

RESEARCH OF FACTORS INFLUENCING DIFFERENT GENERATIONS CUSTOMERS' SWITCHING BEHAVIOUR IN FARMERS' MARKETS IN LITHUANIA

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Abstract. Farmers' markets are gaining popularity in Lithuania by encouraging people to choose locally produced, healthier, and more authentic products than in conventional shops or shopping centres. However, the competition is intensifying and consumer attraction and retention becomes a priority task for many vendors in the markets. Considering market as non-homogenous, different marketing measures have to be applied for every market segment in order to meet customer needs and expectations. One of the ways for segmenting consumer markets is dividing them by generations. The scientific discussion about the factors influencing different generations' customers switching behaviour is still scarce; therefore, the scientific problem solved in the manuscript is: what factors influence different generations' customers switching behaviour in farmers' markets in Lithuania? To solve the problem, the aim of the research is to assess the factors influencing different generations' customers switching behaviour in farmers' markets in Lithuania. Questionnaire survey is provided to determine the factors affecting different generations' customer switching behaviour. Research results enabled naming common factors supporting and repressing customer switching behaviour; also, generation-specific factors were determined. Based on research results, vendors in farmers' markets in Lithuania can plan and implement marketing activities better corresponding to their customer profile.

Key words: farmers' markets, generations, Lithuania, switching behaviour.

JEL code: M31, Q13, Q18.

Introduction

Recent years have witnessed a marked acceleration in the tempo of globalization (Reddy, 2007). In the context of globalization, customers have more purchasing choices than even before, customers' buying behaviour changes (Kyguoliene A. et al., 2017). As a consequence, local agriculture and alternative food systems met with new challenges – how to cope with growing competition and keep local consumers loyal. From the other hand, despite growing buying alternatives, increasing consumer demand for local food at farmers' markets (and in some places even maintaining demand) may now require additional marketing effort. According to Gunderson M. A. et al. (2009), farmers' markets are a fundamental part of the urban–rural interface; they have continued to grow in popularity, mostly due to the growing consumer interest in obtaining fresh products, especially produced directly from the farm. Farmers' markets are often considered as a way to healthier life-style (Pileliene L., 2014). Farmers' markets allow consumers to have access to locally grown, farm-fresh produce, enable farmers to develop personal relationships with their customers, and cultivate consumer loyalty with the farmers who grow the produce (Gunderson M. A. et al., 2009). Being a space for direct marketing, farmers' markets provide agricultural producers with an access to customers without supply-chain intermediaries (Sullivan p. et al., 2013). Despite all advantages and opportunities, farmers' markets face many challenges – they must not only withstand the challenges of globalization but also compete with conventional shops and groceries, compete among each other for the same customers and, at the same time, cope with changing consumers' behaviour. According to Byker C. et al. (2012), the decision to shop (or not to shop) at farmers' market is just one of the choices consumer make; the choice of the vendor is also very important (Zikiene K. & Pileliene L., 2016). Therefore, attracting customers and gaining their loyalty becomes one of the success factors for many vendors.

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Customer behaviour, customer loyalty has been much analysed between scholars during recent years, because of the belief that customer loyalty is essential to sustain the business. Loyal customers buy more, more regularly, and the cost of selling to them is low and they will recommend that product to others (Reinart W. & Kumar V., 2002). Consumer loyalty is particularly important in the face of market saturation, with limited growth opportunities. Despite the benefits of customer loyalty and the efforts made to achieve the loyalty, vendors observe significant changes in consumer behaviour, which are often influenced by the age of buyers. Academics notice, that customer purchasing and consumption behaviour, their perceptions and attitudes very often are influenced by the period they were born or generational characteristics (Howe N. & Strauss W., 2000). According to Kyguoliene A. et al. (2017), generational marketing has emerged as a mean of segmenting the population based on various demographic and psychographic factors and the application of the most appropriate marketing solutions for each of the generation. As claimed by Howe N. & Strauss W. (2000), changes in macro environment influence the profile of people born in specific time of period, decisive a specific and common purchasing and consumption behaviour. According to generational differences, it is seen that different groups of customers have their unique reactions to vendors' marketing efforts. Decisions for buying or not alimentary from local farmers' markets can differ among different generations too. In the context of many circumstances, such as globalization challenges, growing competition with foreign and local alimentary suppliers and groceries, consumers' generational purchasing differences, gaining customers' loyalty becomes more and more problematic. Yu Ch. M. et al. (2005) argue that as the features, quality, and appearance of products and services become increasingly similar, customers more and more exhibit fickle and non-loyal purchasing behaviours – they switch (Zikiene K. & Pileliene L., 2016). Moreover, studies show that customer switching behaviour depends on many different factors which can be classified into attitudinal, behavioural, and demographic variables (Keaveney S. M. & Parthasarathy M., 2001).

