CHANGES IN CONSUMER BEHAVIOUR IN THE MARKET AND THE VALUE OF COMPANIES

Dr. Sławomir Czarniewski
University of Finance and Management in Bialystok
Ul. Ciepła 40
15-472 Białystok, **POLAND**

ABSTRACT

In every economy there is the phenomenon of customer migration. Customer migration in the macro scale means the moving of purchasing power and customers of a company on a worldwide scale and between regions. Customer migration on the micro scale means changes in customer behavior, resulting in changes in marketing, assets and business strategies. Moving of purchasing power and customers themselves is caused by different reasons and can take different directions and intensity. This may mean an increase or decrease in demand for the offers of individual companies, as well as a change in the level and duration of customer loyalty. Changes in demand for a company's offer translates directly into the value of the company. The aim of this study is to introduce the reader to the directions and intensity of the migration of customer demand and its impact on the value of companies and the migration of capital.

Keywords: Market, consumer, globalization, migration of capital.

INTRODUCTION

Managing the value of a company is the dominant aim of the operation of contemporary companies. The value of the company is an important indicator for investors, who are providers of capital for the company. Investors invest their capital in companies that have many loyal customers, whereas they withdraw their capital from companies whose value and number of customers decrease, affecting the direction of the migration of value of companies and investment capital. Changes in demand directly affect the revenue and profitability of a company. This in turn translates into the value of the company. The process of customer migration may be an opportunity for some enterprises but also a danger for others. Under conditions of strong competition in the market, acquisition of new customers is more and more difficult and expensive. Therefore, companies must strive to reduce migration (movement) of customers. Simultaneously, companies must strive to attract new customers who have emerged as a result of demographic and economic changes.

RESEARCH METHODOLOGY

There is insufficient knowledge in scientific literature about how the process of customer migration affects the migration of value of an enterprise. There is also a deficiency in theories on how to manage a company in order to make customer migration an advantageous aspect for business and to bring it measurable economic results. The author of this publication has set a target to fill, at least partially, this gap. The cognitive aim of this work is to show:

- The macroeconomic determinants of customer migration,
- The microeconomic determinants of customers' behavior on the market,

- Changes in the lifestyle of contemporary consumers and the consequences for companies.

The work is an attempt to present the impact of different consumer behavior on the condition and value of a company. The theoretical output used in this work has been taken from Polish and foreign language literature (mostly English) concerning the mechanisms of management in the economy and business, in the context of customer migration. The use of foreign literature was necessary because of the dearth of Polish publications. It enriched arguments and reflections on new aspects. It allowed to show the research problem in a broader perspective.

The macroeconomic determinants of customer migration

Demographic changes in the world will create new opportunities for businesses open to change, and threats for those enterprises that are not. The increase in the average age of the population has caused a greater demand for products purchased by older adults (supporting vitality, health, looking young, tourism etc.). On the one hand, ethnic diversity requires companies to differentiate their products; on the other, companies should take into account the fact that many cultures (societies) are becoming part of the globalization of consumption.

It should be noted that demand migrates from technologically obsolete industries to new industries; from countries where the birth rate is low or negative to countries where the birth rate is high; from countries where the income of the population is decreasing to countries with growing income. It should also be mentioned that demand changes within the same country as a result of redistribution of income within the population, changes in lifestyle and purchasing habits, as well as the effectiveness of company management and the quality of its offers (real value for the customer). Distinguishing features of contemporary migration are mentioned below:

- intense dynamics - women now represent half of migrants (men migrated mainly in the past);
- change in the direction of migration; it is expected that the migration from low-income countries to developed countries will continue. The main inbound countries are: The USA, The UK, Germany. Outbound countries include: China, The Philippines, India (Freeman, 2007, p.100);
- migration is of a temporary nature (in relation to seasonal work, education and tourism);
- change in the structure of migrants in terms of education (higher share of people with higher education).

Migration causes significant changes (consequences) in many areas:

- in the structure and intensity of acquiring products and services;
- leads to a gradual (though slow) equalization of wages and demand;
- increases production and improves the economic standard of workers from poorer countries;
- causes the rapid growth of the middle class, with economic levels (income) varying greatly;
- escalates conflicts between indigenous peoples and immigrants, which can also affect the dynamics of change in migration (may limit migration in the future)

The level and structure of consumer's expenditures depend on several factors, such as: the level of savings, the propensity to save, debt, credit availability and attitude to borrowing. Therefore, the migration of demand is closely related to these phenomena, which requires analysis on the structure of income, cost of living, interest rates, and savings, because they have a significant impact on consumers' purchasing behavior.

