

E-commerce and its impact on retail stores in Slovakia¹

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Abstract

E-commerce is the purchase and sale of goods and services over the Internet. It assumed that despite the ever-expanding online transaction, the retail shops would not disappear. Various surveys have shown that customers still prefer to shop in stores and the number of purchases is increasing. Currently, they mainly use combinations of e-commerce and retail stores. Before the final purchase in the store, customers prefer to find out all the necessary information via the Internet. In the case of online shopping, customers prefer to look at the product in a retail shop and then purchase it via e-shop. In this paper, we decided to verify my hypothesis. The article aimed to determine the impact of e-commerce on retail stores.

Key words

e-commerce, impact, online sale, stone shops, purchase

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Introduction

We are currently experiencing a digital boom that is also manifesting itself in the field of commerce, where the shift of business to the internet platform is evident. E-commerce represents not only online shopping, but also several other processes such as creating appropriate promotions, buying and selling various goods, but also public relations. E-commerce brings benefits not only to vendors but also to customers by making contact between the seller and the buyer through electronic systems and no need for personal communication. Moreover, e-commerce represents an exciting business opportunity without the need for a stone shop. Conversely, for the other side, for customers, e-commerce purchases are time-saving, buying convenience, a wide range, but often also saving money at lower prices for e-commerce products, otherwise called e-commerce.

Online shopping is a B2C-type e-commerce process. E-commerce in the form of business to the customer is an effort by companies to create the most attractive electronic environment needed to attract potential customers to sell products and services. B2C, through e-commerce, somehow replaces or supplements a retail sales network. (Sachenko)

The arrival of e-commerce has caused the trade itself to adapt to the rapid evolution of trends. The overall view of trading has changed. The global information exchange

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system is currently made up of the Internet, intranet, and extranet networks. The possibility of using the Internet has changed the way of communication, access to information as well as ordering and payment for goods, respectively, services. Financial services in the form of home banking, paying bills, and obtaining loans have been extended (Kašťáková, 2014).

Thus, we expect a significant impact on the establishment of e-shops on the existence of stone shops — the particular threat from the myriad of benefits that e-shops bring. However, we are increasingly recording the opposite, namely the preference of customers to try and see the product they are planning to buy live in a stone shop and thus want to avoid a misconception about the product and ultimately disappointment with the purchase. Therefore, not only e-shops but also stone shops bring their advantages and disadvantages, and they also influence each other, but in some companies, they exist alongside each other and act in cooperation.

1 Methodology

The methods of exploration that we bring closer to us have helped us to successfully e-commerce research on stone shops. At the first step in the survey was to collect mostly secondary data that had already been collected by other subjects. We used them to bring the given e-commerce, stone shops, and their mutual comparison closer.

The research consists of theoretical approximation of basic concepts such as e-commerce, online shopping, retail shop, and more, which form the basis for bringing the issue closer and achieving the goals of work. For the elaboration of general information of the given problem, we have drawn relevant information from mainly domestic and foreign sources. Since e-commerce, respectively. The online business nowadays often discussed a topic, the resources we have drawn from secondary methods.

To obtain a sufficient amount of relevant data and a continuous interconnection of individual parts of the issue, we used the method of analysis. As a result, we have selected the most pertinent data for topics and research from a large number of available data. Subsequently, the method of synthesis unified the individual parts of the issue into a whole. Using statistical-mathematical methods, we could project-specific data into a graphical form or tables using Microsoft Office Excel.

2 Results and Discussion

2.1 Development of online sale

Although only experts and specialized companies have used the Internet at the outset of its creation, it is now a vast source of information and creates communication between the world. Every business or an organizational unit can be part of global information exchange, only through a World Wide Web information page that can display text, audio, images, and videos. The Internet provides user feedback, which is then very

important for customer analysis. Feedback is missing in other media such as television or magazines (Kašťáková, 2014).

The main advantages of using the Internet include availability, immediate information, and search services. E-commerce or e-commerce is buying and selling products or services through electronic systems such as the Internet or similar computer networks. Electronic banking is also an integral part of e-commerce. When using internet banking, the client can execute multiple payment orders in his bank account without time and space constraints. (Sachenko, 2019).

Companies have several of the following applications available to their customers, especially individuals:

- an e-commerce website,
- interactive order processing,
- secure electronic payment systems,
- online customer support.

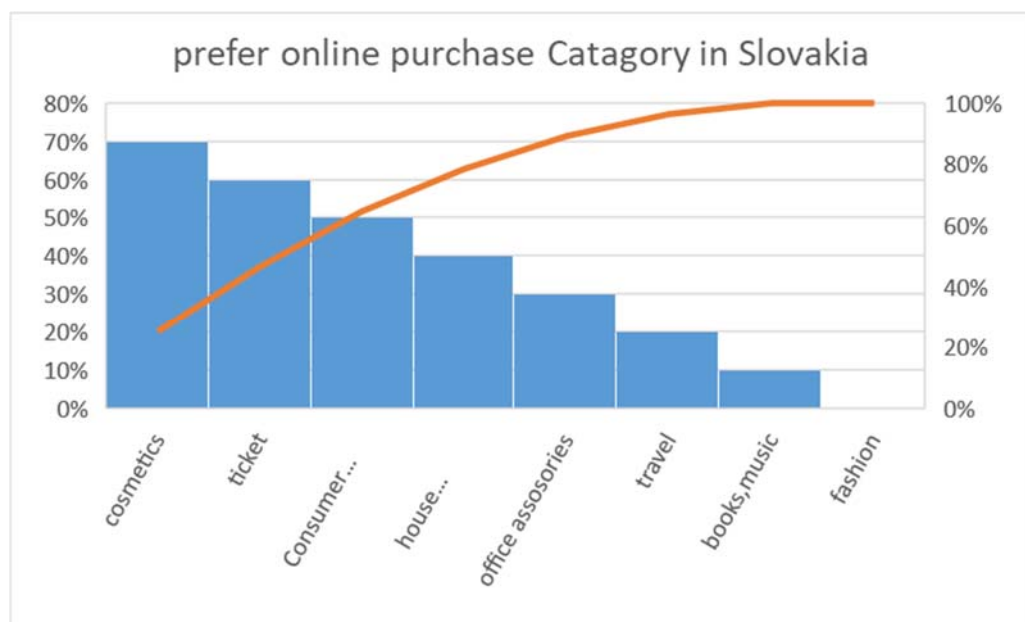
2.2 Online vs. offline sales

Retail shops have a long history around the world and based on certain traditions and customs. Trading starts in the earliest times when the exchange business was still in primitive form. Over time, the store has improved, and nowadays, retail stores are found all over the world. In the article, we deal mainly with the retail stores — the retail sales defined as the activities of direct sale of goods, respectively, the end-users. Online shopping gives us to purchase in the comfort of your home, with less time and a wide range of assortment that goes to our own hands, to the door of our house. Through the Internet, we can buy various kinds of goods, through clothing, books, electronics, but recently also the food. The impact of online social networks on consumers' purchase decision.

According to the current research by Nielsen, which has devoted itself to online purchases in Slovakia, the most significant part of the shopping cart is mainly fashion, More books, music, office supplies, but also travel. Slovakian also buy tickets and personal hygiene products, respectively, cosmetics. The percentage of online purchases of individual types of goods shown in the following graph. (Nielsen, 2018).

As we have already mentioned, online shopping is used to buy not only fashion and electronics but recently also food, whether packaged or fresh. However, Nielsen's research suggests that buying food online is significantly lower than the European average. Last year, online packaged food bought 8% and fresh food 4% Slovak consumers, but in both cases, there was a year-on-year decline. (Nielsen, 2018).

From this, we can conclude that the trend of buying food in Slovakia is not as popular as other countries and placed at shallow levels of online purchases. Another reason for the low popularity of grocery shopping may be the poor e-commerce infrastructure offering the goods.

Graph 1 Comparison between e-shop and retail shops

Source: modified according NIELSEN, 2018. Online nakupovanie: móda na prvom mieste.
<https://www.nielsen.com/sk/sk/insights/news/2018/online-shopping-fashion-first.html>

When shopping through the e-shop, we can use various types of payment for goods. In Slovakia, consumers prefer to pay cash when delivering products. Although, to a lesser extent, they prefer, in addition to cash payments, to pay by card directly at the courier and with the possibility of contactless payment. (Regels, 2018).

In 2018, Ipsos conducted a study among Slovaks on the popularity of online stores. The result of the survey is a list of the ten most popular e-shops in Slovakia, which shown in Table 1 below.

Table 1 The most popular Slovaks e-shops for 2018 (%)

Alza	35 %	Bonprix	8 %
Mall	31 %	Heureka	7 %
Hej	15 %	Wish	7 %
Aliexpress	15 %	Nay	6 %
Martinus	13 %	DrMax	5 %

Source: IPSOS s. r. o.

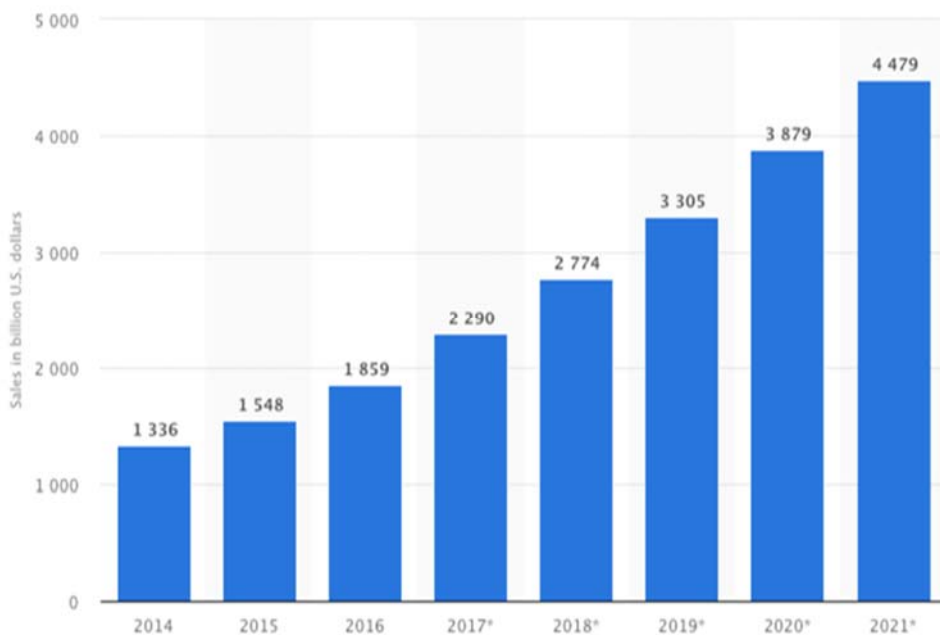
The Slovak online market is growing and gaining popularity. More than 11,000 e-shops have already appeared in Slovakia, which increased by 20% from year to year.

Also, a year-on-year increase of 15% recorded in sales, which in 2017 amounted to EUR 937 million. (Král, 2018)

2.3 Assumption of e-commerce development

E-commerce itself is evolving at a high rate as well as trends in it. Every year, e-commerce grows by around 16% worldwide (DOD, 2018). The development is shown in more detail in figure no. 1.

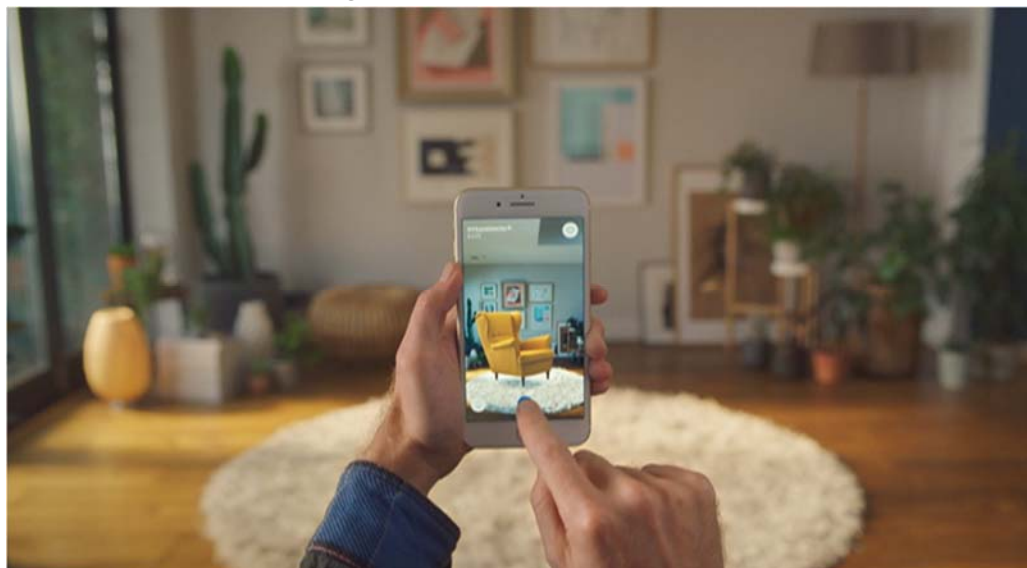
Graph 2 Assumption of e-commerce 2014-2021



Source: Statista, 2016

E-commerce is mostly due to the increasingly widespread use of mobile phones. The value of mobile phone purchases was € 3.2 trillion in 2017. Likewise, Alexa from Amazon has contributed to making it easy for consumers to shop with a simple voice command. Alexa is scheduled to raise sales volumes by a further € 10 billion by 2020 (DOD, 2018).

