

Brand and the loyalty of customers from financial perspectives

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Abstract. A maximization of his value is a financial basic aim of the contemporary enterprise. Building the value is based above all on immaterial sources which are rarely included in balance. They belong to such sources: the brand of the product and loyal customers. An identification of benefits these stores are generating which in the process of creating the market value of the enterprise is a purpose of the article.

Keywords: brand, customer loyalty, immaterial stores, value of the enterprise

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1. Financial perspectives.

According to the encyclopedic perspective finances (Fr. finances) it is cash, being funds of the production relationships determined by the word; these are assets of individual, institution, state [Tokarski, 1980]. So, financial perspectives of some phenomenon or action are his financial dimension - evaluated circulations and evaluated effects. Comparing the expenditure this way understood and effects allows to determine the effectiveness of this phenomenon or action. The enterprise as the entity applying the principle of the rational management, manifesting itself with aspiring for the maximization of the profit, from the beginning of one's being is accepting the category of the economic effectiveness as main evaluation criteria of his activity. Financial perspectives are permeating all departments of the enterprise, because made their decisions have their financial consequences. So finances constitute the foundation for the conducting business activities.

Accounts of a business are determined as economic phenomena associated with the accumulation and disbursing for the purposes of cash of business activity of the company [Bień, 2000]. Finances are often associated with accounting, because as the first tract a financial accounting is turning up at the enterprise. For her inventorying debits and credits of the company and enabling to establish are a main task of financial result. The small-sized enterprise must conduct the financial accounting and tax what results not that much from information requirements for the entrepreneur, how many of provisions of the law which are obliging him to keep the books at first simplified, and then of complete books of account and drafting financial statements.

Along with the development of the enterprise and widening the scope of his activity a need of the evaluation of the economic rationality of made decisions is arising. A significance of the financial accounting grows as sources of valuable information and a management accounting appears. She offers appropriate tools, enabling the evaluation of financial effects of different variants to the decision in short and long stretch.

With time information requirements are increasing, and further widening and the diversification of the activity of the company require raising more and more big financial means. In these conditions a financial management is developing which relies on the deliberate forming of the structure of source of finances, for managing the fluidity and the risk. As a rule it is involving creating in the enterprise departments financial, while in two first phases financial functions could be entrusted outside entities (e.g. for accounting office's).

Just enough of subsequent development of the enterprise meaning of finances and the way of managing them grows. It results, firstly, from the increase in the scale of action (international markets), secondly from the change of the structure of the property and dividing the property and the power in the company. The financial management is subordinated to interests of investors (of owners, shareholders, shareholders). Strategic finances which concern the allocation of financial resources and serving investment decisions correspond to these challenges for overarching objective - of maximization of the market value of the enterprise.

Appearing doesn't mean next areas that they are replacing previous, but are complementing them.

It is possible to say finances are performing the following functions in the enterprise:

- they are providing with measures allowing to evaluate and to compare things and phenomena differently incomparable,
- they are providing information about the expenditure and effects, what the evaluation of the effectiveness of taken action is available, thanks to
- they are providing with tools assisting the decision making in conditions of risk and the uncertainty.

These functions cause, that finances allow for the optimization of using all resources of the enterprise and their effective allocation.

A profit is an economic and financial basic category. He constitutes the aim and the manner of the measurement of the effectiveness of the enterprise simultaneously [Gorczyńska, 2005]. The simplest formula of setting the profit (of financial result) is entertaining one another in accounting which is using the category of the balance sheet profit (of accountant). He is calculated as the difference between the sales revenue and costs of getting them, included in the profit and loss account. A little bit differently for setting the profit economics is coming, since apart from costs of accountants is taking also so-called opportunities cost into consideration (opportunity cost), benefits associated with loss of using given resources in other kinds of activity. So economic profit (called also more than normal, extraordinary, clean) constitutes the difference between the complete sales revenue and the total economic cost (with accounting costs and the opportunity cost). Since opportunities cost aren't included in the profit and loss account, a problem of their measurement is arising. At present EVA is the most popular concept (Economic Value Added), for which G. B. Stewart is an author. The format of appointing this value is following [Stewart, 1991]:

$$MVA_t = \sum_{t=1}^n \frac{EVA_t}{(1 + r_t)^t}$$

where:

MVA_t- market value added in the period t,

EVA_t - economic value added generated in the period t,

n - period of generating the economic value added (is approaching infinity),

r_t - discount rate in the year t which WACC_t constitutes (Weighted Average Cost of Capital) - cost of capital on average weighed.

