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Structure and determinants of consumer expenditures

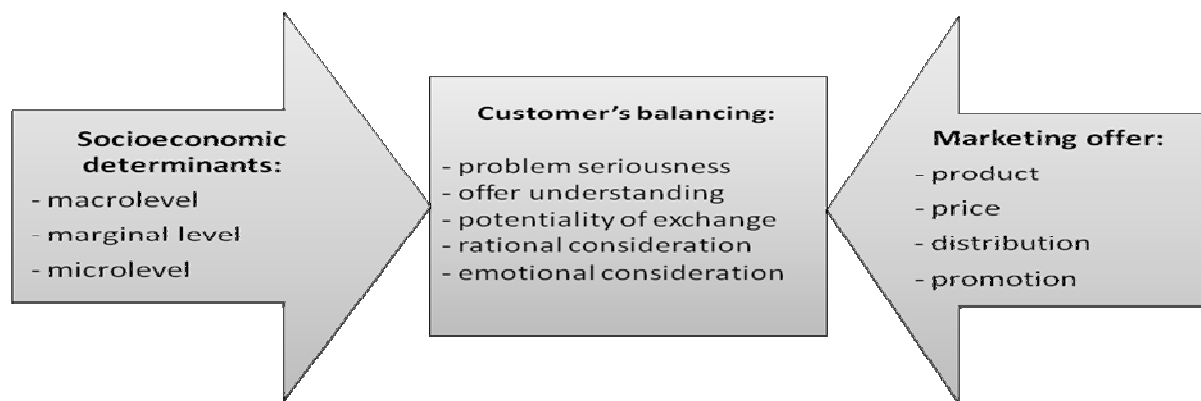
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The local and worldwide present economic situation is often judged and discussed on the basis of the consumer expenditures development. A potential, which marketing research disposes with, will be outlined in the following article to facilitate much 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 needs¹.

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 Scheme 1:



Scheme 1: Consumer behaviour and decision making model ²

Trommsdorff³ 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

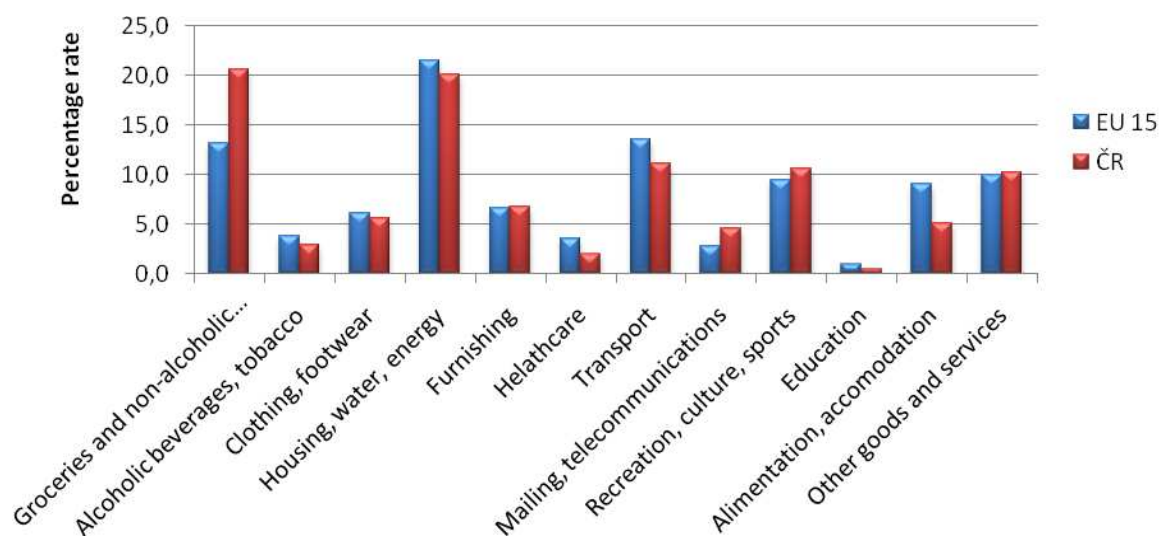
¹ TURČÍNKOVÁ, J. Chování spotřebitele na trhu potravin, 2008

² SCHIFFMAN, L. G., KANUK, L. L. Nákupní chování, 2004, modified.

³ TROMMSDORFF, V. Konsumentenverhalten, 2002

“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.

On the basis of the introduced determination, the authors realized a marketing research last year including more than 2,000 respondents. Its main aim was to enable more detailed insight into relatively well-known economic fact. 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 following:



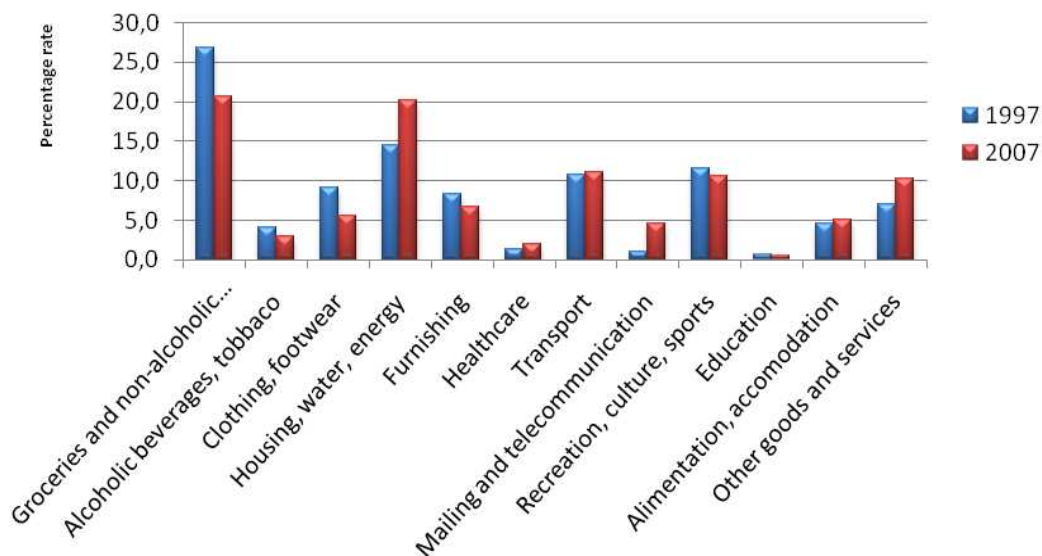
Scheme 2: Consumption expenditures structure in 2007, comparison of EU15 and CR⁴

For better comparison, 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

⁴ Data source: Eurostat Consumption expenditure of private households Database, 2008, modified.

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 in Czech households during the time period mentioned in scheme 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.



Scheme 3: Consumption expenditures structure in CR, comparison of 1997 and 2007⁵

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.

⁵ Date source: Eurostat Consumption expenditure of private households Database, 2008, modified.

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. Following factors were defined: 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.

The analysis is based on primary research results. Summary results, enabling both relative and absolute comparison through categories and factors, are presented in table on scheme 4.

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, accomodation	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

Scheme 4: Factors influencing customer's buying decision⁶

Highlighted factors were analyzed as relevant for each 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.

⁶ Own examination.

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.

The introduced results are naturally 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.

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