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Thesis Summary

The influence of related party transactions on the marketing mix

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Keywords

Affiliated persons, Multinational companies, Transactions between foreign related parties, Market value, Transfer pricing, Marketing mix, Software development services, IT consulting services, Avoidance of international double taxation, The Organisation for Economic Cooperation and Development, United Nations, OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, The General Agreement on Trade in Services, The Romanian Fiscal Code

Introduction

Services are an extremely dynamic branch of national economies that provide many jobs and make an important contribution to the creation of the gross domestic product. The advances in information technology have accelerated international trade in services, and international treaties have created the legal norms necessary to conduct these businesses. An important place in the tertiary sector is occupied by IT services, and they have an enormous potential for development. Multinational companies that make investments abroad have the opportunity to influence the elements of the marketing mix, especially the price of products or services. Building strong international brands brings a number of benefits to marketing activity within company groups. Establishing artificial prices between companies in the same group of companies has at its origin, in many situations, fiscal reasons, aiming to move profits to jurisdictions with a lower level of taxation. Tax authorities aim to collect from these companies the correct taxes corresponding to the value they have created in each jurisdiction. Related party transactions in IT services can be analyzed from both a marketing and tax or legal perspective.

The replacement of communist regimes with pluralist political systems in the countries of Central and Eastern Europe since the end of 1989 has revealed the inequities and shortcomings of some forms of government that were imposed by force at the end of The Second World War. These changes that took place at the political level were also accompanied by a series of transformations of the economic systems. Centralized, planning-based economies have proven ineffective and lack market connections, being gradually replaced by market economies based on private property. Between Romania and developed countries there were huge differences from an economic point of view, differences mirrored by the structure of the national economy.

The objective of our research is to identify a potential solution in relation to the optimal configuration of the branches of the national economy. We also set out to verify whether orienting efforts towards the development of the services sector, following the model of developed countries, will succeed in ensuring an optimal utilization of human and natural resources in Romania. In this context, we have developed the following research question:

How has evolved the subsector of IT activities within the tertiary sector in Romania in the last decade and what is the influence of transactions between affiliates on the marketing mix?

Industry in Romania was a forcefully developed branch during the communist regime, its weight in the creation of the gross domestic product being estimated at approximately 55% in the last years of the communist period (Murgescu B, 2010, p. 343). At the end of 1989, approximately 45.1% of the labor force in Romania was employed in industry and construction, 27.9% was employed in agriculture, and 27% was employed in services (Romania: A century of history. Statistical data, 2018 , p. 52). The process of transition to a market economy entailed the creation of new institutions and economic mechanisms and generated a period of economic recession and major imbalances. Gross domestic product and industrial production declined substantially in each of the 3 years following the events of 1989. These statistics show us that a large share of the industrial sector built before 1989 was not efficient, and when it had to be to function in a market economy based on the law of supply and demand has failed.

Other major economic imbalances were represented by the deficit of the trade balance every year during the period 1990-2000, but also by the high rates of unemployment, which were between 6.6% and 11.8% during the period 1992-2000. Average annual inflation, one of the causes of the instability of the national economy, was extremely high in the period 1991-1993, reaching a maximum level of 256.1% in 1993. Macroeconomic indicators highlight the particularly serious crisis in which Romania's economy was in the last decade of the last century.

In the economic field, the first ten years after the revolution were marked by the inefficiency and extremely slow pace of reforms and stabilization programs. The decrease in the share of industry in the gross domestic product was a phenomenon that was based on a series of factors, such as: the poor quality of the products, the lack of economic efficiency, the abolition of the economic organization of the communist states known as the The Council for Mutual Economic Assistance (CMEA).

An important part of the workforce laid off following the restructuring of the industry was attracted to agriculture, a phenomenon that differentiates Romania's economy, not only in relation to developed countries, but also to a number of former communist countries. Thus, in the year 2000, a share of 43.8% of the active population was attracted to agriculture, the highest level reached in the period since the revolution (Romania: A century of history. Statistical data, 2018, p. 52).

The restructuring of the Romanian economy in the years that followed failed to provide adequate employment for the workforce laid off following the downsizing of the industrial sector and led to another worrying phenomenon, namely labor migration. According to a report drawn up in 2019 by the OECD, during 2015-2016, around 3.6 million citizens born in Romania lived in OECD member countries. According to the report, the main purpose of migration was to find a job, and almost a quarter of Romanian migrants had higher education.

The Romanian diaspora is constantly growing, being the fifth largest in the world, in a ranking dominated by China and India, countries that total 2.8 billion inhabitants (Talent Abroad: A Review of Romanian Emigrants, 2019). The report drawn up in 2021, by the International Organization for Migration, estimates that in 2020, there were 3.98 million migrants from Romania worldwide (Global Migration Report, 2022).

As the situations drawn up by international institutions show, the number of people who choose to leave Romania increases from year to year, a particularly worrying phenomenon that confirms that more than thirty years after the collapse of the communist regime, the national economy fails to achieve a capitalization optimal workforce.

Recent statistics show that the tertiary sector has managed to attract an increasing part of the labor force, at the expense of industry and agriculture; thus, in 2017, 47.1% of the active population was employed in the tertiary sector, while 22.8% were employed in agriculture, and 30.1% in industry and construction (Romania: A century of history. Statistical data, 2018).