We can argue that artificial intelligence and virtual reality will continue to advance and push the boundaries of online shopping. Several retailers use applications that allow consumers to experience virtual goods before they buy. An example is IKEA with an app that will enable you to display the furniture of your choice in the room, point the phone to where you would like to build the goods.

Figure 1 IKEA Mobile Application

Source: IKEA

Ray-Ban has also introduced an application through which you can try each of the glasses offered by them on your photo, making it easier to choose the shape that fits you. Already today, we can easily shop with chatbots in Messenger, but in the future, the online store will be directly involved in the conversation and dictate your requests, and the app will search for products based on your choices and offer you the opportunity to try out the products in the photo. Subsequently, with a simple command, you can immediately purchase for you, and you have to wait for the courier.

Consumers often do online research before entering a store and buying a product. It's hard to figure out how many consumers come to the store through online research. 82% of consumers are looking for stores via mobile phones, of which 18% purchase during the day. That is why the ROPO application from "Research online, purchase offline" created. Thanks to them, traders can find out how many people will come to them by searching for their stores or products before. (DOD, 2018)

Conclusions

Online shopping through e-shops is now a fast-moving trend that goes hand in hand with the digital era. We can buy everything online, even outside Slovakia. Now, at first glance, it has the chance to survive and succeed just what's online. On the other hand, several vendors support the trend of building retail shops forwards and thus the so-called face-to-face contact with the customer, which can act as an added value in shopping. Both ways of shopping have their benefits, but also the negatives that the customer chooses to buy. E-shops, in comparison with traditional stores, get to the fore, especially the time-consuming purchase, comfort, but also a quick comparison of the competition, the offered assortment, and prices. However, on the other hand, what the

online store lacks and adds to the strength of the retail stores as we have already mentioned the face-to-face kitten of the customer with the seller, but also with the purchased goods.

As the worldwide trend indicates, typical retail shops have a problem with attracting their customers, and on the contrary, the development of online shopping goes in the opposite direction. Moreover, so the question for retailers is how to attract customers to the store and create a place where people feel good and happy to come back.

Based on the secondary data we have obtained, mainly from the research conducted by the research company Nielsen, we have succeeded in achieving the goal and assessing the perception of online commerce by the public and its impact on retail stores. Subsequently, we were able to make recommendations to stone shops focused on their future.

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Competitiveness Outlook of the Automotive Industry in the V4 Countries¹

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Abstract

The aim of the paper is to analyze the possibilities of the automotive industry development in the V4 countries in the near future. Automotive is one of the most important industries in the Czech Republic, Hungary, Poland and Slovakia. However, it faces significant challenges on both the demand and supply side. The shortage of qualified and relatively cheap labour force, once the important comparative advantage of these countries is becoming a major problem in sustaining the competitiveness. Meanwhile the rise of protectionist policies and trade tensions also pose a significant threat to the export-oriented industry. The third important source of change is the technological advancement. Industry 4.0, electromobility and self-driving cars are reshaping the whole business model. In order to stay competitive, the V4 countries have to take all these factors in account and try to adjust their policies to these changes in environment.

Key words

V4 countries, automotive industry, competitiveness

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Introduction

Automotive industry plays an important role in the economies of the V4 countries (the Czech Republic, Hungary, Poland and Slovakia). However, the initial comparative advantage of relatively low-cost and skilled labour force is quickly vanishing, as economic growth and rising wages result in record-breaking low levels of unemployment and labour shortages. The other threat is the rapidly evolving external environment in terms of changes in production processes and business models. It will be therefore crucial for the V4 countries to adjust to this development, otherwise their competitiveness might be endangered.

Another factor which must be considered is the high dependence of the automotive sector on exports. All the economies (except Poland) are extremely open and their foreign trade is focused on the European Union (EU) and Germany in the first place. Majority of their car companies are affiliates of foreign investors with domestic companies often lagging behind in terms of value added or position in global value chains. In the light of ongoing automatisisation, higher value added and innovations are even more important to keep the production and jobs from moving abroad.

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1 Methodology

The aim of the paper is to analyze the possibilities of the automotive industry development in the V4 countries in the near future in the light of changes in internal and external environment. Many of these changes are not definite at the time of writing of the paper, therefore there is a lack of data which might be used for an evidence-based predictions. Analysis, synthesis and international comparison are the methods used in this research paper. The data was gathered from secondary sources such as statistics of international organisations, automotive companies or other research papers.

2 Results and Discussion

According to the OICA (Organisation Internationale des Constructeurs d'Automobiles) statistics, 18 907 697 cars were manufactured in the EU in 2017, 19.1% of them in the V4 countries (OICA, 2018).

Automotive is one of the most important sectors in the European Union, as can be seen in numerous indicators. It represents 6.1% of the EU employment, creates € 90.3 billion trade surplus and accounts for 27% of total R&D spending, which is the most among all industries. The innovations also contributed to the decrease of 23.7% in CO₂ emissions from car production in the last decade and to decrease of 31% in the water consumption per car produced. It means that the environmental footprint of the industry has substantially improved recently (ACEA, 2018). Yet the competitiveness of the automotive sector is challenged by the disruptive innovations, which affect the product, the business model and the very concept of transport as well.

The key disruptions in the automotive sector which will also lead to the changes in skillsets of employees are new business models such as shared mobility and connectivity-based services. New business models could add 30% to the revenues of the industry (Adecco, 2018).

Autonomous driving is an innovation which affects not only the car production, but together with car-sharing and ride-hailing platforms it changes also the overall meaning of mobility. According to research, average car is used only 5% of the time and otherwise it is parked (Kefferpütz, 2018). It is therefore possible that instead of owning a car, people will gradually prefer renting or sharing a car with others. In the ideal case, 15% of the cars sold might be autonomous in 2030. However, there are still many technological, legislative and ethical issues to be solved. The MIT Moral Machine research (Awad et al., 2018) presents different scenarios which might occur during the ride of autonomous vehicle. Its aim is to gather a human perspective on moral decisions made by machine intelligence, based on solving of moral dilemmas where a car has to choose the "lesser evil" between the two given situations. The respondent of the survey chooses the situation which he or she deems morally more acceptable. Any generalisation of the outcomes might be difficult, though: ethical decisions may vary greatly among different cultures. Collectivist cultures like China and Japan are less likely to spare the young over the old which might be a result of higher respect of the elderly people in these countries.

Other factors causing differences in moral opinions of countries include strength of institutions, level of economic inequality or geographical proximity of countries (Hao, 2018). It is therefore evident that the spread of autonomous vehicles must be based on the interdisciplinary approach.

The climate change poses a serious threat for many industries and automotive is one of the most impacted. The whole transport sector is responsible for 22% of overall emissions in the EU and they have even grown by 20% since 1990 (the overall EU emissions fell by 22% during this period). The EU environmental legislation is strict when it comes to CO₂ emissions: compared to the 2021 level, new cars would have to reduce emissions by 15% on average by 2025 and by 37.5% by 2030. Less strict targets are prepared for carmakers with share of zero- and low-emission vehicles higher than 15% in 2025 and 30% in 2030. According to the European Automobile Manufacturers' Association (ACEA), these targets are highly challenging for the industry. The target for 2021 was set at fleet average of 95g/km (Morgan, 2018). Many countries employ stricter environmental legislation than on the EU level – France and UK will ban combustion engines by 2040, all new cars will have to be zero-emission in Norway by 2025 and countries like Denmark, Ireland, Spain and China have set targets for electric car sales. This is especially important in the case of China as the largest car market in the world and the major importer of European cars. Moreover, the spread of the Smart City concept along with the principles of sustainable development will result in a more prominent role of cities in shaping of mobility besides the national legislation.

With these new measures adopted, car companies have sped up the development of electric cars. The European Commission along with other stakeholders such as member states, European Investment Bank and industry and innovation actors have launched European battery alliance in 2017. At least 10 to 20 'gigafactories' are needed to cover the EU demand. The main aim of the alliance is to create a manufacturing value chain producing sustainable battery cells (European Commission, 2019). Chinese companies produced 43% of electric vehicles in 2016 and the country also has the largest number of these vehicles in use (Kefferpütz, 2018). Electric cars need batteries and the more of these cars will be sold, the more important will batteries be for the automakers. Currently China, South Korea and Japan are the leaders in this segment.

To sum up, the car of the future will be sustainable, smart and shared (Kefferpütz, 2018).

As for the geopolitical threats, the two main are possible US tariffs and Brexit. The USA account for relatively small share of exports from the CEE (Central and Eastern European) countries. According to UBS, American market would shrink by 12% in case of 25% tariffs on car imports (Economist, 2019). The US government has 90 days to act after the Commerce Department releases a report on automotive industry and national security on February 17, which might advise to impose tariffs on European cars (Dommm, 2019).

It is difficult to predict the impact of Brexit on exports as the final agreement between the EU and UK has not been reached yet. According to some estimates Slovakia – for which the UK is the fifth biggest export partner – might lose 7 500 jobs in case of hard Brexit (SITA, 2018). However, CEE countries can look for other markets such as Japan, which has recently signed a free trade agreement with the EU. Another country with potential for strengthening of the trade ties is China, however, trade deficits of

CEE countries remain large and Chinese investments in this region are limited (Baláž & Kráľovičová, 2017). Chinese car market, the largest in the world, contracted for the first time in more than 20 years in 2018. 28.1 mil. cars were sold, decline of 2.8% compared to previous year. In December 2018 alone, the sales plummeted by 13% (Economist, 2019).

2.1 Automotive investment in the V4 countries

There were 227 automobile production facilities in the EU in 2017, 33 of which located in the V4. However this combined number is still less than 43 in Germany and the same number as in the UK (ACEA, 2018).

The production portfolio among the V4 countries is rather diversified. Out of 16 plants in Poland, only 2 of them are producing passenger cars. On the other hand, all four Slovak factories are focused on this type of vehicles. Production in Poland is mainly focused on buses and engines, but the overall structure of industry is the most diversified (it is the only country producing light commercial vehicles as well). Slovakia has the least diversified portfolio with only one plant (Kia) producing engines and all four factories focused at the passenger cars. Production in the Czech Republic is focused mainly on passenger cars and engines, but some of the companies manufacture also buses and heavy-duty vehicles. Hungary produces passenger cars, engines and buses as well.

Automotive industry is one of the most integrated into global value chains. Slovakia has the highest share of regional value chain trade (involving regional production partners) on the total value chain trade in manufacturing and the second highest share in the total economy. In both cases the Czech Republic, Hungary and Poland placed in the highest four spots among the EU 28 countries (Stöllinger, 2018).

Table 1 shows basic indicators of the V4 countries concerning production and sales of cars. Even though Slovakia is the smallest country in terms of inhabitants and the number of plants, it is by far the most productive with the highest number of cars produced per 1 000 inhabitants in the world and per direct automotive manufacturing employee. On the other hand, automotive industry is relatively least important for the Polish economy.

Reasons for the original automotive investment in Central and Eastern Europe stem from the comparative advantages of the region: relatively low-cost but skilled labour force and a gradually built supply chain (Automotive Logistics, 2018). However, the picture is changing: with unemployment rates at the record-breaking lows, the region is coping with the shortage of the skilled labour. There is also a positive aspect of the situation as the investments are no longer aimed only at assembling but some of them also at research and development.

Out of the 4 countries, Slovakia had the highest share of automotive industry on total capital expenditure (8.34%) in 2017. On the contrary, the lowest share (2.38%) was in Poland. Share in the Czech Republic was 4.43% and 3.88% in Hungary (Chlopčík, 2018).

