

ECONOMIC AND MARKETING ANALYSIS

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CONSUMER'S ECONOMIC INTERESTS

In economic theory, clarifying the essence of consumer economic interests is becoming increasingly important. It is pertinent to identify a consumer's relationship with the interests as with an objective category.

The goal of the economic interest is to find the economic pattern of satisfaction of the subject's needs. The purpose of the realization of the economic interest is to offer an economic subject such directions of activity, which will yield a positive difference between the result and the costs needed for the expanded reproduction of the functions of that subject. Efficiency is an integral and important aspect of any economic interest. In the economic literature, the question of comparing (the proportionality) of outcomes (to costs) is increasingly raised, but most often we are talking about a comparison of a special type: the author proposes to calculate not the value of costs per unit of utility, but, on the contrary, the quantitative value of utility per unit cost.

The analysis of the consumer's economic interests allows for identifying a fundamentally new type of costs: the costs of consumption. The analysis of the economic interests of a consumer evidenced that the effect of consumption is realized through the price of consumption.

The price of consumption, as a function of realization and the interest from realization, makes a sufficient effect on the economy in case of minimized normative costs, for accumulation and adequate active response in the world of goods. However, such conclusions have certain drawbacks, because they disregard such a powerful factor as competition in the decision-making process about selling. This means that the price "component" of making a decision to buy, that is competitive consumption price, i.e. more optimal price, is formed based on the consumer's preferred expenses.

In our opinion, a whole set of differences in organizational and human behavior can be reduced to differences in consumption interests. This means that we cannot ignore certain differences in the formation of the cost structure.

Keywords: consumer's economic interests, consumption costs, consumption effect, consumption price.

In economic theory, consumer economic interests are becoming increasingly important. Based on the foregoing, it appears pertinent to find an indicator for assessing the concept of consumer benefit/utility, i.e. clarifying the essence of consumer interests.

The following is the baseline thesis for studying consumer interests: the demand combined with the way of its satisfaction, translated into interests, acquires a fundamentally different qualitative state. The unity of demand and interests is substantiated in a number of works.

It is important to identify a consumer's relationship with the interests as with an objective category. Simply put, interest is the result of finding an optimal balance between means and opportunities to achieve the goals of activity.

The goal of the economic interest is to find the economic pattern of satisfaction of the subject's needs. The purpose of the realization of the economic interest is to offer an economic subject such directions of activity, which will yield positive difference between the result and the costs needed for the expanded reproduction of the functions of that subject. Interestingly, the positive difference

acquires the form of obtained effect. Thus, the formula describing the realization of economic interests is as follows:

$$\Theta = S - Z,$$

where: S is the obtained economic result;
 Z is the selected option of costs; and
 Θ is the gained effect.

No interest is complete without realization and thus cannot be classified as interest in the full sense of the word, because without the realization process, first, the interest is deprived of the property of an economic orientation; second, interest no longer represents the category of reproduction; third, it is not expressed quantitatively; and fourth, interest without the process of realization is so meaningless that it fails to attain awareness or understanding of its subjects.

Thus, efficiency is an integral and important aspect of any economic interest.

The efficiency formula assists enterprise (company) management in resolving a variety of theoretical and practical issues. It clearly determines the motivations and directions of the activity of each economic entity. For example, it is obvious that in order to achieve high efficiency, i.e. to accomplish all measures to realize its interests, the economic entity can improve the value of the result by cutting the costs, i.e.:

$$\Theta = \int (S \rightarrow \max) \text{ and } \Theta = \int (Z \rightarrow \min)$$

This is so clear and understandable that it does not need special explanations or justifications. In essence, we are talking about the main cell of economic activity. If conditionally imagining that it is thus “grafted” to a living economic organism, we can demonstrate the self-confidence of its representatives and high level of profitability from their business.