The evolution over time of the sectors in the Romanian economy reveals a gradual increase in the share of services in GDP but also in the attraction of the workforce. These data should be compared with the values recorded by the developed countries. For example, in the period 2010-2020, Japan, the USA and the United Kingdom recorded shares of services in GDP between 69.42% and 78.14% (Data published by the World Bank). In the same period, in Romania, the service sector contributed to the creation of the gross domestic product with weights between 42.33% and 59.98%. It can be seen that, in this regard, Romania's gap is still large compared to countries with developed economies.

The viral disease Covid 19, officially declared a pandemic by the World Health Organization on March 11, 2020, has negatively affected, in addition to people's health, almost all

sectors of the economy. The companies involved, generally in the world market of hospitality services, transport services, cultural, sports or educational services have suffered a drastic restriction of the volume of activity due to the movement restrictions imposed by the authorities. Most of the units recorded operating losses, and some had to close their businesses. However, there were also sectors of the world economy that were not negatively influenced by the pandemic, but on the contrary, they benefited from the increase in turnover. One of these sectors is information technology services. The way these companies are organized, as well as the technologies used, have allowed them to adapt much faster to the restrictions and continue their activities.

The purpose of this study is to analyze how the field of IT services has evolved in Romania. From the point of view of complexity, IT services belong to the category of the most sophisticated services and are provided on the basis of the most advanced technologies. In recent decades, the progress made worldwide in the field of information technology is spectacular, and we consider it useful to study this field from an interdisciplinary perspective.

The theoretical framework

In the first chapter of the thesis related to the theoretical framework, I carried out a review of the specialized literature regarding the definition of services. The evolution of the service sector over time was also presented, and at the end we formulated the following conclusions:

- over time, services have had different roles in society, depending on the historical era and the degree of economic development. The importance of services within the economy has experienced a constant growth, both as a contribution to the creation of added value and as a labor force attracted;

- there are authors who consider that, from a conceptual point of view, services and material goods are identical, and therefore must be analyzed together. Other authors, on the contrary, believe that the two categories must be analyzed separately. Regardless of this approach, their purpose must be taken into account: both goods and services aim to satisfy consumer needs.

- in an attempt to define services, some authors highlight one or more of their features: intangibility, inseparability, heterogeneity, perishability or lack of ownership;

- the heterogeneity and complexity of the services led to the impossibility of enunciating a single definition of them, which would be unanimously accepted by the academic environment.

The theoretical framework presented in the thesis was completed with the definition of IT services that were the object of the research. From the point of view of complexity, IT services belong to the category of the most sophisticated services and are provided on the basis of the most advanced technologies. Transactions with this kind of service cannot be separated from the providers, and the benefits of their purchase are manifested in the long term. The computer services that I have analyzed in the thesis can be divided into two large categories: the services of custom creation of computer programs and consulting services in the field of computer science. This classification takes into account the classification of activities in the Romanian economy, approved by Order of the President of the INS 337 of 2007:

- CAEN code 6201 includes activities of creation, implementation and testing of software applications, web pages or databases;

-CAEN code 6202 includes planning and design activities of IT systems, including user training.

Unlike material goods, services present a series of features that have required marketing specialization in this direction. At the same time, the characteristics of the services require a differentiated study of the marketing mix, programs, marketing tactics and strategies adopted by the service providers. In the continuation of the study, I analyzed the way in which IT services are influenced by the five features of the services, addressed by most specialized works: intangibility, inseparability, heterogeneity, perishability and lack of ownership.

In economic theory, services are classified according to a variety of criteria. The characteristics, diversity, dynamics and complexity of services are factors that make difficult not only their unitary definition, but also the possibilities of classifying them in the most homogeneous categories. In order to achieve unitary assessments of activities in national economies, efforts are being made to harmonize the classification of services worldwide. These classifications, made by theoreticians and practitioners in collaboration with international organisations, aim to obtain classes of services that are as homogeneous as possible to allow the development of comparable statistics regarding the dimensions and structure of economic activities. The theoretical part of the

thesis included an analysis of IT services through the lens of the most relevant classification criteria.

The companies that make custom software or consulting activities in information technology mainly address the business market, i.e. that market that includes the entities (companies, organizations, independent persons) that purchase products and services necessary for the production of other goods and services that are to be sold. The market is characterized by a much higher value than the market aimed at satisfying individual end customers. Therefore, the marketing strategies of companies that provide IT services must be adapted to this market, which presents its own particularities, compared to the market for goods and services intended for individual final consumers. Marketing strategies are transposed into marketing programs, and within them it is determined what the level of marketing expenses is and how it is distributed among the elements of the marketing mix. Marketing managers in IT services companies have at their disposal a set of seven variables that they must allocate in different proportions to achieve their marketing objectives in the target market. The theoretical framework of the thesis includes an analysis of the seven variables of the marketing mix for companies in the field of IT services.

A separate chapter of the theory was devoted to the issue of transfer pricing. Transfer prices are defined by the followers of the economic theory, as prices at which services, goods or other assets are traded between the entities of the same multinational company, so as to obtain a maximum profit at the level of the entire organization and not at the level of each subsidiary separately. A series of authors who analyze transfer prices from a fiscal perspective, consider them to be instruments of tax manipulation. The complex relationships that are created between the companies within the multinational groups, including the transfer prices practiced in the transactions between them, constitute the object of study for a number of disciplines, such as: legal sciences, international economics, taxation, marketing, management, accounting, and it involves many international interest groups: investment funds, companies, international regulatory bodies, tax authorities, customs authorities, researchers, consultants, etc. In recent decades, worldwide, there has been an unprecedented development of groups of companies, as well as the complexity of cross-border transactions, which makes the field of transfer pricing extremely dynamic and the legislative framework to be periodically reviewed by the competent authorities. We believe that the field of transfer pricing can be analyzed from an interdisciplinary perspective, if we take into account that

the Organization for Economic Cooperation and Development (OECD), the main international authority that issued recommendations in this field, considers that "Transfer pricing is not an exact science".

