

# **SIGNS OF ECONOMIC RECESSION ON THE SLOVAK MARKET**

## **EKONOMIKAS LEJUPSLĪDES PAZĪMES SLOVĀKIJAS TIRGŪ**

**Vanda LIESKOVSKA**

PhD., doc.Ing

**Zuzana HAJDUOVÁ**

RNDr. , PhD., doc.

**Marek ANDREJKOVIČ**

Ing.

University of Economics in Bratislava, Slovakia

The Faculty of Business Economics with seat in Košice, Slovakia

Tajovského 13, 041 30 Košice, Slovakia

Phone: +421 556223814; e-mail: lieskovska@euke.sk, zuzana.hajduova@tuke.sk, marek.andrejkojvic@euke.sk

**Abstract.** In 2009, Slovakia was also affected by the economic crisis. Its effects were recorded, among others, on the Slovak market. In this article we will focus on various manifestations of remittance. In 2009, the research of consumer behaviour was undertaken. Similar research was carried out in the past and therefore we can compare the values of these researches. In addition to this research we will use other statistical data published by statistical offices to identify the signs of economic recession. To check the significance we will use such statistical methods as a method of ANOVA, t-tests, correlation analysis and regression analysis

**Keywords:** Economic crisis. Slovak market. Signs of recession. Consumer behaviour.

### **Introduction**

The problem of development of the retail network and consumer behaviour in Slovakia, with emphasis on the Eastern Slovak Region, became the subject of our scientific-explorative survey. Since 1997, there has been continually executed survey in the Eastern Slovak Region in order to discover the particularities of the consumer, his/her preferences as well as factors determining the choice of the particular retail store. The importance of the continual survey turned out to be an important information source from the perspective of finding certain trends or understanding the actual changes caused by the effects of economic recession.

In surveys we focused our attention, in addition to others, on detecting the importance of individual factors that determine the choice of the shopping place. We compared the changes from the customer's point of view

over a span of 12 years, i.e. we focused on the conclusions of the surveys from years 1997 and 2009. Knowing that shopping conditions, as well as needs of the customers, has changed in time, it was appropriate to include more factors that we considered to be important.

## 2. The Survey Execution

The size and comparability of the sample were similar. In 1997, the population comprised 936 respondents, in 2008 – 628, in 2005 – 759 and in 2009 there were 958 respondents. They were questioned based on the quota selection with request of proportional representation based on their age, sex and working activity. Primary data were gathered by a questionnaire. In terms of data used, there were utilized not only descriptive, demographic, geographic and socio-economic, but also psychological variables, which were focused mostly on expressing the attitudes of prospective customers.

From the original 13 in 1997 we extended factors to 21 in 2009. In Table 1 there is a list of examined factors, as well as their importance. The respondents were to set the degree of importance for each factor in range from 1 (very important) to 5 (not important). Likert scale was used for acquisition of the following data, determining the importance of individual factors for retail shop selection.

Table 1

The importance of factors determining the selection of the shopping place

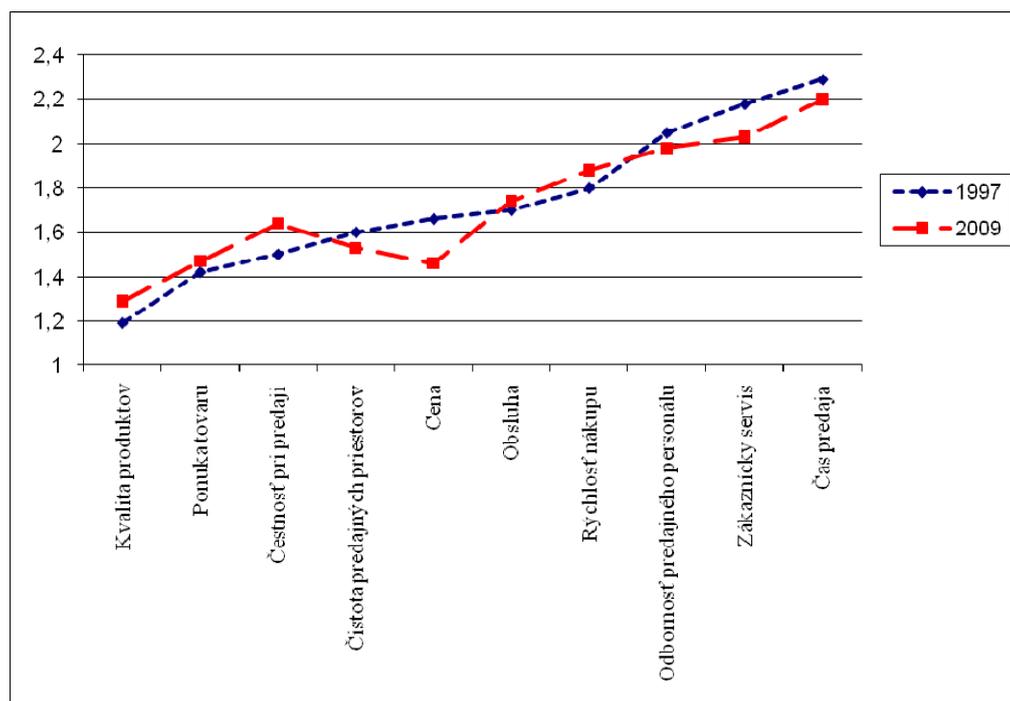
| <b>Factors</b>                | <b>1997</b> | <b>2002</b> | <b>2005</b> | <b>2009</b> |
|-------------------------------|-------------|-------------|-------------|-------------|
| Quality of the products       | 1,19        | 1,25        | 1,30        | 1,29        |
| Supply of the products        | 1,42        | 1,53        | 1,48        | 1,47        |
| Honesty of the salesman       | 1,50        | 1,59        | 1,45        | 1,64        |
| Hygiene of the shopping place | 1,60        | 1,56        | 1,43        | 1,53        |
| Price                         | 1,66        | 1,55        | 1,40        | 1,46        |
| Service                       | 1,70        | 1,83        | 1,78        | 1,74        |
| Speed of the purchase         | 1,80        | 1,85        | 1,90        | 1,88        |
| Expertise of the staff        | 2,05        | 1,93        | 1,94        | 1,98        |
| Customer service              | 2,18        | 2,27        | 2,22        | 2,03        |
| Shopping hours                | 2,29        | 2,41        | 2,20        | 2,19        |
| Distance to the store         | 2,57        | 2,25        | 2,16        | 2,13        |
| Size of the store             | 2,65        | 2,12        | 2,26        | 2,25        |
| Parking possibility           | 3,25        | 2,80        | 2,60        | 2,29        |
| Credit card possibility       |             | 2,71        | 3,06        | 2,59        |
| Buy on instalments            |             | 3,57        | 3,44        | 3,56        |
| Snack                         |             |             | 3,34        | 3,52        |
| Children's corner             |             |             |             | 4,24        |
| Culture actions and promo     |             |             |             | 3,91        |
| Possibility to meet friends   |             |             |             | 3,57        |
| Cinema visit                  |             |             |             | 4,13        |

Source: Own surveys

When comparing the respondents' preferences, we came to the conclusion that the most deciding factor for shopping place selection was and remained the product quality factor. While in 1997 the price was the fifth most important factor, in 2009 it became the second most important factor. In 2009, honesty attribute was on the decline. On the other hand, the customer service and shopping hours became more important. Later, in accordance with the realized practice the factors were extended by credit card payment; purchase on instalments, snacks, children's corner, culture actions and promo, possibility to meet friends and cinema visit, which are continually implemented profits that enrich the basic shopping benefit of the prospective customer.

The decision about supply and range of retail services must be suitable from the perspective of localization of the retail shop, as well as from the perspective of competitor's supply. Each supply should correspond to the possibilities and abilities of the retailer and properly provide given services.

Graph 1 graphically presents preferences of those attributes, which could have been compared within the interval of twelve years.



Graph: 1 Preferences of the attributes compared in 1997 and 2009.

Source: Own survey

These new attributes proved to be important factors: credit card payment, snacks and possibility to meet friends.

**The second step of analysis** is represented by testing the residual means. It utilizes a simple analysis of variance (ANOVA) (see Table 2) and it enables us to monitor the differences in preferences of an individual factor

from the perspective of residence, income, education, sex, age, employment of the questioned respondents.

Cells with two asterisks represent the statistical significance on the significance level 0.01. If there is just one asterisk, it represents the significance level 0.05.

Table 2

Results of utilization of ANOVA method

| Factors determining the selection | residence | income | education | sex | age | employment |
|-----------------------------------|-----------|--------|-----------|-----|-----|------------|
| Honesty of the salesman           |           |        |           |     | **  | **         |
| Price                             |           | **     |           | **  | **  | **         |
| Customer service                  | *         | **     | **        |     | **  | **         |
| Distance to the store             |           | **     | *         |     | **  | **         |
| Size of the store                 |           | **     | **        |     | **  | **         |
| Parking possibility               |           | **     | **        | **  | **  | **         |
| Credit card possibility           | **        | **     | **        |     | **  | **         |
| Buy on instalments                |           | *      |           |     | **  | **         |
| Snack                             |           | **     |           | *   | **  | **         |
| Children's corner                 |           |        | *         |     | **  | **         |
| Culture actions and promo         |           | **     | **        |     | **  | **         |
| Possibility to meet friends       |           | **     | **        |     | **  | **         |
| Cinema visit                      |           | **     | **        |     | **  | **         |

*Source: Processing of primary data*

The biggest differences in perceiving the importance of the factors determining the selection of an individual shopping place occurred in case, when we compared the attitude of the respondents with respect to their employment and age (see Table 3 and Table 4).

On the other hand, except for one case, there were not statistically significant differences in comparison of the factors with respect to the residence of the customer. The possibility of credit card payments was important for those respondents, who live in residential area with more than 10,000 inhabitants. For inhabitants in areas with less than 10,000 inhabitants payments with credit cards was not so important.

Table 3

The differences in perceiving the importance of factors with respect to professional activity

| Factors           | student | trader | entrepreneur | employed | unemployed | retired | Total  | F value | p-value |
|-------------------|---------|--------|--------------|----------|------------|---------|--------|---------|---------|
| Honesty           | 1.9297  | 1.5506 | 1.5769       | 1.5731   | 1.8030     | 1.4715  | 1.6435 | 6.2000  | 0.0001  |
| Price             | 1.5000  | 1.4831 | 1.8148       | 1.4615   | 1.4545     | 1.2049  | 1.4584 | 4.7400  | 0.0003  |
| Service           | 2.1351  | 1.6629 | 1.7115       | 1.9466   | 1.9848     | 2.5984  | 2.0305 | 13.8200 | 0.0001  |
| Distance          | 2.4216  | 2.0674 | 2.3889       | 2.1323   | 2.0455     | 1.6667  | 2.1312 | 8.6300  | 0.0001  |
| Size              | 2.4162  | 2.1236 | 2.0385       | 2.1488   | 2.4394     | 2.4344  | 2.2518 | 4.7500  | 0.0003  |
| Parking           | 2.6865  | 1.7191 | 1.4444       | 1.9861   | 2.6970     | 3.2846  | 2.2886 | 31.8400 | 0.0001  |
| Credit cards      | 2.5297  | 2.4659 | 1.8679       | 2.2807   | 2.9848     | 3.9837  | 2.5941 | 37.3800 | 0.0001  |
| Installments      | 3.7784  | 3.2697 | 3.0962       | 3.4269   | 3.4091     | 4.2033  | 3.5605 | 11.5300 | 0.0001  |
| Snacks            | 3.1838  | 3.2386 | 3.1887       | 3.5419   | 3.7344     | 4.2114  | 3.5200 | 12.8600 | 0.0001  |
| Children's corner | 4.4216  | 3.8989 | 4.0577       | 4.1183   | 4.4923     | 4.6829  | 4.2463 | 9.2300  | 0.0001  |
| Promo             | 3.5946  | 3.6591 | 3.7115       | 4.0023   | 3.8769     | 4.3171  | 3.9104 | 7.9300  | 0.0001  |
| Friends           | 3.2919  | 3.4773 | 3.5385       | 3.6752   | 3.5846     | 3.7317  | 3.5732 | 3.1800  | 0.0075  |
| Cinema            | 3.5027  | 4.0227 | 3.9615       | 4.2668   | 4.2308     | 4.7480  | 4.1380 | 20.6600 | 0.0001  |

