

RELATIONSHIP OF PERCEIVED ECONOMIC FLUCTUATIONS
TO CONSUMER ADAPTIVE SHOPPING BEHAVIOR:
AN EXPLORATORY STUDY

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Abstract

In the past few years the changes in the economic environment have had a drastic impact on consumers' shopping behavior. Shopping consumers have developed various adaptive behavior mechanisms that allow them to cope with the influence of changes in economic conditions on their shopping behavior. In order to understand consumers' shopping activities in a changing economic environment, this study focuses on consumers' perceptions (subjective measurements) of that environment and how those perceptions influence their outlook and determine their shopping activities. Research findings demonstrated that changes in the economic environment have had an impact on consumers' shopping behavior. Furthermore, consumers' perceptions and expectations can be used to explain the relationship between those economic changes and consumers' adaptive shopping behavior.

Introduction

The concept of adaptive behavior deals with the problems facing consumers in an attempt to adjust their lifestyles to accommodate changes in the economic environment. Households can react to adverse economic situations by increasing family income (e.g., two-income family) or by changing how they spend their income which includes their saving and debt proportions (Convers, et al 1980).

According to one study (U.S. News & World Report, January 9, 1984) concerned with the outlook of the economic conditions, inflation will begin creeping back in 1984. The drought of last summer coupled with higher demand from consumers will result in a sharp price increase in food prices. The U.S. Department of Agriculture predicts food prices will rise by four to seven percent, compared to last year's 2.2 percent (U.S. News & World Report, January 9, 1984, p. 49). Only during the last two years the inflationary pressures felt by the American consumers have somewhat eased. As recently as January, 1979, Time reported that "though Americans are bring home the richest paychecks of their lives, runaway prices have made the dreams of a decade earlier now seem like taunting fantasies". Until 1982, the steepest price rises had been registered in life's necessities: food clothing, shelter and transportation. Although the double digit inflationary pressures have eased, some recent reports clearly indicate that consumer behavior affected by years of 'staglatory' economic conditions, continues to impact contemporary consumer behavior. (Time, November 5, 1984; Simison 1984 and Charlier 1984).

During unprosperous periods the consumers' real income declines. In order to minimize the effects of those adversities, shopping consumers have been forced to consume less and to modify their shopping behavior, such as taking advantage of substitutions by purchasing lower priced items (e.g., generic

products and no-frills flights) (Shama 1980).

Shama (1978) reported that consumers' adjustments to diminishing purchasing power were evidenced by change in their shopping habits and preferences. They began judging products and services in a new way, became more comparative and less wasteful shoppers, grew more energy conscious, weighed purchase decisions with spouse more than before, argued about financial matters more, and became more insecure about their jobs.

Assael (1981) stated that the changes in current economic conditions which have caused a decrease in consumers' purchasing power tend to increase the frequency of comparison shopping by the shoppers. The same conclusions were stated by Engel and Blackwell (1982). They were also noted in an article in Progressive Grocer (November 1983). Assael (1981) added that the high cost of transportation decreases the number of unplanned shopping trips, decreases impulsive buying and leads to a greater use of in-home shopping by consumers (e.g., catalog shopping). This new type of consumer is considered to be an economic shopper rather than a recreational shopper. The economic shopper is less likely to buy impulsively, is more sensitive to the price level of the items purchased, and approaches store selection mainly from a money-saving standpoint (Assael 1981).

According to other consumer surveys (Dietrich, Progressive Grocer, June 1982; Johnson 1983) the status of our economy has contributed to a decline in loyalty to a store. When shopping for food items, more and more shoppers are switching stores and demoting a store from first to second place (trading down). Their aim is to purchase from a store in which the prices are lower. Time (October 1983), Tanner (1982), and Assael (1981) also reported similar findings (i.e., tough economic times are likely to increase price consciousness and reduce loyalty to a store).

Objectives Scope of the Study

The literature on the changing contemporary economic condition indicates that economic fluctuations have an impact on consumers' shopping orientations and on the business environment (retailing).