Globalization is a reality that manifests itself in all branches of activity and has consequences and implications for all countries and people. Globalization is a process that manifests itself much more intensively today, but it is not new. The increase in international competition is a factor that has led to the emergence and development of multinational companies, which has direct effects on the growth of gaps and inequalities between rich and poor countries. Foreign investments made by multinational companies generate a series of beneficial effects for the host country (economic development, job creation, technology transfers), but they can also be the basis of less ethical or legal actions (non-compliance with environmental protection rules, obtaining facilities that are related to corruption phenomena). Also, the activity of multinationals generates in the country of origin the reduction of production, trade, the reduction of the level of taxes and fees paid to the state budget, simultaneously with the increase of unemployment and the social expenses that the state has to bear. The emergence and improvement of activities from the underground economy and which work in parallel with the official economy, represent another negative consequence of globalization. This phenomenon has covered almost all branches of the economy and manifests itself in close connection with other crimes such as acts of corruption, money laundering, tax evasion, trafficking of goods and people, financing acts of terrorism. The suppression of the underground economy represents an important challenge, both for national authorities and for international organisations. At the base of these illegal activities is the low level of income of an important part of the population that is forced to accept compromises that favor illegal activities. The development of these illegal economic activities is also closely related to the manifestation of inflation, legislative instability, and the existence of tax havens.

The process of globalization takes place in an environment characterized by great ethnic diversity, which generates a state of conflicting tension. Today, advances in communications and information technology have also facilitated the free exchange of ideas and goods, and have led to the abolition of borders in many areas. Trade carried out in the classical way has been replaced in many situations by electronic trade, which significantly reduces the time of concluding transactions and making payments, the costs of storing goods, the costs of advertising and promotion, etc. At

the same time, in many areas of activity there was a fierce increase in competition, which also determined the realization of many mergers, alliances, strategic partnerships and the development of multinational companies. Therefore, we can say that the liberalization of markets constitutes the basic characteristic of globalization, and this facilitates the free exchange of people, ideas, capital, goods and services between nations. The major goal of globalization is to create and ensure a sustainable legal, economic, political and social environment.

The main subjects involved in the field of transfer pricing, which were extensively analyzed in the thesis, are: multinational companies, sovereign states, the Organization for Economic Cooperation and Development, the United Nations, the European Union Joint Forum for Transfer Pricing and the World Organization of Customs.

The first countries to introduce transfer pricing rules into domestic legislation were Great Britain in 1915 and the USA in 1917 (United Nations, 2013, p. 59). The main entities that regulated related party pricing were the Internal Revenue Service (IRS) in the United States of America and the OECD. These initiatives find their explanation in the fact that most of the multinational companies that made direct investments abroad came from the US but also from the developed countries that are members of the OECD. The issue of transfer prices began to come to the attention of the authorities only towards the end of the 60s, when the volume of international commercial transactions increased worldwide. Developed states were the first to contribute to the development and implementation of legislation in this direction. Transfer pricing regulations were developed in the USA and in developed OECD member countries in the period between 1970 and 1990, a period in which foreign investments made by multinational companies registered an unprecedented surge.

The prices at which goods, services or intangible assets are traded between related parties are called transfer prices, and they are of particular importance to tax authorities, but also to groups of companies. These prices have a direct influence on the income and expenses of the companies in a group, and therefore on the taxable profits of each affiliate. Where the transacting group companies are located in different tax jurisdictions, transfer pricing matters become more complicated as they involve tax authorities in different countries. For example, if tax in one state makes a transfer pricing adjustment to the company in its jurisdiction, the tax authorities in the partner state should accept a corresponding adjustment to the company in that partner state. There are situations when the authorities of the other state do not agree to make the appropriate correction,

which means that at the group level there will be double taxation of the profit from the analyzed transaction. As can be seen, the lack of cooperation between states, as well as the lack of worldwide unitary regulations for transactions between states, can lead to double taxation of the profits of multinational companies, which constitutes an obstacle in the conduct of business (OECD, 1995, p. P 3).

Also, the theoretical part of the thesis includes an analysis of the evolution of regulations in the field of transfer pricing in our country. From the analysis of the main tax regulations, it follows that the authorities in Romania started to give importance to the field of transfer pricing only in 1995. Over the years, the legal framework has been characterized by numerous amendments and additions, and the application in practice of the principles and methods of transfer pricing transfer became operational starting in 2008 after the adoption of OPANAF no. 222. Also, only since 2010, with the acquisition of the rights to use the Orbis database, the tax authorities can test whether the transfer prices agreed between related parties comply with the free market price principle. Through the Tax Administration Strategy for the period 2012-2016, one of the main objectives assumed by ANAF was to increase the number of fiscal inspections on companies that present a risk in the field of transfer pricing. The results obtained were considerable, therefore these objectives were assumed every year. At the same time, the emphasis was also placed on professional training and improving the knowledge of tax inspection bodies in the field of transfer pricing. The consequences of these measures have materialized in the growing volume of taxes attracted to the state budget, year after year. Although they are quite brief, the data published by ANAF regarding the inspections carried out on taxpayers who had transactions with affiliates, highlight an increased interest of the authorities on this field. Although at the time of writing this paper, Romania is not a member state of the OECD, the regulations adopted in the field of transfer pricing are to a large extent harmonized with the regulations at the international level.

