

CONSUMPTION AND CONSUMERS IN THE PRESENT ECONOMIC CONTEXT

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INTRODUCTION

The global economic crisis has affected the world economy and its effects are visible and undeniable - the rising unemployment, the increase of inflation, the decrease of purchase power. These are realities faced everyday by consumers almost in all markets over the world. Moreover, the constant mediatization of the present economic context boosts the emotional impact of the crisis effects on consumers' lives and projects a state of uncertainty.

The economic crisis has impacted consumer behaviour determining consumers to become more economical, more attentive, and to weigh more carefully their options. But more importantly, the direct and indirect effects of crisis have caused an augmentation of the psychological pressure felt by consumers, with strong impact on their buying behaviour. The most obvious consequences of this increased pressure include: the general reduction of spending, the postponement of high value purchases or the decrease in consumption of leisure and entertainment goods. Impulse buying becomes subject to control and the tendency for indulgence purchases is reduced.

This paper is aimed at briefly presenting the most important landmarks in the historical development of consumer behaviour, summarizing the main features of modern consumers, and giving a perspective on actual and potential changes and transformations in consumer behaviour moulded by the present economic and social context, based on international studies conducted during the recession.

1. CONSUMER BEHAVIOUR – AT A HISTORICAL GLANCE

To our knowledge the first synthesis of economic theories on consumer behaviour was accomplished by Alfred Marshall based on the ideas of classical economists and the advocates of the theory of marginal utility [4]. As a need is being satisfied through consumption the additional benefit derived from a given increase diminishes with every increase. In this model all men are considered to be rational buyers and the market is viewed as a collection of homogenous buyers. It is considered that buyers behave in a similar manner under given circumstances and their ultimate goal is to maximize the value obtained for the money spent. The model however does not comprise the diversity of factors influencing consumer behaviour and cannot be used to explain real life situations; its value resides in explaining the processes and mechanism of consumer behaviour, taking into account the economic factors.

Other factors such as attitude, perception, motivation, learning, personality, and culture, ignored by the economic model are subject to psychologists and sociologists interest in the field of consumer behaviour. Unlike their economic counterpart theories the psychological theories consider consumers as irrational, impulsive buyers. The view regarding consumers as being vulnerable and subject to external influences was rather an obvious reaction to the "economic man", whose behaviour is rational and based solely on conscious economic calculations.

The theory of learning developed based on the research of Ivan Pavlov introduces the concept according to which the human behaviour is the result of a learning process.

The psychoanalytical theory of Sigmund Freud rejected the idea that man dominates its own

psyche. It assumes that the psychological factors affecting and influencing the behaviour are mostly unconscious, people rarely being able to fully grasp their motivations.

The social and cultural influences on consumer behaviour are addressed to by the social-psychological model proposed by Thorstein Veblen. In this approach [7] the behaviour is considered to be a result of social pressures exerted in the individual's quest to fit within the desired social group.

During the 1950's, the research on consumer behaviour started to focus on the behaviour of the consumer rather than following a macroeconomic orientation. In this context Abraham Maslow developed his hierarchy of needs and formulated his widely accepted theory of human motivation.

The following years were characterized by consumerism, generated by individuals' desire to improve their social condition by possession and consumption of goods. This tendency is resumed by Victor Lebow in his article from 1955 [3]:

"Our enormously productive economy demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfactions, our ego satisfactions, in consumption. The measure of social status, of social acceptance, of prestige, is now to be found in our consumptive patterns. The very meaning and significance of our lives today expressed in consumptive terms. The greater the pressures upon the individual to conform to safe and accepted social standards, the more does he tend to express his aspirations and his individuality in terms of what he wears, drives, eats- his home, his car, his pattern of food serving, his hobbies."

However, this fatigueless quest for achieving goods did not succeed in making people happier; the so-called "paradox of happiness" standing as proof. Studies have shown that substantial increases in real per capita income do not correspond to equivalent increases of individual happiness. Moreover, negative

correlation between real income and happiness were observed [1].

The last decade alone has brought about enormous and unprecedented developments in technology that improved communication and the possibility to connect with each other. In this context, perhaps the most important recent developments in consumer behaviour include the movement toward a global consumer culture and the digital revolution [6].

ent, consumer behaviour surpasses the act of buying, extending to having and being, according to Solomon, et al. (2010). This view supports the idea that the study of consumer behaviour goes beyond the act of buying to the study of how having or on the contrary not having affects our lives and ultimately the image of ourselves and our state of being.

The recent years have brought about also a paradoxical situation - the consumers are facing the difficult task of searching and choosing the product that best suits their needs among a huge diversity of products. At a first glance, the diversity of products giving each of us a great freedom of choice is a positive aspect of our everyday lives. However, the increased opportunities for choice doubled by consumers' legitimate desire to obtain the best out of every situation may lead to a decrease in well-being. One of the factors leading to a decrease in well-being is regret – a person does not feel regret following a decision if they feel they made the best choice; but the more options they have, the more probable is to experience regret [5]. The increased number of opportunities leads also to a higher opportunity cost perceived by the consumer and to a rise in people's expectations [5] transforming them in ever more demanding consumers harder to be satisfied and more importantly, harder to feel satisfied.