Table 1 Main indicators of the automotive industry in the V4 countries

Indicator	Czech Republic	Hungary	Poland	Slovak Republic
Share of automotive industry on GDP (% , 2017)	9	10	3.8	13
Direct automotive manufacturing employment (active population ratio, %, 2016)	3.22	2.04	1.44	2.60
Direct automotive manufacturing employment (number of employees, 2016)	168 408	92 816	187 334	71 240
Motor vehicle production (2017)	1 424 300	506 000	689 700	1 025 000
Motor vehicle production per direct automotive manufacturing employee (2016)	8.0	5.7	3.6	14.6
Automobile assembly and engine production plants (2017)	8	5	16	4
Motor vehicle registrations (2017)	301 805	142 703	577 293	108 279
New passenger car registrations per 1 000 inhabitants (2017)	26	12	13	18
Motorisation rates per 1 000 inhabitants (2016)	570	394	672	455

Source: ACEA, 2018, p. 10-32, ČTK, 2018

Nevertheless, the situation varies greatly among countries: Hungary is attracting multiple investments ranging from electric motor manufacturing to testing area for autonomous vehicles and seems to be the most prepared for the upcoming and ongoing changes in environment. Two companies, Horiba Mira and ZalaZone want to provide testing zones for autonomous vehicles. The latter one received funding from the government and claims that its test track will have 5G network and enable prototype tests as well as development of serial products.

Jaguar Land Rover will not create an engineering office in its plant in Nitra, Slovakia, but in Budapest instead. The company will employ 100 engineers supporting the European supply chain management, focusing on developing new models. It is the first JLR's office of this kind in continental Europe. According to Péter Szijjártó, Foreign Minister of Hungary, the choice of location was driven by the lowest corporate tax in Europe, tax benefits for research and development activities and high level of technical education (Daily News, 2018b).

Mercedes-Benz is building its globally first full-flex factory at its existing site in Kecskemét with costs up to 1 bil. €. The factory will allow for production of multiple vehicle architectures on the same assembly line, including compact cars, sedans and electric cars as well. The plant will also be carbon neutral and it will employ the concept of Factory 56, which Mercedes-Benz labelled as the car factory of the future, which means it will be digital, flexible and green (Daimler, 2018).

Audi factory in Győr is a main electric motor-manufacturing plant of the company. It uses modular islands, which is different from traditional assembly lines: robots and stations are not linked together and there is no predefined assembly sequence. Therefore, this solution allows for greater flexibility of the production process. The motors will be used in the first fully-electric model of the company, Audi e-Tron. The factory will also include research and development centre (Daily News, 2018a).

BMW has chosen Hungarian city of Debrecen to build its new 1 bil. € factory with production capacity of 150 000 cars a year. The plant will employ more than 1 000 workers. Infrastructure, logistics connections and supplier network were among the main reasons for this decision. Košice, Slovakia was also among the main contenders for this investment (BMW Group, 2018).

The role of automotive sector in Hungary is increasing: for the first time, the country placed in world top 20 automotive exporters in 2017. Share of automotive on the Hungarian industrial output is 28.8%. In 2017, production consisted of more than 500 000 cars and 2.5 mil. engines. The industry is heavily export oriented: only 8.3% of the output stays in the home market (Automotive Logistics, 2018). Hungarian government actively promotes the development of the automotive industry by building new infrastructure or changes in the legal environment favouring autonomous vehicle testing. This legislation might be an important comparative advantage for Hungary, unless other countries will follow this example.

Besides autonomous vehicles and automatization, electric cars and batteries are the third important innovative sector. In Europe, battery plants are in Sweden and Poland, where LG Chem plans to build a largest lithium-ion battery plant in Europe, able to supply 250 000 cars annually (Perez, 2019). Mercedes-Benz is another company which will build a battery factory in Poland, and also in Germany (Autonews, 2019). The third

major carmaker is Tesla which also eyes Europe for its Gigafactory producing batteries. Hungary has a potential to be an important producer of batteries for electric vehicles with Samsung, Shinhueng Sec and GS Yuasa companies all announcing their plans to build their factories in the country.

One of the main problems of Slovak economy is that it is divided between affiliates of foreign investors with higher value added and the second sector, which comprises of several large Slovak companies and small and medium-sized enterprises, which form the majority of firms. Nevertheless, their value added is generally lower than that of foreign affiliates (Kittová & Steinhauser, 2016). Another issue is that as an extremely open economy, Slovakia is heavily reliant on exports. In 2017, road vehicles accounted for 27% of the overall exports (OECD, 2019). Share of car production on the overall industrial production was 44% in 2017. UK is the third most important trading partner in the EU for Slovakia. Hard Brexit would certainly have the most serious impact on the automotive industry – every seventh car produced is exported there. It is even the second biggest market for KIA factory. Cars make up 40% of the overall Slovak exports to the UK (Poracký, 2019).

In terms of attracting new investment, Slovakia is often losing out to other V4 countries, notably Hungary, as show the examples of BMW and Jaguar Land Rover engineering office.

2017 was a record year for automotive companies in the Czech Republic. Production, sales and exports have risen by 5.2%, 7% and 6%, respectively. Number of employees has grown by 6% and average wage in automotive by 7%. Škoda plant has the highest share on production with 60.7%. Production of buses has grown by 5.5%, production of heavy duty vehicles increased by 11.7% (Sdružení automobilového průmyslu, 2018).

Production of passenger cars and light commercial vehicles in Poland grew by 0.6% in 2017, compared to previous year. Even though there are 16 production plants in Poland, FCA factory accounts for 39% of the overall production. As for the commercial vehicles alone, production has risen by 39.2% in 2017. Growth in bus production was nearly flat in 2017 – only 0.3%. When it comes to production of automotive parts and accessories, Poland lost the position of regional leader to the Czech Republic recently. The employment in automotive grew by 12.8% and wages by 7.1% in 2017. In the same year, exports of industry grew by 8.2% and accounted for 16.2% of total Polish export (Polish Automotive Industry Association, 2018).

Even though the situation of the automotive sector in the countries seems to be in a good shape, it might not stay this way for long. According to Ivan Hodáč, former Secretary-General of ACEA, situation in automotive industry in V4 is good, but investment in human resources is vital to maintain it. Cooperation and improved communication within the group but also with the EU institutions is strategically important (Rybecký, 2018). As for the human resources and employment, Slovakia is the most vulnerable to technological changes, which threaten nearly 70% of jobs – the most among OECD (Organization for Economic Cooperation and Development) countries. The third of the jobs is threatened by automatization. José Ángel Gurría, Secretary General of OECD noted that the success of the current economy model based on assembly plants might be coming to an end and the country must focus on improving the skills of students and employees (TASR, 2019)

Conclusions

New technologies might create new jobs, but they also require new skillsets. It is positive that the new investment in CEE automotive is largely compliant with the Industry 4.0 principles. On the other hand, Industry 4.0 implementation is reflected in the higher levels of automatization, which in general means lower labour intensity – this is relevant at least for the workers with the current skillsets. Even though the fourth industrial revolution creates new jobs, the difference between skills needed for the position of e. g., data scientist (new position) and assembly worker (current position) is large. Therefore the retraining of the employees might not be feasible in many cases and unemployment will actually rise.

The problem when it comes to the V4 countries is that development of new concepts and products is happening in the parent companies and it depends on their decision if they will assign this research and subsequent production also to their affiliates in other states. As the global value chains in automotive industry are extremely complex, these decisions will be crucial also for the networks of subcontractors, as there are hundreds of these companies in the V4 countries. Another important factor is that many components used in cars with combustion engines will not be used in electric cars. On the other hand, electric vehicles contain many new parts which also puts a pressure on subcontractors to adjust their product portfolios.

The lack of diversification stays the most serious problem, notably in the Czech Republic and Slovakia. Shortage of skilled workers might lead to the employee fluctuation among the companies or inflow of foreign workers, even though the unemployment in Slovakia is still relatively high at 5% due to uneven allocation of investment among the regions. Recent information about downsizing in Volkswagen and KIA plants will certainly ease the pressure on labour market to some extent.

As shows the example of internet banking applications or contactless payments, Slovakia is a suitable market for testing of various innovations. However, Hungary seems to be the most successful country in attracting innovative investment.

Among the V4 countries, automotive sector is the most important relative to the overall economic output in Slovakia. However, it seems that the country starts to lag behind other V4 states in terms of new investment and its innovativeness. The biggest challenge for the country is to make a transition from "Assembled in Slovakia" to actually "Made in Slovakia".

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Folk Motifs as a New trend in Foods and Beverages Packaging Design ^{1,2}

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Abstract

As the number of self-service stores grows, the sales process is also changing, and the salesperson's ability to influence the customer during his purchase is lost. This function is taken over by the packaging of goods whose task is to sell itself. The aim of the article is to present and characterize examples of selected Slovak food and beverages packaging, on which manufacturers have introduced Slovak folk motifs and specify what factor influenced manufactures to use it. This article is divided into two parts. In the first part, we present examples of folk motifs on the packaging of selected Slovak food products and alcoholic beverages. In the second part of this article, we presented the results of a structured interview with 4 managers which introduced on the Slovak market food and beverages packaging with folk motifs. The reason of application of folk motifs on packaging was that employees from these companies are associated with folklore, patriotism and traditions. They honour the traditions of Slovak ancestors and Slovak country and are glad that the time has come when culture and traditions are preferred and supported. Companies sell Slovak products and therefore Slovak folk motifs are listed on packages their products.

Key words

Folklore design, food packaging, beverage packaging, innovation, Slovak

JEL Classification: L66, Q19, Q10

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Introduction

The consumer market is developing every year and the number of competing products from different manufacturers is growing all the time. Every company seeks to invent something new to succeed in a competitive battle between companies offering the same or similar product, to get new customers and keep old ones. Companies use different marketing tools to achieve this aim. Basic marketing tools known as "4P" include: product, price, place and promotion. The time has advanced and there are currently various

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extensions to this concept. One of them is that some marketers consider packaging (Draskovic, 2007) as another very important, least costly and most effective marketing tool, the "fifth P". Kotler and Keller (2006) argue that most buying decisions are made on the basis of impulses, which is why packaging needs to perform many tasks:

- catch attention,
- describe product characteristics,
- create trust and make a positive impression on the customer.

Products packaging that targets markets other than the home market must also meet export requirements or requirements from supply chain partners. It is necessary to use a smaller package size in markets with lower incomes to become the low-cost products, while in emerging markets, environmental issues play an increasingly important role, which manufacturers realize when designing packaging. Entry into a new market requires thorough analysis, which also includes packaging requirements, as the packaging has become an important marketing tool for companies and needs to adapt to cultural factors on the local market (Rundh, 2016).

More than a thousand new products (Rundh, 2016) are presented on supermarket shelves per month as part of the rapid movement of goods. The design of primary packaging is important, because it acts as a "silent trader", protecting content, informing and persuading consumers. On the other hand, secondary packaging is not only functional during transport, but it can also influence consumer behavior and serve as an advertising tool by utilizing the aesthetic and functional components of the packaging. Unique and attractive packaging through its material, shape, color, and graphics from modern printing technology offers new opportunities for creative design. Consumers are often willing to pay more for luxury packaging, comfort, appearance, better handling. Growing environmental issues should be considered in relation to packaging too (Rundh, 2016).

"Innovation" means any change made in the production process, either capacity, material, organizational, technological or other which can influence the quality of the final product and is expected to bring a direct or indirect economic effect such as profit, increase in turnover or consolidated market position (Lacková, 2017). As stated in the Oslo manual, innovation means any implementation of a new or significantly improved product, new marketing or organizational method in business practice. The company can make many types of changes to improve its productivity and commercial performance. The guide defines four types of innovations, including a wide range of business activity changes: product, process, organizational and marketing innovation, which involves the introduction of a new or significantly improved product design or packaging, implement product placement changes, product promotions, or product price policy changes in order to make the product and service more attractive, to better meet customer needs, to enter new markets or to create a new product position (Oslo Manual, 2005).

According to Kačenák (2011), packaging design means include the coloring of packaging, the font and text used on the label, drawing and photography, the shape of the packaging, and finally the packaging material used.

Each design has defined goals and functions. We can classify design goals and functions from multiple perspectives. From an economic point of view, it is about increasing the attractiveness of goods and improving their position on the global market.

From a humane point of view, the goal of design is to humanize the current technology and its products, bringing aesthetic value to machine civilization. From a social point of view, design increases the value of taste and increases the standard of living of each person (Knošková, 2014).

