

Economic and Social Factors Shaping Consumer Behaviour in Era of the Covid-19 Pandemic

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Abstract:

The outbreak of the COVID-19 pandemic marked the beginning of huge changes both in the economy and in the attitudes of purchasers in many market sectors. The dynamically changing reality and uncertainty about the future resulted in a variety of consumer reactions such as: refraining from purchasing certain goods and services and postponing spending. The impact of the pandemic can be considered in the context of factors shaping consumer behaviour: economic, e.g., level and sources of income, supply, price level and relations, as well as non-economic. This article addresses the issue of consumer behaviour during a pandemic and attempts to analyse the economic and social factors influencing purchasing decisions. The article is theoretical in nature, but includes a review of various Polish and foreign studies conducted during that period.

The purpose of the publication is to determine to what extent the pandemic condition caused by COVID-19 changed the behaviour of Polish consumers taking into account economic and social factors. In particular, how did the pandemic restrictions affect purchasing behaviour, expenditure structure, savings and final decisions made by consumers. A research gap in this area has been identified.

Keywords: consumer behaviour; buying behaviour; spending structure; savings; pandemic COVID-19.

JEL Classification: D90; I10.

Introduction

In the current market conditions - growth of production, expansion of the market offer as well as in the face of civilisation and cultural changes - the issue of consumer behaviour is gaining particular importance, both in theoretical and practical aspects. The consumer, as an important market participant, is increasingly actively participating in the process of purchasing and consuming goods and services. His behaviour is becoming more complex and characterised by great variability.

Due to the dynamic civilizational and cultural development, consumer behaviour has for many years been the focus of interest in many sciences such as economics, management, sociology, psychology and security. As a result of the changing economic, social and cultural conditions of consumption, new trends in social consumption behaviour arise and are understood as a specific direction of changes in the preferences of market participants, which is a consequence of changes taking place permanently in the market environment (Zalega, 2013).

The diversity of these preferences is the effect of external factors originating directly from the environment, i.e., the existing value system, prevailing customs, traditional forms of behaviour, and the mechanisms and institutions governing the contemporary economy. Each individual's decision is also based on their individual

characteristics (attitudes, motives, personality) (Wolanin, 2006). Also, special circumstances in the environment such as a pandemic can also significantly modify or change many of them.

The aim of this research paper is to attempt to analyse the relevant economic and social factors influencing consumer behaviour in a situation caused by the SARS-CoV-2 virus.

1. Factors Influencing Consumption Behaviour – Systemisation

Consumer behaviour is most often defined as the process of selecting, buying, using, accepting or rejecting products, ideas or experiences in order to satisfy an individual or group's needs or desires (Solomon, 2006). More broadly, they encompass the mental and physical activities, including their motives and causes, performed by individuals and groups in the cycle of consumption for the pursuit of their goals and values, resulting in satisfaction and well-being, taking into account the individual and social effects of these attitudes (Antonides and Raaij, 2003).

Consumption and consumer behaviour are determined by a number of consumer-dependent factors and environmental variables. Internal (i.e., consumer-dependent) factors include: disposable income, occupational activity, wealth and savings held, current level and structure of consumption, etc. External determinants are formed by the socio-economic situation of the country and the influence of the international environment, the globalisation of economies and the use of information and communication technologies (Sobczyk, 2018).

A very different view of internal and external factors can also be found in the literature. Internal factors can include (Rosa, 2000): needs and desires, attitudes and preferences, personality, learning (experience), risks associated with buying. The last of these seems to be the least appreciated. Purchase decision risk occurs when the buyer is undecided and perceives the danger of making the wrong decision. Customer purchase decisions can be associated with the following types of risk (Rosa 2000): functional risk (concerns about the functions expected from the product), physical risk (related to safety), economic risk (related to the consumer's doubts about the price of the product). External conditions that determine consumer behaviour include: economic, social and cultural factors; marketing and non-marketing incentives - the environment.