MVA is a difference between the market value of the enterprise (number of x company shares current market price of one action) and with accounting figures of the share capital. In order to increase MVA the enterprise must generate the economic value added (Eva) exceeding the overall cost of invested capital.

The profit is a measure used for the evaluation of the effectiveness of functionings of the enterprise with the help of profitability ratios (profitabilities). The profit can be taken back to the sale value, of wealth (of assets) and of equities. Therefore three fundamental profitability ratios are distinguished:

- $$1) \quad \text{return on the sale (ROS)} = \frac{\text{net profit}}{\text{net sales}} \times 100 \%,$$
- $$2) \quad \text{Return on the wealth (ROA)} = \frac{\text{net profit}}{\text{wealth with the whole (assets)}} \times 100\%,$$
- $$3) \quad \text{return on equity (ROE)} = \frac{\text{net profit}}{\text{equity}} \times 100\%.$$

The return on the sale is informing sales about the participation of the net profit in the value sold net. For them this indicator is higher it means that every individual is bringing the higher profit to the sale.

The profitability ratio of the wealth depicts his ability to bring in a profit that is effectiveness determines companies in administering its assets.

A ROE is actually a rate of return from invested by owners of capital. Profitability ratios, along with the solvency ratios, of the debt, the asset utilization and the market value, constitute the part of the financial analysis of the enterprise, called the ratio analysis. She is based on information included in financial statements, from which they are most important: balance, income statement (of profit and loss) and account of the cash flow.

2. The maximization of the value of the company as the main aim of functioning of the enterprise.

They at present enough universally acknowledge that an aspiration to the increase in his market value, i.e. maximizing of financial benefits him is an overarching objective of functioning of the enterprise of owners (shareholders, shareholders). This idea turned up in the USA in the middle of years 80. of last century as the reaction to dynamic occurring changes in the world economy, but especially a pressure of the global competition and the increase in expectations of investors which the process of the migration of capital is increasing in search for the growing rate of return. The increase in expectations of investors is connected to a large extent as amended occurring in the structure of shareholders, i.e. with rise in the share of the institutional investors (of investment funds, pension funds, banks) in capital of companies. They have much greater abilities of allocating of capital in countries,

sectors and companies about the highest growth of the share value as well as more are taking an active part in managing companies than individual investors.

At least an idea of the maximization of the value as the main purpose of the enterprise widely is being propagated by many authors, as well as by the largest American consulting companies, so as the Boston Group Consultancy, McKinsey&Co., Arthur Andersen, Waterhouse Price), is stirring up controversy a lot. Different posts are connected with a so-called concept of interest groups (stakeholders) which are also affecting the activity of the company and are interested in carrying out other, of not only financial purposes of the company. , By shareholders, they are these groups: employees, customers, suppliers, media, the government and government departments, the local communities and all sorts pressure groups (e.g. environmentalists, defenders of laws of animals). Authors of the *The Value Imperative* book singled out three positions in this issue: sceptics of financial markets, strategic visionaries and balancing persons [McTaggart, Kontes, Mankins, 1994]. Sceptics of financial markets and strategic visionaries which are calling determining strategic objectives for, are determined opponents of the idea of the increase in the goodwill rather than financial. There are also balancing persons which think that one should take into account and balance businesses of all sorts groups.

Regarding the maximization of the value as the overarching objective of the enterprise means that it will be subordinated to this purpose financial management. It is finding expression in the following definition: "managing accounts of a business consists in acquiring source of finances of the operations of the company (of capital) and of depositing them in assets in the way allowing for the realization of the strategic aim maximizing benefits falling to shareholders is which (for company owners [Bień, 2000]. Maximizing the benefit of shareholders constitutes the result of action of drivers to the increase in the goodwill.

A search is a natural consequence of the aspiration to the increase in the goodwill and identifying sources for her. A. Kamela-Sowińska states that the goodwill as the economic category is formed by the team identyfikowalnych, of attributes not letting independently evaluate oneself of the enterprise which are functional independently than his identyfikowalnych of assets. He is sorting sources of the value in the following manner [Kamela-Sowińska, 1994]:

- sociopolitical processes, before everything hey, you, which economic face of economic systems are changing (e.g. privatization),
- economic processes, which sources one should seek in the coming into existence and functioning of such factors, as the, organizational and location human potential of enterprises,
- systems of law which are interpreted as the harvest of connected norms with numerous relations and tidied up according to defined principles.

