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2010

Online at <https://mpra.ub.uni-muenchen.de/31062/>
MPRA Paper No. 31062, posted 29 Jul 2013 15:58 UTC

STRUCTURE AND DETERMINANTS OF CONSUMER EXPENDITURES

Ladislav Stejskal, Jana Stávková

Introduction

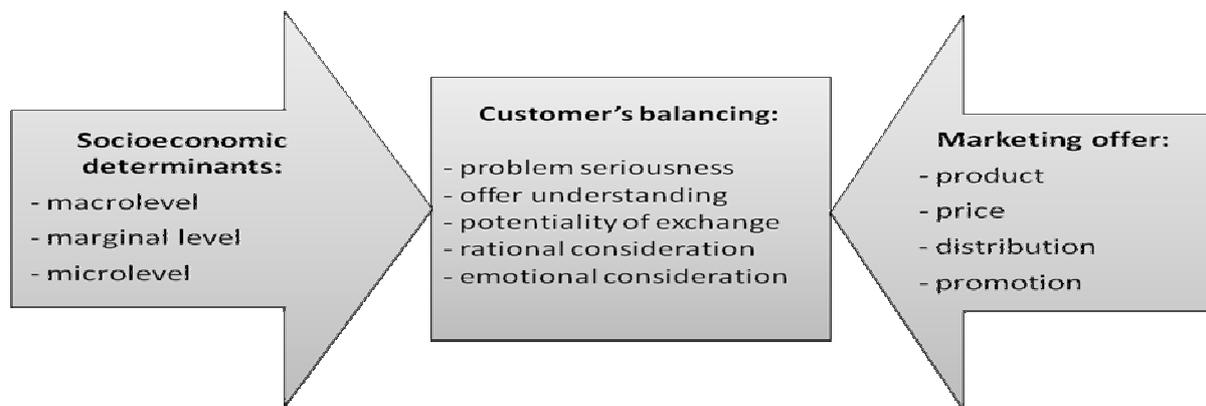
The local and worldwide present economic situation is often judged and discussed on the basis of the consumer expenditures development. A potential, which marketing research disposes with, will be outlined in the following article to facilitate much more complex insight into this fundamental economic category.

Consumer expenditures or a buying behaviour outcome of each individual market subject is in marketing defined as a product and service seeking, from that consumers expect satisfying of their needs [4].

The conception naturally emerged from economy, concretely from Jevons-Menger-Walras neoclassic paradigm which brings methodological individualism together with a rehabilitation of the importance of demand and consumer. It also conveys the known form of the consumer point of saturation with a product price settlement and its marginal utility.

A buying decision, i.e. the result of a buyer decision process (which represents specific, complex questions itself), is then determined by factors presented on Picture 1.

Pic. 1: *Consumer behaviour and decision making model*



Source: SCHIFFMAN, L. G., KANUK, L. L. *Nákupní chování*, 2004, modified.

Trommsdorff [3] though refers that from the marketing point of view it is not an activity studying which is the main focus of attention related with consumption, but more likely qualities of a person as a potential customer. The term "consumer" (Konsumer) is used there instead of more accurate "target customer", and therefore it is said "consumer behaviour" (Konsumentenverhalten). However, it is necessary that the term include several roles: decision maker, buyer (purchaser) and consumer.

Material and methods

On the basis of introduced determination authors conducted a marketing research last year including more than 2,000 responding households. After all data entry clearing processes 1,418 fully filled and valid questionnaires remained in the dataset. For selection of a respondent sample the quota method was chosen and even after deletion of invalid and incomplete inputs authors succeeded in preserving

the respondent sample representativeness. This was judged according to three crucial identification characteristics – age, social group pertinence and the highest achieved level of education of the leading person of each household.

Prevailing age category of a household-leading person was 40 – 49 years (45 %) and 50 – 59 years (32 %). Prevailing social group were employees (60 %) then self-employers (25 %) and pensioners (10,5 %). Other social groups, such as students or unemployed persons leading household, were insignificant. Education level of informants was mainly represented by finished secondary level, i. e. apprentice training centers, secondary schools and grammar schools (55 %) followed by university graduates (40 %).

With regard to fact of primary dataset representativeness authors found suitable to compile the comparative analysis of obtainable secondary data describing household consumption expenses in Czech Republic and the most developed European countries. This data are published and has been assumed from the Eurostat website. Analysis results are visually summarized in Scheme 1 below.