We may assert that consumer behaviour is structurally and continuously changing due to the social and economic dynamism characterizing modern society, with people seeking to attain emotional content through more meaningful, more lasting experiences that offer deeper satisfaction.

2. CONSUMER BEHAVIOUR IN THE PRESENT CONTEXT – THE ADVENT OF THE NEW CONSUMERS

The financial crisis has impacted consumer behaviour determining consumers to become more economical, more attentive, and to weigh more carefully their options. The crisis is providing the frame for the emergence and development of new types of consumers, more considered and more rational.

The global crisis has affected the world economy and effects such as the rising unemployment, the increase of inflation, the decrease of purchase power have determined an augmentation of the level of anxiety perceived by consumers, leading to a reconsideration of their priorities concretized in the general reduction of spending, the postponement of high value purchases or the decrease in consumption of leisure and entertainment goods, and the decrease of impulse and indulgence purchases.

The results presented by the most recent Nielsen Global Consumer Confidence Report (2012), show a slightly increased consumer confidence, although more than half of the respondents (57%) considered they were in recession. This percentage however is lower than the one recorded by the previous report that is the report for the last quarter of 2011 when 64% of the respondents indicated they were in recession. The Global Confidence Index which dropped to 89 points in the second quarter of 2011 - the lowest level in six quarters, increased in the first quarter of 2012 to 94. Following the rather disturbing news brought by the data for the second quarter of 2011 which revealed that consumers have returned to a recessionary mindset, after a year of improving though still cautious spending, the latest report shows that intended discretionary spending and saving increased in the first quarter of 2012 across all sectors reviewed.

Although the present context cannot be characterized as positive, many perceive the recession as an opportunity to chase away their former consumption patterns and embrace instead a more considered approach. These are the new consumers [8]. They have taken

the current economic context as a convenience to find a better way forward. As the economic situation becomes more uncertain, it is only natural for consumers to become more rational. The new consumer turned away from overconsumption and mindless excess in order to take a more considered stance to spending. The study concluded that there may be identified four paradigms of the new consumer summarizing the newly adopted behaviours and attitudes [8].

The first paradigm, entitled *Embracing Substance* describes the new consumer as satiated with the shopping culture, worried about the superficiality characterizing a society too preoccupied with unimportant and hollow matters. Instead they long to feel more connected with other people and nature, seeking more substance. Modern society has led people to experience a keen isolation, sometimes resulting in feelings of alienation. Consequently they feel the desire to be part of an important cause, to lead a more spiritual life and build a stronger connection with religion or life philosophy.

The second paradigm, *Rightsizing* addresses the pressure put on consumers by the enormous variety of products meant to improve their lives, but instead became exhausting. Bearing in mind the vast diversity of products the consumers have to find their way through and the "paradox of choice" discussed earlier in this paper, it is rather natural to relate to this paradigm. The demand for simplicity may be considered as generated by the current context, although it has been noticed even prior to the recession [2]. The overwhelming diversity adds to the stress felt in periods of recession thus the increasing need for simplicity comes as a natural consequence.

The stupendous diversity of products combined with the bent for accumulating goods that characterized traditional consumers, seems to have fatigued consumers up to the point where they feel the need to return to the simple things. The new consumers are embracing "intelligent simplification", admiring people who live simply and focusing on the functional features of the products.

The third paradigm, *Growing Up*, refers to the phenomenon of the recent decades of generations that do not behave according to their age and rather live a prolonged adolescence, postponing adulthood. However, the recession has bound them to grow, their financial choices becoming the instrument they appeal to in order to take control and accept responsibility for their choices. They are trying to attain self-control and an important percentage claim (48%) that they would not return to the old shopping patterns should the economy recover.

The fourth paradigm, *Seeking Purposeful Pleasure*, records the changing of what makes people feel good and satisfied, the new consumers seeking more purposeful pleasures that last longer and bring more satisfaction.

They are more risk aware, but they assess they have a better control of their lives and welcome the “proactive mindfulness” by shopping more carefully and paying more attention to the environmental and social impact of the products they buy; they manifest their desire and intention to reduce the negative impact on the environment and other people. Their focus surpasses products and reaches the companies that produce them; they have the tendency to relate to companies sharing the same values, practising sustainability and stating a purpose that goes beyond profits.

