CHANGES IN CONSUMER’S BEHAVIOUR ON THE ROMANIAN RETAIL MARKET IN THE CONTEXT OF ECONOMIC CRISIS

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In order to observe the impact of the economic crisis of consumer’s behaviour on the Romanian retail market, I focused my research on the evolution of consumption expenditure of households. I studied aspects from European Union and Romania. The study is based on the research taken in the project of PhD research with the theme: The impacts of Economic Integration on Romanian Retail. I used data from Eurostat, the Romanian Statistical Institution, specialised studies etc.

Key words: consumer behaviour, higher expectations, crisis,

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1.Introduction
The global economic crisis, through its effects, caused changes in consumer behaviour. A new character was identified, the wise consumer, which is more judicious in shopping and considers the prospects for the future. It changed the consumer life in general, and how he/she makes buying decisions. The effects of the crisis are multiple: lower income, rising prices, rising unemployment, job losses, loss or fringe benefits, increase loan rates due to the devaluation of currency. All this leads to redefining income destinations, sense of fear, uncertainty, etc. In crisis consumers have lost their optimism, they had to postpone and rethink their future projects, reduce expenditure for less necessary goods, limit to the main needs, reduce maintenance costs of housing, and they were limited in consumption and home activities searching ways to support consumption at home, therefore consumers have resorted to limiting consumption. (money.ro, 2010)

Consumption expenditure evolution in the European Union
In order to determinate the consumption evolution in Europe, I used data from Eurostat: the consumption expenditures of households at each EU member countries, data in percentage changes household consumption expenditure also nationwide.

Figure 1: The consumption expenditure evolution of EU member countries during 2000-2013
Source: the author according to the data available on Eurostat

From the chart above we can see changing developments in consumer spending for households in all the states of the European Union. Thus, the total consumption in the European Union fell with 2.2% in the year of 2009 compared to 2008. Most affected by the economic crisis were states like Portugal, with a decrease in consumption by 2.4% in 2009 compared to 2008, Estonia with a decrease of 1.8%, Spain with a decrease of 1.1%, France with a decrease of 1.1% in 2009 compared to 2008 when there was registered an increase of 3.6% over the previous year. In Lithuania, the consumption expenditure of households increased by 3.2% in 2009 compared to 2008, when consumption had increased by 10% over the previous year. A similar situation was found in Romania where consumption grew by 3.8% in 2009 compared to 2008, year in which it recorded an increase by 10.1% compared to 2007, and Latvia had an increase consumption by 3.1% in 2009 compared to 2008, when consumption increased by 15.8 % compared to the value registered in 2007. The economic crisis produced no negative effects on Iceland, where the expenditure consumption increased by 12% in 2009 compared to 2008 and with 11.6% in 2008 compared to 2007. (Eurostat, 2011)

In 2010 there weren't any decreases in consumer spending, but there were registered procentual increases of consumption with values ranging between: 0.1% in Czech Republic, 1.2% in France, 1.4% in Italy, 4.3% in Iceland and 4.5% in Hungary. (Eurostat, 2011);
3. Consumption expenditure evolution in Romania during the last decade

Romania is a country with the most significant evolution of consumption in Europe and is one of the largest markets in terms of population (7th place in the European Union after Poland), and the country with the highest GDP growth during 2005 and 2008. (Contrast Management Consulting, 2011).

Also, the Romanian retail market recorded the highest growth rate from the Central and Eastern Europe region in the last 10 years. However the average amount spent by a Romanian consumer is still less than half compared to the European average (23%).

Figure 2. Evolution of final consumption expenditure of households from Romania during 2002-2013

Thus, as can be seen in Figure 2, there were significant increases of consumption in Romania: 20.2% in 2002 compared to 2001, 16% in 2003 compared to 2002, 10.1% in 2008 compared to 2007, and in 2009 when the economic crisis had led to a reduction of the revenue, increasing unemployment etc the consumption expenditure registered a smaller increase, by 3, 8% compare to 2008. In 2010 there was an increase in consumption by 7.9% compare to 2009, while in 2011 consumption increased by 6.1% over the previous year.