On the one hand, the implementation of innovation attracts customers, on the other hand, comes with more risk (Dobiegała-Korona, 2008). With a substantial increase in education and awareness among consumers, there is an increase in demand for information about competitive conditions, the composition of products, their nutritional value and other values associated with their purchase and consumption. For companies to acquire customers, they must identify trends in the socio-cultural environment. Society and social groups shape beliefs, values, purchasing behaviors and consumption (Janoś-Kreslo & Mróz, 2006). The companies that recognize these trends and adapt to them will attract customers; those that do not will lose customers.

Enterprises that will be able to take advantage of global demand will also be able to count on the development and supply of capital. Capital migrates to those companies that are able to satisfy the changing needs of customers better than competitors. In the near future, competition on the global market is expected to increase as companies from developing countries join in the rivalry for customers.

The microeconomic determinants of customer migration

The basic reason for the migration of customers, from the point of view of enterprises, is a conflict between the priorities of customers and the activities of companies. The movement of customers is not a new phenomenon; customers migrate from outdated industries to new ones, from mass produced products to customized ones, and from obsolete products to innovative ones.

The main reasons for customer migration, from the company's point of view, are the following (Kotler, 2004):

- the lack of knowledge about the market and possible opportunities, the weak identification of market segments and their profitability,
- the lack of awareness that customers generate the company's value,
- the lack of knowledge about customers' needs, their perceptions, preferences and behavior; the lack of recognition in terms of beliefs, norms and values; the lack of understanding of customer behavior and its determinants,
- ineffective management of relationships with all relevant stakeholders: customers, suppliers, investors, employees and agents,
- the lack of comprehensive customer service; the lack of improved and diversified offers of products and prices to various market segments,
- the lack of effective communication with the market; the low use of new technologies to communicate with the market and to attract customers; customers don't distinguish between companies, their offers and their brands,
- lack of information about competitors - how they work and how they use technology, how they offer products or how they attract investors,
- lack of successes in identifying and using interesting market opportunities; lots of innovations that generate unsatisfactory results; ineffective management of innovation

ISSN 2056-5992

– not many products in the portfolio on which one can earn a large profit (Knox & Maklan, 1998).

Customer retention is not the goal of the company but the main indicator on which the value of the company is based on, and which prevents the migration of capital. Customer acquisition and the prevention of their movement is closely related to the basic aim of the company – the creation of value for the customer.

An enterprise focused on its customers should take into account their specific needs, the levels of their satisfaction and the creation of value for each customer (so called portfolio management of the customer). This orientation requires significant organizational changes in the company, based on close relationships and cooperation with each customer.

This orientation helps companies to create and develop organizational resources for the management of customers and values offered (Czarniewski, 2014, pp. 36-43). Treating customers as the basis for strategic operations forces companies and their employees to cooperate with each client. This increases the revenue earned from each customer and the value of the customer to the company. It also allows the company to stand out in the market and makes customers less sensitive to the offer of competitors.

Changes in the lifestyle of the modern consumer

The possibilities of obtaining information and the ability to purchase products and services have changed with the spread of modern technologies. Consumers have gained the ability to satisfy their needs quicker, easier and, often, cheaper.

The fundamental change that has taken place in many societies is the spread of the consumer lifestyle. The purchasing of products and services has become one of the main forms of activity for people. Although consumerism leads to a waste of resources, which in the long term may threaten the existence of humans, it has gained widespread social acceptance.

Nowadays, companies present themselves to clients not only as providers of products, but also as representatives of certain beliefs and values, and as creators of culture. This moves the consumer's attention away from thinking about consumption, leaving him only to choose the brand that fits into his lifestyle.

The lifestyle of a contemporary customer depends on the level of economic development of the country he resides in and on cultural conditions. It should be noted that transnational corporations, through their marketing activities, spread ideas about a lifestyle that is typical for developed countries. Some researchers point out that today's consumers are not always autonomous in their choices because corporations manipulate their needs by referring to snobbism and by encouraging them to acquire “symbols of social status."

Nowadays, enterprises that are entering the markets of developing countries have enormous opportunities to increase their capital, because the inhabitants of developing countries have just begun to consume. In poorer countries, the buying of products is a sign of a change to a higher social status. Within the societies of newly industrialized countries in South-East Asia or South America, consumers aspire to reach the high standards and lifestyles of people from developed countries. Conspicuous consumption and a penchant for expensive Western

ISSN 2056-5992

brands, as a determinant of success and lifestyle, is behavior that is largely socially acceptable (Wojcik, 2004, p. 169).

Mass consumption is the dominant feature of contemporary societies in highly developed countries. Fifteen percent of the world population, inhabiting the richer countries of the world, account for 56% of total consumption. The share of total consumption is only 11% among the poorest 40% of the world population (Janoś-Kreslo, 2006, p. 78).