According to Brunner (2016) design fulfills three basic functions. Functional – it is related to the ability of a product to fulfill its primary purpose for which product was created. The second one - aesthetic function which focuses on how consumers perceive the appearance and beauty of packaging and what pleasure it will bring to the consumer when using it. The last one - symbolic function which reflects the thinking or value of the symbols through which it communicates with consumers (Brunner, 2016).

Symbols placed on product packages can perform several functions (e.g. help consumers to categorize the product immediately into the appropriate category of goods, identify the country of origin, easily identify the purpose or use of the product, help identify specific users of the product). There can be a sign that expresses consumer confidence or means of communication to express a specific lifestyle. The meaning of symbols is the result of the process of consumer socialization (cultural meanings or symbolic meanings) and without them the symbolic design cannot be used (Brunner, 2016).

In recent years, there has been a new trend of placing national symbolism on product packaging in order to present the nationality of the product. The national symbolism of each nation is different, unique, and as a result, manufacturers can gain a competitive advantage by placing national elements on packaging. The national symbolism can be displayed on the cover verbally, such as "Slovak" or visually. Visuals can be displayed either through signs and symbols of the nation, including the national emblem, flag, seal and color or with the help of cultural elements in the form of folk motifs and customs, or lace ornaments and illustrations depicting the country.

1 Methodology

The aim of the article is to present and characterize examples of selected Slovak food and beverages packaging, on which manufacturers have introduced Slovak folk motifs, and also specify what factors influenced manufactures to do it.

In the first part of our article we have given examples of folklore motifs presented on the packaging of selected Slovak food products and alcoholic beverages. As stated in the Oslo manual (2005), one of the types of innovation is marketing innovation, which involves the Introduction of a new or significantly improved product design or packaging in order to make the product more attractive. According to the authors of this article, the innovation of food packaging design is an implementation of folk motifs on the food and beverages packaging, e.g. lace, folk embroidery. For this reason, in the second part of the article, we presented the results of a structured interview with 4 managers representing some of the 8 selected companies listed in the article that introduced on the Slovak market food and beverages packaging with folk motifs. Other companies did not respond to our request about the interview.

The interview contained six questions, e.g.

1. What do you understand by „packaging innovation“?
2. How often does your company change packaging design?
3. In your opinion, what impression should the consumer have on the new packaging of your product?
4. What are your company's expectations from new packages design with folk motifs their products?
5. What factors influenced on your decision to use Slovak folk motifs on food or beverages packaging?
6. In your opinion, what are the current trends in food packaging design?

In the results of our interview with company managers in case of similar answers we combine them and present them as one answer. We present them each one separately. We do not list company names, managers' names, because it was a condition for us to receive honest answers to our questions.

The results relate only to the surveyed entities. They cannot be generalized because the research sample was not representative.

2 Results and Discussion

2.1 Impact of landscape culture on food products packaging design

According to Kotler (2007), culture is defined as an educational way of life that is characteristic of a certain group of people and represents a set of recognized and shared values, customs and rituals, opinions and attitudes towards domestic and international life, language and aesthetic system, including folklore, music, art and literature.

The strategic goal of all Slovak stores operating on the Slovak market is currently more intensive support for Slovak production, interesting regional food and specialties. Reserved shelves, special leaflets and other activities are examples of this strategy.

Folklore is one of the current trends in the Slovak Republic, to which manufacturers and retailers respond by placing folk motifs on their product packaging. The discovery of folklore in Slovakia is a direct phenomenon.

Figure 1 Packaging of “Bryndza Liptov”



Source: <https://www.nasliptov.sk/>

Its reflection is in fashion, design and food. Companies and brands like Savencia Fromage & Dairy Slovakia, COOP Jednota, Šariš, Rajo and others use folk motifs on their products. First of the examples is the Slovak Liptov lace which is located on the packaging of sheep cheese – Bryndza from Savencia Fromage & Dairy Slovakia Company (Figure 1). This folk motif caused that the Liptov brand has become more visible and we can find it on packaging in the entire product line (www.retailmagazin.sk, 2018).

The Company COOP Jednota Slovakia uses fictitious lace designed by the graphic studio on the packaging of its products with brand "Traditional Quality" and „Mom's goodies which was inspired by several types of Slovak folk lace. The philosophy of these brands is to offer consumers traditional Slovak products, the tastes that the consumer is accustomed to since childhood and to guarantee that the products were made in Slovakia. Figure 2 illustrates the packaging of "Mummy's Goodies" products.

Figure 2 "Mummy's Goodies" food brand by the Coop Jednota



Source: <https://www.coop.sk/>

The new design of Slovak Šariš beer cans (Figure 3) is based on traditional folk embroidery, which had an identification function in the past. Based on embroidery, the village, social background or even whether a person was single or married was recognized.

Figure 3 Cans of "Saris" beer



Source: <https://www.saris.sk/>

There are two kinds of embroidery on the cans of beers - cross (from 14th - 15th century) and bold (late 18th and early 19th centuries). They are more ornate and come from six villages of eastern Slovakia from Torysky, Kendice, Rejdová, Ždiar, Úpor and from today's non-existent village Blažov (www.teraz.sk, 2018).

Other example is Rajo brand. Rajo's marketing communication is based on the linking of Slovak traditions and customs with product packaging. Company created a new Salt Slovak edition of products, whose packaging is inspired by Slovak motifs with red-blue colors (Figure 4) (www.medialne.blog.etrend.sk, 2018a). The main idea of this marketing communication is that "Not everything that looks like traditional Slovak product, is such a product" (www.medialne.blog.etrend.sk, 2018b).

Figure 4 Packaging of acidophilic milk from "Rajo"



Source: <https://www.rajo.sk/>

Another example from this brand is packages of yogurt. Rajo company launched in 2018 on the Slovak market a series of "Thick Traditional Yogurts" (Figure 5) which are made by the traditional crucible maturing method. It is sold in various flavors or as a basic variant without additional flavors. The special packaging design is inspired by the traditional Slovak craft of blueprint which was included in the UNESCO cultural heritage. By blueprinting we call indigo – a blue-colored substance, decorated with pattern suppression using the so-called 'reserve', which is preventing the substance from staining the pattern. This technique came from Holland and Germany. It's been in Slovakia since the 18th century. The company wanted to highlight the traditional yogurt production through this packaging.

Figure 5 "Rajo" Thick Traditional Yogurt



Source: <https://www.rajo.sk/>

Besides folklore elements, also the history of Slovakia was the inspiration for packaging designers. An example can be the Slovak gin "Gin Gin" (Figure 6), which is based on the tradition of ancient herbal medicine, macerating herbs and fruits with medicinal effects in home-made spirits. The bottle design of Slovak gin comes from pharmacy and resembles old medicine bottles or liquor. The color of the bottle is cyan blue inspired again by the original Slovak blueprint, which was used in history for dressing and decorating textiles. The color of the text on the label is a combination of gold and silver, with the first word in silver and the other in gold, which are references to the mining history of Slovakia (extracting gold and silver). The font on the label is in the old style and the bottom of the label contains several herbs and fruits which are displayed in gold. Another interesting feature of this product is its cork cap with metal ring, which is usually used for wines (www.ochutnaj.praveslovenske.sk, 2018).

Figure 6 "Gin Gin" product



Source: <https://www.bottles.sk/gin/gin-gin-0.70l/>

Another example is KARLOFF Company, which has redesigned the TATRATEA bottle. Originally, this product was sold under the name "Tatranský čaj" (Tatratea).

Figure 7 The old packaging of TATREATEA

TATRATEA 2004 – 2009



Source: <https://www.startitup.sk/jedinecny-dizajn-slovenskych-vyrobkov-vychadzajuci-z-nasej-tatranskej-prirody-zarezoval-aj-vo-svete/>

The reason for the redesign of the bottle was to export this product to the Czech market and Polish. While there was no problem with the original design in the Czech Republic, another situation occurred in Poland. Syrup was sold in similar bottles in Poland (Figure 7). Business partners therefore recommended them to come back when the company will have something more interesting, otherwise nobody will buy it in Poland.

The new packaging design best reflects the origin of the product and the Tatras region from where it comes (Figure 8).

Figure 8 The new packaging of TATRATEA



Source: <https://www.startitup.sk/jedinecny-dizajn-slovenskych-vyrobkov-vychadzajuci-z-nasej-tatranskej-prirody-zarezonoval-aj-vo-svete/>

The shape of the bottle comes from objects that tourists take to the mountains. The TATRATEA bottle resembles a tea thermos and the bottle cap has cutouts on the sides as they are on flashlights, a flatbed or a watch. The logo is a capital letter "T" in the middle of a bottle inspired by traditional folklore patterns from village Čičmany and Old Slavic elements symbolizing earth, life, flora and fauna (Figure 9) (www.startitup.sk, 2018).

Figure 9 Products from KARLOFF Company



Source: <https://www.karloff.sk/>

The new design of this bottle has won several awards at international competitions such as: bronze medal of "European design award 2010" in the subcategory packaging of alcoholic beverages, Gold trophy and packaging design certificate at the Penta Awards in Shanghai in 2010, National Design Award 2011 and Packaging Oscar for the entire TATRATEA. The most acclaimed "Red dot design award" was awarded to Karloff twice (for the first time in 2010 for the design of the Tatratea series and the second time in 2017 for the CZECHOSLOVAKIA VODKA) (www.karloff.sk, 2019).

Another product of this company, whose design is also inspired by the national elements of the Slovak Republic, is CZECHOSLOVAKIA VODKA. The design of this product commemorates the fraternity of two nations, represents countries and contains significant places in the Czech and Slovak Republic. Colors are symbolic. Golden and silver represents Czech art and intellect (www.startitup.sk, 2018). Figure 7 shows the range of TATRATEA products and the CZECHOSLOVAKIA VODKA product from KARLOFF. Other elements that indicate to the customer that the product comes from Slovakia is the quality label SK, which is allocated by the Ministry of Agriculture and Rural Development, voluntary indication of the country of the producer, such as the slogan: "made in Slovakia", Slovak flag or other state symbols (www.hnonline.sk, 2016).

The AGROKARPATY Plavnica Company launched herbal teas in packaging made from wood. The packaging presents an elderly woman collecting herbs. There is a folk motif in the bottom of this packaging (Figure 10). The packaging is hand-painted.

Figure 10 Tea in Wooden Cassette - Painted



Source: <https://www.agrokarpaty.com/>

LEVICKÉ MLIEKÁRNE a.s. is one of the oldest dairy companies on the Slovak market. It has been producing dairy products continuously since 1953 and during this time it has built three strong brands NIVA ORIGINAL, TEKOVSKÝ SALÁM SYR and BABIČKA. All these trademarked brands cover a wide range of products produced from the Tekov region cow's milk with using technology proven for decades. The company is also trying to transform all these product benefits into packaging. Their application is not only in the form of brand logo, pictograms and texts, but also in the form of graphic elements evoking the emotions of the benefits. One of the company's products is shown on the figure 11.

Figure 11 Tekov smoked grill cheese



Source: <http://levmilk.sk/produkty/prirodne-syry>

2.2 The results of a structured interview with managers from companies that have launched folk motifs on food packaging

On the first question "What do you understand by „packaging innovation“? The managers responded that they understand this term as change of graphics, text, any renewal of the old packaging (material or design) or introducing a new package on the market. In practice, companies combine innovation most often with a change in overall packaging image or by improving its functionality. A strong societal appeal to the environmental performance of packaging is increasingly persuading manufacturers to gain a competitive advantage by introducing eco-friendly packaging, thus contributing to resource renewal.

In the next question, we have asked how often companies change packaging design. The companies change the packaging design according to their own needs, needs of suppliers, customers, the law. The rapid development of technology, the pressure to use renewable resources, but also the globalization of markets, forces manufacturers to impulsively change packaging as planned. When placing a new product and packaging on the market, no one can assume how long the packaging will deliver the desired effect on the market. The most common impetus for changing packaging design is the launch

of new products, but also the need to differentiate from the competition (the company's motto is BE DIFFERENT).

„In the third question, we asked, "In your opinion, what impression should the consumer have from the new packaging of your product? " The companies responded as follows:

"The consumer should have a pleasant impression from the packaging; the packaging should be so homely... „

"The design should be in line with current trends, it should produce a desire for a product that is something new, nice,,.

"Every new product package, not just ours, should first and foremost attract the attention of the customer, induce him / her to interest in the product, and bring it to the stock, i.e. to buy,,.

In the fourth question, we wanted to know what are the company expectations in relation to the new packaging folk design. The companies responded that the main goals are attracting the consumer's attention, bringing him to the purchase and thus increasing the company's turnover, as well as making a good reputation with the customer, clearly strengthening and developing the community of customers with a positive relationship to the products.

