others disagree with. Besides these advantages, blockchain will have a major impact on international trade finance because it will also eliminate intermediaries, thus reducing transaction costs.

Keywords: blockchain, digitization, international trade, trade finance

Introduction

As we are living in a technological era, we see that the environment goes through a lot of challenging times and people are willing to be part of it, innovation is an important factor nowadays. The manner in which people appreciate diversity is seen in their way of living

because they are more aware of the information received through all types of channels. Each and every day is simplified for people in general, due to a variety of benefits that improve the stability of society, which can speed up the people's choices.

All of these digital transformations that happen nowadays ensure a rapid way of solving people needs and desires. The world is going through a process which implies the tremendous improvement of each industry. These changes boost the efficiency and productivity considering that each sector is greatly stimulated by digitization, which brought numerous advantages that impacted clients' experiences.

Digitization is referring to the creation of a standard business model where all participants, markets and consumers, are part of a massive system. The literature makes a distinction between the terms 'digitization' and 'digitalization'. Digitization is considered a process of information management that is recognized by computers. Digitalization is perceived as the change induced by digital technologies (digitization) in society, business and economy (Pratap, 2019). Digital technologies help the economic and financial environment to accelerate and grow rapidly. For example, people have nowadays multiple and different accessible options to make their payments more easily, such as mobile banking apps, e-wallet or even mobile money. And this is not everything! Digital era brings other impressive and innovative discoveries to make the trade effortlessly and quickly.

Blockchain technology

What a Blockchain is and how will improve international trade?

Digital market platforms are used to facilitate exchanges and transactions. The digital transformation with a very high potential to upgrade the economic and financial system is blockchain.

According to Dao (2018), blockchain is transparent (anyone can see the transactions) and trackable (Dao, 2018). The system leverage is seen in the presence of cryptography that encodes all transactions and makes it transparent for each partner involved in the business deal. The concept of blockchain can be applied in corporations, in trading goods and services worldwide, including IT industries.

By using blockchain technology, organizations are able to simplify all trade processes and save time, that can be at the end directed to other transactions. Blockchain is a network of computers where all have the same history. Instead of being a single company with a database that possesses all the information, this system is designed so that all companies' computers are running the same software which may guarantee the transactions (Figure 1) (Rosic, 2016). Thus, whenever a deal is made, the information is verified and stored in the ledger, and while more data is added it will be impossible to erase it or change previous data within it. According to Tapscott & Tapscott (2018), blockchain represents a true revolution in business and economics, representing "an incorruptible digital ledger of economic transactions that can be programmed to record not just financial transactions but virtually everything of value" (Tapscott, D., Tapscott, A., 2018).
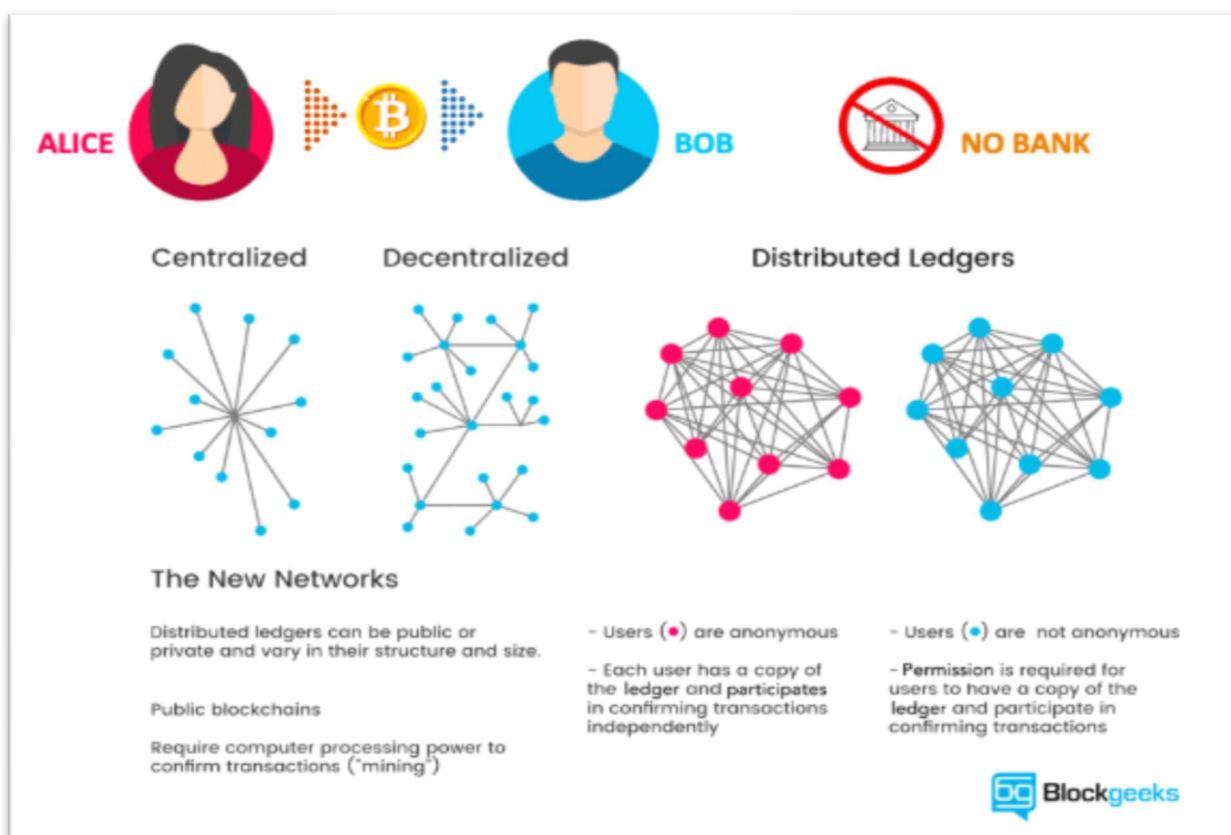