Currently, on the international level, there is a greater interest than ever in transfer pricing from tax authorities and regulatory organisations, and published statistics show that price adjustments between affiliated companies are an important source of budget revenues. Therefore, we consider that the issue of transfer pricing is topical, and the relations between related parties can be analyzed from both a fiscal and an economic perspective.

The Research hypothesis

Regarding the research question we are trying to find a solution to in this paper, we state the following research hypothesis:

In our opinion, the tertiary sector has a huge potential for development and can make an optimal use of the highly qualified labor force in our country, and the transactions of Romanian companies with external affiliates imprint particularities on all the elements of the marketing mix.

A functioning market economy is based on the law of supply and demand as well as private property. These principles are valid for all markets: both that of production factors and that of goods and services intended for final consumers. Prices are a market barometer for producers and buyers. If the labor market in Romania has a greater need for IT specialists than for workers, employment opportunities in the field of information technology will be greater. The price of the factors of production for which the demand is higher will tend to increase and that of the factors of production with a lower demand will decrease. We can find this phenomenon on the labor market in our country: in recent years, programmers' salaries have tended to increase, a fact that has attracted labor to this area. Therefore, it is the market that regulates the supply and demand in a particular field. In Romania, the signals of the IT services market show that this field is expanding, and in the continuation of the research we tried to test the extent to which this hypothesis can solve the research question formulated in the introductory part:

How has the subsector of IT activities within the tertiary sector evolved in Romania in the last decade and what is the influence of transactions between affiliates on the marketing mix?

The methodological framework

In order to develop relevant statistical data to ensure the international comparability of economic activities, over time joint efforts were needed from all national and international regulatory bodies in order to design and implement common standards. Thus, at the beginning of the 2000s, a complete revision of the international statistical classifications was carried out, which were harmonized and correlated at the world level under the auspices of the United Nations Organization. The member states of the European Union have been using a unitary statistical classification system since the 1970s. European Union legislation requires the uniform use of this

classification by all member states. In 2007 there was a revision of this classification to reflect the evolutions and structural changes of the economy from 2000-2007, the new abbreviation being NACE Rev. 2. Changes in economic structures and the implementation of new technologies constitute a great challenge for statistical classifications, a revision of classifications being necessary at certain time intervals, in order not to negatively affect the comparability of data over time. In our country, the classification of activities in the national economy was developed by the National Institute of Statistics (INS) for a specific ordering of information corresponding to the requirements of the market economy and the transition to the system of national accounts.

The study object of the thesis was the national market of software and consulting services in information technology; therefore we sought to identify those companies in Romania that carry out these types of activities. According to the classification of activities in the national economy, group 620 "Service activities in information technology" includes the following classes:

Class	Activity description
6201	Custom software development activities
6202	IT consultancy activities
6203	Computing resources management activities
6209	Other service activities regarding information technology

The analyzed IT services can be divided into two large categories: custom computer program creation services and IT consulting services. This classification takes into account the classification of activities in the Romanian economy, approved by Order of the President of the INS 337 of 2007:

- CAEN code 6201 includes activities of creation, implementation and testing of software applications, web pages or databases;
- CAEN code 6202 includes planning and design activities of IT systems, including user training.

The availability of annual financial statements drawn up by Romanian legal entities was an essential factor in choosing the analyzed time period. The annual financial statements are public, and

according to OMFP 1420/2021 they are published on the server of the Ministry of Finance, to be accessible via the Internet. The data from the financial statements remain published for a period of 10 years, after which they can no longer be viewed or downloaded. The time period analyzed is between 2012 and 2021.

Following the data collection process, we identified 3 samples of companies that we analyzed using statistical methods, as follows:

Sample 1 comprising 12,106 companies that cumulatively meet the following conditions:

- this information is active or unknown;
- they have declared the following main object of activity: "Activities for creating custom software" or "Consulting activities in information technology";
- they had at least 1 employee in the period 2013-2021;
- they have their headquarters in Romania.

This sample was divided into 2 subsets of companies, respectively:

Sample 2 comprising 1,409 companies that have foreign affiliates and for which there was an opportunity to have transactions with foreign affiliates at transfer prices.

Sample 3 which includes 10,697 companies that do not have external affiliates, so they did not have transactions with foreign persons, within which to practice transfer pricing.

For each company, the following indicators were analyzed during the researched period: turnover, operating result, number of employees, value of owned assets and rate of return on sales. The large number of companies in the three final samples led us to test the research hypothesis using quantitative or statistical methods. The statistical analysis was performed using the R statistical software and the Rshiny library, and the data were divided into two categories: those normally distributed and those not normally distributed. In the case of normally distributed data, we applied descriptive statistics methods as well as the Anova test to compare multiple independent data groups. Non-parametric methods such as the Kruskal-Wallis Test or the Mann-Whitney U Test were applied to data not normally distributed. The Kruskal-Wallis test is used to compare the means

of three or more independent groups of data and determine whether the values in these groups may or may not come from the same distribution. The Mann-Whitney U test is used to compare two independent groups of data; this test determines whether there is a significant difference between the values of the two groups. In addition, we also used the Spearman correlation to analyze the relationship between two variables, which is not influenced by the distribution of the data, as well as the analysis of moving averages, to observe trends in the evolution of the data over time. Time series data analysis was performed based on the following tests: Augmented Dickey-Fuller test, Augmented Dickey-Fuller (ADF) test, Linear regression with time as predictor and ARIMA model. The Augmented Dickey-Fuller (ADF) test is a statistical test that is used when we want to check whether a time series is stationary. The linear regression model with time as the predictor variable can be used to identify any trend or pattern in time series data. The ARIMA model is a popular method for time series forecasting.