In the penultimate question, we asked companies' managers „What factors influenced your decision to use Slovak elements such as Slovakian suppository, folk costumes or use a type of folk ornament? Managers responded that executives and employees of these companies are united with folklore, patriotism and traditions. They honor the traditions of our ancestors, our country. They are glad that the time has come when culture and traditions are preferred and supported. Companies sell Slovak products and therefore these ornaments are listed on both sides of these products.

Trends in the packaging area are changing very quickly that's why in the last question we asked managers "What are the current trends in food packaging design?" The different responses were as follows:

"In terms of trends in food packaging, product design, these include environmental sustainability, the minimum environmental impact, also their close ability, ease of handling and shelf life. The packaging design itself demands the aesthetic image of the products, the readability of the texts, and the uniqueness of the label".

"Priority from just "affectionate" packaging moves from quality, functionality to the environment. Another progressive element is also the form of the packaging printing method, where low series printing is preferred. It is a consequence of the necessity to bring new products to the market and repeatedly try consumer perceptions".

"Current trends in packaging are folk motifs from the world, natural materials associated with a distinctive element. Slovak symbols not have to be only folklore motifs. We find inspiration also in nature, people or in the overall shape of our country".

"We consider the trend to use folk motifs on food packaging as a positive trend. In our opinion, it gives consumers a sense of belonging to the nation, people or traditions and folklore. It also evokes with the consumer that these are Slovak products with a long tradition. It is for this reason we have decided to use folk motifs on the packaging

of our new product line. Specifically, it is the use of traditional Tekov lace, which should evoke to consumers that our products are manufactured in the area of Tekov, with a long tradition and traditional recipe”.

It can be concluded that the Slovak food market has a larger share of foreign products than Slovak products (Jarossová, 2017). The food producers are using folk motifs on the packages, to attract consumers to buy Slovak products and thus support the Slovak economy.

Conclusion

The packaging industry is constantly evolving. Today, packaging is not only protecting the product from damage, but through design communicates with consumers, and is a major promoter in a competitive marketplace creating brand identity.

The packaging designers were once regarded as commercial artists, currently appearing as marketing professionals who not only solve design problems, but also help in finding solutions to marketing problems, and they must know their craft, follow the development of the market, be an illustrator, control verbal and visual communication and, last but not least, they must be able to adapt to the requirements of the manufacturer, the trader, the intermediary, the consumer and the authority imposing regulations and restrictions. Designers must also address the issues of functionality, hygiene, social responsibility and efficiency in product packaging design. On the other hand, from the consumers' perspective, the idea of design narrows down only to the visual-aesthetic solution of the surface and consumers consider the package design as buying a product although particular attention needs to be paid to each component or means of packaging design.

The aim of the article was to present and characterize examples of selected Slovak food and beverages packaging, on which manufacturers have introduced Slovak folk motifs, and also specify what factor influenced manufactures to use it.

There has been a new trend of placing national symbolism on food packaging in order to present the nationality of the product in Slovakia. Manufacturers place national symbols displayed verbally on their product packaging, such as "Slovak" or visually (using the signs and symbols of the nation, which include the national emblem, flag, seal and color, or with the help of cultural elements in the form of folk motifs and customs, lace or ornament, and illustrations depicting the land).

For many people using folklore motif on food packaging is controversial, mainly because the growth of folk motifs is spontaneous in the short term, across the full spectrum of our daily lives, not just packaging. No wonder the distinction made only from the euro area point of view gives us greater visibility and thus the possibility of more enforcement. This phenomenon is more important in food area, because there is more imported food in Slovakia than domestic once. Therefore, the distinction Slovak manufacturer by using quick and unambiguous information on the packaging is beneficial. In addition, the richness of Slovak folk culture, and especially its diversity, enables producers to define regional affiliation and tradition through folk elements.

Results of the research have shown that employees from companies that have implemented folklore motifs on packages on their food products are connected with folklore, patriotism and traditions. They honour the traditions of Slovak ancestors and Slovak country. They are glad that the time has come when this culture and traditions are preferred and supported. These companies sell Slovak products and therefore Slovak folk motifs are used on packages of their products.

The issue of placing folk motifs on the foods and beverages packaging is a new issue and would require further research. It would be interesting to study the types of folk motifs placed on the packaging of the mentioned products in other European countries, and also indicate the reasons and factors influencing the implementation of this action.

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The Economic Impact of Consumer Purchases in Fast Fashion Stores¹

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Abstract

In recent years fast fashion has become a new trend. Fast fashion has changed the way how consumers are dressed and think about fashion. Clothes became cheaper, and shopping became a form of entertainment. The aim of the paper is to identify the economic impact of consumer purchases in fast fashion stores. Authors discuss fast fashion situation using results of own consumer survey, case studies, research studies and secondary data applying analysis, Abstraction, synthesis, deduction, comparison, description, and specification. Authors conclude that consumers' purchases have a big impact on economics, because how we found out, fast fashion has a growing trend both in stores and in ecommerce. Form our survey it is evident that majority of consumers cannot link the high perceived quality of the clothing during shopping in fast fashion stores with achieved low level of durability during wearing. Increasing customer consumption can have a positive effect on economics, but also a negative impact on environment.

Key words

fast fashion, consumer behaviour, economic impact

JEL Classification: M21, M31, E21

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Introduction

Fast fashion can be defined as cheap fashionable clothes, made on the basis of design taken over from fashion designers or celebrities, and sold in the shops for mass consumers (Rauturier, 2018). Fast fashion garments have changed the way consumers are dressed. They have even changed the way consumers think about clothes and what they do with it. They buy a lot more clothes than ever before, and although consumers' wardrobes are cluttered with clothes that have been worn just few times, they are still considering buying new clothes, and they are then making purchases (Cobbing & Vicaire, 2016).

Clothes shopping used to be an occasional event – something that happened a few times a year when the seasons changed, or we outgrew what we had. But about 20

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years ago situation changed. Clothes became cheaper, and shopping became a form of entertainment. Despite the amount of clothing consumers buy, they do not even have the chance to use it. The clothing that they buy comes out of fashion in few weeks.

Fast fashion rapidly expands to all places in the world hoping to quickly reach the top numbers of customers, purchases, or revenues. Retailers thus use all the means available to get closer to the customers and meet their requirements with fast changing offer.

Businesses have had to change their business models and adapt to the emerging trend. Compared to the prestigious fashion brands that have just few fashion collections in the course of the year, fast fashion businesses offer their customers a lot more fashion collections during the year at more affordable prices. Consumers can buy more for less, but they keep up with the latest fashion trends.

Fast fashion is a new term that is inspired by the term fast food. Fast fashion can be defined as quick-release products with short renewal cycle and fast delivery (Byun & Sternquist, 2008). Fast fashion garments are designed to swiftly change, not necessarily driven by desire but rather by need (Stottlemire, 2017) caused by short durability. Tokatli (2007) and Byun & Sternquist (2008) have defined four fast fashion elements that are (1) fast responses to consumer demand, (2) a short product lifecycle, (3) a fast supply chain, and (4) lower prices.

Fast fashion is also a business strategy that has been adopted as a reaction to the current and emerging fashion trend (Ferne, 2004). Fast fashion brands can meet very diverse consumer preferences in very short time. Consumers can find new products in the stores every week (Dutta, 2002). Short lifecycle is what distinguishes traditional businesses from fast fashion clothing stores. Fast fashion garments are designed to capture a very short fashion trend and seasonal style. That's why the fast fashion product can be on shelves in stores for only a few months or even weeks (Christopher et al., 2004).

The fast fashion phenomenon has revolutionized the clothing industry in recent decades. Changing consumer attitudes to consuming low-cost apparel and possibility of businesses to purchase textile supplies from cheap overseas industrial markets has led to creation of an impulsive shopping culture where new styles of clothing are available to the consumer every week (Mintel, 2007). This phenomenon is particularly noticeable among young female consumers. They have a low awareness of the impact of their purchases to the clothing industry and in the same time they show the highest level of demand (Morgan & Birtwistle, 2009). Fashion has become a novelty and the commercialization and marketing of fashion leads to excessive consumption and materialism, but caring for our clothes and keeping them is not in fashion anymore (Cobbing & Vicaire, 2016).

Fast fashion firms allow the consumer to get more fashion clothing and product differentiation at lower prices (Linden, 2016). This for consumers means that they can buy designer goods of prestigious brands for much less money. Such relatively lower prices can attract a younger age group of customers who do not hesitate to buy fashionable products that further promote impulsive shopping (Byun & Sternquist, 2008).

1 Methodology

The aim of the paper is to identify the economic impact of consumer purchases in fast fashion stores. The economic impact is identified from the point of view of the global market. We analysed secondary data from annual report of Inditex, Boohoo, H&M, Statista; report from McKinsey&Company: The State of Fashion 2018; report from Grenepeace; statistic data from Ganit Singh: Fast Fashion Has Changed the Industry and the Economy; and statistic data from Orendorff: The State of the Ecommerce Fashion Industry: Statistics, Trends & Strategy. Further we analysed the primary data obtained from our consumer survey about awareness of fast fashion and sustainable fashion and shopping habits using a standardized questionnaire. The questionnaire was sent to the respondents in Slovakia via the Internet, 115 respondents replied. Based on the analyses we synthesized the findings in the area of fast fashion growth trends globally. Several other scientific methods such as Abstraction, deduction, comparison, description, and specification have been used to meet the stated goal. For graphic presentation of the results we used excel tables and charts.

In the survey were a total of 115 respondents (Tab. 1). Of the total number of respondents, 85 (73.9%) were women and 30 (26.1%) were men. The largest number of respondents was in the age group 21 - 30 years, 76 (66.1%) of respondents. Then, age groups 15 - 20 and 31 - 40 which have the same number of respondents, 14 (12.2%). In the survey, respondents with a higher education qualification prevailed, namely 55 (47.8%). The most frequent employment of respondents was employee 47 (40.9%) and student 44 (38.3%).

Table 1 Respondents' demographic data

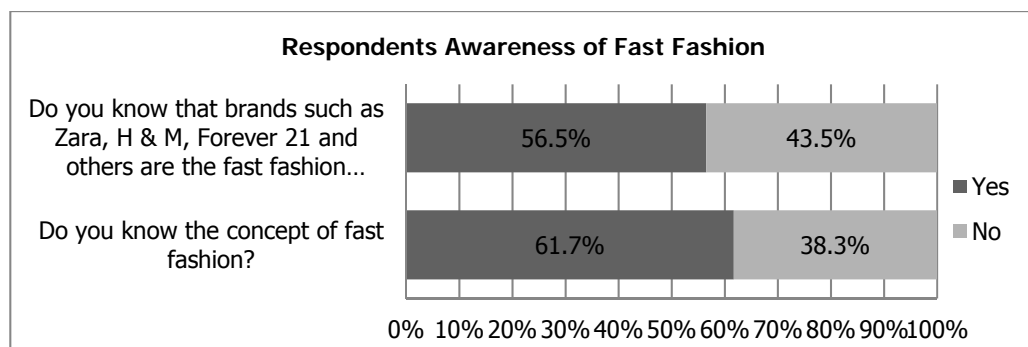
Gender		Age		Educational attainment		Employment	
Woman	85 (73.9 %)	15 – 20	14 (12.2 %)	Still studying	35 (30.4 %)	Student	44 (38.3 %)
Man	30 (26.1 %)	21 – 30	76 (66.1 %)	Primary	2 (1.7 %)	On maternity or parental leave	11 (9.6 %)
		31 – 40	14 (12.2 %)	Secondary	23 (20 %)	Employee	47 (40.9 %)
		41 – 50	9 (7.8 %)	Academic	55 (47.8 %)	Businessman / entrepreneur	11 (9.6 %)
		51 – 60	2 (1.7 %)			Retired	1 (0.9 %)
		61 and more	0			Unemployed	1 (0.9 %)
Total respondents		105					

Source: Own processing

2 Results and Discussion

We wanted to find out the consumer awareness of fast fashion in Slovakia and shopping habits to see how much it differs from the other analysed countries. Through the survey we found out that 71 (61.7%) of respondents are aware of the concept of fast fashion, and 44 (38.3%) respondents did not know this concept. Slight majority of respondents 65 (56.5%) knew that fast fashion brands are brands such as Zara, H&M, Forever 21 and others. 50 (43.5 %) of respondents did not know that (Graph 1).