Source: Processing of primary data

Table 4

The differences in perceiving the importance of factors with respect to age

| Factors           | Under 25 | 26 - 39 | 40 - 56 | 57 and older | Total  | F value | p-value |
|-------------------|----------|---------|---------|--------------|--------|---------|---------|
| Honesty           | 1.8242   | 1.6920  | 1.5260  | 1.4818       | 1.6435 | 7.90    | 0.0001  |
| Price             | 1.5000   | 1.5760  | 1.4078  | 1.2794       | 1.4584 | 4.70    | 0.0029  |
| Service           | 2.0510   | 1.8640  | 1.9156  | 2.5547       | 2.0305 | 18.80   | 0.0001  |
| Distance          | 2.3516   | 2.1753  | 2.1003  | 1.7080       | 2.1312 | 11.56   | 0.0001  |
| Size              | 2.3828   | 2.1044  | 2.1661  | 2.4672       | 2.2518 | 7.39    | 0.0001  |
| Parking           | 2.4922   | 1.9243  | 2.0194  | 3.1825       | 2.2886 | 32.67   | 0.0001  |
| Credit cards      | 2.5469   | 2.0876  | 2.4332  | 3.9708       | 2.5941 | 64.93   | 0.0001  |
| Installments      | 3.6797   | 3.2240  | 3.4416  | 4.2190       | 3.5605 | 21.90   | 0.0001  |
| Snacks            | 3.2500   | 3.1935  | 3.7101  | 4.1898       | 3.5200 | 26.77   | 0.0001  |
| Children's corner | 4.4297   | 3.7590  | 4.3214  | 4.6204       | 4.2463 | 26.38   | 0.0001  |
| Promo             | 3.5977   | 3.7390  | 4.1270  | 4.3212       | 3.9104 | 18.82   | 0.0001  |
| Friends           | 3.3438   | 3.4418  | 3.7752  | 3.7883       | 3.5732 | 8.47    | 0.0001  |
| Cinema            | 3.6016   | 3.9197  | 4.4691  | 4.7956       | 4.1380 | 49.11   | 0.0001  |

Source: Processing of primary data

Comparison in perceiving the differences of individual factors with respect to sex are shown in Table 5.

Table 5

The differences in perceiving the importance of factors with respect to sex

|                             | Men    | Women  | Total  | F value | p-value |
|-----------------------------|--------|--------|--------|---------|---------|
| Honesty of the salesman     | 1.5917 | 1.6979 | 1.6435 | 0.3400  | 0.0681  |
| Price                       | 1.3771 | 1.5416 | 1.4584 | 0.9800  | 0.0016  |
| Customer service            | 2.0313 | 2.0320 | 2.0305 | 0.0000  | 0.9646  |
| Distance to the store       | 2.0748 | 2.1911 | 2.1312 | 0.8700  | 0.0908  |
| Size of the store           | 2.2238 | 2.2809 | 2.2518 | 0.9100  | 0.3408  |
| Parking possibility         | 2.5198 | 2.0552 | 2.2886 | 26.7400 | 0.0001  |
| Credit card possibility     | 2.5938 | 2.5979 | 2.5941 | 0.0000  | 0.9647  |
| Buy on instalments          | 3.6188 | 3.5064 | 3.5605 | 1.8700  | 0.1716  |
| Snack                       | 3.6184 | 3.4191 | 3.5200 | 5.9600  | 0.0148  |
| Children's corner           | 4.2833 | 4.2132 | 4.2463 | 0.9700  | 0.3257  |
| Culture actions and promo   | 3.8914 | 3.9339 | 3.9104 | 0.3300  | 0.5675  |
| Possibility to meet friends | 3.5428 | 3.6055 | 3.5732 | 0.6300  | 0.4272  |
| Cinema visit                | 4.1190 | 4.1642 | 4.1380 | 0.3500  | 0.5550  |

*Source: Processing of primary data*

### 3. Discussion

The foundation for processing of analyses and total outputs of consumer behaviour over a time span of twelve years with an ability of their comparison in time and taking into consideration the findings acquired in the period of economic recession are far more plentiful. Their volume and structure create a sufficient space for enriching the learning process in terms of several subjects. For example, trade theory, trade operation of retail unit, market research, methods of scientific work, strategic marketing.