According to the researchers in this field, the economic factors themselves can be divided into three groups: macroeconomic, microeconomic and demographic. Macroeconomic factors relate to the further economic environment, which is not directly influenced by the consumer. They create the conditions to which the consumer adapts and makes purchasing decisions within the framework of these conditions. This group includes the supply of goods, the availability of which, and therefore the ability to make choices, is an important tool in shaping consumption (Żelazna, Kowalczyk and Mikuta, 2002). Factors that are not directly dependent on the consumer include the price of a given product, the characteristics and quality of the product, and the advertising activity carried out by entrepreneurs. The basic microeconomic factors, on the other hand, are the level of income of the consumer responsible for the satisfaction of needs. Other concepts are directly related to the category of income: expenditure, savings, possessions. Economic factors can be regarded as fundamental because they determine the consumer's possibilities (Korneta and Lotko, 2002). The last group of demographic factors includes those describing the consumer (age and gender) and the household (size, composition). The age of the consumer is important when analysing behaviour, as needs, expenditure and consumption change along with it (Korneta and Lotko, 2002). Consumer income is the most important economic factor. It is the means by which needs are satisfied, it influences consumer spending and the level and structure of consumption. Variation of consumer behaviour are caused by changes in the level and structure of income. Its increase leads to an increase in demand and, conversely, a decrease leads to a decrease in demand.

Social factors influencing consumer behaviour are, first and foremost, roles and social status along with reference groups. By consuming products of certain brands, using certain services or making purchases in certain places and circumstances, consumers accentuate their social status as well as their membership in certain groups. Activities related to the process of purchasing and consuming goods and services thus acquire a social dimension and in many situations are accompanied by the satisfaction of needs such as establishing interpersonal contacts or spending leisure time with family and friends (Maleszyk, 2004). This group also includes cultural factors, which essentially determine the consumption patterns of society members, namely their culture, i.e., the totality of their spiritual and material heritage, customs, beliefs and patterns of behaviour (Karcz, 2002). The occurring cultural changes are significantly influencing the evolution of values, attitudes, motivations and perceptions of modern consumers. Traditional values such as family, cultivated customs and a willingness to make sacrifices are increasingly being put on an equal footing with new values such as individualism, self-fulfilment, material comfort or health (Boguszewski, 2007). Consumption is also subject to globalisation processes, linked to the homogeneity of purchasers' needs and the consequent homogenisation of consumption patterns, which are spreading across borders and creating a global consumer culture (Bywalec, 2010). The described factors determine consumer behaviour, which ultimately leads to purchase.

The purchasing process is the totality of activities related to the purchase of products and services, together with the decisions preceding and conditioning these activities. It usually consists of five phases: awareness of need, search for information, evaluation of alternatives, purchase decision, purchase, post-purchase feelings (Rosa, 2012). The role of consumers in shaping the market is crucial regardless of the situation, whether it is relatively stable economically or accompanied by a crisis. It therefore becomes particularly important to know the total factors influencing consumer behaviour and to adapt them to the prevailing environment.

2. Pandemic and Selected Determinants of Market Behaviour

The crisis caused by the pandemic and its accompanying effects have had a decisive impact on consumer behaviour and market participation processes. No matter what factors caused the crisis, whether typically economic, political, natural or biological disasters causing pandemics, the sense of security of society is threatened in many dimensions: economic, psychological, social. The new, unknown situation causes uncertainty and fear for existence.

The crisis is associated, among other things, with an increase in the indebtedness of the economy, rising unemployment and a decline in demand and investment levels. In addition to the economic effects, it should also be considered in the social dimension, as it affects the sphere of social life, e.g., by worsening the mood of the population aware of the collapse of the economy (Nazarczuk, Cicha-Nazarczuk and Szczepańska, 2022). The Congressional Research Service report of 04.05.2020 states that the pandemic has hit individual economies through many channels. It has stunted or completely stopped production and consumption, disrupted supply chains and disrupted trade flows. It has effectively upset many markets, including oil, and shaken stock markets. It has led to increased unemployment, inactivity, extreme poverty and even food shortages. It has threatened not only the solvency of some companies, but also the governments of many countries (Nelson and Weiss, 2020).