Figure 1. How blockchain technology works

(Source: (Rosic, 2016))

From a technical point of view, the system is designed as a decentralized network, transparent, and persistent, similar to the ideology that stands behind the Bitcoin. It creates a consensus between scattered or distributed parties that do not need to trust each other but to trust the mechanism. It randomizes the process and in theory, ensures that no one can force the blockchain to accept a particular entry onto the ledger that others disagree with. According to CB Insights, blockchain will have a major impact on international trade finance because it will eliminate intermediaries, thus reducing transaction costs (CB Insights, 2018).

Blockchain relies on the mechanism of a peer-to-peer network that can maintain updates to the ledger and then verify those updates in such a way that it is impossible to defraud and alter after the fact. Notably, the blockchain technology will increase the speed of trade and will automate compliance, which in turn will increase trade efficiency whilst reducing the risk of corruption or failure (Canavan, 2019) (Bauerle, 2019).

In addition, one of the most important advantages of digital technologies innovations is the reduced consumption of paper. In the future, the paper use will decrease and many industries will take steps to utilize digital technologies with the hope that the environment will be protected. Making the case for trade finance, the International Chamber of Commerce and the AmericanExpress Company recently stated that moving to paperless transactions proves to be not only environmentally friendly but also efficient by "reducing processing times by two hours per transaction and regulatory compliance costs by 30 percent" (Lynch, 2018). For many companies, using blockchain for different types of transactions proved to save a lot of time compared to traditional procedures. For example, a trade finance transaction carried out by HSBC and ING via blockchain technology took less than 24 hours compared to 5-10 days necessary for paper-based (letter of credit) alternative (Hegarty, K., McDonald, T., 2019).

Trade digitalization through blockchain

The creation of blockchain as a trading concept is considered a viable and effective monetization opportunity. The trade finance market went through hard times for many years because of old-fashioned, traditional, long-established economical documentation measures. Even though the classic form of Commercial Letter of Credit (LOC) and Bill of Lading are still used to guarantee that the goods are delivered and the payment is received, the adoption of

blockchain can increase the trust between the trade parties (CB Insights, 2018). If this innovation can empower organizations to safely and carefully demonstrate to each party involved all the details in terms of transportation, the authenticity of the country of origin and some other documentation, this could increase the confidence, straightforwardness and spread the idea of trust in the process. In the traditional system, some reports would lack in information because the mechanisms that are put into practice are moving slowly. For this reason, the blockchain is identified as a transparent platform, however, it must be made compliant with regulations such as anti-money-laundering (Canavan, 2019).

A significant aspect of the adoption of blockchain technology is training and education. Whether as employees or customers using blockchain technology, people should have the necessary knowledge and skills before they actually use the technology in a wider sense. To transition into the mainstream and make it useful for average people to use it, a lot of measures should be taken into consideration in terms of education, standards and probably hard work with enterprises to create a user experience and ensuring that the technology is safe, feasible and understandable.