Because traditional economic consumption is inefficient in predicting consumers' purchasing behavior, a need for a new theory is apparent. Katona stated that "economic processes stem directly from human behavior and that this simple but important fact has not received its due in modern economic analysis." (Katona 1951). The researchers' attempt is to implement a psychological approach (i.e., consumers' perceptions and expectations) in their analysis of consumer behavior. It is hoped that this study will increase our knowledge of consumers' shopping orientations in a changing economic environment. The overall objective is to demonstrate how consumer's expectations and perceptions are related to their shopping activities. This approach

is consistent with Katona's classical reports on the relationship between consumers' perceptions and expectations and consumers' economic behavior (Katona 1960, 1964; Katona, Strumpel and Zahn 1971). Using a subjective measurement (consumers' expectations), it is possible to assess the relationship between changing economic environment and consumers' shopping behavior.

The theory behind this study is that economically optimistic or pessimistic perceptions and expectations play a significant role in influencing consumers' behavior in the marketplace. In addition, this research study expands on Katona's work (Katona et al 1971) by reflecting that such correspondence also exists in the purchase of nondurable products.

Research Proposition

As was stated previously, the general hypothesis is that significant shifts have occurred in shopping patterns of consumers in recent years. More specifically, the scope of this research is to assess the nature of specific consumers' adaptive behavior as related to economic and environmental changes (such as price sensitivity, less impulsive buying, shopping distance travel related, trade-off related, and so forth).

In view of the above stated objectives, the research proposition which follows is to be empirically investigated in this study.

Proposition

Consumers with pessimistic perceptions and expectations concerning the economy have adopted the following shopping orientations when shopping for nondurable products:

- Making fewer shopping trips
- Minimizing shopping distance traveled
- Combining shopping trips
- Conducting more planning at home
- Using more coupons
- Using a shopping list and doing less impulsive buying
- More price (cost) sensitive
- More price loyal
- Less product and brand loyal
- Less experimental with new products
- Buying less of everything and conserving more

Methodology

Sample

In concurrence with the above proposition and in order to understand the adverse economic environment's impact on shopping consumers, a survey was conducted. A structured questionnaire was carefully prepared, pretested, and mailed to the Arkansas Household Research Panel members (AHRP) in Spring-Summer 1982). Altogether, 512 households were contacted with the rate of return for mailed questionnaires at approximately 97 percent. This percentage translated into 496 useful and returned questionnaires. The questionnaire enabled the researcher to investigate the nature and dimensions of the changing economic situations' impact on consumers' reported shopping behavior. Specifically, the questionnaire was structured to ascertain the following:

1. Consumers' concern with the changes in the economic environment (inflation, recession, shortages, unemployment, and stagflation); this pertains to a family's overall concern and awareness about, and adjustments to changing economic conditions.

2. Consumers' expectations of future economic conditions and their postulated impact on adaptive behavior.

3. The nature and dimension of specific shoppers' adaptive behavior as related to the economic and environmental changes (e.g., price sensitivity, less impulsive buying, shopping distance travel related, trade-off related, etc.).

Research Instrument and Relationship Tested

The research instrument contains three parts, each of which was designed to achieve some major aspect of the stated research objectives. Part I had 14 questions that were structured to assess the nature of the economic environment's impact on the consumers (negative effect, positive effect, and no effect). The evaluation of economic conditions during the past few years (up to 1982) and how they influenced various households was operationalized on a six-point scale ranging from "strongly disagree," with "disagree," "slightly disagree," "slightly agree," and "agree" as anchor points. The perception and expectation statements were worded to include positive, negative, and neutral positions in order to avoid the "yea-saying" phenomenon.

At this stage, a critical point needs to be made. In order to assess the nature of the economic impact on consumers' well-being, the items included in Part I were constructed to emphasize consumers' views of the economy more than their disposable income. As it was stated earlier, this approach is consistent with Katona's classic reports on the relationship between consumers' perceptions and expectations and consumers' economic behavior (Katona 1960, 1964; Katona, Strumpel, and Zahn 1971). Using a subjective measurement (consumers' expectations), it is possible to assess the relationship of the changing economic environment to consumers' shopping behavior.