Projections for the following years are meant to increase, those with 2.65%. In 2012 compared to 2011 and by 7.3% in 2013 to 2012. (Eurostat, 2012). Increases in recent years have been lower due to the economic crisis, the imbalances in the economy, the uncertain political situation from Romania, etc.

In this period, Romanian consumers had to give up certain activities (GFK România 2010), in the way in which they:

- spent 32% less money on clothing and footwear;
- reduced holidays and travel expenses by 28%;
- allocated 25% less money for savings and investment;
- spent 23% less on having dinner with friends, 21 % less on dining outdoors;

Source: the author according to the data available on Eurostat
- decreased by 20% mobile costs;
- reduced 19% budget for housing decoration;
- reduced 18% electricity costs that households own;

Consumers have turned to other activities such as receiving guests at home, walks in the park, watching movies at the cinema. According to a study by the European Audiovisual Observatory, in Romania, in 2009 cinemas have reported earnings 70% higher than in 2008. If in 2008 cinema tickets were sold in the amount of about 46 million lei in 2009, cinema receipts were over 78.2 million lei. (kappa.ro, 2010)

Studies (http://ww.kappa.ro, 2011) show that in 2010, 10 million Romanian consumers have been affected by the economic crisis, especially in the manner of reducing extra-wage incomes and 2.1 million peoples had lost their jobs. People with an average and low income were the most affected by the crisis effects in 2009. They cancelled almost all projects in order to survive. For the population with high incomes, the impact was more on psychological level, but they became more moderate, more cautious, delaying taking the decisions to projects than the financial impossibility to would bring them fulfilment. (financiarul.ro, 2010).

A similar evolution had the consumption credit. During 2004-2008, there was a period of expansion in consumer loans, placing Romania in a different situation compared to other states of the European Union: loans balance of the consumption is significantly higher than prime mortgage balance. Currently, the share of consumer credit in the total balance of loans to population is of 66% in Romania and in the euro area its share only of 13%. Banks in Romania have ongoing consumer loans that are worth 16 billion or the equivalent to 13% of the GDP, well above the euro area of 7%. Exuberance with which banks have granted such loans in recent years has generated the problems that now the banking system is facing, meaning that consumer credit arrears are much higher than mortgage (businessday.ro, 2010).

The decrease of incomes determined the increase of the income rates in total disposable income so the available budgets for consumption fell. Consumers have become aware of the promotions in stores, the main anti crisis traders lever, focusing on cheaper products, including the brands owned by the stores. As evidence, discount store chains have opened most new sale items between 2008 and 2011. Currently, the retail stores, the discount stores are preponderant, counting 365, and the superstores that are in a number of 224. Most of the discount stores were opened in 2007-2009, namely 46 in 2007, 52 in 2008, and 86 in 2009. In 2010 the number of new stores decreased as a negative effect of the world economic crisis, the decline of the consumers’ purchase power and their orientation towards purchasing necessities at low prices. (financiarul.ro, 2010).

The main effects of the economic crisis in terms of consumer’s behaviour lead to a reorganization of the budget for shopping and thus to reshape its life style. Consumers will be more careful, more judicious in consumption. (money.ro, 2010).

Studies show that the mood of the Romanian consumer has changed dramatically in the last years; on top of the list of consumer concerns were aspiring to a better standard of living and more comfort, now the mood of the Romanian consumer is characterized by uncertainty, fear and a sense of vulnerability (money.ro, 2010).