Conclusion

The blockchain technology will be applied in many areas and fields, not only trade. Blockchain may sound complicated, but at its core, it is just another tool for humans and eventually robots and other kinds of identities to trade at a big scale and make the trade more decentralized, transparent and secure.

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Artificial Intelligence in the Aviation Sector

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Abstract

Artificial Intelligence continues to evolve and expand; companies are seeing big changes in their field. The travel industry as a whole is disrupted by AI. From automobiles to railways, the way we get around is changing for the better. While the race for an autonomous car and improvements to our driving experience remains in the headlines, the airline industry is making strides as well. The major sectors that the AI is helping this industry to grow are Crew Management and Flight Operation. The paper introduces several main concepts regarding the adoption of artificial intelligence in the aviation sector.

Keywords: artificial intelligence, aviation, airline, virtual assistant

Introduction

Artificial Intelligence (AI) continues to evolve and expand; companies are seeing big changes in their field. Big name brands are investing in AI technology to enhance their products and services to better serve their customers. Aviation Sector has become an important industry as

it is considered to be the industry where it will bring the world together and making really a small village, Aircraft manufacturers are building each year new innovative aircrafts that are more developed and efficient than the previous ones, besides the airlines that are growing fast and order each year up to 100 aircraft minimum, such as Qatar Airways, Emirates or Lufthansa.

The travel industry as a whole is disrupted by AI. From automobiles to railways, the way we get around is changing for the better. While the race for an autonomous car and improvements to our driving experience remains in the headlines, the airline industry is making strides as well.

Artificial Intelligence is striking positively and negatively the aviation sector. According to MarketsandMarkets.com, "The artificial intelligence (AI) in aviation market was valued at USD 112.3 Million in 2017 and is likely to reach USD 2,222.5 Million by 2025, at a CAGR of 46.65% during the forecast period" (Markets and Markets, 2018). The fast uptake of AI in the aviation sector is driven by the use of big data in the aerospace industry and the increased use of cloud-based applications and services.

AI impact on Aviation

In my study, I agree with Saed Hussain (2018) and his article on data-driven (Hussain, 2018) but according to my research, Artificial Intelligence helped the sector of aviation to be more dynamic, grow more rapidly, and function in an innovative way.

The major sectors that the AI is helping this industry to grow are:

- **Crew Management**. Even though each airline has more than 1000 flight crew members, there are always some flights that a crew get sick or doesn't show up for private reason, to reschedule each crew for each flight is a really difficult task with the existence of AI in this field, it helps to reschedule and manage automatically to replace the crew member that didn't show off based on the qualification and the experience he/she has taking into consideration the route distance and time. This is really helpful in huge airlines such as Qatar Airways or Emirates or American Airlines.

- **Flight Operation**. Nowadays, with the existence of AI, aircraft have automated timetable each day based on the demand and passenger and the number of cycles the aircraft had also, taking into consideration if the aircraft passed the necessary each period of time, and this is indeed

an important note that each passenger or reader should understand. If an aircraft is at maintenance it does not mean that your flight will be affected as there is always other aircraft available.

Ticket-Pricing when using AI in Aviation

AI impacts also the revenue side of the business. In order to maximize revenue, airlines are optimizing ticket price according to journey characteristics and travelers' segmentation. There are many variables that are considered in the ticket price, for example, the time of the travel (whether during a holidays period), the number of free seats on the plane, taxes, the charges at home country airport and the destination taking into consideration if boarding is via jetway or stairs, the type of aircraft, if it is medium or long haul aircraft (the bigger the aircraft the higher the expense and the higher the price), etc. Moreover, nowadays airlines are part of international alliances and, on specific routes, the ticket price is based on what other partners can offer under bilateral agreements. Some of these parameters cannot be automated just yet, however, to maximize revenue and profit, airline companies use AI to cover many of the routine human tasks, for example, scheduling or organizing the flight plan, which can impact the ticket-price (MindTitan, 2017).

AI Virtual Assistance in Aviation

Virtual assistants based on AI can improve the productivity and efficiency of pilots by reducing their repetitive tasks, such as changing radio channels, reading wind forecasts, and providing position information on request, among others (Social Hospitality, 2018). For example, companies such as Garmin (US) offer already AI-enabled audio panels to pilots (Social Hospitality, 2018).

AI virtual assistance exists not only in the cockpit, but it is used also in the cabin; the chief cabin crew can now change many things such as temperature or mood lighting by a single button. Thus, AI assistance helps the entire crew to have less stress during the flight without, however, interfering with flight safety in general or in emergency situations.