Despite the body of literature analysed, the scientific discussion in the area of customer loyalty to the vendor at farmers' markets and factors influencing different generations' customers switching behaviour is still scarce. Latter insights lead to the consideration of **scientific problem** formulated by a question: what factors influence different generations' customers switching behaviour in farmers' markets in Lithuania? To solve the problem of the research, the **aim** of the paper is to assess the factors influencing different generations' customers switching behaviour in farmers' markets in Lithuania.

In order to reach the aim of the article, a questionnaire survey is provided. The factors affecting different generations' customers switching behaviour were determined by performing linear regression and comparative analysis.

Research results and discussion

To reach the aim of the article, the main part is organized into three chapters: substantiation of the topic; methodology of the research; and research results. The empirical research provides guidelines for farmers' markets vendors how to keep different generations' customers loyal and minimize their switching rates.

1. Substantiation of the topic

The significance of the differences between the various generations is provided by extensive scientific literature addressing this issue in the context of market behaviour (Kyguoliene A. et al., 2017; Howe N. & Strauss W., 2000; Lipowski M., 2017). According to Scott J. & Marshall G. (2005),

a generation is a form of age-group consisting of those members of a society who were born at approximately the same time. People's age and the generation to which they belong can offer a lot of insight about their attitude, outlook, and experiences. It also says a lot about their buying behaviour.

Scientific literature provides there are five active generations at the moment, but their distribution may vary according to different sources. The most common generational classification is presented by Howe N. & Strauss W. (2007) and it is as follows: Veterans (1925-1942), Baby Boomers (1943-1960), Gen X (1961-1981), Gen Y (Millennials) (1982-2005) and Gen Z (2006 – 2025). Different generations' behaviour differs from each other, they have different values and characteristics (Kyguoliene A. et al., 2017); generation is not just a chronological age, but a way of looking at the world (Wallace, 2015). According to consumers' age and activity in the market place, activity in the labour market, and purchasing power, nowadays scholars and practitioners focus mostly on two generations – Gen X and Gen Y (Millennials). According to Wallace S. (2015), Gen Xers are known for researching anything and everything in order to make informed choices on a number of levels, including purchases, activities, etc. Not only is this generation highly educated but they are also highly sceptical. Before Gen Xers pay you their hard earned money, they want to know everything they can about what they are buying. Xers are open to trying different distribution channels. Xers are looking for a pleasurable shopping experience where they can go to a store in a convenient location; find what they need with value attached, and at an affordable price (Wallace S., 2015). Buying behaviour of Gen Y differs in many ways. According to Ordun G. (2015), Gen Y consumers are more aware of their purchasing power and are likely to spend their cash as quickly as they acquire it, usually on consumer goods and personal services (Der Hovanesian M., 1999). Gen Yers demand an authentic relationship based on a deep knowledge of who they are and what makes them buy (Ordun G., 2015; Yarrow K. & O'Donnell J., 2009). When compared with Gen Y, Gen X is most likely to look for the lowest cost item or discount rather than thinking of the investment value of purchases (Ordun G., 2015).

Differences in purchasing behaviour between different generations' consumers leads to the differences in gaining their loyalty and differences in their switching behaviour. Customer switching behaviour refers to the level of propensity of customers to switch from one product or service provider to another in a given industry or purchase situation. Depending on the effect, the factors that affect customer switching behaviour are divided into two main categories: those supporting (loyalty repressing factors) and repressing switching behaviour (loyalty supporting factors). In the scientific literature, 11 factors supporting customer switching behaviour and 10 factors repressing customer switching behaviour are distinguished (Zikiene, 2012). Deeper theoretical insights and investigation of factors affecting customer switching behaviour in farmers' markets is presented in former authors' research (see Zikiene K. & Pileliene L., 2016), so it would not be repeated.