Part II of the research instrument deals with identifying the coping strategies used by consumers to minimize the impact of the economy on their well-being. This part contains lists of consumers' characteristics that were identified from past studies on shopping activities in an era of a changing economic situation (Rao 1980; Sham 1980; Merchandising October 1979, October 1980), and from interviews with households in northwest Arkansas, southwest Missouri and western Minnesota areas.

In Part II the assessment of the impact on consumers' shopping behavior was operationalized on a six-point scale ranging from "strongly disagree" to "strongly agree," with "disagree," "slightly disagree," "slightly agree," and "agree" as mid-range anchors. The adaptive shopping behavior statements were measured on a 1 to 6 point scale. Furthermore, instead of using semantic differential scales, the Likert scale was used throughout this research to keep the questionnaire to a manageable length (Cf. Oumlil, 1983).

Consumers' Attitude and Intention Factor Scores

In order to operationalize independent variables and to assess the relationship alleged in proposition, 14 items were developed that were related to consumers' perceptions and expectations concerning the state of the economy. A six-point scale was developed ranging from "strongly disagree" to "strongly agree." The scales were factor analysed in order to ascertain the underlying dimensions of consumers' attitudes and expectations.

The factor analysis was accomplished via the factor procedure described in the SAS handbook (Helwig and Council 1979). The principal axis method was used; followed by a varimax rotation. The solution included two factors. The factors retained after rotation had eigenvalues greater than one. For purposes of analysis in the present paper, variables with communalities below .5 and loadings below .59 were dropped from subsequent analyses (cf. Hair, et al 1979). Statements that denoted negative economic perception and expectation were loaded positively on factor one (pessimistic factor), while the positively oriented items were loaded positively on factor two (optimistic factor). The statements with neutral economic orientations had no significant loading on any factor. Factor three was considered irrelevant and was not considered in further analyses because it had no variable with an important factor loading (factor loading above .59 with communality above .5).

The factor loadings are the correlations between each of the perception and expectation dimensions and a factor. The names (or labels) given to the factor should not be considered a complete summarization of the contents of the factor; they are used only to simplify reference to the factor.

Items' factor structure of Part 1 of the research instrument were known from a previous study (Oumlil 1983). See **Table I**.

The researchers computed simple composite scores for each respondent on each. The composites are based on the two-factor solution (perception and expectation) found for items in Part 1 of the questionnaire. The composite scores were computed for subsequent analyses.

Research Findings

Two Consumer Groups

When composite scores were computed from item responses for the perception and expectation composites, the two composites correlated .48. Five items each were used to create scores on the optimism and the pessimism composites. The scale anchors on all items were the same; thus, a raw score on one item can be compared directly to the raw score on another item. Therefore, raw scores on these two composites (consisting of the sum of five items each) also can be meaningfully compared. People who scored higher on the perception composite than the expectation composite were classified as pessimists, and the rest were classified as optimists. This process created two groups of people (pessimistic and optimistic). These two categories were used in the subsequent oneway analyses of variance (ANOVAs).

Consumers' Adaptive Shopping Orientation

The research proposition hypothesized that there is a significant relationship between 20 adaptive shopping orientations and the adverse effects of changes in the economic environment. One-way univariate analysis (ANOVAs) were employed to test the validity of these relationships. The univariate analyses of variance are useful to investigate the mean differences between the two groups (pessimistic and optimistic) (independent variable) for each adaptive shopping orientation (dependent variables). This is an exploratory study. Hence, univariate analyses are a useful first step which will aid the interpretation of later multivariate analyses.