AI virtual assistance is also being used in airports. For example, "United Airlines has teamed up with Amazon Alexa to help customers check in and get information about their flights. Delta Air Lines is using self-service kiosks that use facial recognition technology to verify customer identity by matching customer faces to passport photos. Other airlines are using AI before customers even get to the airport, to upsell loyalty program passengers on business class upgrades or extra baggage by having AI automatically designs the website checkout process to appeal to different groups of users" (Social Hospitality, 2018).

Low-cost airlines are also familiar with AI especially at the airport as it reduces their costs. For example, with the AI system, a low-cost airline does not need to open anymore a check-in desk and therefore they will not pay additional taxes. Passengers nowadays have all the necessary data on their smartphone, and most if not all the low-cost passengers (but not only) have only a handbag and/or a carryon, which do not require a check-in desk to drop off luggage.

Conclusion

AI system is helping the industry of aviation from many perspectives, yet, as it is at the beginning, many aspects must be taken into consideration, especially when it comes about flight safety and security.

No one knows right now where the AI system is going to take the aviation industry, and which point it will reach in the future. As an aviation geek, I expect positive innovation and growth.

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Esports - Introducing the Basics

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Abstract

Digital technologies have a tremendous impact on everyday life as well as in the business environment, at a global level. An example in this sense is the world of sport, which now combines two concepts, sport, and video gaming, becoming 'esports' in the online realm. 'Esports' is already present, and it will be a significant domain in the future – be it from a financial, marketing, entertainment, etc. point of view; this industry has shown that it can compete at all levels. The paper presents an actual literature overview of the most important concepts regarding 'esports'.

Keywords: digitalization; digital technologies; esports; video game

Introduction

The days of digitalization and technological modernization have brought many new opportunities and jobs on the horizon and have discovered areas we never thought possible. Such an example is "esports" (not e-sports, and not eSports) (Chaloner, 2018).

What once was just a hobby and a "waste of time" for most of us born in the last twenty-thirty years is now a gigantic on growing industry with huge potential worldwide.

The financial aspect of esports

Esports has existed in one way or another since the introductions of video games; however, their popularity has been on an exponential rise from the beginning of the 21st century. The big breakthrough in the esports industry can be set for the beginning of this decade (2010) when Activision organized their first "Call of Duty" (Wikipedia-a, 2019) tournament in 2011 with a prize pool of $1,000,000 (Guzman, 2013). As of 2016, across the five biggest esport titles, the prize pool amounts to a total of more than $140,000,000 (TechVibes) - a number that has exponentially risen in the past three years, with the prize pool of the latest big "League of Legends" championship having a prize pool of more than $4,000,000 (Wikipedia-b, 2018). These numbers show that esports is not only a hobby or a waste of time but is a fully functional and well-paid industry for everyone involved.

Sponsors

Money is obviously a big part in this field, but where does it come from?

Back in 2009, when esports started to gain momentum, Red Bull was one of the first brands to jump in on the bandwagon. Nowadays they are one of the biggest brands in this industry, being sponsors of players, teams, tournaments while also being the organizers of various events in this field across different games (Kresse, 2016). But Red Bull is far from being the only ones involved in the financials of this industry. Coca Cola, Intel, and Audi are just some of the other big companies that are part of esports (Meola, 2018).

Publicity and exposure

How are these companies in touch with esports and how do they make their money back advertising their products?

Video games are becoming more and more popular by the day thanks to a site called Twitch[1] – where you can watch other people play video games live or if you feel like it, you can stream yourself playing. As absurd as this idea seems at first, it is the modern equivalent of watching people play sports on television. The most popular argument I have heard in my short career as a professional esport player is "Why would you watch other people play video games when you can just play them yourself?" (Churov, 2019). It is the same reason as to why we watch sports on television instead of practicing them ourselves – we do not have the opportunity to practice them ourselves; we want to see better players perform and learn from them; we see it as entertainment; we are fans of the players competing and want to support them… the list goes on.

For whatever reason it may be, Twitch (which is the property of the giant Amazon) is a platform where an unlimited quantity (and quality) of gaming can be found. As of 2018, Twitch has 15 million <u>daily</u> viewers on its site (Iqbal, 2019). With these numbers, it is understandable how this is a rapidly growing industry all over the globe, attracting all kinds of sponsors.

Gamers as the new form of marketing

The financial and marketing aspect is not only profitable for the companies involved. Aside from being indirectly benefitting from all the finances involved in this industry (by receiving salaries from teams, which get their money from sponsors), some gamers are the direct link between video game producers and consumers.