Extensive and intensive reproductions make certain adjustments to the process of perception and understanding of the effect. The extensive type of farming cannot be different because it results from a high degree of scarcity of products and services within the society. Remaining essentially unchanged, it takes on a different content:

$$\Theta_{\text{Optimal}} = S \leftarrow [\text{const}] - [Z \rightarrow \min]$$

The excess of costs over the results in this case is usually predictable, at least because the sale of the product is guaranteed in advance. As a result, the desire to improve the effect (i.e., to make the product a leader among other manufacturers) can be satisfied by successfully reducing the cost of production. It is natural as an objective benchmark and as a possibility, but not yet reality. The value of the “result” S is usually constant in an extensive economy what is logical. The law of increase is impossible to identify since the nature of economic and business relations is determined by the influence of quantitative scarcity.

Consequently, the intensive type of reproduction becomes sustainable as quantitative scarcity disappears. The definition of “result” now includes the property of motion. The profitability of an economic act can be increased through maximization (S) or minimization (Z).

What prevents the opportunity from becoming a reality? – Mainly the fact of the producer’s diktat over the consumer. Under the producer’s influence, one “result” is replaced by another. In essence, value Z designated in the formula of efficiency is seen as an expression of the need for production.

It is not difficult to understand that there is a need to evaluate the new measure of efficiency. The restoration of the “principle of scales” started when the consumer was able to weigh the costs per unit effect from the consumer goods.

That is when it becomes clear that the degree of the demand satisfaction could not be ignored. Obviously, through its property – the ability of quantification, separability, and comparability – the utility value obtains the expression necessary for the given form, in particular, it is expressed as costs calculated per unit of utility, and is as follows:

$$Z_t^s = \frac{Z_t}{S_t},$$

where: Z_t is the expenditure of an economic object in period t ;
 S_t is the degree of satisfaction of the customer order in period t ;
 Z_t^s is the value of costs for product or service per unit utility (as $S_t - 1\%$).

In the economic literature, the question of comparing (the proportionality) of outcomes (to costs) is increasingly raised, but most often we are talking about a comparison of a special type: first, it is proposed to calculate not the value of costs per unit of utility, but, on the contrary, the quantitative value of utility per unit cost, like known indices, such as fund returns, profitability, etc. Second, the index of utility itself must be expressed as a quality ratio. The question arises as to how fundamental the question of what should be in the numerator and denominator of the index calculated as a fraction is. The traditional method of assessing efficiency is not simple or harmless, but “conforms” to the expenses in the exact sense. What is the reason? Of course, the answer to this question cannot be reduced to the rules of arithmetic. It would be correct to formulate it this way: why are the traditional forms of corruption carried out in relation not with the final results, but with the intermediate results, that is, with the costs as such? This question is not difficult to answer.

If costs are included in the denominator, then the degree of satisfaction of needs in relation to these costs ceases to play the role of the leading element, and this is what seems to be the point. In addition, the completion in this manner sharply narrows the indicator of the area of use obtained in this way. However, the indicator can be useful even in this form, because it has a good opportunity to illustrate the state of efficient operation of the economic entity. In this regard, it can be used to justify some management decisions. Therefore, the disadvantage of such a rule to calculate the performance indicator will be revealed on the basis of a comparative analysis of its capabilities with its antipode. In this case, it will turn out that the indicator calculated on the basis of the sum of costs (producer, consumer, seller, etc.) per unit utility (Z^t), can be used to answer the question about a consumer’s, i.e. societal social consciousness. The traditional method of evaluation cannot answer this important question.

Z^s indicator has the ability to act as a profit margin, the main element of price calculation. In this sense, it can be used as a consumer tool to regulate the process of production. Making various costs per unit utility ultimately gives the consumer what he cannot obtain otherwise, namely, achieving a real comparison of such costs.

Achieving this remarkable property makes it possible to avoid the seemingly insurmountable barrier to linking the classical value formula with the efficiency of costs and exchange value. After all, even a superficial study of the efficiency formula, where the effect is the positive difference between the results (S) and costs (Z) of an economic entity, a seemingly unresolved question will arise: how do you calculate costs in GEL, hours, etc. from “percentage value” (where S is a qualitative indicator of customer satisfaction expressed only as a percentage)? The prospect of solving such a problem in itself avoided and still avoids the idea of economists to apply to the consumer, i.e. the options calculated through final economic outcomes.