Researchers from Harvard Business School in Boston, distinguished four customer segments during the crisis (Kisiołek, 2020):

- Slam-on-the-brakes segment – "those who hit the brakes hard", least resistant to the crisis, reducing their needs and expenditures, looking for opportunities and substitute goods.
- Pained-but-patient– pragmatic, more optimistic than consumers in the first segment, but nevertheless distanced and focused on saving. They represent the largest group of consumers. In the event of a deepening crisis, they migrate to the first segment.
- Comfortably well-off – "financially secure", optimistic about their future, the recession has not significantly affected their consumer behaviour.
- Live-for-today consumers– "living today", not guided by in-depth analysis of the economic reality, not changing their habits, postponing important purchases, not saving. This segment is mainly represented by young people who are unstable in their professional and private lives.

As a result of the coronavirus pandemic, people at households have found themselves in a unique, unusual situation. Family, work or social life has changed, although probably to different degrees for individual members of society. It should be noted that consumer behaviour has showed significant differences in the different phases of the pandemic

Borsellino et al. (2020) with his cooperators synthesised research on the impact of the coronavirus pandemic on food purchasing behaviour. In the initial period, increased shopping and stockpiling caused by fear and uncertainty were characteristic of most consumers. Once accustomed to the situation, purchasing habits became highly differentiated and determined by attitudes towards COVID-19, personal experiences, economic status and much more. In parallel with the pandemic, there was an increased interest in home cooking, buying from local suppliers, buying food online, as well as acquiring healthy food (despite fears about future income) and reducing wastage (Borsellino, Kaliji and Schimmenti, 2020).

The KPMG report shows that a group of economic factors has decisively influenced consumer behaviour. The research found that for 44% of respondents, the financial situation has worsened or significantly worsened. For these consumers, the purchasing process has become more complex, as purchasing decisions have become more deliberate. 75% of Poles declared that the outbreak of the pandemic affected their spending habits, while half of respondents admitted to holding back on non-essential spending as a result of COVID-19¹.

Reports from other countries affected by the pandemic also confirm the importance of these factors. The research conducted by EIT Food in 10 European countries, proved that the financial situation of many shoppers

¹ <https://assets.kpmg.com/content/dam/kpmg/pl/pdf/2020/09/pl-Raport-KPMG-Nowa-rzeczywistosc-konsument-w-dobie-COVID-19.pdf>

worldwide has worsened. In the survey, as many as 55% of respondents claimed they were short of money at the end of the month and 34% of those surveyed had lost some or all of their income. As a result, $\frac{1}{3}$ of the respondents admitted that price is the decisive criterion for them when it comes to food purchases². Further confirmation of the relevance of price levels, as well as the need to buy, is the PwC report. The research confirmed that consumers significantly reduced their spending on non-food purchases (consumer spending on clothing decreased by as much as 51% compared to the pre-pandemic situation). In addition, the PwC report showed that in a pandemic situation, consumer behaviour was highly variable, with the only constants being buyers' expectations of low price and value of goods and services purchased³.

Research firm McKinsey & Company has outlined changes in consumer behaviour since the start of the pandemic. Significantly lower household incomes in both Europe and the US have translated into a reduction in the quantity and quality of purchases, as well as the postponement of purchases. The consumer, fearing that their financial situation will deteriorate, may reduce the propensity to consume and increase the propensity to save, in order to secure future consumption.

Nationwide Polish research has shown that, regardless of inflation, the high price of high-quality food is the main barrier limiting the growth of food demand, particularly among low-income consumers. The higher the income of consumers, the higher the proportion of people consuming more fruit and vegetables and protein-rich products. Households with the lowest incomes saw an increase in the consumption of high-energy foods (rich in fat and carbohydrates) (Żurek, 2023).