4. Trends regarding consumers and retailers behaviour
Although consumers have not yet recovered after the shock created by the economic crisis, however, they have changed their behaviour regarding consumption, being forced to adapt to a new lifestyle. Starting from this fact, various researchers made predictions about consumer behaviour, considering that they will adopt a long-term behaviour inspired by a new set of values, modified by the economic crisis. Several trends (Comăneci, 2011) were identified:
- Consumers are prepared for hard times. Left with the feeling that proved to be an economic collapse caused by the global recession, consumers will adopt future preventive behaviour, considering savings and investment as priorities. Consumers would be better informed before making purchases, choosing products that will be efficient and provide long-term benefits, trying to be careful and find on time the hidden additional costs of products or contracts;

-Retail Trade Renaissance. Along with the rapid development of the online commerce experience, offering discounts, there isn’t a winning battle against the Internet. Many consumers recognize that they chose to buy products at reduced prices, or expect the time when promotions are announced. Traders need to become more creative and work harder to attract customers to stores. They should be able to offer more than selling a product. Services must be extended to advice and demonstrations, while exclusivity and design concept of selling space should provide to the client a picture of the real world as opposed to the virtual world experienced when buying on-line;

-Interest in the intellectual preparation. The economic uncertainty caused changes in the perception of the job. As a result, consumers show increasing interest in studies that provide a higher qualification. In future, companies could invest more in training and the continuous education of employees, than other paid benefits.

-Identifying new markets. People often work, even after the time when they can retire because of the financial needs or because they are attached to a particular lifestyle. Thus, this untapped market may become a target group for different companies producing various beverages, foods, or other products with aging properties. In UK, almost one quarter of women under the age of 18 and one third of men are overweight, also more than 30% of children. This could become a market niche by creating obese services: catering, with controlled meals, nutritional products with more information on the packaging, etc.

-Choice for organic products. Modern urban dwellers increasingly express the need for more natural products, organic, finding different ways for consumers to have access to such products. In U.S., 26% of users have purchased vegetable seeds online, 19% have bought fertilizers for vegetables and flowers, and 27% grow vegetables at home. In UK one in five consumers grows vegetables and fruit. In U.S. 40% of people have a garden and grow vegetables and fruits. This could also increase the demand for rural tourism, farm holidays, and can exploit a niche market, consumers of seeds of vegetables and fruit and other auxiliary products used for cultivation.

5. Conclusions

On the analysis of consumer household budgets in the European member countries, especially Romania, I identified the following aspects of consumer behaviour:

In Europe, the trend between 2000 and 2008 resulted slightly flattening at the top of the regional income distribution band, caused in particular by substantial relative falls in regions with high levels of income. Over the same period, the 10 regions at the bottom of the scale, all in Bulgaria or Romania, caught up by a range between 4.4 and 12.0 percentage points compared to the EU average.

Romania is a country with the most significant evolution of consumption from Europe, is one of the largest markets in terms of population (7th in the European Union after Poland), and the country with the highest GDP growth during 2005-2008.

This upward trend is expected to continue over the next ten years, when the prediction is of an average increase of 5% per year for the Romanian market. The main pillars that will support this growth are: increasing the purchasing power of the population, the further expansion of modern trade sector and changes in consumption behaviour.

Today, customers are better informed and have higher expectations from retailers. They expect stores to offer products at good prices to help them save money. Buyers are armed with a lot of information and change easily a brand to another. Stores are facing the new behaviour of
consumers which arises from the fact that they have become more educated and better informed about products they wish to purchase. Consumers are increasingly seeking safety, healthy experiences no matter if it is about goods or services. Shopping places become for consumers as important as the products they buy.

Beyond the negative effects of the crisis we can identify the positive effects like those that have forced temperance to the Romanians’ behaviour which now make their purchasing decisions. Consumers will spend less money on unnecessary expenses, will be more cautious and will not spend money of products that are not meant to satisfy their most fundamental needs, and those who have difficulties in paying rates on loans will not contract loans before they inform themselves better.

Constraints caused by the behaviour of the consumer forces companies to seek innovative solutions, unique, creative, which can lead to the revival of the industry. Similarly, since 2009, all merchants have operated cost savings that had as consequence significant efficiencies in their activities. In fact, everyone has to get used to living in an unpredictable climate and learn lessons from crisis.

6. References