Conclusions

During our study we tried to find a possible answer to the research question stated in the introduction, namely:

How has the subsector of IT activities within the tertiary sector evolved in Romania in the last decade and what is the influence of transactions between affiliates on the marketing mix?

The initially formulated hypothesis is that the tertiary sector has a huge potential for development and can make an optimal use of the highly qualified labor force in our country, and the transactions of Romanian companies with external affiliates provide a series of benefits to the elements of the marketing mix. On the labor market in our country, in recent years the salaries of programmers have tended to increase, a phenomenon that has attracted labor to this area. Therefore, the signals of the IT services market show that this field is expanding, and could ensure an optimal utilization of the highly qualified labor force in our country.

In the period subject to this research, namely 2012-2021, the analysis of the IT services market in Romania shows that, starting from 2012, the number of companies that obtained income from the provision of programming services and consulting services increased every year; thus, if in 2012 there were 3,876 companies nationally, in 2021 their number was 10,546. It can also be noted that the number of employees had a similar trend of constant growth: thus in 2012 there were

36,279 employees, and in 2021 their number reached 112,272. A similar evolution was registered in terms of the assets held by the companies. If we analyze the profitability of companies operating on the Romanian IT services market, we also observe a constant growth trend. Thus, in 2012, the analyzed companies obtained a median value of revenue profitability of 12.99%, a value that increased every year and reached a level of 43.62% in 2021.

Among the analyzed companies, those that carry out programming activities are the majority, both at national level and within each region separately, with a share of over 75%, while companies that carry out consulting activities have a share of less than 25% . Most of the companies have their headquarters in the Bucharest Ilfov Development Region (37%), followed by the North West Region (19%) and the Center Region (11%). As for the cities where the most companies were established, the ranking is led by Bucharest with a 32% share of the total, followed by Cluj-Napoca with approximately 11%, then Iași (4%), Timișoara (4 %), etc. It can be seen that more than half of the companies have established themselves in cities with nationally relevant Computer Science Faculties, considering the need for highly qualified workforce. Regarding the turnover achieved in the last available year, namely 2021, the companies from the Bucharest-Ilfov Region generated the highest value at the national level, holding a weight of 55.74%. Companies from the North West Development Region achieved a turnover of 20.13% of the national value, and companies from the West Region achieved 7.61% .

The influence of related party transactions on the product

The implementation of new technologies in the field of information and telecommunications has had a particular impact on the tertiary sector and has contributed to the increase in the ability of services to be traded worldwide. The positive influence of affiliate relationships on this element of the marketing mix is indisputable. Currently, a software product can be made through the cooperation of subsidiaries in different countries. Also, IT consulting activity can be carried out by a team from a specific country for all group members located in different countries. The progress registered in the field of information technology in recent years ensures the technical support of these cooperations without the need for a physical movement of employees.

A solution that can ensure the differentiation of services from those of competitors, and which has been used since several hundred years ago, is the creation of brands. Brands identify service providers and are considered to be an effective means of providing competitive advantage and influencing consumer behavior. Building a strong international brand will bring many benefits to the marketing activity of all firms within a multinational group of companies.

The influence of related party transactions on distribution

In the case of IT services, this component of the marketing mix refers to facilitating the access of potential customers to a service. Palmer A., believes that for services it is more appropriate to use the term "accessibility" instead of "distribution". The interconnection of computers and the expansion of telecommunications networks have determined new ways of providing traditional services. Just as land, air and sea transport provide the necessary technical support for the distribution of goods, in the case of services, this support is provided by telecommunications networks. Within multinational companies, marketers must decide on the location of services and the size of distribution channels. The characteristics of IT services also influence this element of the marketing mix. Thus, inseparability and perishability make issues related to the accessibility of services more complex than in the case of the distribution of goods. The fact that IT consulting services are provided and consumed simultaneously and cannot be stored means that they cannot flow through traditional distribution channels. The provision of IT consultancy services can be carried out in the following ways:

- the consumer moves to the provider, a situation in which the location plays a very important role. This is the case for IT services that consist of user training activities, which require an appropriate physical setting: a room equipped with furniture and state-of-the-art technology;
- the provider moves to the consumer, in which case location is not so important. There are a number of consulting activities in information technology that involve the travel of consultants to the beneficiary's headquarters in order to implement and test some applications. Also, the activities of making custom software are carried out at the headquarters of the supplying companies, without the need for the presence of the beneficiaries. After computer applications are completed, they are installed and tested on users' devices.

- the performance is carried out by means of remote communication. A very wide range of information technology consulting services is done in this way. Thus, thanks to the facilities offered by information technology, a series of courses, meetings or trainings can be carried out via the Internet, without the need for physical interaction between the provider and the beneficiary.