In point of factors influencing or determining buying decisions the following ones had been stated during the primary inquiry: consumer buying habits, perceived necessity or urgency of need, previous experience with similar products or purchases, recommendation of relatives, recommendation of experts, characteristics and parameters of bought products, perceived quality, trademark, price, discount possibility, promotion, trying new things tendency, actual fashion trends and product design.

Authors consider such definition of factors as a main complex conception and use it consistently in other research (see e. g. Stávková 2006). Whereas a similar classification is used for construction of The European Customer Satisfaction Index (ECSI)¹.

The influence level of each factor over single commodity groups (in division set by the CICOP classification²) was distinguished by respondents on the ten-point scale, where the value 0 constituted “absolute non-essentiality” which means no influence of factor over the purchase decision making process. Contrariwise the value 10 indicate that the factor in principle determines purchase decision of commodities in particular group.

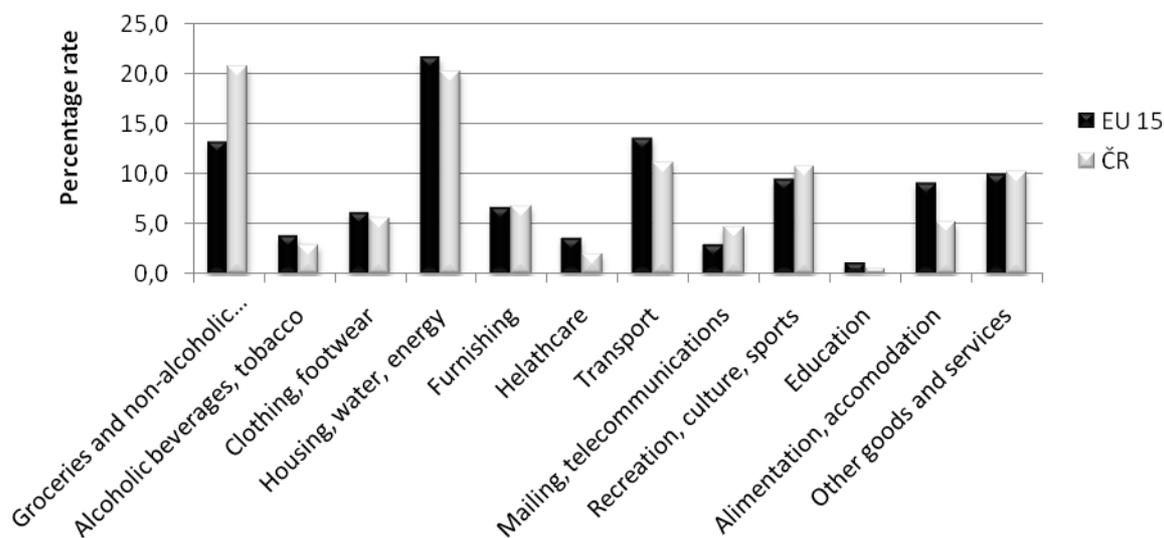
Table 1 presented below shows the results gained by this methodological approach, whereas the brought up values signify the averaged figures stated by all respondents. For each of determined commodity groups five highest values, it means five the most important factors influencing purchase decision, have been highlighted. Thereby the presentation of possibilities of the cross analyses was affected. Aim is to facilitate a wider outlook on the enquiry results and to enable hypotheses defining in the context of single commodities research and also for example research of the influence of a single factor over various consumption goods. Such theories and investigations proven to be very valuable not only for discussion on the academic platform, they are also highly appreciated in the entrepreneurial / business sphere.

So the main aim of conducted primary research was to enable more detailed insight into relatively well-known economic “reality”. To be accurate, according to the data of the European Bureau of Statistics, the percentage compound of consumption expenditures (divided in accordance with the expenditure purpose) in the Czech Republic is showed on Picture 2.

¹ see <http://www.epsi-rating.com/> (link valid on the date 6. 1. 2010)

² Classification of Individual Consumption According to Purpose – commodity classification designed by the UN Statistics Division; see <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5> (link valid on the date 6. 1. 2010)

Pic. 2: **Consumption expenditures structure in 2007, comparison of EU15 and CR secondary data.**