Investing in education and devoting time to learning, even after the termination of education at the university level, will probably become an important part of the consumer lifestyle. Devoting free time to education and improvement of professional qualifications will result from the growth in requirements on the labor market and from the rapid progress in almost every field of knowledge. The development of a knowledge-based economy requires the investment in both research and development (Czarniewski, 2014, pp. 79-87) .

Leading a so called “healthy lifestyle” has become fashionable recently, which means: maintaining a proper diet (increased access to organic products) and physical activity. Customers' focus on health and beauty may mean a great opportunity for companies involved in ecology, cosmetics and pharmaceutics. The aging population of developing countries will encourage the migration of capital to the above mentioned sectors.

Access to the Internet influences change in modern consumer lifestyles, with consumers easily gaining access to information, products, services and people with similar interests. Chatting with friends is one possibility of spending free time by consumers. However, some scientists perceive the Internet as a medium that may change consumer attitudes of society through ”the net-generation”. This generation, due to their contact with the Internet, is aware of the diversity of the world and of cultures, and is more critical to the reality created by the media.

Customers and the value of companies

In the theory and practice of management, it is accepted that the value of the company, ie. the value of the company for shareholders, is determined by the present value of future cash flows generated by the company, discounted by the weighted average cost of capital, reduced by the value of the company's debt.

The value of the company for shareholders is created when the rate of return from invested capital exceeds the weighted average cost of this capital. Capital investors expect an above-average rate of return from invested capital and constant or ascending dividends of shares.

Enterprises increase their capital thanks to customers, employees and investors. If companies are able to provide customers with profitable offers, they have a chance to attract capital and generate profits. In this sense, companies with valuable products for customers have a better chance of attracting capital (Smedlund, 2008, pp. 63-77).

Relationships between the value of the company, customer migration and migration of capital are very strict. Factors such as satisfaction, loyalty and incoming new customers create the value of the company. The increasing value of the company attracts investment capital. Departing customers reduce the value of the enterprise, and this causes an outflow of invested capital.

Thus, a legitimate question becomes in which customer segments should the company invest, guided by the criterion of the influx of value (this criterion often has an impact on the overall value of the enterprise). While it is impossible to provide a clear answer to this question, it is still possible to analyze the impact of particular groups of customers on the inflow or outflow of values to the company.

Table 1: Customer segmentation of an online shop taking into account their impact on the migration of value

Segment of customers who:	Characteristics	The impact on the migration of value
Browse shop webpages	Browsing shop web pages without intention of buying or publishing product reviews	Minimal direct impact on the migration of values. Possible positive impact of migration may arise from a recommendation of the shop to a third party.
Publish product reviews	By publishing reviews or evaluating products, customers increase the value for others who intend to make a purchase	Indirect impact on the inflow of values through publishing of information and knowledge relevant to the process of purchasing. Through published reviews there is a possible increase in the shop's reliability. In case of publishing false or negative information about the shop - possible outflow of values.
Make a purchase	By purchasing products, customers generate cash flows for a company. This is the most valuable customer segment.	Strong direct impact on the inflow of values. With difficult customers, the return of products or time-consuming customer services, possible outflow of values.

Source: own research.

Table 1 shows an example of customer segmentation in an online shop, taking into account their impact on the migration of values. There are three groups of clients in this segmentation: those who browse the web page of the shop, those who publish reviews of products and those who purchase goods. These groups have a different impact on the inflow or outflow of values. It is understood that the company, in its activities, should aim to increase the number of customers who contribute to the inflow of values for the company. In this case, this means customers who make purchases and who are profitable.

The customer portfolio usually includes relationships with customers who, by purchasing products or services, generate cash inflows for the company. This is the basic model of the exchange of values between the customer and the company. In this case, the inflow or outflow of values is associated with one group of customers.

In regard to multilateral markets, companies need two different groups of customers in the process of value exchange (New Research Explores Multi-Sided Markets, 2013). There are many examples of companies operating in multilateral markets. Internet portals provide values to their users and advertisers. Internet auctions build relationships with both buyers and sellers. Producers of operating systems need both companies that create programs and people who use them.

Companies operating in multilateral markets have functioned in the economy for a long time. However, with the development of the Internet, this model of value creation has gained popularity. Creation of customer portfolios by companies operating in multilateral markets should therefore take into account the development of relationships with both groups of customers.