Some professional players are not only paid to play video games but are also "content creators" – they create content, be in on YouTube[2] or Twitch, which are watched by (hundreds of) thousands daily and bring sometimes a bigger income than competing. Such is the case with a

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[1] https://www.twitch.tv/
[2] https://www.youtube.com/

Fortnite[3] professional player 'Ninja', who was paid $1,000,000 to play a newly released game for a week (Thier, 2019). This might sound like an absurd amount of money to pay someone to play a video game… for a week. However, as numbers show, a 20 second add on television can amount up to more than $600,000 – put into perspective, paying someone two or three times as much to consistently advertise your product for a whole week on the biggest video game broadcasting site in the world seems like a very, very good deal.

Sports and esports

It is a matter of argument whether esports will replace traditional sports. In this paper, I will try and make the connection between football and esport football.

The football side of esports is not as big as the "traditional" esports, which are not based on real sports or games. It has, however, huge potential and this is being recognized by some of the biggest names in the *real* footballing industry. Football stars such as Mesut Ösil, Christian Fuchs and living legends such as Ruud Gullit have created their own esports teams recruiting players competing only on FIFA (Needham, 2019). This means that they pay a monthly salary to their team to represent them on the virtual pitch.

As well as professional football players being involved, the biggest football league in the world in terms of viewership and money – the Premier League, recently had its analogy on the video game. A virtual league was running for months and in the end released its first-ever ePremier League champion (ESPN, 2019). The event was broadcasted live on television on Sky Sports and the site Twitch. This new industry attracts not only teams and players but also the biggest leagues in the world with their sponsors and some of the biggest television companies.

Conclusion

Esports is part of the future – be it from a financial, marketing, entertainment, etc. point of view, this industry has shown that it can compete at all levels. It is competitive in many aspects – Twitch competes with traditional television in terms of viewership, marketing through Twitch is

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[3] https://www.epicgames.com/fortnite/en-US/home

far more beneficial than a traditional advertisement, viewership at esports events is bigger than most of the biggest sports events in history (Goslin, 2018).

Esports opens an equal opportunity from people of all age, race, religion, and location to be able to transform their hobby into a profession or the very least into entertainment for others.

I am myself a professional esport player and can confirm that the feeling of competing on the virtual pitch brings the same feeling like the one you experience when playing traditional sports. The competitiveness, fans, and stakes – they all add to the pressure, relief and disappointment one feels week in-week out.

Esports may seem like a weird concept at first – just like it was for my parents and the parents of every single player that has gotten into this field. However, it became apparent that it is not as simple as playing video games all day, but requires time, effort, sacrifices, and dedication, as well as intellect, skill, reflexes and maturity (to name a few) (Hagander, 2016). Once you get involved in esports at a personal level, there is no going back.

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Photo by Scott Webb on Unsplash

International Business Negotiations

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Abstract

In a globalized world companies are facing many challenges with respect to how to negotiate adequately. The differences in societies and cultures along with communication in business, behavior and negotiation styles impact the way global business negotiations are conducted. Negotiating effectively in a cross-cultural environment is one of the most important international business negotiation skills. The paper aims to highlight several important aspects of international business negotiations as well as what are the necessary skills an international negotiator should master.

Keywords: negotiation, business communication

Introduction

International business negotiations and entrepreneurial relations become more and more important these days since everyone strives to have their own business and running their own

firms. International negotiations are a large part of the whole process. An entrepreneur should have the skills of a good business negotiator especially when it comes to working and dealing with international companies and organizations. The main reason why I have chosen this topic to write on is that I see myself in the future on a negotiation table and hopefully negotiating deals for my own firm. The very interesting part about negotiating is that we use everywhere, not only in the professional realm; in our daily life we negotiate literally on almost everything.

According to Ghauri & Usunier (2003), negotiation is a basic human activity (Ghauri, P.N., Usunier, J-C., 2003). It is a process we undertake in everyday activities to manage our relationships such as family ones or employer and employees, buyers and sellers and business associates. However, negotiation is not always mandatory if the parties are both completely satisfied with what has been offered. If the process of negotiation is started, any of the companies or parties can choose to quit as negotiation is a voluntary process and not a must. However, this process is recommended because it modifies the offers and expectations in a way that brings the two parties closer to each other and maximizes both of their benefits, leading to a long-lasting future relationship between them.