However, an assumption might be done that differences between generations and differences in their consumption behaviour lead to a specific switching behaviour too. Different factors might affect Gen Xers and Gen Y consumers switching behaviour; latter factors can also be specific in farmers markets. Knowing the most important and specific factors affecting different generations' customers switching behaviour in farmers' markets can help farmers' markets vendors to ensure their customer loyalty and to minimize their switching rates.

2. Methodology of the research

Previous research (Zikiene K. & Pileliene L., 2016) enabled determination of factors affecting customer switching behaviour in farmers' markets in Lithuania. After a precise expert evaluation, eight factors supporting switching behaviour (Price issues; Inconveniences; Core service failures; Dissatisfactory quality; Service encounter failures; Variety seeking; Change of the place of residence of the customer; and New value) and six repressing factors (Economic costs; Search and evaluation costs; Perceived risk and uncertainty costs; Lack of perceived available or attractive alternatives; Social costs; and Psychological costs) were named. However, after providing the questionnaire survey, not all of the analysed factors were approved as having impact on customer switching behaviour. Such factors as: 'Change of the place of residence', 'Lack of alternatives', and 'Social costs' were found to have No significant influence. As a limitation of previous research, a possibility of market heterogeneity was stressed.

Therefore, the replication of the research with regard to different generation customers' valuation was planned. Current research uses the same questionnaire: 28 statements reflecting customer switching behaviour supporting or repressing factors were provided for respondent evaluation. A standard 10-point Likert-type scale (where 1 meant total disagreement and 10 meant total agreement with the statement) was used. The research was provided on summer of 2018, habitants of six major cities of Lithuania (Vilnius, Kaunas, Klaipeda, Siauliai, Panevezys, and Alytus) were chosen as a research population. The research sample size was 300 respondents: 150 Gen Xers (born before 1982) and 150 Gen Yers (born 1982 and after). Other demographic characteristics were considered as unimportant in a framework of current research (however, such customer characteristics as gender, income, social status or educational level can have impact on consumer behaviour and might be considered as important factors in further researches).

After gathering the data, its suitability for further analysis was tested with Kolmogorov-Smirnov Test of normality. The results of Kolmogorov-Smirnov Test indicated that the data deviate from normal distribution (all p values were below 0.05; therefore, the null hypothesis that data were distributed normally was rejected). Achieving to assess the proportion of the variance in the dependent variable (predicted switching behaviour) that is predictable from the independent variables (in this case factors supporting customer switching behaviour and factors repressing customer switching behaviour), the determination coefficients (R^2) were calculated. Accordingly, when factors supporting switching behaviour were selected as independent variable the determination coefficient was obtained to 0.751, and when factors repressing switching behaviour were selected as independent variable the determination coefficient was equal to 0.804. Therefore, it can be argued that coefficients of determination are high enough to provide linear regression analysis.

3. Research results

In order to determine the existing differences in factors supporting and repressing different generations' customers' switching behaviour, linear regression was provided. Regression coefficients for factors supporting customer switching behaviour are provided in Table 1.

Table 1

Coefficients of factors supporting switching behaviour

Factors	Generation X		Generation Y	
	R ²	Sig.	R ²	Sig.
Price issues	0.313	0.000	0.317	0.007
Inconveniences	0.039	0.413	0.306	0.000
Core service failures	-0.014	0.747	0.212	0.002
Dissatisfactory quality	0.137	0.000	0.342	0.000
Service encounter failures	0.316	0.000	-0.338	0.001
Variety seeking	0.097	0.013	0.039	0.483
Change of the place of residence	0.006	0.907	-0.060	0.589
New value	0.354	0.000	0.315	0.000

Source: author's calculations based on research results

As it can be seen in Table 1, depending on customers' generation factors supporting switching behaviour slightly differ. Supporting factors that were determined as having No significant impact on switching behaviour are marked in italic. The research results approved the finding from previous research (Zikiene K. & Pileliene L., 2016), that change in a place of residence is not considered as important in a framework of customer switching behaviour. Moreover, latter factor was the only one unimportant factor for both samples.