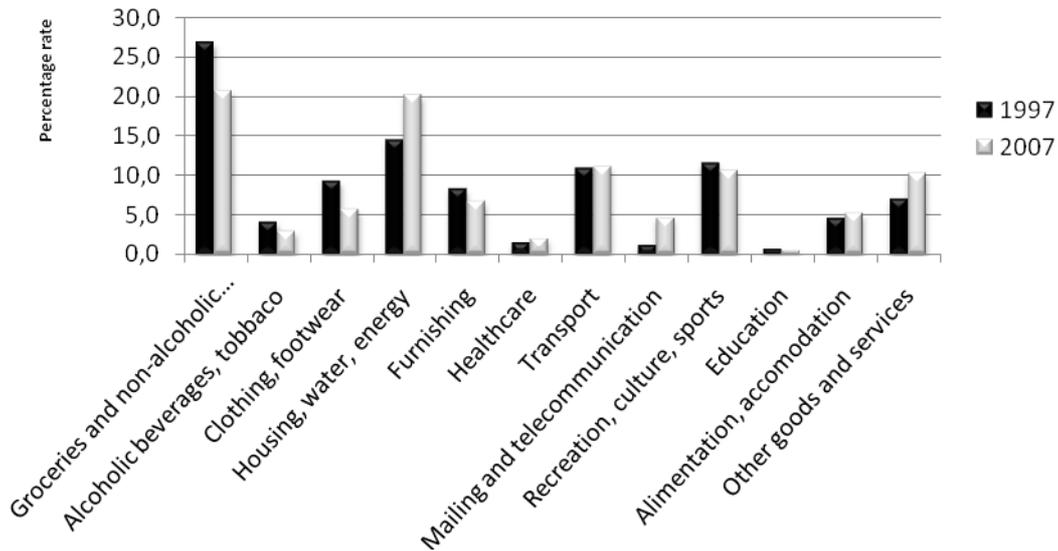


Data source: Eurostat Consumption expenditure of private households Database, 2008, modified.

For better comparison possibilities, the structure of individual market subject consumption expenditures was added to the scheme. The structure was averaged to original 15 European Union member countries, which are considered as the most developed regions. Authors mention this for clarity, because a percentage division of assets spent by consumers from these countries on particular expenditure groups may represent certain benchmark of achieved economic level. For example, it is evident that in the Czech Republic, a great deal of expenditures is still spent on the basic grocery category compared to nearly a half part spent on catering. It could of course mean just higher popularity of home cooking in Czech households, but there might probably be a more logical reason, that the households simply can't afford to visit restaurants more often. These and similar statements would understandably require another detailed research. Nevertheless, an entry logic of that thought is clear, similarly as for example at higher-order percent expenditures for telecommunication services which show Czech market as probably still underdeveloped etc.

Before analysing the results of the marketing study, let us consider briefly the structure of consumer expenditures development of Czech households during the time period mentioned in Picture 3. It is the comparison of the year 2007, i.e. the latest period whose all the secondary data were available in the time of research realization, and 1997 as an initial time of the 10-year research period.

Pic. 3: *Consumption expenditures structure in CR, comparison of 1997 and 2007 secondary data*



Data source: Eurostat Consumption expenditure of private households Database, 2008, modified.

The scheme shows a gradual convergence to the state that we noticed in the precedent EU15 diagram. Continually decreasing amount of expenditures spent on groceries is related to significant increase of assets which households have to invest in housing. Naturally, this problem is immensely complicated and many individual documents and articles try to deal with its analyses.

The most rapid change is evident in above-mentioned telecommunications, which experienced a real boom in research period thanks to the internet and electronic services development. On one hand, it understandably displayed on their accessibility, which would spoke in favour of a percentage decrease of expenditures in this category. On the other hand, functioning of all economic subjects including households became largely dependent on this category, therefore the relative amount of expenditures enhanced almost five times.

Results

Ascertained facts in combination with a marketing insight into consumer expenditures characteristics served as a starting-point for an analysis of factors forming a consumer's buying decision. Data resource was gathered in above mentioned primary inquiry, carried out by the FBE MUAF researchers from May till August 2008. This examination considered ten introduced factors and its summary results, enabling both relative and absolute comparison through categories and factors, are presented in Table 1.

Tab. 1: *Factors influencing customer's buying decision*

Commodities / Factors	neces. of need	prev. exp.	recom. of relatives	recom. of experts	char., paramet.	quality	trademark	price	discount action	design
Groceries and non-alcoholic beverages	9,02	7,57	6,33	5,25	7,07	8,06	5,60	7,32	6,75	4,78
Alcoholic beverages, tobacco	4,40	6,48	5,43	4,10	6,13	7,28	6,55	6,65	6,11	3,83
Clothing, footwear	7,87	7,00	5,09	4,53	8,14	8,55	6,65	7,63	7,07	8,05
Healthcare	8,39	7,68	6,49	7,33	7,87	8,30	5,42	5,80	5,03	3,09
Transport	8,08	7,04	5,26	5,04	7,19	7,33	5,69	7,58	5,87	5,38
Mailing and telecom.	7,29	6,59	5,21	4,66	6,38	6,76	4,91	6,96	5,54	4,14
Recreation, culture, sports	5,48	7,39	7,05	5,19	7,37	7,92	5,18	7,70	6,74	4,74
Education	7,31	6,58	6,45	6,11	7,27	8,19	5,50	6,48	5,25	3,76
Alimentation, accommodation	7,71	7,65	6,67	5,02	7,49	8,02	5,27	7,29	5,94	4,99
Other goods and services	6,66	6,72	6,14	5,31	7,01	7,50	5,44	7,27	6,41	5,70
Furnishing	7,30	6,67	5,66	5,36	8,23	8,28	6,02	7,80	6,80	7,78