World financial crisis has expressed itself in European consumer customs, as well as in Slovak households. In the following two years, the standard of living is generally expected to decline in European and Slovak households. Even though the buying power of households is on the decline, the will to spend still exists. The consumer searches and will search solutions how to buy coherently.

Deciding attributes for consumers will be:

- suitable localization of the retail store with an alternative of quick shopping;
- low prices of goods with the most favourable ratio price/quality;
- quality of goods, that will correspond to the requirements of the customers;
- increasing emphasis on convenience and comfort during the shopping;
- providing a quality service;
- increasing emphasis on the wise length of the time devoted to shopping;
- availability of preferred brands of the customers.

Retail companies should try to:

- apply strategies based on the results of segmentation analyses;
- differentiate from their competitors and promote niche marketing;
- discover specific requests of the customers;
- pay attention to interests, expectations and needs of the customers;
- use the potential of smaller towns and rural areas;
- provide high quality goods and their connection to private brands;
- have favourite brands of the customers at store's disposal;
- increase emphasis on customer's comfort during shopping and enhance shopping experience;
- increase total benefit of the customer;
- provide quality service;
- apply new ways of communication with the customer;
- strengthen loyalty programs;
- minimize the waiting time at tills;
- intensify utilization of technologies that provide security of the products;
- decrease overhead expenses by utilization of new technologies.

It is clear from above that trade companies will put more emphasis on the supply of market and non-market services in their strategies, which can be used for the strategy of differentiation and increasing the consumer satisfaction; it is a trend of increasing value for the customers.

## 4. Conclusion

In spite of the fact that Slovak economy is fully open, the external marketing environment of the Slovak internal trade is stabilized for almost 10 years. The internal market of foodstuff and, to some extent the internal market with consumer goods, is actually diversified. Current Slovak consumer in terms of consumers of unified European internal market is classified as a consumer with limited ability to spend. He/she is mostly conservative, price-oriented, becomes more demanding not only on goods, but also on the way of their purchase. He/she is willing to live on debt; within his/her decision process increases the importance of emotions and the lifestyle changes. With respect to the economic situation, we can assume that differentiated marketing will develop for new specified kinds of trade companies. Marketing research should focus in higher portion on the segment of consumers with lower ability to spend, enhance strategies with low prices, own brands of retailers, as well as healthy lifestyle, emotional shopping, older groups and young generation. The increase of ratio of using communication technologies and internet shopping is expected.

## Bibliography

1. ČEKOVSÁ, D. 2009. *Privátnym značkám sa na Slovensku darí*. [online] [Cited 23. 02. 2010] Accessible on: [http://www.gfk.com/gfkslovakia/htdocs/public\\_relatons/press/press\\_articles/003990/index.sk.html](http://www.gfk.com/gfkslovakia/htdocs/public_relatons/press/press_articles/003990/index.sk.html)
2. ČIHOVSKÁ, V. A KOL.: *Manažment obchodného podniku*. 1 vyd. Bratislava: EKONÓM, 2007. 380 s. ISBN 978-80-225-2396-7
3. ČIHOVSKÁ, V. A KOLEKTÍV: *Manažment obchodnej organizácie*. Bratislava: Ekonóm 2005, ISBN 80-225-1930-8.
4. EUROSTAT. Accessible on: <http://epp.eurostat.ec.europa.eu>
5. MÔCIKOVÁ, R. 2009. Electro World ponúka zadné dvierka. In *Stratégie 11/2009*. ISSN 1337-0251 [online]. Accessible on: <http://www.strategie.sk/sk/spravy/marketing/2009/november/electro-world-ponuka-zadne-dvierka.html>
6. SCHNEDLITZ, BUBER, REUTTERE, SCHUH, TELLER: *Innovationen in Marketing und Handel*. Wien: Linde Verlag Wien 2006. ISBN 3-7143-0080-5.

## Summary

The economic crisis affects all citizens of Slovakia. Our research has focused on issues of consumer behaviour. By comparing the results with similar research carried out in 1997, we identified changes in consumer behaviour. The emergence of new needs and the economic crisis have put pressure on service providers. In this article we focus on the clarification of areas, which are most important for today's consumers, when they decide to purchase goods.

*This article was prepared under project VEGA No. 1/0339/10.*