Professors at the Cracow University of Economics, Żbikowska, A and Chlipała, P. provided interesting conclusions regarding attitudes determined by socio-economic and factors. A large group of consumers (nearly 43%) were more likely to postpone purchases as a result of the pandemic. At the same time, a similar proportion of respondents bought goods or services for altruistic motives, to support producers or sellers. Other pro-social behaviour of consumers did not change significantly. Postponing purchases is also strongly related to fear of a pandemic - people who are more afraid of the disease are more likely to give up purchases by postponing them until the future. It is noteworthy that a significant proportion of respondents (more than 70%) indulged in reflection on the problem of over-consumption of goods in the wake of the coronavirus. One in two respondents declared that, after the pandemic had ended, they would purchase fewer products than before (Chlipała and Żbikowska, 2021).

Consumer behaviour is therefore becoming more considered and rational, and decisions to purchase products are made from the perspective of the utility that the good being consumed can provide. Having limited resources at one's disposal in an economic crisis, and seeking to maximise satisfaction, leads to a rationalisation of consumer behaviour. The dilemma faced by the consumer is the allocation of money between different purposes. The decisions that the consumer will make in this regard according to G. Cato's theory of consumer behaviour are characterised by greater conservatism and prudence. In times of crisis, these characteristics seem to be particularly evident, especially when these decisions are taken over a longer time horizon and are so serious that they require a more in-depth analysis of possible consequences, as well as an assessment of the consumer's current and future financial situation (Zalega, 2007).

Of the social factors, attention should be paid to the educational level of the society. Firstly, an increase in educational attainment increases employment opportunities and influences wage levels and income growth. Secondly, an increase in the level of education is correlated with an increase in health awareness, which influences the openness of society to new consumption trends and changes in the structure and quality of purchased goods, including food (Komor, Czarnyszewicz, Białoskurski, Goliszek, Wróblewska, Pawlak, 2020).

Conclusion

It follows from the above considerations that the pandemic has had a significant impact on the behaviour of market participants, often forcing consumers not only to change their lifestyles, but also to change their habits, routines and patterns in the area of purchasing and using consumer goods or services. Considering the aforementioned economic factors, in the current era of market events, it is necessary to emphasise the role of inflation, which is synonymous with a widespread increase in the prices of goods and services over an extended period of time, combined with a decrease in the value of money (Kępka and Pająk, 2022).

The material situation, income, job security of the population is one of the most important economic factors influencing the demand for food goods and services. These factors shape the size of purchasing power, in turn, its differentiation in the socio-professional cross-section influences the structure and level of consumption among

² <http://psych.uw.edu.pl/wp-content/uploads/sites/98/2020/12/COVID-19-Study-European-Food-Behaviours-Report.pdf>

³ <https://www.pwc.com/gx/en/consumer-markets/consumer-insights-survey/2021/gcis-june-2021.pdf>

particular groups of the population. Rising prices of food, energy and fuel prices have forced changes in consumer behaviour, leading to spending restraint and more frugal living.

General conclusions:

- economic and social factors have decisively affected consumer behaviour;
- the pandemic situation caused a deterioration in the financial situation of most households, which affected the saving process;
- the Covid 19 pandemic caused spending to be limited to what was necessary and influenced a reduction in the quantity and quality of purchases, as well as postponing them;
- consumer behaviour became more thoughtful and rational and decisions to purchase products were made from the perspective of the utility that the consumed good could give;
- members of society with higher education and social status found it easier to find their way in the new situation and had greater awareness and knowledge, in case of job loss it was easier for them to find a new job.

The pandemic situation, which has been followed by various socio-economic transformations taking place both in the consumer environment and within households, has led researchers to take an interest in consumer behaviour, changes in their preferences or the structure of consumption alone.

Credit Authorship Contribution Statement

The article was written solely by me with no input from others.

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Conflict of Interest Statement

As the author of the article: I declare that the research was conducted in the absence of any commercial or financial relationship that could be construed as a potential conflict of interest.

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