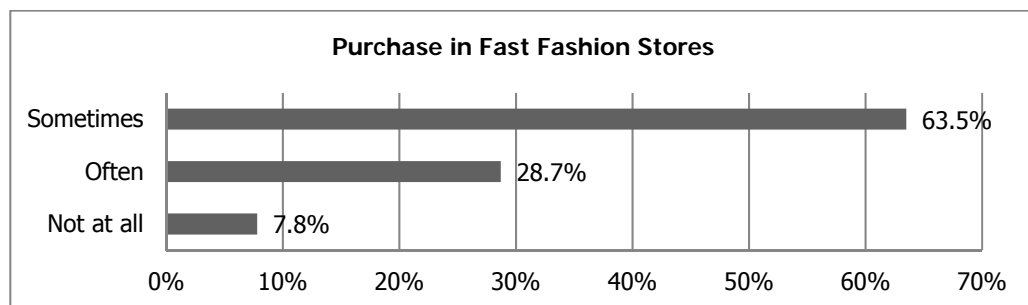
Graph 1 Respondents Awareness of Fast Fashion



Source: Own research

Majority of respondents 73 (63.5%) shop in fast fashion stores sometimes, 33 (28.7%) respondents shop in fast fashion stores often, and 9 (7.8%) respondents do not make purchases in fast fashion stores at all. Respondents during purchase of clothing take into account following factors: (1) quality, (2) price, (3) material, (4) brand, (5) fashion trend, (6) origin, (7) personal taste, (8) fit, (9) originality, easiness to combine items and the fact that the item is worn by a famous person (own research). From the results of our survey it is evident that majority of consumers cannot link the high perceived quality of the clothing during shopping with achieved low level of durability during wearing. As the price is second most important criterion, the choice is often made based on perceived quality "on the first sight".

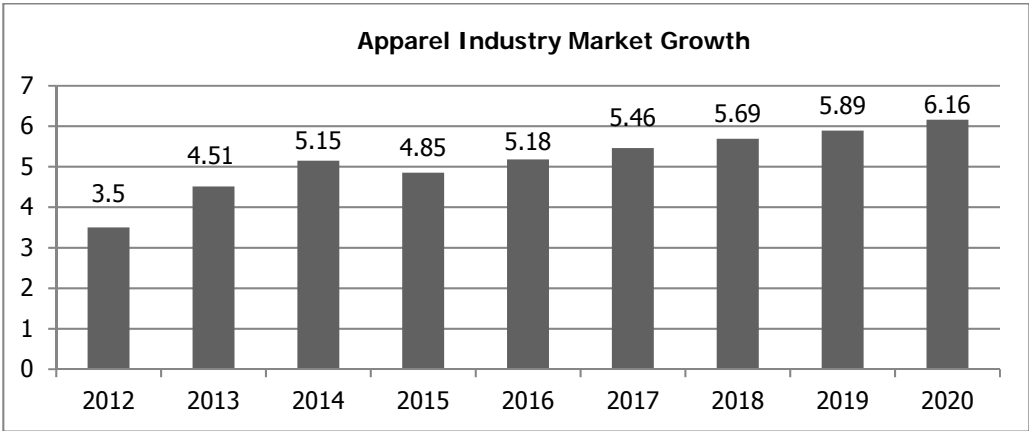
Graph 2 Purchase in Fast Fashion Stores



Source: Own research

Further we analyzed the apparel industry from global perspective. The global apparel industry has been growing at a 4.78% yearly rate since 2011 (Graph 3). The industry shows no signs of slowing down. The market is projected to experience 5.91% yearly growth over the next three years, as reported by Ganit Singh (2017).

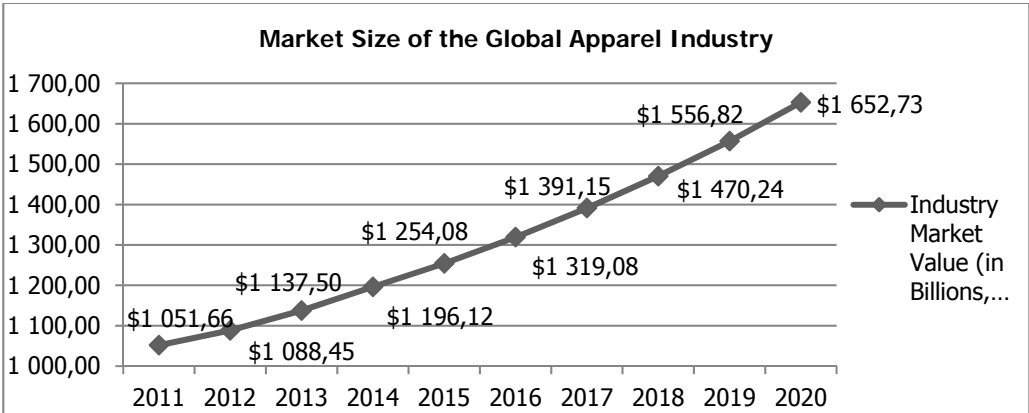
Graph 3 Apparel Industry Market growth



Source: G. Singh, 2017

In 2011, the size of the global apparel industry amounted to 1,051.66 billion USD, and in 2017 the market value was 1.391 billion USD (Graph 4). By 2020, the market size should reach as much as 1,652.73 billion USD, as there is no expected growth slowdown in the industry for the next three years (Singh, 2017). Based on the above data, we can see the willingness of consumers to spend more money a year to buy clothing. It amounts to a whopping 60% increase in the market size since 2011.

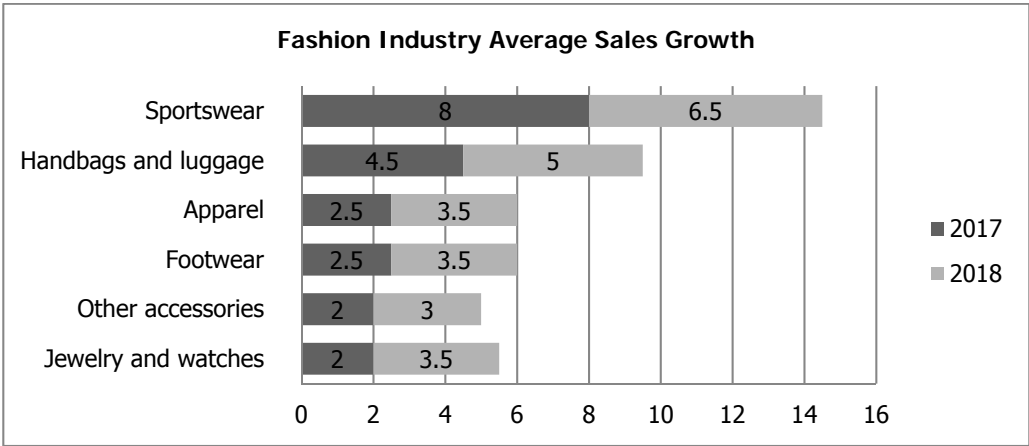
Graph 4 Market Size of the Global Apparel Industry



Source: G. Singh, 2017

The biggest increase in sales in the various clothing categories is in sportswear with an average increase in sales of 8% in 2017. This average increase is slowing down in 2018 to 6.5%. The second largest increase is in the sale of handbags and luggage. In 2017, the average sales growth was 4.5%, in 2018 the average sales growth is even higher and reach the level 5%. The average growth in apparel sales was 2.5% in 2017, 3.5% in 2018 (Graph 5).

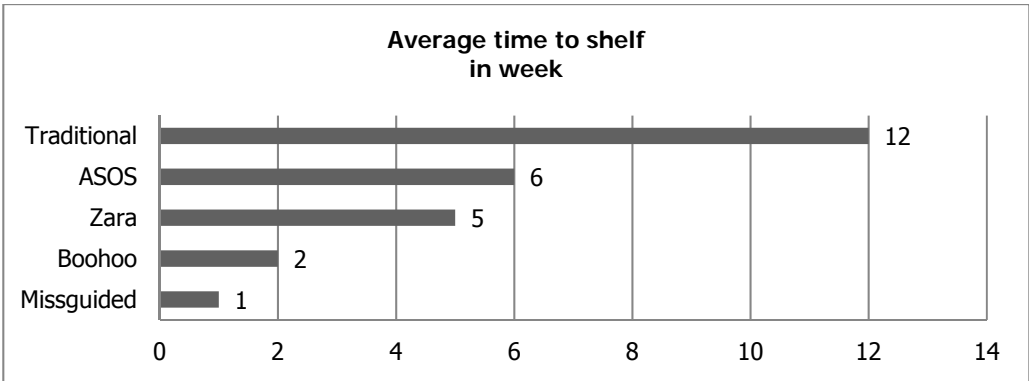
Graph 5 Average Sales Growth in Various Clothing Categories in percentages



Source: McKinsey&Company, 2017

Most consumers prefer fast fashion in the US, up to 88 %, followed by consumers in Italy (49%), Europe (46%), Mexico (27%), India (25%) and China (21%) (Amin & Jahan Corporation, 2018). The most popular fast fashion selling retailers in the world are: Uniqlo (21%), H&M (18%), Zara (18%), US Gen Shoppers (16%), Millennial (11%) Gen Xers (2%) and Boomers (1%) (Amin & Jahan Corporation, 2018).

Graph 6 Average Delivery Time for New Collections in Stores



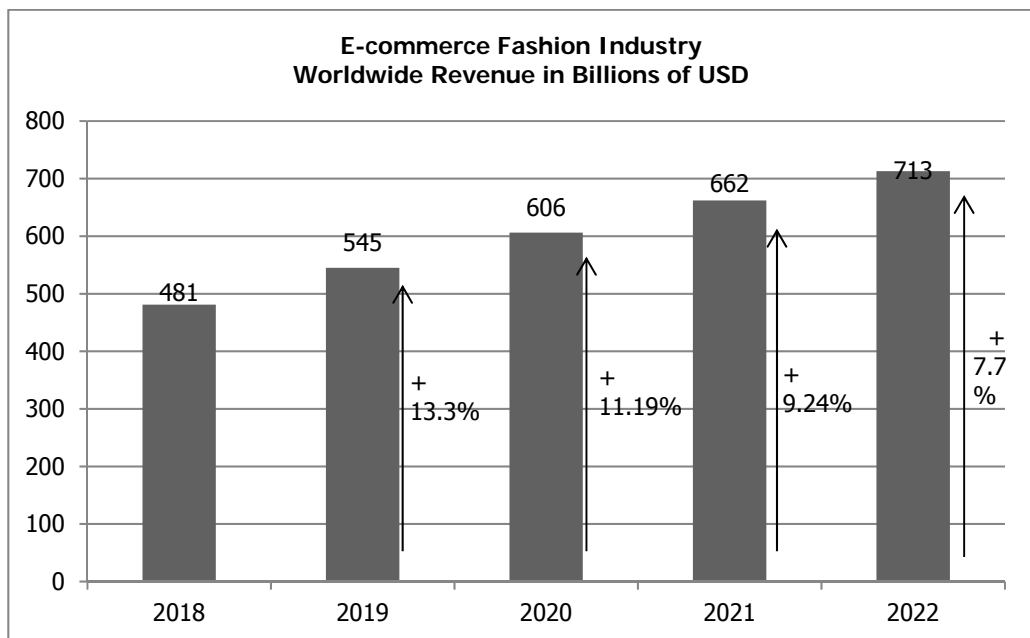
Source: McKinsey&Company, 2017

While traditional brands introduce new collections to stores in every 12 weeks on average, fast fashion brands have been able to accelerate the process from design to shelf. It takes just 6 weeks to the ASOS brand, 5 weeks to Zara, 2 weeks to the Boohoo brand, and only 1 week to Missguided. So we can see that the fast fashion brands introduce new collections in very short time (using 50% to 8,3% time) compared to the traditional designer brands (Graph 6).

2.1 E-commerce in the Apparel Industry

E-commerce penetrates gradually into all industries, the apparel industry is no exception. Similarly to traditional retail stores, e-commerce is developing and growing. In 2018, we expect growth in e-commerce revenue in the apparel industry to 481 billion USD. The income should have an increasing tendency (Orendorff, 2018). In 2022, the revenues should increase to 713 billion USD (Graph 7). We found that average annual growth is likely to be at 10.36%.