In relation to this element of the marketing mix, the influence of affiliate relationships can be manifested in the following way: the custom creation of software applications can be carried out by the subsidiaries of the group located in geographical areas where the cost of production factors is reduced and sold in markets where the price services is high.

IT services are mainly provided through direct sales. In these cases, the distribution channels are short, with no intermediaries. From a marketing perspective, this method of distribution presents several advantages for providers:

- maintains control over the technology and the quality of the performance;
- have a direct interaction with the consumers of the target market from whom they can directly gather information regarding their needs and expectations.

Multinational companies that provide IT services can also use intermediaries, a situation in which the method of distribution is called indirect sales. The main difference from the placement of goods is that through the distribution channels in the field of services, it is not the services that are the subject of transactions that circulate, but only certain potential offers.

The influence of related party transactions on promotion

This variable of the marketing mix aims to inform both current and potential customers about the services provided by the company, the rates and where they can contract, their benefits. Promotion includes all the actions that a company undertakes with the aim of making the IT services it offers known to the target market. Currently, it is not enough to design a competitive offer of IT services to be provided through the right channel and at a rate accepted by consumers without being accompanied by an appropriate promotion policy. Marketers must also keep in mind that all elements of the marketing mix communicate a message to current or potential consumers.

Unlike goods, in the case of IT services, the promotion policy presents certain particularities that are determined by the features of the services. Thus, the intangibility makes the promotion of IT services have the role of reducing the uncertainty that the beneficiaries have in the process of adopting the purchase decision. The messages of these companies must be supported with the help of tangible elements such as office premises, equipment and technology used, etc. Multinational companies that have a good international reputation exert a beneficial influence on promotion for all subsidiaries of the group. Also, the development of strong international brands, the use of testimonials regarding the experiences of renowned customers, the emphasis on differentiating elements from other services positively influence the promotional activity in all markets where the affiliated parties of groups of companies. The promotion of the IT services offered cannot be separated from the image of the provider, even more so if he has created a good reputation on the market.

The literature lists the following main tools through which companies can achieve their marketing communications policy: advertising, sales promotion, events and experiences, public relations, direct advertising, interactive marketing, word-of-mouth, person-to-person and face-to-face selling in front of. In the case of companies that provide IT services, one of the most important sources of information that potential clients turn to is the recommendation, i.e. the experiences of some collaborators.

The influence of related party transactions on personnel

For IT services businesses, human resources can be considered a primary component of the marketing mix. In the case of goods, production and consumption are separated, and therefore consumers do not interact directly with the personnel involved in the manufacturing process. The implementation of quality control of products prevents scraps from reaching consumers, while in services this phase is not possible. In the case of IT consulting services, production and consumption are simultaneous. Therefore, in the case of companies that provide IT services, the processes of recruitment, selection, employment and training of human resources are very important. Employees of subsidiaries within a group of multinational companies have the chance to benefit from the experience and knowledge acquired over time by the staff within the group.

The results of the research carried out on Romanian companies with CAEN codes 6201 or 6202 revealed that both the number of companies and the number of their employees increased every year in the period 2012-2021. Thus, at the national level, in 2012, 36,279 people were employed, and in 2021, the number of these people reached the level of 112,272 people. Following the analysis of the data of the companies from the three samples studied, it was found that the number of people employed by the group of companies in Romania that have external affiliates had an increasing trend in the period 2012-2021. Thus, Romanian companies with external affiliates reported 22,646 employees in 2012, an indicator that increased every year, reaching the level of 84,811 employees in 2021. The results of the research carried out on companies with external affiliates in Romania show that this group of companies has the most employees in the sector, with weights between 62.42% in 2012 and 75.54% in 2021. For example, in 2021 the total number of employees reported by the 11,559 companies at national level was 112,272. The 1,313 companies with external affiliates that submitted their financial statements declared a number of employees of 84,811, i.e. 75.54% of the total. Regarding the geographical distribution of employees, throughout the analyzed period, the most employees were reported by companies with headquarters in the Bucharest-Ilfov Development Region, followed by companies with headquarters in the North West Development Region; analyzed cumulatively, companies from the two regions own more than half of the number of employees at the national level. For example, in 2021 the companies from the Bucharest-Ilfov Development Region together with the companies from the North West Development Region had a number of 81,801 employees out of a total of 112,272 employees (72.86%). Third place nationally was not constant throughout the analyzed period; thus, in the period 2012-2018, this place was occupied by companies with their headquarters in the Center Development Region, so that from 2019 this position will be held by companies from the North East Development Region (in 2021: 9,030 employees out of 112,272 employees nationally, resulting in a share of 8.04%).

The analysis of these data demonstrates that the group of companies with foreign affiliates provides a number of benefits for the national economy in terms of attracting and employing the workforce. This aspect can be explained by the low salary costs offered to Romanian employees compared to the salary costs in developed countries. Also, the level of professional knowledge and experience acquired by Romanian employees in these companies is indisputable. From this perspective, we believe that the efforts of the Romanian authorities should be directed towards attracting foreign investments to this sector.