New information technologies and the general increase in educational attainment have influenced the increase in consumer awareness, reducing social acceptance for enterprises whose activities pose a threat to the environment. Sustainable development and protection of human rights are the basis of socially responsible business expressing harmony between economy, ecology and ethics. Business managers must take into account these regulations in order to avoid a drop in consumer confidence to their businesses. Nowadays, not only financial results affect the success of the company, but also the achievements of enterprises in social and ecological areas.

Changes of social attitudes are reflected in how various stakeholder groups perceive their relationship with the company. A new group of stakeholders is emerging, who are formulating their own expectations of companies. These stakeholders are more active, better informed and more critical. They appear in different roles. The opinions of various groups increasingly affect one another. The number of ethical consumers is increasing, and with the increase of financial resources available to ethical consumers, the impact of non-governmental organizations is growing. Consumers and NGOs are becoming investors.

The trends presented here strengthen the impact of corporate social responsibility on the image of the company. Corporate social responsibility is becoming the main area connecting the expectations of different groups of stakeholders with the company. The company image has a direct and indirect impact on the value of the company. The number of initiatives undertaken aimed at promoting the socially responsible attitudes of companies is increasing, and so is the number of standards and evaluations taking into account this aspect of doing business (Fombrun, 2005).

CONCLUSION

1. The creation of value for the customer is beginning to dominate as the main goal of the company's management. Customers, with their purchasing decisions, determine a company's cash flow and profitability (as a result of acceptable prices). This in turn creates the value of the company, followed by the inflow of capital from investors.
2. Customers shift to companies that are able to identify opportunities and new values for customers in a faster and better way, based on the analysis of trends in the demographic, economic, technological and social environment. Therefore, an important issue is to identify reasons for changes in trends to better understand the needs and expectations of buyers and to assess the durability of trends.
3. Customers migrate to the companies that will offer safe products and services. An important issue for many companies is to gradually reduce and withdraw from trading products that are chemically saturated. A new challenge here is the trade of organic products.

4. Enterprises must be reliable in the perception of buyers. They need to build the trust of customers and employees. Those that do it more effectively will acquire and retain more of their customers. To achieve this, companies need to recognize cultural values and how they change over time.
5. The movement of customers (changes in their behaviors in the market) can be an opportunity or a threat to the value of the company. Company management has to look for opportunities to better satisfy the needs of consumers in the process of analyzing changes in trends in the global environment. This can ensure the attraction of customers to the enterprise and their retention. This is the only way an enterprise can exploit the chances for growth from the migration of customers.
6. One may assume that the development of poorer countries will mean an increase of demand for products associated with better material status. Capital will therefore migrate to the companies that will offer attractive products for the emerging middle class in developing countries.

REFERENCES

Czarniewski, S. (2014). Communicating Customer Value Based on Modern Technologies. *Central European Business Review,* 3(2): 36-43.

Czarniewski, S. (2014). The Mechanism for the Formation of Attitudes, Opinions and Behaviors of Consumers. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 4(4): 79-87.

Dobiegała-Korona, B. (2008). *Zarządzanie innowacją jako wartością dla klienta, In: Przedsiębiorstwo wobec wyzwań globalnych*, A. Herman, K. Poznańska (Eds.). Warsaw: Warsaw School of Economics.

Fombrun, C.J. (2005). Building Corporate Reputation Through CSR Initiatives: Evolving Standards. *Corporate Reputation Review*, 8(1).

Freeman, R.B. (2007). Migracja w procesie globalizacji. *Gospodarka Narodowa*, 1-2.

Janoś-Kresło, M. & Mróz, B. (2006). *Konsument i konsumpcja we współczesnej gospodarce*. Warsaw: Warsaw School of Economics.

Janoś-Kresło, M. (2006). *Konsumpcja jako proces zaspokajania potrzeb*, In: *Konsument i konsumpcja we współczesnej gospodarce*. M. Janoś-Kresło, B. Mróz (Eds.). Warsaw: Warsaw School of Economics.

Knox, S. & Maklan, S. (1998). *Competing on Value*. London: Pitman Publishing.

Kotler, Ph. (2004). *Ten Deadly Marketing Sins, Signs and Solutions*. London: J. Wiley & Sons.

New Research Explores Multi-Sided Markets. (2013). Harvard Business School, Working Knowledge, http://hbswk.hbs.edu/item/5432.html, 2013.12.14.

Smedlund, A. (2008). The Knowledge System of a Firm: Social Capital for Explicit, Tacit and Potential Knowledge. *Journal of Knowledge Management*, 12(1): 63-77.

Wójcik, D. (2004). *Wpływ zmian wtórnych wartości kulturowych na zachowania konsumpcyjne, in: Kulturowe determinanty zachowań konsumpcyjnych*, W. Patrzałek (Ed.). Wroclaw, Publishing University of Wroclaw.