The findings of one-way univariate analyses, via the SAS procedure, are presented in **Table II**. The data indicate that for 13 adaptive shopping behavior dimensions, the intergroup mean differences are significant. The price consciousness item (B1) (significant at the 0.0001 level) indicates that the pessimistic group is more price sensitive than the optimistic group. The price loyalty item (B2) (significant at the 0.0001 level) indicates that the pessimistic group considered price the most important store attribute. The making-fewer-shopping-trips item (B4) (significant at the 0.0001 level) portrays the pessimistic group as more active in minimizing shopping distance traveled. The combining-shopping-trips item (B5) (significant at the .01 level) shows the pessimistic group as more active in lowering the cost of transportation. The shopping-closer-to-home item (B6) (significant at the 0.05 level) denotes that the pessimistic group is more concerned about the location of the retail outlet. The doing-more-planning-at-home-before-shopping item (B8) (significant at the 0.0001 level) implies that the pessimistic group contains the less-impulsive buyer. The using-more-coupons item (B10) (significant at the 0.02 level) seems to indicate that the pessimistic group is more concerned about the high cost of living. The minimizing-shopping-distance-traveled item (B12) (significant at the 0.002 level) indicates that the pessimistic group is more involved in catalog and phone shopping activities than is the optimistic group. The doing-less-impulsive-buying item B13) (significant at the 0.0001 level) seems to conclude that the pessimistic group is more cautious and is more concerned about waste. The willing-to-buy-lower-quality-products-in-exchange-for-lower-prices item (B14) (significant at the 0.003 level) demonstrates that the pessimistic group is less brand loyal. Use-of-shopping-lists item (B17) (significant at the 0.08 level) shows that the pessimistic group contains the less-impulsive buyer. The not-taking-chances-with-new-products item (B19) (significant at the 0.05 level) denotes that the pessimistic group is less experimental--perhaps its members have modified their lifestyle--while the optimistic group has experienced less drastic changes and thus its members have not lowered their aspirations as much. Finally, the buying-less item (B20) (significant at the 0.0001 level) attests that the pessimistic group's members economize more and postpone certain purchases more in their attempts to cope.

Marketing Management Implications

The factor analysis applied on respondents' perception and expectation dimensions resulted in a

two factor solution. The two resultant composite scores were named "perception" and "expectation." The majority of respondents have experienced various degrees of negative impact on their well-being due to recent changes in economic conditions. Out of a total of 496 respondents, over 90 percent were classified in the pessimistic group. This group of consumers has made many adjustments and adaptations in their shopping orientations in order to cope with the negative impact of economic conditions.

The univariate analyses of variance (Table II) portrayed various qualities of the pessimistic group of shoppers:

- More cost sensitive
- More price loyal
- Make fewer shopping trips
- Combine shopping trips
- Shop closer to home
- Plan more at home
- Use more coupons
- Minimize shopping distance traveled
- Buy less impulsively
- More willing to buy lower quality in exchange for lower prices (less product and brand loyal)
- Less experimental with new products
- Buy less of everything and conserve more

These findings clearly indicate that the vast majority of shoppers are becoming economic shoppers as identified by Stone (1954).

Furthermore, the findings of this research lend support to Katona's thesis that consumers' objective environment (income, assets, and opportunities) affects their subjective well-being (attitudes and expectations) and determines their behavior in the marketplace (Katona 1960, 1964, 1974, and 1975). However, this study expands on Katona's work by focusing on non-durable products.

The results of this study are relevant to retailers because the direction of change in consumers' perceptions and expectations (pessimistic or optimistic), marketing management might be able to implement marketing strategies to accommodate the movements in consumer outlook. Katona stated that, "It is necessary, but not enough, to know about the objective circumstances in which people behave differently. People's attitudes, motives, and frames of references shape their perception of the environment as well as their behavior. In order to understand economic processes, as well as other manifestations of behavior, subjective variables must also be studied." (Katona 1951).

The immediate marketing implication is that due to the negative impact of changes in the economic condition in the past few years, consumers are modifying their shopping orientations and becoming more rational and careful in their purchasing decisions. The 13 significant results lead to other more specific marketing management implications (Table II). These implications indicate that one-stop shopping, no-frills shopping, and trading-down shopping orientations have gained popularity with consumers. Furthermore, these consumers have become less brand and store loyal.

Suggestions for Future Research

The focus of this study has been on changes in the perceived and expected economic conditions and their influence on consumers' shopping behavior concerning non-durable products. It is suggested that future studies reexamine the area of purchases of non-durable goods in an unstable economic situation over a longer period of time (longitudinal study).

The proposition assessed in this study seems to hold true (i.e., consumers' perceptions and expectations shape their behaviors in the marketplace). It is hoped that future studies will expand on the work done here. The information obtained will enhance our comprehension and provide more insight into the behavior of consumers in an uncertain economic environment.