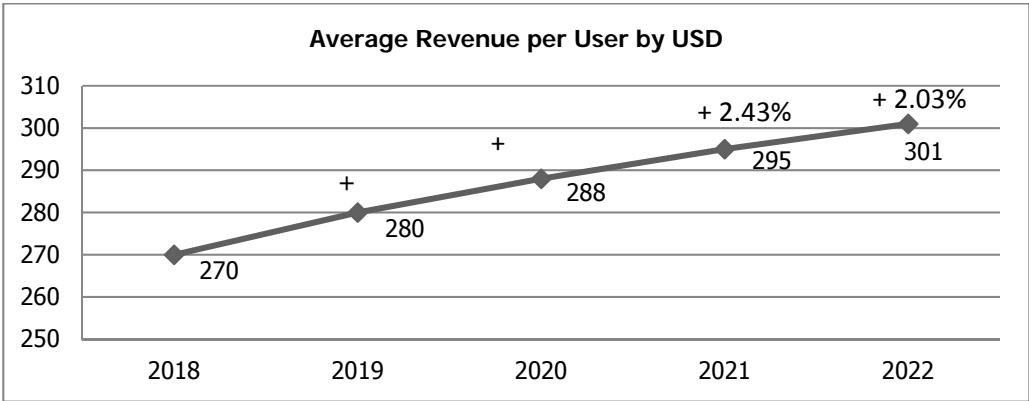
Graph 7 E-commerce in the Apparel Industry



Source: A. Orendorff, 2018

In 2018, average revenues from e-commerce are 270 USD per consumer. In the following years growth is predicted also in this area (Orendorff, 2018). In 2022, revenues per consumer should be at 301 USD, so they will increase by 31 USD over the course of four years (Graph 8). We found that average annual growth from 2018 to 2022 is likely to be at 2.75%.

Graph 8 Average Revenue per User

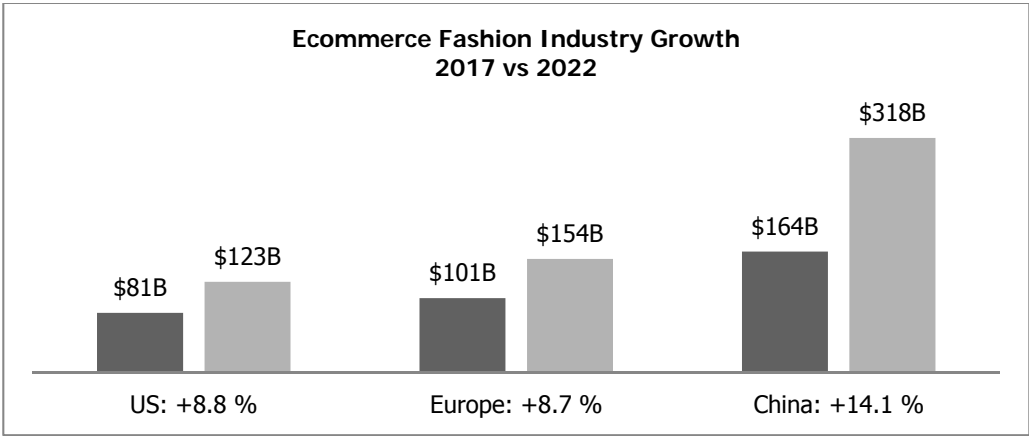


Source: A. Orendorff, 2018

Individual markets in the fashion industry show the different expected growth in e-commerce. The biggest growth will be on the Chinese market, which compared to 2017 when it was 164 billion USD, to 318 billion USD in 2022, so we expect growth of 14.1%.

Nearly the same growth is expected in the US and European markets. The US market from its original 81 billion USD will grow by 8.8% to 123 trillion USD. The European market will reach a growth rate of 8.7%, from 2017 when it grew from 101 billion USD to 154 billion USD (Graph 9). The growth of e-commerce in the fashion industry may be due to the development of online shops that focus on clothing sales. Companies selling clothes in classic stores are also gradually expanding their distribution channel to the Internet. Many companies are expanding the possibilities of delivering their goods from e-commerce to countries where they do not have physical stores.

Graph 9 E-commerce Fashion Industry Growth



Source: A. Orendorff, 2018

2.2 Sales Trends of Selected Fast Fashion Retailers

Inditex

Inditex is one of the world's largest apparel retailers. The company has been operating since 1963. The company has eight brands: Zara and Zara Home, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe (Inditex, 2018). Zara was one of the leading brands in fast fashion, other brands followed later. Inditex has a total of 7,442 stores on 202 markets. The company employs 171,839 employees (Inditex, 2018).

In 2012, Inditex's turnover was 15.946 billion EUR, rising to 16.724 billion EUR in 2013, which represents 4.88% growth. In 2014, the turnover was 18,117 billion EUR, growing up 8.33% compared to the previous year. In 2015, turnover was 20.900 billion EUR, growing up 15.36% compared to 2014. In 2016, turnover grew by 11.54% to 23.311 billion EUR. In 2017 it grew by 8.7% to 25.340 billion EUR. Based on the above data, we can see that the turnover of the company has been increasing since 2012, with growth slowdown in 2016 (Tab. 2).

Table 2 Revenue of Inditex

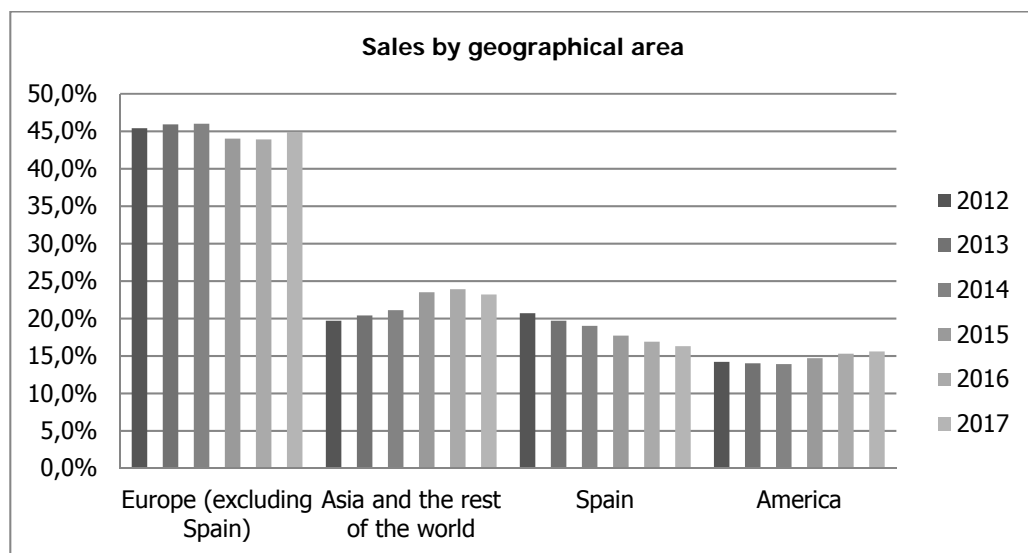
Revenue billions EUR)	(in	2012	2013	2014	2015	2016	2017
Sale		15.946	16.724	18.117	20.900	23.311	25.340

Source: Based on Inditex, 2018

Inditex sales in Europe (excluding Spain) has been increasing from 2012 to 2014. Since 2014 Inditex sales experienced a slight decline, but it rose again in 2017, (1% compared to 2016). Asia and the rest of the world had an increasing tendency till 2016. In 2017, there was a slight decrease of 0.7% compared to the previous year. Sales in Spain have experienced decline since 2012 (Tab. 2).

In 2012, Spain represented 20.7% of total sales, in 2017 only 16.3%. Sales in America have been rising since 2012. In 2017, sales in US represented 15.6% of total sales, (Graph 10). Inditex sales growth in individual countries may be due to the development of distribution channels, retail outlets, but especially E-commerce, which is gradually introduced to the markets as Thailand, India, Vietnam, Malaysia, Singapore (Inditex, 2018).

For a better comparison, we also analyzed the average annual growth of the three companies, which have significant position in fast fashion segment, H&M, ASOS and Boohoo. H&M achieved the average annual sales growth 10.61% from 2013 till 2017. ASOS achieved an average annual growth 34.59% from 2012 till 2017. Boohoo has reached the highest average annual growth 62.61% from 2012 till 2017 (Tab. 3).

Graph 10 Inditex Sales by Geographical Area

Source: Based on Inditex, 2018

Table 3 Sales of Selected Fast Fashion Brands

Fast fashion brand	2012	2013	2014	2015	2016	2017	Average annual growth
H&M sales including VAT (in million SEK)	140.948	150.090	176.620	209.921	222.865	231.771	10.61%
ASOS revenue (in million GBP)	552.9	769.4	970.1	1444.9	1923.6	2417.3	34.59%
Boohoo revenue (in million GBP)	29.0	67.3	109.8	139.9	195.4	294.6	62.61%

Source: Own processing: Boohoo, 2017; Boohoo, 2015; H&M, 2018; H&M, 2013; Statista, 2019

Conclusion

The aim of the paper was to identify the economic impact of consumer purchases in fast fashion goods. Based on an analysis of the available data, we have found that apparel industry is on the rise, and growth will continue over the next few years. At the moment, the growth in the global apparel industry is at an average level of 4.78% and we expect growth to 5.91% in the next three years. For e-commerce in the apparel industry, we expect average annual growth of 10.36% by 2022. Average revenue per consumer from e-commerce in the apparel industry is growing at an average annual level of 2.75%. Sales of Inditex fast fashion retailer reach an average annual growth of 9.76%, H&M's sales reach an average annual growth of 10.61%, ASOS sales are growing

at an average of 34.59% per year, and Boohoo sales are at an average annual level of 62.61%. On the basis of the above, we can say that the growth of fast fashion retailers exceeds the expected growth of the apparel industry and thus grows faster than the whole industry which is expected to reach 5.91%.

The average time for introducing new collections for traditional brands is 12 weeks. Fast fashion brands shorten this time from 50% to 8.3% of the time.

The largest segment of fast fashion consumers from global perspective is in the US, where up to 88 % of consumers prefer fast fashion retailers, followed by Italy (49%) and then the rest of the Europe (46%). The most popular fast fashion brand is Uniqlo (21%), followed by H & M (18%) and Zara (18%), and US Gen Shoppers (16%). From our survey we can conclude that the fast fashion consumer segment is rather high in Slovakia comparing to other countries, as 63.5% of respondents sometimes shop in fast fashion stores and just 7.8% never do so.

The largest growth in e-commerce apparel segment is in the Chinese market, with expected 14.1% increase between 2017 and 2022. Almost the same increase is expected on the US and European market, when the US market will grow in 2017 by 8.8% and the European market will grow by 8.7%.

Inditex has recorded sales growth since 2012. In 2017, the revenue was 25.34 billion EUR, compared to the previous year, the revenue was 2.029 billion EUR. Within geographical areas, sales have grown since 2012 on the American market. In 2017 growth was recorded in Europe (excluding Spain).

Excessive consumption leads to consumerism that negatively affects the environment. Major negative impact in this sector is foreseen in production of CO₂ emissions, which will increase by as much as 77%, water consumption will increase by 20%, and land use will grow by 7% from 2015 till 2025 (Remy, 2016).

Very sensitive segment from consumer behaviour perspective, are young women who make the biggest contribution to buying fast fashion clothing. Young women are easily subject to fashion trends, and they are easily influenced by the marketing of fast fashion retailers that targets them. As far as they cannot yet evaluate the impacts of their decisions, they heavily contribute to increasing purchases in this segment. It is evident also from the results of our survey in Slovakia where the respondents rated quality as the first shopping criterion and price as the second. It is clear that majority of consumers cannot link the high perceived quality of the clothing during shopping with achieved low level of durability during wearing. As the price is second most important criterion, the choice is often made based on perceived quality "on the first sight".

For further research it is important to identify the environmental impacts of the fast fashion industry, but also to focus more closely on the economic impact on the Slovak market. It is also necessary to make a detailed survey about consumer purchases in fast fashion stores.

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Entering Into the Register of Providers of Special Financial Education¹

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Abstract

Special financial education is one of the components of a professional competence. The purpose of the regulation is to provide knowledge and skills to individuals so that the minimum requirements of the law are met, given the complexity and scope of the activities performed by financial agents and financial advisors. Objective of the special financial education is to form and deepen information related to regulation in the sector in which financial intermediation or financial advisory will be carry out.

Key words

Special financial education, providers of special financial education, National Bank of Slovakia

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Introduction

Special financial education can be defined as a training, a course and another form of education designed to ensure that a natural person who has received it, is sufficiently aware of financial services and also to improve the quality of her/his theoretical knowledge and practical skills in order to carry out activities the content of which is financial intermediation or financial advisory. Special financial education is a component of professional competence. Special financial education has been introduced in the year 2010 as a new kind of course and therefore has created a space for entrepreneurship on the market of education.