Analysing the evaluations of other factors, four factors appeared to significantly affect the switching behaviour of both generations (marked in bold in Table 1), namely: 'Price issues'; 'Dissatisfactory quality'; 'New value'; and 'Services encounter failures'. The results obtained for the factor 'Service encounter failures' were controversial. While analysing the data provided by respondents belonging to generation X, latter factor has a direct positive impact on customer switching behaviour. Such result approves that existing theory in the field. However, analysing the evaluations provided by respondents belonging to the generation Y, service encounter failures appear to affect customer switching behaviour negatively. Analysing the situation, such research result might be explained by a higher tolerance and indifference to a rude behaviour expressed by Gen Yers.

Considering differences between samples, generation X customers can be characterised by variety seeking behaviour; and in case of generation Y, such factors as 'Inconveniences' and 'Core service failures' were found to statistically significantly affect their switching behaviour. Summarising the results, achieving to retain Gen Yers, it is not necessary to invest into variety of products or vendors' expertise. Convenient and smooth shopping has to be ensured for latter customers to stay loyal.

Further analysing the research results, regression coefficients for factors repressing customer switching behaviour were calculated and provided in Table 2.

Analysing the research results for the factors repressing customer switching behaviour, four factors appeared to be common for both generations (provided in Bold in Table 2): 'Economic costs'; 'Search and evaluation costs'; 'Perceived risk and uncertainty costs'; and 'Psychological costs'. The same for factors were obtained previously (see Zikiene K. & Pileliene L., 2016) analysing the entire unsegmented market. However, research results indicated that the factor 'Psychological costs' serves as a factor supporting customers' switching behaviour, not repressing it when it comes to Gen Yers'.

A direct explanation of such result is that when psychological costs are growing, customers' intention to switch is also increasing. Latter results contradict an argument of Nordman Ch. (2004), who emphasizes that psychological costs like apathy, passiveness, and inertia can even be considered as characteristic features of loyal customers. In case of generation Y, an opposite reaction occurs. For the vendors in farmers' markets it might be recommended to overcome Gen Yers' psychological costs by applying sales promotion in a form of small gifts, product samples and free offerings.

Table 2

Coefficients of factors repressing switching behaviour

Factors	Generation X		Generation Y	
	R ²	Sig.	R ²	Sig.
Economic costs	0.452	0.000	0.316	0.000
Search and evaluation costs	0.121	0.011	0.296	0.000
Perceived risk and uncertainty costs	0.342	0.000	0.410	0.000
Lack of alternatives	0.055	0.227	0.220	0.020
Social costs	-0.111	0.107	-0.072	0.277
Psychological costs	0.374	0.000	-0.172	0.043

Source: author's calculations based on research results

Considering the results by generation X, only these four factors were found to have a significant direct positive influence on customer non-switching behaviour. The factor 'Lack of alternative' was found to have No significant influence on latter samples' choice to stay loyal. However, considering the Gen Yers' behaviour, lack of alternatives serves as a switching behaviour repressing factor. Such result also approves the previous result about a variety seeking behaviour. It might be concluded that generation Y does not express a variety seeking behaviour by demanding a larger choice of alternatives; moreover, the narrower choice enables to keep latter customers. However, if vendors' target group is generation X, a variety seeking behaviour is evident. Achieving to attract representatives of this generation, constant improvement of assortment is recommended.

Conclusions, proposals, recommendations

- 1) The research results enable to support the existing body of literature on customer loyalty and customer switching behaviour. After performing the analysis of research results, the existence of differences between factors supporting and repressing different generations' customers switching behaviour was substantiated. The research results emphasize the changes in customer culture induced by customer age or generation.
- 2) It can be argued that classical factors, e.g. price related issues, economic costs of changing the vendor, or perceived risk of change and uncertainty costs remain important despite the age of consumer. However, research results indicated that Gen Xers are more variety seeking generation and Gen Yers are more passive convenience seekers. Another clear difference between the two generations was detected in evaluation of vendors' expertise and communication. As for Gen Xers service encounter failures is one of the most important factors that would affect them to switch, representatives of generation Y more value convenient and smooth communication with vendor than his /her product-related knowledge.
- 3) Knowing the factors supporting or repressing different generations' customer switching behaviour, vendors of the farmers' markets can implement their marketing activities better corresponding customer needs. Such marketing mistakes as offering consumer something that would encourage

switching behaviour can be minimized. However, despite the general suggestions provided in the manuscript, purposive observation of every single case is necessary.

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