It is possible to show the value other classifications of sources still, however immaterial stores are being listed in all recognitions as well as is pointing at their particular role in this respect. He is reflecting this fact more and more greater participation of the intellectual capital and intangible assets forming it in the market value of enterprises, as well as higher market evaluation of names based on stores of knowledge (e.g. dotcoms) towards companies relying on traditional financial sources and financial. Out of immaterial sources to the goodwill he ranks among the ones which are enjoying considerable influence: customers, the brand, B+R, the intellectual property and the copyright, the reputation and employees. As can be seen among them a brand and loyal customers are.

3. Importance of a brand in building the goodwill.

Brand is a verbal marking and/or graphical enterprises or his offers, constituting the element of his identification and distinguishing from the competition, which through the competent management - establishing competitive marks into awarenesses of recipients and distinguishing situating amongst offers - can create the value for his owner, having a direct effect to the current and potential sale and the position of business data on the market [Patkowski, 2010].

Having by the company the strong brand is the source of many notable benefits which are transferring themselves into her value. These benefits result from elements of the brand power, that is: of loyalties of buyers towards brand, brand awareness, perceived quality of the brand, associations connected with the make and other assets of the brand [Szwajca, 2012]. Exchanged elements are the source of the benefit to the enterprise above all because constitute specific barriers for competitors which cannot undermine the position of the enterprise, wanting to increase its market share and recruit new clients.

The brand loyalty is reducing costs of marketing action, because the company must not run such an intense promotion water parsnips in order to attract clients. Moreover loyal buyers usually recommend products of the given mark to other consumers, performing advertising functions into this way (free advertisement). Secondly, the strong loyalty of customers to the make lets achieve the leverage effect commercial, because intermediaries more willingly are accepting water parsnips known and enjoying popularity to their networks than new, unknown brands, and also provide better places for them on shop shelves. Strong water parsnips are giving the majority to also a company in negotiations with salesmen, peculiarly with the ones less prestigious. Thirdly, the loyalty provides the sufficient response time for the company for specific moves of competition.

The acquaintance of the brand is improving the tendency of customers to the purchase. For buyer, wanting to avoid the risk at the shopping, prefer to choose products about water parsnips known by oneself, with which they had a personal contact or which heard from credible sources about.

The quality next assigned to the brand is giving the ground for setting the dearness, with which the buyer thanks to that is prone to accept, what lets the company make bigger profits. Conducted examinations published by the Institute of the strategic planning at the school under the title Impact Profit of Strategy Marketing (PIMS) demonstrated, that level of the make perceived by buyers given to the quality of products in the large degree than the market share, the amount of the expenditure to the research and development and for market researches affects the height of the rate of return on equity. Moreover, as a result of examinations and analyses they stated, that [Jacobson, Aaker, 1997]:

- the perceived quality of the brand influences the market share, i.e. brand about the higher perceived quality are obtaining the higher market share,
the higher perceived quality of the brand lets
- for establishing higher prices of products of the given mark,
the perceived quality of the brand has
- direct effect to the profitability, even, if the perceived quality doesn't influence the market share and/or the price,
- the perceived quality doesn't influence the price negatively.

Positive associations with the brand are helping the buyer remind and/or process information during the decision making about the purchase, are improving his loyalty, effectively are singling the product out relating to products of the competition, becoming a source of the market majority. Apart from that companies form the possibility of widening the brand for new releases.

Other assets of the brand, i.e. patents, trademarks, not only they are protecting the brand from the competition, but also a thanks of the sale of the licence can be the source of the profit. Moreover, thanks to the legal protection brands are giving to buyers additional the sense of security and guarantees which are strengthening their loyalty. Of however tying together in delivery channels (formal and unofficial) are strengthening the leverage effect commercial.

Apart from that the enterprise holding the strong mark can increase its turnovers by applying so-called stretching (of widening) brands (motocross branding). With the positive effect of a lot of reputed firms, among others Gillette, Trainer, Swatch, the Sony apply such a strategy. It is worthwhile however emphasizing that the strong make isn't offer guaranteeing automatically to the success. E.g. the Xerox company tried to transfer its mark to computers and printers, however unsuccessful [Altkorn, 1999]. It consists in transferring the certain make of the category of products to other category (e.g. brands of clothes to the brand of cosmetics) or for releasing new products on the market under the same make in frames of the same category of products (this so-called stretching the line of the brand is, e.g. implementing new series of cosmetics).