The influence of related party transactions on processes

The processes represent for the service activity in the IT field the way in which the resources available to the company are combined to obtain the service offered to the consumer. The concept of the delivery process, also found in some relevant works under the name of servuction, is similar to the manufacturing process of goods. During this process, value is added to the individual resources involved, so that the resulting IT service will have a higher utility value for the consumer. In the manufacturing process of goods, consumers have no role. In the case of services, given the high degree of involvement, beneficiaries can be considered co-producers. For example, in the case of software creation services, the beneficiaries are involved through the technical specifications they indicate to the programmers, between them there is a permanent exchange of information. Multinational companies have the advantage of being able to break down delivery processes into phases and develop sets of procedures, tasks and operations to be performed by employees in each phase. Also, companies with external affiliates have the opportunity to allocate the tasks of realizing different sequences of software applications to those subsidiaries that have the best skills. In the case of services, the share of activities that cannot be automated is higher than in the case of production of goods. In manufacturing processes, productivity increases have been achieved through the mechanization of manual labor. In the case of IT consulting services, increased productivity could be achieved by involving beneficiaries to a greater extent in the delivery processes. On the other hand, a greater involvement of the beneficiaries in the delivery process also presents risks for the provider: it loses control over the tasks that the consumers perform, which could lead to process interruptions.

The influence of related party transactions on physical evidence

The intangibility of IT services is the feature that has the greatest influence on this marketing mix variable. A potential recipient of a software program does not have the opportunity to evaluate it, which increases the risk associated with the purchase decision. Therefore, companies in the IT services sector must reduce these uncertainties of the beneficiaries by providing physical evidence that the services will be performed. This evidence can take many forms: a brochure with important information about the services offered, an impressive building where the provider is based, the

ability to see the environment in which the programmers work, the furniture and the latest equipment used, etc. Creating a modern work environment with the most diverse facilities is a condition for attracting and keeping satisfied employees. All these tangible elements are of great importance in the process of influencing the consumer and, at the same time, can constitute a competitive advantage on the market. Creating a good image of the multinational company at the international level will generate benefits for all the subsidiaries of the group, located in various regions of the globe.

The importance that national companies that carry out activities in the IT field give to physical evidence also results from the data analyzed in this research. Thus, one of the monitored indicators was the level of assets, an indicator that registered a positive evolution throughout the 2012-2021 period: the cumulative value of assets at the national level increased every year, from 1,085,118,593 euros in 2012 to 4,357,092,632 euros in 2021. Regarding the geographical distribution of companies through the lens of this indicator, the companies with the highest cumulative value of assets are located in the Bucharest-Ilfov Development Region. Throughout the period between 2012 and 2021, companies from this region held more than half of the national cumulative value of assets. These data reflect a higher level of asset investment made in the capital region compared to the rest of the country.

Companies with foreign affiliates nationally hold the most assets. We made a comparison of the average value of the assets held by the group of companies that have external affiliates compared to the group of companies with full Romanian capital. This comparison showed that in each studied year, the average value of assets held by companies with external affiliates was several times higher than the average value of assets held by Romanian companies. Also, the level of assets held by companies with external affiliates has evolved from approximately 611 million euros in 2012 to approximately 2,613 million euros in 2021. In our opinion, these data reflect the net higher investment possibilities of multinational groups compared to domestic companies. We reproduce below, for example, an extract from the table with the compared data for the period 2017-2021:

Sample 2: 1.409 Companies with External Affiliates	2021	2020	2019	2018	2017
Total assets held (Euro)	2,612,564,394	2,267,350,811	1,849,561,422	1,445,099,719	1,304,373,197
Number of companies that declared Turnover (submitted financial statements)	1,313	1,261	1,160	1,044	928
Average Assets/Company value	1,989,767	1,798,058	1,594,450	1,384,195	1,405,575

Sample 3: 10.697 Companies with Internal Affiliates	2021	2020	2019	2018	2017
Total assets held (Euro)	1,744,528,238	1,434,754,476	1,145,977,274	1,013,682,814	852,639,656
Number of companies that declared Turnover (submitted financial statements)	10,246	9,686	8,711	7,754	7,009
Average Assets/Company value	170,264	148,127	131,555	130,730	121,649

Percentage Sample 3 / Sample 2	8.56	8.24	8.25	9.44	8.65
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The influence of related party transactions on price

We have intentionally left behind the analysis of the influence of related party transactions on this marketing mix variable, due to the complexity of the influences manifested. In the framework of this research, an important place is represented by companies that have external affiliates, as they represent a source of manifestation of transfer prices. At the level of 2021, the number of these companies was 1,409 out of a total of 12,106 existing companies at the national level, which corresponds to a share of 11.64%. This group includes several categories of companies, namely: branches opened in Romania by companies from abroad, companies in which the beneficial owners of the shares are from another country, companies with foreign shareholders or associates, as well as Romanian companies that hold shares participation in companies located abroad. For the 1,409 companies that have external affiliates, during the analyzed period, i.e. 2012-2021, there was the possibility to carry out transactions with foreign affiliates at transfer prices, i.e. artificially set prices, and which are not based on the principle of the value of market. The study carried out revealed that, although the share of these companies in the total number of companies on this market was in all years below 13.50%, they generated the highest turnover. In the period 2012-2021, the

income obtained by this group of companies within the total income from the provision of IT services was between 63.79% (in 2012) and 73.30% (in 2017). As an example, we present the situation of 2021, a situation that shows similarities with all the years analyzed: this year 11,559 of all companies in Romania that had IT services activities generated a turnover of 7,023,213,203 euros; of these companies, 1,313 have external affiliates and achieved a turnover in the amount of 4,999,620,286 euros, which corresponds to a market share of 71.19%. These values can be explained by the fact that these companies benefit from greater experience in the field than companies with Romanian capital. Also, these companies have already created business links with companies on the world market, therefore they have concluded contracts of much higher values than Romanian companies. Last but not least, the bargaining power of some companies that have opened subsidiaries in several areas of the world is greater than in the case of companies that act only on a national market.