Source: Consumer behaviour primary research, pursued on Department of Marketing and Trade, FBE MUAJ Brno in 05/2008-08/2008, modified.

Highlighted factors (grey frames) were identified as relevant ones for each commodity / expenditure group. Except confirmation of intuitively perceived facts (whose explicit confirmation authors regard as exceptionally valuable), there were found several relatively surprising facts providing new possible points of view on consumer decision making process and results. The more obvious ones are for example: proven essential importance of need and its actual necessity in grocery choice, great emphasis on bought alcoholic beverages trademark, furniture, clothes and footwear design, then relatively lower importance of drug price in comparison with perceived quality and necessity of using, meaning of previous experience with catering services etc.

Less obvious and therefore more interesting facts are for example low importance of trademark in mail and telecommunication services – despite plenty of mass media news about unpopularity of the Czech Post, according to the research data consumers do not mind too much a name of a delivering company. They decide according to totally different parameters which involve speculations about artificiality of many debates on the Czech Post, provoked by the media.

There is also an interesting finding concerning the low importance attributed to expert recommendations in almost all the categories. Except for the expenditure group “Healthcare, drugs, vitamins” (which is not actually so surprising), the factor was not identified as a relevant determinant in buying decision. As well as discount actions, whose importance was probably underestimated by customers and authors presume an influence on a subconscious level. The reason is the fact that despite relatively low importance of that factor mentioned in the research, during seasonal discounts of all sorts of commodities there can be observed a multiple turnover increase. A typical example is clothing and footwear where an absolute weight of the discount factor can be found at its maximum extent. Or relatively low importance of a trademark factor again in clothing and footwear which is at variance with continuous media pressure and image, which producers and distributors try to establish.

Conclusion

Results introduced in the paper reflect the records of inquiry of forming consumers' and households' buying decisions. Division of purchased goods into explicitly delimited commodity groups linked with the relevancy identification of each influencing factor showed plenty of interesting preliminary results.

Naturally, this paper presents just a view into the potential of the realized research result analysis. Development and testing of hypotheses has continually been proceeding. Simultaneously more detailed studies are performed, for example by taking into account individual demographic and sociographic characteristics of the respondent population. The outcomes seem to be really remarkable and the authors would like to return to them in their next works.

Proposed article is one of the outputs of MSM6215648904 project, theme 03 “Development of relationships in the business sphere as connected with changes in the life style of purchasing behaviour of the Czech population and in the business environment in the course of processes of integration and globalization”.

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Article classification according to JEL: H31, R20, R21

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Abstract

Article deals with consumer expenditures development. Concretely with a potential which marketing research disposes with within these questions. A brief literature overview shows consumer expenditures as a result of product and service seeking, from that consumers expect satisfying of their needs. On the basis of introduced determination authors realized a marketing research which main aim was to enable more detailed insight into this economic category. The data was divided according to the data of the European Bureau of Statistics, the percentage compound of consumption expenditures. For better comparison possibilities, the structure of individual market subject consumption expenditures was added. The structure was averaged to original 15 European Union member countries, which are considered as the most developed regions. Before analysing the results of this marketing study the structure of consumer expenditures development of Czech households is briefly outlined. Its scheme shows a gradual convergence to EU15 countries. Realized facts in combination with a marketing insight into consumer expenditures realization served as a starting-point for an analysis of factors forming a consumer's buying decision. Summary of results enabling both relative and absolute comparison through surveyed consumption categories and influencing factors is presented at the end of the article. Except confirmation of intuitively perceived facts (whose explicit confirmation authors regard as exceptionally valuable), there were found several relatively surprising facts providing new possible points of view on consumer decision making process and results.

Key words

household expenditures, consumption categories, consumer behavior, marketing research

Doručeno redakci: 21. 9. 2009

Recenzováno:

Schváleno k publikování: