Economic Crisis Influence on the Polish Consumer Behavior

Anna Jasiulewicz
Warsaw University of Life Sciences SGGW,
Faculty of Economic Sciences,
Department of European Policy, Public Finance and Marketing
annajasiulewicz@gmail.com

Abstract: The paper consists of two parts. The first one presents the literature background in the scope of impact of the economic crisis on the Polish consumers behaviors on the market. In the second part the author presents the results of the quantitative research that include consumers’ subjective opinion on such issues as the definition of “economic crisis”, the evaluation of Polish economy condition and the household financial situation, the ways of money locating, the methods of protection against the negative crisis results, the ways of coping with current financial difficulties and changes in consumption structure. Author relates the results to the previous studies. The paper shows that in spite of creating Poland as a "green island" by Polish media, Polish consumer feels, sometimes painfully, the economic crisis consequences.

JEL Classification Numbers: D1

Keywords: economic crisis, consumer behavior, consumption, household

INTRODUCTION.

The world crisis causes adverse effects in national economies. Politicians, economists, journalists and market researchers ask the same question: “how to live in times of crises?”. This question is also posed by consumers around the world. Economic crisis triggered the inevitable impact on Polish social and economic reality. Initially the impression was that it avoided Polish economy and Polish situation was evaluated moderately positively comparing to the other European countries. The main threat was dangerous Polish zloty dependence from speculative short-term investments, high State dept and significant share of imports in production. In a short time reduction of credits given by banks, speculative "attack" on Polish currency and the reduction of Polish zloty value caused that world crisis began to be perceptible also in Poland. The macroeconomic effects included GDP decline and severe reduction in enterprises economic activity. The microeconomic consequence was consumption decrease. The social dimensions of crises are: unemployment increase, households income decline, fear of job loss, difficulties in finding new job, material status deterioration, inability to repay loans. Therefore, there has been a change of consumers lifestyles, and some of them feel severe anxiety and even depression.

Polish media and especially Polish government are still trying to convince the public that Poland is a European "green island", one of the few countries that managed to survive the crisis painlessly. Unfortunately, this rhetoric of success hides a much sadder reality. Economic growth does not necessarily directly submit to the proper life conditions of citizens.

LITERATURE REVIEW

The consumers purchasing patterns tend to change during stressful and difficult times such as global economic crises (Mansoor, D. and A. Jalal 2011, 102-105). Consumer behavior in
the crisis is characterized by consumption smoothing at various levels. The significant reallocation of consumption expenditures may be noticed (Dutt, P. and V. Padmanabhan 2011, 491-512). People are not so willing to pay more for products that have close substitutes with cheaper prices (Flatters, P. and M. Willmott 2009, 106-112, Mansoor, D. and A. Jalal 2011, 102-105). Therefore such products as designers goods products are replaced by casual brands or even designers fakes and organic food purchase decreases (Aguirre, G. and A. Juan 2009, 5-18 , Flatters, P. and M. Willmott 2009, 106-112). Consumers simplify their demand, start to recycle, buy used goods, less donate for charity (Flatters, P. and M. Willmott 2009, 106-112). They have redefined what they consider as “necessities” and what are considered “luxuries” but they have found it was hard to save (Mansoor, D. and A. Jalal 2011, 102-105).

Many surveys investigated the influence of the economic crisis on consumer behavior, such as Research and Markets and it occurred that i.e. in 2009: 56% US, 53% British, 81% Italian and more than a half of German consumers felt that their lifestyle has been impacted by the recession. They have been forced to reevaluate their spending and lower prices had a big influence over where people did their shopping.

Amalia P. and P. Ionut (2009, 779-782) indicate that consumers have different perception about hard situation like economic crisis and therefore they present various behaviors in the face of negative effects of crisis. They propose consumers segmentation using the risk attitude and risk perception factors. Four consumers segments were suggested: panicked consumers, prudent consumers, concerned consumers and rational consumers. Each of segments acts differently regarding the influence of the crisis on their behavior. The real crises impact is visible in the case of first and second segment while in the case of others it has moderate (concerned consumers) or very weak effect (rational consumers).

In recent years Polish consumers behaviors and preferences were shaped by many factors connected with globalization, spread of different lifestyles and social status. Poles wanted to catch up previous “lean years” and consumption importance increased in context of prestige and life quality improvement. Many consumers began to feel happiness by buying and in some way consumerism has become the standard of living (Slaby, T. 2009, 8-10). They shortened the distance of civilization to the richer countries and started to uphold materialistic attitude. After the years of communism Poles “began to disperse” in achieving level of life and consumption characteristic for western countries and therefore they don’t feel yet the surfeit of materialistic lifestyle and excessive consumption (Bombol, M. 2011, 153).

The economic crisis has surprised the Poles. They had to deal quickly with crisis progressive effects and also to take long-term adaptive steps. In some cases emotional reaction such as feeling of fear, helplessness or apathy appeared. Symptoms resulting from the economic environment generate fear about the Polish economy and consumers future. But from the economic point of view we do not observe drastic slump in consumer spending. Financial constraints and the uncertainty of the future influence also positive changes in consumer behavior. Consumption has become less ostentatious, more thoughtful and more balanced (Bombol, M. 2011, 8-9, 142, 158).

The present attitudes of Poles may be divided into three groups: belay, remedial and alternative. The belay attitude is characterized by the limiting the consumption only to necessary goods. Consumers representing remedial attitude mainly look for a help in family and social organizations, go abroad for a work purpose and work in shadow zone. The consumers with alternative attitude are ready to take a job below qualifications or agree to work for lower salary just to maintain the financial liquidity (Slaby, T. 2009, 21).

Bombol M. (2011, 157) has made attempts to systematize the consumers behaviors in the various stages of crisis:
I. The first stage (2008): limitation of unnecessary pleasure goods purchasing, emotional purchases controlling, denying the necessity of conscious reduction in consumption;

II. The second stage (2009): substitution of more expensive products with cheaper, postponing expensive purchases for later, reducing the necessary expenses;

III. The third stage (2010): getting used to the crisis, ostentatious savings and bigger consumer awareness.

RESEARCH RESULTS IN RELATION TO THE PREVIOUS STUDIES

Methodology and respondents characteristics.

This study investigates the impact of global economic crises on consumers behavior and presents consumers subjective opinion on such issues as the definition of “economic crisis”, the evaluation of Polish economy condition and the household financial situation. A sample survey of 300 consumers was carried out in March 2012. A structured interview was used.

50% of respondents were male and 50% women. The education level of respondents was as follows: primary 7%, secondary 39%, university 54%. 70% of the population lived in cities and 30% in village. The age structure was as follows: under 30 years old : 10%, 31-40: 34%, 41-50: 37%, 51-60: 11%, over 60: 8%.

Research results in relation to the previous studies.

Economic crisis perception

The respondents consciousness about the world economic existence was checked. It seems that exploitation of the crisis topic by media during last four years caused that it is nearly impossible to be not aware of its existence. The vast majority of consumers (88%) are aware of the global crisis (Figure 1). Notable is the fact that respondents perceive the economic crisis mainly through consumers material status aggravation (4.6 in 5-point Likert scale). The crisis is also understood as less profit for entrepreneurs (4 points), dismissal and unemployment increase (3.8) and higher prices on the market (3.2) the loan and credit application refusals by banks, property value decline, decline in the value of Polish zloty (Figure 2).

Figure 1. Consumers' consciousness about the economic world crisis

<table>
<thead>
<tr>
<th>Perception</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>88%</td>
</tr>
<tr>
<td>I don't have any opinion about this matter</td>
<td>4%</td>
</tr>
<tr>
<td>I'm not interested in economic issues</td>
<td>6%</td>
</tr>
</tbody>
</table>

![Figure 1. Consumers' consciousness about the economic world crisis](image-url)
Respondents are rather pessimistic and consider that economic crisis is perceptible in Poland and it will take a long time before it ends (40%) or even the situation will deteriorate in the future (34%). The improvement of the difficult Polish economy situation is expected by 19% and only 6% perceive Poland as a "green island" and believe that the world economic crisis doesn't threaten Polish economy (Figure 3).

According to the Eurobarometer survey carried out in 2010 Poland was the only EU Member State where less than half of respondents felt that poverty had “strongly” or “slightly” increased in their country. According to the Eurobarometer survey carried out in 2009, 34% of Polish respondents positively evaluated the Polish economy condition, but only 1% evaluated it very well. Almost two in three respondents had the opposite opinion (62%): half of Poles (50%) perceived the situation of the Polish economy as rather poor, and only 12% considered it very bad. Although the negative responses predominated, Polish respondents evaluated their economy better than the general population of the European Union. An average of 23% of EU citizens assessed their economy positively and three
quarters (75%) negatively. What is interesting, the major part of Polish respondents (69%) consider that Polish economy is in worse condition than Community average economies.

According to the TNS Pentor Report (February 2012) the current condition of the country’s economy is evaluated as a worse by 50% of Polish respondents comparing to evaluation in previous year (46%). 6% of respondents believe the current economic situation is better than last year (+1 pp) and 44% perceive it as the same. The research results allowed to create the typology that reflects the attitude of Poles to the economic situation of the country. “Pessimists” are the people positively or partially positively evaluating the current economic situation Polish but pending changes for the worse (20.1% of the population). “Frustrated” are the people negatively evaluating current economic situation and also expecting a further deterioration of the situation (25.7% of the population). “Resigned” are the people badly evaluating current situation and not counting on any changes in the future - either for better or for worse (13.2% of the population). “Optimists” are the people positively or partially positively evaluating the current situation and expecting a further improvement in the future (18.4% of the population). “Tough optimists” are the people negatively evaluating current situation but hoping for improvement in the future (4% of the population). “Satisfied” are the people positively or partially positively evaluating current situation and not hoping for major changes in the future (18.6% of the population).

**Households economic situation**

The respondents were asked to assess their households economic situation (Table 1). Most of the respondents believe that their financial situation is average (37%). Every third consider it as very good and good or bad and very bad. The correlation with the education level was noticed: people with higher education evaluate their situation better than those with lower education. According to the Central Statistical Office (2011) more than half of Polish households assessed their financial situation as an average, every fourth as good or very good and every fifth as rather bad or bad.

<table>
<thead>
<tr>
<th>Financial situation</th>
<th>Education level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Very good</td>
<td>10</td>
</tr>
<tr>
<td>Good</td>
<td>22</td>
</tr>
<tr>
<td>Average</td>
<td>37</td>
</tr>
<tr>
<td>Poor</td>
<td>20</td>
</tr>
<tr>
<td>Very bad</td>
<td>11</td>
</tr>
</tbody>
</table>

More than a half respondents (53%) don’t expect changes in their household financial situation in the next 12 month, nearly every third anticipates deterioration (30%) and 17% hope for better.

The similar results were achieved in the Barometer survey (2010) where more than a quarter (28%) of EU citizens said they expected their household’s financial situation to deteriorate during the next 12 months. 25% of Polish respondents expected their household’s financial situation to get worse, 52% Poles considered that situation would remain the same and 19% expected an improvement. According to the Central Statistical Office (2011) total household disposable average monthly income per capita in 2011 was lower by 1.4%
comparing to the income in 2010. After six years of real income increase, decline in household income was reported.

Crisis impact on households situation

Three quarters of respondents believe that global economic crisis affects their households condition (Figure 4). Available funds are sufficient only for current expenses in the case of 43% respondents and in the case of 10% funds are insufficient even for current expenses. A quarter are able to make some savings form their funds and 23% devote a greater share of funds for current expenses and the rest spend on leisure (Figure 5). It seems that very often consumers that were not largely affected by the crisis, still live beyond their means and do not accumulate savings for future.

Also according to Smyczek S. (2011, 96) research results, 30% of consumers prefer rather spend money than save despite economic crisis and 13% of them consider that it is not worth to save.

According to the Eurobarometer survey (2010) one in six EU citizens stated that their household had no money to pay ordinary bills, buy food or other daily consumer items, on at least one occasion (20% respondents in Poland), and a similar proportion – 20% – were having difficulties in keeping up with household bills and credit commitments. 53% Polish respondents kept out with household bills and credit commitments without any difficulties.
Respondents were also asked how their expenses changed in comparison to the previous year (Figure 6). It occurred that they spend more especially on foodstuffs (74% respondents) and such expenses as i.e. fuel. Contrary they spend less on alcoholic beverages, cigarettes (48%), books, press, CDs, DVDs (48%), recreation (cinema, theatre, courses, fitness, etc) (46%), services (gastronomy, cosmetic services, taxi, etc) (38% respondents), clothes and shoes (42%). Smaller consumption is connected with the limitation of expenditures attempt.

According to the Provident Barometer (2012) Poles expect food (31%), fuel (28%), electricity (17%) and gas (10%) price increases. For further positions Poles mentioned drug costs (3%) and water (2%). None of the respondents expect to increase spending on entertainment.

There are different ways of expenditure limitation in households in the times of economic crisis (Figure 7). Only 4% respondents do not care about crisis and do not limit their expenditures. First of all respondents reduce expensive durable goods purchases (64%), they don’t take new loans or credits (57%), they cancel holiday trips or choose cheaper offer (49%), reduce expenditure on entertainment(cinema, theatre, etc.) (45%), limit meals outside home (37%). About a quarter of respondents purchase cheaper foodstuffs, every fifth chooses public transport instead of car (23%), reduces of expenditure on the barber, beautician, gym (20%) and reduces consumption of electricity, gas and water (19%), limits paid services associated with the house and its surroundings (repair services, flat cleaning, garden care, etc.)(19%). Less popular ways of dealing with the crisis are: resignation or limitation of paid extracurricular activities for children (16%), limitation of the outsourced babysitting (6%), resignation from additional medical insurance/paid medical care (4%).

According the Eurobarometer survey (2010) high proportions of respondents said that things had changed for the worse in terms of affordability of healthcare and social care. About 3 in 10 EU citizens reported that it had become more difficult to bear the costs of general healthcare for themselves or their relatives: 11% felt it had become “much more difficult” (21% of Polish respondents) and 18% thought it had become “somewhat more difficult” (22%
of Polish respondents). More than a quarter (28%) of respondents – who considered the question applicable to their personal situation – thought that it had become “somewhat” or “much more difficult” to afford childcare (12% of Polish respondents).

Also Bomboł M. (2011, 136-137) and Janoś-Kresło M. (2009, 54) indicates that consumers behaviors changes are bigger than their earlier predictions in this matter. They limit new clothes and durable goods purchases, reduce services connected with entertainment and leisure, buy cheaper foodstuffs and alcohol beverages, postpone replacement of old equipment (mobile phone, computer) for new. According to Kiežel E. (2011, 143) consumers reduce expenses and buy only necessary goods (46% respondents) or limit expensive expenditures (41%). Janoś-Kresło M. (2008) points that worsening consumers financial situation affects limiting the use of paid services. Interestingly it was also found that up to 36% of respondents buy fake designer goods instead of originals despite of media actions discouraging from the fakes purchasing. Perhaps this can be explained by desire of showing that we can afford expensive thing (while we can’t) in the times of crisis and yet we want to stand out from the crowd.

According to the Zalega T. (2011, 483-484) in the case of high yield households small impact of the crisis may be observed. Only 20% of households suffer the consequences of the crisis and take in this regard specific remedy and assurance actions. Research results show that financial crisis in high-yield households contributed mainly to the reduction of tourism and catering services that are at further positions in the hierarchy human needs.
Figure 8. Ways of dealing with financial difficulties

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None of above, I don't have any financial difficulties</td>
<td>4%</td>
</tr>
<tr>
<td>I drastically reduce my expenditures</td>
<td>32%</td>
</tr>
<tr>
<td>I take extra work</td>
<td>23%</td>
</tr>
<tr>
<td>I ask for help to social institutions</td>
<td>10%</td>
</tr>
<tr>
<td>I sell my valuable material resources</td>
<td>10%</td>
</tr>
<tr>
<td>I use my savings</td>
<td>27%</td>
</tr>
<tr>
<td>I ask my family, relatives, friends for help</td>
<td>15%</td>
</tr>
<tr>
<td>I take the loan/credit</td>
<td>0%</td>
</tr>
</tbody>
</table>

Only 4% respondents don’t have any financial difficulties. In the case of such difficulties other respondents use their savings (61%), drastically reduce their expenditures (32%), ask their family, relatives or friends for help (27%), take extra work (23%), take the loan or credit (15%), sell valuable material resources (10%) (Figure 8).

Research results of Mróz B. (2011, 110) shows that respondents reduced their expenses (31%), looked for a job in shadow zone (11%), sought help in the family (11%), friends (10%) and social institutions (9%) and went abroad for work purposes (8%).