Extending the make, also in the territorial and sector meaning (entering with the given mark to new markets and to new market segments), is creating the possibility of increasing the size of the output and for getting economies of scale. Fixed costs of marketing action (of research and development work, market research, promotional campaigns) dissolve into the substantial amount of sold products and supported markets, what unit marketing costs are lower thanks to.

The strong make is giving also an easy access to different delivery channels (to shop shelves), because provides the better market of offered goods for salesmen. He is lowering also costs of establishing the cooperation and is giving the greater bargaining power in negotiations, since these are often very intermediaries are seeking the exchange of contracts.

A reduction of costs of raising capital can be an additional advantage of having a strong make at its disposal, because potential investors and banks, expecting an increase in number of one's shares and having a guarantee of the return of granted credit, aren't dictating the market of the dearness for making available to the company capital [Szwajca, 2003].

4. Influence of the loyalty of customers on the value of the company.

In the behavioral presentation keeping the buyer, consisting in making systematic purchases of products of the same brand means the loyalty, of shopping in the same point of sale or from the same seller. The influence of the loyalty of customers on the goodwill manifests itself in notable benefits loyal customers are giving which to the company [Szwajca, 2005].

A consistent rise in sales revenues is a first, fundamental benefit. Above all a regular and more and more big shopping made by regular customers guarantees this growth. The fact that loyal customers are buying more and more isn't marking the same products. Having confidence in a company willingly they are buying also other products and services offered by

her, and so it is possible here successfully to apply the cross sale. Apart from that faithful buyers much more easily and more quickly are accepting new products of the company.

The height of the sales revenue is also a result of purchases made by new encouraged buyers with positive opinions of loyal customers.

The second notable benefits are lowest costs of the service of regular customers compared with new customers. The company has a rich knowledge about requirements and the preference of its long-standing recipients, has a constant contact with them, what isn't losing the time and money for getting this information, perhaps more easily thanks to to prepare the offer suiting the customer. The service is proceeding more efficiently and more quickly, fewer mistakes are being made. Also a knowledge and experiencing very customer about the company have quite big meaning. He is knowing well the offer and the manner of functioning of his tenderer, of him weak and strong points. Regular customer of the shop, what times knowing at days or weekdays the longest queues are formed, is choosing other dates of the shopping what influences the quality and service charges of remaining customers.

Promoting by her high opinions is a next positive aspect of having a loyal clientele about the company and her products what constitutes the form of the very effective, free advertising of the type "word-of-advertising". Satisfied customer, and so a customer is truly loyal, is sharing his experience with acquaintances, with family, what the tendency to the purchase is increasing them by: "the Customer can alone not bring in a profit, but perhaps recommend three reputable customers your company, what alone is gaining in value by" - J. Dyche states the Fri. in the position "CRM. Relations with customers" [Dyche, 2002]. Since loyal customers are recommending the company in the voluntary, unselfish way, therefore their opinions are credible more than the paid media advertising. Such recommendations are received also for creating and strengthening the positive corporate image in surroundings.

The next benefit results from the fact that loyal customers are as a rule less sensitive for changes in prices of company products. Much more easily they agree to pay the ceiling price than new customers, what the company can sell the bigger profit thanks to. However it doesn't mean that their demand is stiff, therefore it isn't worthwhile abusing their sensitivity. In other words, price rises should always be justified according to the principle "more too more".

Major benefits can give close relations with customers based on establishing with them the cooperation at the stage of developing the concept of new releases or services. Using the knowledge and experiencing customers is lowering costs of the conduct of research above the development of new releases and market and marketing examinations which in many industries are very tall.

Also reducing the market risk is a significant benefit. In the days of a slump in the economy the enterprise having a populous circle of customers regular, given back can preserve the continuity of the sale. In case of making minor mistakes and shortcomings of the service loyal customers aren't walking away, but are able to forgive their company it. In case of the attack on the part of the competition the company is having time for taking retaliatory action more, because loyal customers on are letting other tenderers so easily tempt themselves.

5. Conclusions

Brands of products and loyal customers are immaterial resources of the enterprise which are building his market value. Known and valued brands more willingly are being purchased by customers, even after the ceiling price, what allows to make bigger profits. Next loyal

customers, thanks to repeating purchases of company products and recommending them other buyers, are ensuring the sale growth and generating constant profits. Brand and loyal customers are stores which mutually are assisting themselves: good brand, guaranteeing the best quality, a loyalty is enhancing customers, whereas loyal buyers are recommending the good brand other, what are improving market forces for her thanks to.

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