3. ARE WE WITNESSING THE SETTING OF A NEW LANDMARK IN CONSUMER BEHAVIOUR?

We all noticed the changes occurred in consumer behaviour; they are obvious and undeniable natural consequences of an unfriendly economic environment, dominated by uncertainty. The research conducted in this field has revealed that the crisis has determined the emergence of a new type of consumer, more attentive, more rational, less prone to impulse behaviour; a consumer looking for substance, for meaning and purpose and determined to change their buying ways. However, the question is would these new consumers, more rational, more considerate and inclined to focus on the other matters than frivolous consumption go back to their “old ways” should the economic

circumstances change for the better? The HAVAS Worldwide study presented in the paragraph above showed that almost half of the respondents claims they would not go back to their previous consumption patterns should the economy recover. Therefore one can only wonder: is this a lasting change in consumer behaviour or is it just a conjunctural transformation imposed by transient exterior factors? Would the consumers return to their consumption patterns from the period before the crisis or has the crisis determined a structural change in their consumption behaviour? Are we witnessing the setting of a new landmark in consumer behaviour or is it just a temporary setback caused by budget restraints?

We are witnessing a shift from the traditional consumer who pursues shopping with religious dedication to the new consumer who is embracing a more rational and conscious approach. The current context is a turning point which gave people a chance to reflect and take a step into the era of the “mindful spending”.

The recession has determined consumers to take a more rational and mature approach to consumption. This has at least two direct consequences - the first is obviously related to price. Consumers are becoming more price-sensitive, and are putting particular emphasis on quality. The second relates to changes in behaviour generated by brand loyalty.

The need for simplicity is a rather obvious reaction to the huge diversity of products that has become overwhelmingly tiring and adding to the stress felt in this context of the recession.

Although the levels of anxiety are high, consumers remain positive considering the recession as an opportunity to turn to substance, to connect with others and finally lead a more spiritual life. In a world dominated by uncertainty consumers optimism is welcomed – the recession and its effects are perceived not as much as a burden but as an opportunity to find a better way forward.

We consider plausible the assertion that the changes in consumption patterns caused by the budget limitations could be persistent, the

restraints imposed by the economic crisis leaving visible traces. And it would be only rational to assume that to some degree the crisis has determined structural changes in consumer behaviour, given the unprecedented magnitude of the crisis. Furthermore, the crisis and its effects are constantly presented by the media and this can only emphasize the state of uncertainty felt by consumers, while the fear of a relapse acts as a deterrent, making impossible or at least postponing the return to the behaviour prior to the crisis.

Moreover, a new approach to consumption advising for moderation may be traced back to times prior to the emergence of the crisis – consumers became more conscious about their consumption patterns, more aware of the impact their habits have on the environment, while isolated manifestations of interest toward a healthy and more simple lifestyle turned mainstream. One may therefore assume that the crisis acted merely as a catalyst in a process that had already started.

CONCLUSION

The present economic crisis creates an unprecedented frame as far as its dimensions and severity are concerned. As a direct consequence of the negative impact of the crisis at both economic and social level, the way consumers behave has changed.

In our opinion the external impact of the global economic crisis has determined structural changes in the consumption patterns in almost all markets of the world – its magnitude and its already prolonged duration come to support this assertion. Furthermore, the vast mediatisation of its effects and of the ubiquitous fear of a relapse adds to the already installed state of uncertainty, advising for caution and making rather improbable a sudden return to the old consumption patterns in case the previous budgetary conditions are restored.

It is obvious that the impact of crisis effects has triggered a vast array of transformations in consumer behaviour – some of them prefigured even before the crisis while others are its direct and natural consequences. The question

remains whether these transformations are persistent or will they fade away at the first glimpse of a new prosperity. And pertinent arguments may be brought to sustain both approaches; however for a definite answer one will have to wait for the future economic reality to actually happen.

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Abstract:Due to the multiple interdependences emerged from the coalescence among consumer behaviour, economic and human behaviour, the vast interest in the study of consumer behaviour has led to important developments, the field being permanently enriched with new contributions. Nowadays consumer behaviour is interpreted not solely through the act of buying, but also as far as its impact on our lives, on the way we perceive our own image and ultimately on our state of being is concerned. At present, the world economy is affected by the global crisis which has left its mark on the lives of consumers almost in all markets of the world. The obvious effects and their constant mediatisation emphasize the impact of the crisis and add to the already installed state of uncertainty. The current context shaped by the economic crisis is remodelling mentalities and re-lays the foundation for a new conceptual model of determinants of consumer behaviour, thus favouring the advent of a new type of consumer – more conscious, more rational and more attentive. However, bearing in mind that these new consumers were forced to emerge due to an unfavourable economic context, there raises the question whether the new consumers, given the opportunity by the improvement of the economic conditions, would go back to their past habits, or is this a lasting change in their behaviour? This paper is aimed therefore at presenting the current frame of consumer behaviour manifestation and the main influences considered to have an impact on consumer behaviour during the historical development of the field, at describing several tendencies in consumer behaviour determined by the present context and offer a perspective on whether these changes and transformations in consumer behaviour moulded by the present economic and social context are lasting or are merely the transient effects of a malevolent conjuncture.

Key words: consumer behaviour, economic crisis, impact, new consumer

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