Consumers approach to the possibility of job changing in the times of crisis

Respondents were asked if they would consider changing the job in order to increase the salary in the times of crisis. Results show that respondents are rather cautious and they do not believe in the lucrative possibilities on the present work market. They think that it is difficult to find a job in the times of crisis (39%) and it is too risky to change the job (40%). Only 14% respondents take into account such possibility, 3% have already changed the job and 4% is fully satisfied with their present salary (Figure 9).
According to the Barometer survey (2010) in March 2010, about a sixth (18%) of respondents actually in employment were “not very confident” (8% of Polish respondents) or “not at all confident” (17% of Polish respondents) that they would be able to keep their current job in the next 12 months and roughly half (49%) thought it would be “fairly unlikely” (27% of Polish respondents) or “not at all likely” (12% of Polish respondents) that they would be able to find a new position within six months, in the event that they were laid off. Pessimism about the ability of respondents to keep their current job in the next 12 months was the highest in eastern and south-eastern European countries. But 58% of Polish respondents expected to be able to find a job after being laid off.

According to the Barometer survey carried out in 2009 every second Pole believes that the most important problem in our country is unemployment. Poles (44%) generally more likely than Europeans (54%) believe that the impact of the crisis on the labor market has already reached its peak. But a few less of Polish respondents (42%) say that the worst is yet to come.

Opinion about profitable ways of money locating in times of crisis

Real estate is the best form of safe investing savings in times of economic crisis in respondents opinion (32%). Slightly less popular is gold and jewelry as a method of money locating (25%). Less trust they have in bank deposits (17%) or investing in work of arts and antiques (13%). Policy with capital fund, stock, bonds and foreign currency are not perceived as a safe (Figure 10).

Similar ranking was achieved by research commissioned by Deutsche Bank PBC in 2011 (BankierPress 2011) but bank deposits were on the second place before gold.

The mood of respondents in the light of the economic crisis

Respondents were asked to indicate what they feel thinking about the economic crises impact on their life. Research results show that high concern dominates: 37% of respondents feel a big fear, 21% are scared, 21% start to panic and 14% are depressed. A very few respondents (4%) are not worried and think that crisis has not affected their life.

According to the TNS Pentor Report (2012) consumers more often negatively perceive future state of the household budget and more often think about the future with anxiety comparing to previous year. Households economic condition evaluation is becoming more and more relevant to Polish economy future situation evaluation. Basing on everyday life
experience and numerous experts opinions they less and less have a basis for positive ratings formulation.

CONCLUSIONS.

The study allows to summarize the results and reach some conclusions:

1. Exploitation of the crisis topic by media during last four years and the own respondents experience in that matter caused that it is nearly impossible to be not aware of crises existence. The great majority of respondents are aware of global economic crisis and perceive it mainly through consumers material status aggravation.

2. Respondents are rather pessimistic and consider that economic crisis is perceptible in Poland and it will take a long time before it ends. More than a half respondents don’t expect changes in their household financial situation in the next 12 month and nearly every third anticipates deterioration.

3. In spite of creating Poland as a “green island” by Polish media, respondents feel, sometimes painfully, the economic crisis consequences in their households: available funds are sufficient only for current expenses in the case of 43% and for every tenth funds are insufficient even for current expenses. In the case of financial difficulties respondents are forced to use their savings, drastically reduce their expenditures, ask relatives for help or take extra work.

4. The significant reallocation of consumption expenditures is visible. Respondents spend more especially on foodstuffs and such expenses as i.e. fuel. Increase of expenditures is mainly caused by higher prices. Contrary smaller consumption of some goods (alcoholic beverages, cigarettes, books, recreation, services, clothes and shoes) is connected with the attempt of expenditures limitation.

5. Expenditures limitation in households caused by economic crisis forces a change (sometimes serious) in respondents lifestyle. They spend less on their pleasures such as holiday trips, entertainment, meals outside home, services associated with caring for body and beauty. Every fifth respondent chooses public transport instead of car, reduces consumption of electricity, gas and water and limits paid services associated with the house and its surroundings in order to save some money.

6. Respondents are rather cautious and they do not believe in the lucrative possibilities on the present work market. They think that it is difficult to find a job in the times of crisis and it is too risky to change the job.

7. The best forms of safe money investing in times of economic crisis in respondents opinion are Real estate and gold and jewelry.

8. The crises negatively affects the respondents’ mood and their perception of future: high concern dominates and pessimistic attitudes are noticeable: sometimes even panic and depression.

REFERENCES


Kieżeł, E. 2011, ‘Polish consumers' behavior in conditions of economic crisis’; Warsaw, Placet


Slaby, T. 2009, ‘Polish consumer reaction to the economic crisis’; Warsaw School of Economics, 8-10