Regarding the total number of employees of companies with external affiliates, we find the same trends as in the case of revenues obtained from IT services. Thus, this group of companies has the most employees in the sector, with weights between 62.42% in 2012 and 75.54% in 2021. For example, in 2021 the total number of employees reported by the 11,559 companies nationally it was 112,272. The 1,313 companies with external affiliates that submitted their financial statements declared a number of employees of 84,811, i.e. 75.54% of the total.

Companies with external affiliates also hold the highest cumulative value of assets at the national level, their shares in the cumulative value at the national level being between 50.89% in 2014 and 62.69% in 2016.

The financial results obtained by the analyzed companies indicate that the IT services sector is profitable. At the national level, from the total number of companies that carried out activity during the analyzed period, the share of those that registered a profit increased every year from 72.22% in 2012 to 81.78% in 2021. The share of companies that have external affiliates and registered a profit, in the total of companies with external affiliates in the period 2012-2015 it recorded slightly higher values than the similar shares at the level of the entire sector, so that in the period 2016-2021 they are close.

The analysis of profitability indicators recorded by companies with external affiliates revealed a paradox. Although the group of companies with external affiliates obtains the highest revenues from software services and IT consulting, they have the most employees at the national level and have a greater share of assets, compared to Romanian companies, they are less profitable. Thus, during the analyzed period, the sample of Romanian companies that do not have external affiliates (Sample 3) obtained levels of the revenue return rate indicator in an average range between the lower quartile of 1.16% and the upper quartile of 77.89%. The median value of the range of values was between 14.63% and 49.06%. In the case of companies with external affiliates (Sample 2), the value of the profitability indicators was between the lower quartile with the value of 1.99% and the upper quartile of 29.01%. The median value of profitability indicators for companies with external affiliates was between 6.71% and 9.89%. These data indicate a higher level of net profitability in favor of Romanian companies that do not have external affiliates.

Sample 2: 1.409 Companies with External Affiliates	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Lower quartile	4.94	4.14	3.77	3.96	3.48	2.73	3.51	2.53	2.27	1.99
The median value	9.89	9.55	9.04	8.96	8.68	8.18	9.33	8.64	6.71	7.48
Upper quartile	29.01	27.80	23.47	26.81	23.94	20.13	21.55	21.21	19.59	20.57

Sample 3: 10.697 Companies with Internal Affiliates	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Lower quartile	17.95	14.93	13.19	11.28	10.62	8.02	6.31	4.26	3.01	1.16
The median value	49.06	45.07	39.86	37.20	35.77	32.00	26.42	20.53	18.74	14.63
Upper quartile	77.89	74.60	69.79	66.74	66.15	62.46	56.05	48.30	46.79	42.08

This contradiction can be attributed to the fact that the transfer prices practiced by Romanian companies in relations with external affiliated companies do not respect the market value principle, being set below the market level. In this way, companies with external affiliates transfer important shares of profit outside of Romania at prices that are lower than market prices, and the value created in our country is not taxed at a fair level. The statistical data published by ANAF show that in most

of the checks carried out on transactions between related parties, tax differences were established, which means that the transfer prices were not established at the market level. We can say that the Romanian authorities are indeed in a difficult situation: on the one hand it is necessary to attract foreign investments that will create jobs in the IT services sector, but on the other hand these companies must be obliged to correctly calculate its profits and fairly tax the value created in Romania, paying to the state the taxes it is due.

The results of the research confirm that the information technology sector is an extremely dynamic one, which attracts a workforce with a higher qualification and which has the potential for growth in the coming period. On the one hand, the authorities should look for solutions to promote the further development of this sector, and on the other hand, they must continue the actions of verifying the transfer prices practiced by companies with external affiliates in order to ensure the correct taxes related to the value added created in Romania.

Research limits and prospects

Along with personal contributions to the level of knowledge in the analyzed field, any scientific endeavor also presents a series of limits. We believe that the main shortcomings of this research are the following:

- the unavailability of data regarding the financial indicators obtained by authorized natural persons who provide IT services did not allow us to include this category of persons in our analysis. The current legislation (OUG no. 44/2008) limits the maximum number of employees that an authorized natural person can have to 3. We believe that the activities carried out by these persons do not have a significant weight in the IT services market, and the results of our research are not adversely affected by this omission;
- we consider that a presentation of the legislation in the field of transfer pricing from developed states compared to the Romanian legislation would have been useful, an approach that would have allowed us to identify possible shortcomings of our legislation and formulate possible proposals for improvement;
- we believe that a comparison of the results obtained by Romanian companies that carry out IT services activities with companies from European Union countries would have been useful. In the

course of this paper we tried to make such a comparison, but the very large size of the obtained sample, which included approximately 248,000 companies, did not allow us to complete the analysis. This limitation was imposed on us by the impossibility of statistical programs to process such a large volume of information, and we believe that it is only a matter of time until technological advances will allow the processing of this data.

Finally, we express our conviction that the testing of the research hypothesis was not negatively influenced by the previously stated limits and further research could also be oriented in these directions. Also, the prospects of future research demonstrate that the field of transactions between affiliates is very complex and the IT services market is expanding, and could ensure an optimal utilization of the highly qualified workforce in our country.

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