However, this problem is possible to solve. Although, for this purpose, one needs to recall that economic processes occur not only in space, but in time as well. Therefore, the ability to compare the results during the baseline and the planned periods is the key to solving this problem. The formula will be as follows:

$$\exists = Z_{b^s} - Z_{jan^x},$$

where Z_{b^s} and Z_{jan^x} correspond to the expenses borne by the economic subjects for $S_1\%$ unit during the baseline and reporting periods. This type of metamorphosis allows overcoming the major barrier of using the index of degree of satisfaction. Formulas, and once again the traditional options to calculate efficiency fail to resolve such problems.

Thus, Z^s indicator has the ability to act as a tool to regulate the processes of reproduction from the consumer’s point of view, while the traditional rule, unfortunate as it may be, transfers this function to the producer. In our view, this is the main contradiction between the two methods of constructing the performance indicator.

The analysis of the consumer’s economic interests allows identifying a fundamentally new type of costs: the direct costs of consumption, arising from the following circumstances: a) the need to compensate for poor-quality work of the producer; and b) the effect that could not be obtained. It should be borne in mind that both types of costs take the form of consumption costs in the case where the producer himself is insulated from the need to bear responsibility for poor performance. In other words, we are talking about the costs of consumption caused by the producer’s diktat.

There are two kinds of consumer expenditures: one “serves” the process of consumption, belongs to consumption itself and represents its specific and final replenishment. Its value tends to decrease

with an increase in the level of technology. Accordingly, its specific weight in relation to the value of the product decreases. However, it is impossible to completely prevent it: the user is interested in its reduction, because it is always expressed in the increased positive difference between the expected results and the costs. Consumption costs of this kind, as well as the circulation costs, should be called net or normative consumption costs. The part of the consumption costs, which appears to be caused by the producer's failure to fulfill his obligations to the consumer, is additional costs for the consumer, who naturally wishes to bring it to zero.

Thus, the level of consumer demand is immaterial. It is quantified, and the requirements for it are known. Additional consumption costs completely or partially deprive a person of the right to development. A vicious circle is formed: low quality of goods or work is not the last reason for uncreative human labor, while the same person pays the price as the consumer.

In essence, this means that the consumer evaluates the usefulness of the purchase based on his past experience of consumer costs and, above all, the avoidance of additional consumer costs. Acceptance or rejection of goods based on "economic expediency" is not only fixing the necessary consumer properties, "excess" consumer properties, etc. A consumer (as a buyer) solves the problem of relative efficiency with every new purchase. In particular, the purchased goods (services) more or less have negative qualities and shows to what extent this "difference" is corrected by the change in the purchasing price. An example of this behavior is when the effect of consumption is manifested over time: whether it was good, or bad. The market essentially increases the consumer's desire for utility when buying, as he is now able to choose effect when choosing between bad and good options.

The analysis of the economic interests of a consumer evidenced that the effect of consumption is realized through the price of consumption.

The price of consumption, as a function of avoidance of additional costs for the consumer, provides an opportunity to maximize the consumer's profit through consumption (process of exploitation) in case of normative consumption costs (guaranteed by the manufacturer and the seller).

The price of consumption, as a function of realization and the interest from realization, contains sufficient effect of economy in case of minimized normative costs, for accumulation and adequate active response in the world of goods. However, such conclusions have certain drawbacks, because they disregard such a powerful factor as competition in the decision-making process regarding selling. This means that the price "component" of making a decision to buy, that is competitive consumption price, i.e. more optimal price, is formed based on the consumer's preferred expenses.

Thus, with regard to competition and pricing, where the buyer is a person, we would note only one feature: the specificity of the motives guiding the person in choosing the goods (services) in solving his attitude. And the latter, as already mentioned, are the products of their consumption processes.

In our opinion, a whole set of differences in organizational and human behavior can be reduced to differences in their consumption interests. This means that we cannot ignore certain differences in the formation of the cost structure. However, we do not see a fundamental difference in this regard. We share the view that the employee pay as the main source of acquisition of goods has two components: the cost of reproduction of a person as a worker, and the cost of its expanded reproduction. The latter generates a legitimate interest of the worker in having his wages include part of the profit of the company he works for. The lack of competition, and production and market monopolization harm the opportunity to successfully solve this problem.

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