Negotiation Skills

There are certain skills and traits that an entrepreneur must have before actually becoming an effective negotiator. The negotiator who aims for a win-win result should be knowledgeable about everything that is going on and what might happen. Negotiation is a dynamic process involving a number of moving parts, and all these parts are negotiable. The negotiator who is the most patient, persistent and creative always has the advantage and is most likely to close a win-win deal. The process of negotiation is complex and time-consuming. The negotiators who lack patience always tend to forget potential objectives, which can be very costly in the future and put the company in delicate situations. The most effective, creative and successful negotiators always have alternative solutions to go around conflict and turn the table around for the company they are representing (Situational Communication, 2015). Most successful negotiators use this tactic, which is in fact very easy: just listen, listen and listen, then ask questions instead of talking. The more a negotiator listens the more he/she understands the issues and potential challenges around the table. Summing up the information and

understanding it gives the negotiator a stronger ground to argue. Once the negotiator has fully comprehended the representatives from the other party(ies) and their objectives, it will become easier to present the argument and bring the case in order to win their trust (Situational Communication, 2015). The negotiators that are successful and very effective are not only sensitive to nonverbal communication, correctly reading important nonverbal signs from the other party, but can effectively act upon them. Good and experienced negotiators tend to have a sense of knowing what nonverbal cues they send to the other party in order to make them share more information.

Good reputation and good intentions are essential for a negotiator. People may forget the finer points of a negotiation, but they will remember how we treat them (Story, 2013). Burning people, or being too sharp or cunning gives the negotiator a negative reputation. The aim is to be a successful negotiator and win many business deals in time, not just one deal once. Winning a battle but losing the war is a strategy that can be employed only for short-term transactions. Sometimes in negotiations, things can get a little bit out of hand and some negotiators may become frustrated, angry, embarrassed and even defensive because the other party is not understanding or not cooperative (Story, 2016). In these cases, it is always better to remain calm and in a negotiating mode and remember that "half our mistakes in life arise from feeling when we ought to think and thinking when we ought to feel" (Collins, Citation).

Cultural Differences

The cultural differences between the parties involved in a negotiation is a sensitive matter, which may affect the whole negotiation process. For example, the negotiator may have a different representation of a successful deal than the business parties trying to reach a win-win agreement. In some cultures, a successful negotiation is simply a signed contract. For others, success means the creation of a future, trustworthy business relationship (Salacuse, 2004). In this case, even though a written contract will guarantee a business relationship, the meaning of the deal is the relationship itself. Those who aim to form such a long-lasting business relationship tend to work harder and put more effort into the negotiation in order to maintain a relationship for the long run. For those who aim at just a signed contract, these may seem less important (Salacuse, 2004).

In order to make sure that everything flows smoothly both parties should be addressed by the negotiator with respect and deference. The personal style of a negotiator concerns the way he or she speaks, interacts with, and addresses the other persons around the table, and culture plays a big role in a person's style of negotiating (Erskine, 2015). For example, the Germans often tend to be more formal in their negotiations and they address the other negotiator with their professional titles (Dr. or Prof.). The Americans, on the other hand, are more likely to use terms such as Mr. and Mrs. Formal negotiators avoid usually asking about the other persons' personal life or the family life of members from the other negotiating team. Informal negotiation usually tends to start the conversation on a first name basis, trying to establish a personal, more friendly type of relationship with the other team.

Negotiation Table Seating Styles

When the negotiation involves large groups of negotiators and representatives from two or more from each company, the usual type of seating at the negotiating table is on opposite sides, even if this may seem confrontational at first (Lewis). The negotiators tend to occupy prominent positions at the table. In order to avoid discussions about the seating, formal meetings use name tags and careful planning for organizing all the parties at the table (James, 2015).

The seating at the negotiation table is not the only issue to be taken into account at a meeting. The number of representatives should also be considered. For example, if the business negotiation is hosted by one of the parties, the number of representatives from the other party may be higher than the host's, which will create an unbalanced and tense situation (Lewis). In such a situation, the host has the right to decline the meeting. If they agree to continue, then the recommended seating is at an "L" shaped table, where the host is better positioned (Lewis).

The easiest situation is the one where only one representative of each business party is present, and this is typically the case for small negotiations involving moderate business deals. Some negotiators prefer such negotiations because it is more comfortable, focused and effective (IstiZada, 2013).

Conclusion

In a globalized world, companies are facing many challenges with respect to how to negotiate adequately. The differences in societies and cultures along with communication in business, behavior and negotiation styles impact the way global business negotiations are conducted. Negotiating effectively in a cross-cultural environment is one of the most important international business negotiation skills.

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