In practice, until 23 February 2018, this training activity was not subject to any state "licensing" by any form of approval, authorization or accreditation for its provision; it was accessible to a natural person - the entrepreneur or a legal person. According to the legal state until 22 February 2018, the themes that were subject to special financial education had been anchored in the Decree of the Ministry of Finance of the Slovak Republic No. 600/2009 Coll. on Special Financial Education of Persons Carrying Out Financial Intermediation and Financial Advisory, as amended by the Decree of the Ministry of Finance of the Slovak Republic No. 181/2013 Coll. Amending and Supplementing the Decree of The Ministry of Finance of the Slovak Republic No. 600/2009 Coll. on Special

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Financial Education of Persons Carrying Out Financial Intermediation and Financial Advisory. This was followed (27 October 2014) by the Recommendation No. 1/2014 of the National Bank of Slovakia's Financial Market Supervision Department defining syllabi for individual themes.³ However, the legislation has changed fundamentally.

Into the regulation of financial intermediation and financial advisory major changes had been introduced. The Directive (EU) 2016/97 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 January 2016 on insurance distribution (recast) has been transposed into the Slovak legal order by the Act No. 282/2017 Coll. on the Amendment and Supplement to The Act No. 186/2009 Coll. on Financial Intermediation and Financial Advisory and On Amending and Supplementing Certain Laws, as amended, and amending and supplementing the Act No 39/2015 Coll. on Insurance and On Amending and Supplementing Certain Laws as amended. These changes are effective since 23 February 2018. At the same time, on 23 February 2018 the Decree of Ministry of Finance of the Slovak Republic No. 39/2018 Coll. on Special Financial Education of Persons Carrying Out Financial Intermediation and Financial Advisory entered into force.

The regulation, the Act No. 186/2009 Coll. on Financial Intermediation and Financial Advisory and Amending and Supplementing Certain Laws as amended (hereinafter „Act“), is defining the category of subjects providing special financial education as providers of special financial education.

1 Methodology

A systematic study of the relevant Slovak legislation, in particular financial law is necessary. A doctrinal method will be applied. Within this method the current Austrian legal situation will be determined on the basis of the analysis of opinions in the doctrine and by legal regulations.

2 Results and Discussion

According to valid legislation, two categories of subjects providing special financial education can be derived.

2.1 The provider of special financial education

Firstly, it is a financial institution which is organizing training for its employees or training for financial agents or financial advisors concerning its products. Into the second category belongs the providers of special financial education. Attention will be paid to the second category.

³ http://www.nbs.sk/_img/Documents/_Legislativa/_Vestnik/ODPORUC_UDFT_1_2014.pdf

The provider of special financial education is a person with a place of business or registered office in the Slovak Republic or an organizational unit of a foreign legal entity with its location in the territory of the Slovak Republic registered in the register of special financial education. Meaning a provider of special financial education can be either a natural person – entrepreneur or a legal person. It may be e.g. company or interest association of legal entities. The legal association of interest is a special type of legal entity; in the concept of legal persons, it belongs to legal persons of private law and to associations of persons, meaning to corporations (Števček et al., 2016).

2.2 The entering into the register of providers of special financial education

The register of providers of special financial education is maintained by the National Bank of Slovakia and published on its website.⁴ The register of providers of special financial education is a set of specific data published to the extent set by the Act.

From the register of providers of special financial education, the National Bank of Slovakia publishes data about the provider of special financial education in the following extent:

- a) Business name, website, identification number, if it is a legal person, or name, surname, website, identification number and place of business, if natural person;
- b) Date of entry in the register of providers;
- c) Sectors, in which the special financial education is being provided.

The National Bank of Slovakia shall enter in the register of providers of special financial education, a person who submits the proposal for registration in the register of providers of special financial education. A complete proposal for registration in the register of providers of special financial education must be submitted.

The National Bank of Slovakia has published on its website a "template of the proposal for registration in the register of providers of special financial education".⁵ The National Bank of Slovakia does not conduct proceedings in supervisory matters when registering a subject in the register of providers of special financial education and therefore no individual administrative act is being issued.

When registering a subject into the register of providers of special financial education, on the registration principle is being reflected. Meaning, if the proposal for registration satisfies the legal requirements, a duty to carry out the registration arises (Čič et al., 2012).

However, the applicant is obliged to bear the burden of proof relating to it to demonstrate compliance with legal conditions for providing specific financial education. In this context we can speak about the burden of proof, because the applicant is responsible for proving the data in the proposal for registration. There also exists the

⁴ <https://registre.nbs.sk/odb-sposobilost/institucie>.

⁵ <http://www.nbs.sk/sk/dohlad-nad-financnym-trhom/dohlad/financne-sprostredkovanie-a-financne-poradenstvo/osobitne-financne-vzdelavanie>

applicant's interest in proving the allegations, since the capability of bearing the burden of proof results in registration.

It can be inferred from the legal wording that the conditions which must be demonstrated in order to be entered in the register of providers of special financial education can be divided into two groups. The conditions which must be fulfilled in order to be entered into the register of providers of special financial education can be divided into two groups. The first group is created by a set of conditions which can be proved by evidence coming from the sphere of public authorities (e.g. the license to perform educational activities). The second group is arising from the sphere and activity of the applicant.

According to the Act, in the proposal for registration, the applicant is obliged to prove:

- a) The license to perform educational activities;
- b) The integrity of the provider of special financial education, which is a natural person, in case it is a legal person, the integrity of any member of the statutory body or management body of the provider of special financial education who is responsible for providing special financial education;
- c) Technical and organizational preparedness to provide special financial education.

In the context of the condition concerning the obtaining of the license to perform educational activities, it is necessary to focus on the fact, that this kind of authorization must be granted before filing the proposal for registration. It must already exist at the time when the proposal for registration is submitted. The legislator does not explicitly set how the prospective provider shall demonstrate this kind of authorization (e.g. a commercial company files to the National Bank of Slovakia an extract from the Commercial Register, which indicates that its business is the pursuit of extracurricular educational activities, or an interest association of legal person delivers an extract from the register of interest associations of legal entities, from which it is clear that the area of its activity are training courses).

An applicant is obliged to pay a fee for a proposal for registration in the register of providers before submitting the proposal for registration. The fee, 1000, - EURO, for the proposal for registration is an income of the National Bank of Slovakia. The applicant is responsible for the correctness and completeness of the data contained in the proposal for registration.

The proposal for registration has to be filed in paper form and contains especially:

- a) Business name, registered office, legal form, identification number, if assigned;
- b) The designation of the official register or other official register in which the provider of special financial education is registered, including the registration or registration mark or the number under which the provider of the special financial education is entered;
- c) Name, surname, personal identification number, permanent residence address of the members of the statutory body or the managing body together with the

- appointment of a member of the statutory body or the managing body responsible for providing special financial education;
- d) The address of the website of the future provider;
- e) Sectors and the degree of professional competence in which the special financial education will be provided;
- f) Document proving the payment of the fee.

If the proposal for registration is incomplete, the National Bank of Slovakia asks the applicant to complete it together with a determination of a time period appropriate to the scope of the data necessary for completion. If the proposal for registration is not completed within the specified period, such a proposal is considered as if it had not been filed and the National Bank of Slovakia shall inform applicant in writing within three working days of the expiry of the time period for completion. The fee for the incomplete proposal for registration is not refundable.

If the proposal for registration is complete and the fee has been duly and timely paid, the National Bank of Slovakia especially shall, within 30 calendar days from the date of receipt of the complete proposal for registration:

- a) Register the applicant in the register of providers of special financial education;
- b) Assign the provider of special financial education access rights to the list maintained by the National Bank of Slovakia;
- c) Send to the provider of special financial education information on the login data to the list maintained by the National Bank of Slovakia.

The provider of special financial education is obliged to:

- a) Meet the conditions for the entry in the register of providers continuously throughout the period of registration;
- b) Inform the National Bank of Slovakia of any change in the facts that had been considered in the proposal for registration in the register, together with documents proving the changed fact;
- c) Perform special financial education at least once per calendar year in all sectors and for all levels of professional competence in which he is entitled to carry out special financial education;
- d) Publish at its website no later than 15 calendar days prior to the performance of the special financial education the dates of the special financial education at least to the extent of date, place, time, degrees and sectors, in which special financial education will be provided;
- e) Report within ten working days of the special financial education a list of participants who have completed the specific financial education.

2.3 De lege ferenda proposal

The transposition of the Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) into the national law in Slovakia has introduced the obligatory registration of providers of special financial education. According to the current legislation, before entering a provider of special financial education into the register of providers of special financial education, this subject

is obliged to proof the fulfilment of conditions set by the Act. Meaning, the legislator has included in the regulation for the public authority applying the law, the National Bank of Slovakia, the duty not only to formally review the proposal for the registration, but also to focus on the content.

Due to this fact it seems appropriate to think about a *de lege ferenda* proposal reflecting on a potential possibility of proving the preparedness for the providing of special financial education in the procedure in supervisory matters. The regulation of the procedure in supervisory matters is contained in the third part of the Act No. 747/2004 Coll. On Financial Market Supervision and On Changing and Supplementing Certain Laws as amended (hereinafter "Financial Market Supervision Act"). It is an administrative procedure. But the subsidiary application of the Act No. 71/1967 Coll. On Administrative Procedure (Administrative Code) as Amended is excluded.

In the procedure in supervisory matters, the National Bank of Slovakia decides about the rights and duties of supervised entities of the financial market and about the rights and duties of other persons defined by special laws. The output of the procedure in supervisory matters is an individual administrative act permitting or suppressing the performance of a business or performing an action on the financial market, placing a sanction upon a subject or it may be by a procedural act. The procedure in supervisory matters in first instance can be divided into a licensing and a sanction procedure.

In the context of the *de lege ferenda* proposal it is necessary to pay attention to the licensing procedure.

The *de lege ferenda* proposal suggests a change of regulation. According to the proposal an entering into the register of providers of special financial education would not be a result of a registration, but would be performed on the basis of a license for the provision of special financial education granted in a procedure in supervisory matters. This license would be a decision of the National Bank of Slovakia.

According to the Article 27 of the Financial Market Supervision Act a decision of the National Bank of Slovakia contains the following parts: the statement of the decision, the grounds of the decision and the information concerning appeals against the decision. It is especially necessary to focus on the grounds of a decision, as they contain mainly the key information regarding which findings of fact served as the basis of the decision, which considerations had been taken into account for the decision.

The core of the decision-making process is the taking of evidence. It is a cognitive activity which aim is the obtaining the factual and legal knowledge necessary for issuing the decision of the National Bank of Slovakia. Generally, the term evidence means the process of obtaining knowledge relevant to the assessment of the case (Boguszak, Capek, Gerloch, 2003). Taking of evidence consists of three stages; namely the gaining of the evidence, the taking of the evidence, the procedure in which the National Bank of Slovakia acquaints with the evidence and the evaluation of the evidence (Potásch, Hašanová, 2012). The burden of proof is the procedural responsibility of a party the proceedings to prove the allegations resulting in a decision in its favor (Viček, 2006).

When assessing the proposal for registration, the National Bank of Slovakia acquires, in particular from the documents submitted to the applicant, the information necessary to assess compliance with the legal conditions for the provision of special

financial education. According to our opinion the principle of material truth is being applied, according to which the National Bank of Slovakia is obliged to ascertain the real state of the matter. Taking of evidence is being carried out. But an individual administrative act is not being issued, as the registration not a proceeding. Logically, the applicant does not gain any information about taking evidence. In case the applicant is entered into the register of providers of special financial education, there exists no negative "side effect" of the registration; there exists no need for an individual administrative act. However, if the applicant has failed to comply with any legal condition, an entering in the register of providers of special financial education will not take part. The applicant is being informed about this fact in written form. The legislator does not determine the content of this written notification. It is not clear from the currently valid legislation to what extent the applicant will be notified about the factual and legal assessment of the proposal for registration (meaning also about the process of taking evidence). This "lack" can lead to legal uncertainty. Therefore, we believe that the *de lege ferenda* proposal replacing the registration with a proceeding in supervisory matters which is ending with the issuing of an individual administrative act would create a state of legal certainty and would be a legislative solution.

Conclusion

The aim of special financial education is the deepening of information concerning the regulation which is related to the sectors in which financial intermediation or financial advisory is going to be performed. The Act has been changed. These changes brought essential changes concerning special financial education. A major change is the obligatory entering into the register of providers of special financial education. The legislation does prescribe the providing of the entering in the proceeding in supervisory matters. The *de lege ferenda* proposal would be that it seems appropriate to change the currently valid regulation and perform a proceeding rather than a registration. The main argument for this change is the legal certainty.

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