TABLE I
FACTOR ANALYSIS OF FOURTEEN PERCEPTIONS AND EXPECTATIONS

Variable ^a	Communality ^b	Factor Loadings ^{c,d,e} 1 [*] 2 ^{**}
A1		.61
A2	.70	.82
A3		
A4		.65
A5	.65	.75
A6	.84	.76
A7 (Split Loading)		
A8	.65	
A9		.62
A10	.60	.72
A11	.65	.77
A12	.67	.79
A13		
A14		

* = pessimistic, ** = optimistic

- ^aA1 Because of the economic situation during the past few years, our family is very concerned about maintaining our standard of living.
- A2 During the past few years, our family had to make many adjustments to maintain our standard of living.
- A3 During the past few years, I had to pay higher prices for products and services.
- A4 Because of the increased cost of living, our family members have taken additional employment.
- A5 Overall, our family has become worse off economically during the past few years.
- A6 It is harder to make ends meet.
- A7 I am pessimistic about obtaining a higher standard of living.
- A8 I realize that I will be able to improve my economic position in the future.
- A9 I have faith in the economy.
- A10 As a consumer, I am more happy than I used to be.
- A11 It will be easier to make financial plans in the future.
- A12 I will probably have more money to spend in the future than I have now.
- A13 The changed economic condition had no influence on my family's purchasing abilities.
- A14 I think that my economic situation will remain the same in the future.

^bCommunality is the amount of retained variation per variable via factor analysis. Items with communality less than .50 were eliminated.

^cItems with Varimax rotated factor loadings less than .59 were eliminated.

^dBy examining the plot of items' means versus items' loadings on first principal axis and communalities, it was obvious that no systematic relationship existed between items' means and either communalities or first factor loadings.

^eBefore rotation the factor variances were 4.80, 1.81, and 1.45. After rotation the three factor variances were respectively 3.19, 3.19, and 1.48.

TABLE II

ADAPTIVE SHOPPING ORIENTATIONS AND
CONSUMERS' GROUP TYPE:
UNIVARIATE ANALYSES

Variable ^a	Communality ^b	Factor Loadings ^{c,d,e} T ^{**}
A1		.61
A2	.70	.82
A3		
A4		.65
A5	.65	.75
A6	.68	.76
A7 (Split Loading)	.64	
A8	.65	.62
A9		.66
A10	.60	.72
A11	.65	.77
A12	.67	.79
A13		
A14		

* = pessimistic, ** = optimistic

- ^aA1 Because of the economic situation during the past few years, our family is very concerned about maintaining our standard of living.
A2 During the past few years, our family had to make many adjustments to maintain our standard of living.
A3 During the past few years, I had to pay higher prices for products and services.
A4 Because of the increased cost of living, our family members have taken additional employment.
A5 Overall, our family has become worse off economically during the past few years.
A6 It is harder to make ends meet.
A7 I am pessimistic about obtaining a higher standard of living.
A8 I realize that I will be able to improve my economic position in the future.
A9 I have faith in the economy.
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A12 I will probably have more money to spend in the future than I have now.
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^eBefore rotation the factor variances were 4.80, 1.81, and 1.45. After rotation the three factor variances were respectively 3.19, 3.19, and 1.48.

- ^aB1 More price conscious.
B2 Shopping at stores with cheaper prices.
B3 Buying budget-priced generic products.
B4 Making fewer shopping trips to store.
B5 Combining shopping trips.
B6 Shopping closer to home.
B7 Shopping closer to place of work.
B8 Doing more planning at home before shopping.
B9 Stocking up when products can be purchased at bargain prices.
B10 Using more coupons.
B11 Spending more time (on the average) on shopping.
B12 Trying to minimize traveling distance to store.
B13 Doing less impulsive buying.
B14 Willing to buy lower quality products because of attractive lower prices.
B15 Buy for cash only.
B16 Buy only at a discount store.
B17 Buy only what is on our shopping list.
B18 Participate in car pooling for purchases.
B19 Do not take chances with new products any more.
B20 Must buy less of everything.

^bNot significant at the 0.10 level.

References available from author upon request.