

Stanisław Gajewski\*

## CONSUMER NEEDS OF HOUSEHOLDS AND PROPENSITY TO SATISFY THEM IN CONDITIONS OF CRISIS

### 1. INTRODUCTION

Many theories of consumer behaviour point at the necessity of analyzing needs as the main driving force of man's activity and a basis for decisions made by him. Analysis of needs is especially important in the centrally planned economy, and particularly in the situation of economics of shortage characterized by a big deficit of some goods. After all, it is not indifferent from the social point of view which needs and in what way are satisfied and what is the level of their satisfaction.

A special attention should be attached to studies on needs satisfaction level, because this factor plays a more important role in explaining and predicting consumer's behaviour than hierarchy of needs felt by a consumer (Ingebrigtsen and Pettersson 1984). That is due to the fact that the level of satisfaction of various groups of needs is, on the one hand a resultant of weight attributed to particular needs in man's life and, on the other hand, a resultant of objective constraints (not only financial ones) encountered by a consumer in the process of satisfying them.

This paper aims at answering a question to what extent - in the opinion of consumers - the basic complexes of household needs are satisfied and what is the propensity of households to satisfy them in economic and institutional conditions prevailing in Poland.

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\* Associate professor of marketing in the School of Economics and Sociology of The University of Łódź, Łódź, Poland.

The information presented in the paper comes from questionnaire surveys conducted in cooperation with prof. J. Dietl on a sample of 501 households in Łódź in 1987. It will be compared in some cases with findings of similar surveys carried out also in Łódź in 1977 and thus in the period preceding the present crisis.

## 2. OPINIONS ABOUT LIVING CONDITIONS

While analyzing consumer needs we proceed from an assumption that whatever a man needs and desires is not only a result of internal changes in his awareness but it is also determined by conditions in which he lives. Hence, in the first stage of our studies on consumer needs we asked the respondents to indicate five elements of their living conditions, which were of the greatest importance for them and their families (Table 1).

Table 1

Hierarchy of living conditions elements

Item	% of indications
1. Efficient trade and proper supply of goods and services (no queues)	77.8
2. Good housing conditions	68.3
3. Good health care services	63.0
4. High earnings	62.5
5. Protection of natural environment	52.7
6. Efficient organization and accessibility of various social services	40.3
7. Possibility of travelling in Poland and abroad	38.5
8. Free time	32.7
9. Attractive job	32.1
10. Education	18.4
11. Car	15.4
12. Others	2.2

Thus, it appeared that efficient trade and proper supply of goods and services outpaced other needs in the hierarchy of living conditions. Almost 78% of the respondents pointed at this element, which testifies explicitly to hardships of everyday life experienced by the Polish population. It is primarily due to

substantial quantitative and assortment shortages in trade, various forms of rationing, and resulting "black market", development of bribery and speculation. There should be added here ill-adjustment of trade and service network to demand, poor quality of offered services, and carelessness and rudeness of shop assistants.

Good housing conditions came to rank second. This element was chosen by over two-thirds of the respondents, and its role proved to be especially big among households of young people (as a rule, not possessing their own flats), in multi-person families and those with lower incomes. Health care services took a high third place (63% of indications). It may be presumed that it is partly a reflection of deteriorating health conditions of our society, acute deficit of medicines, and unsatisfactory standard of health care services - especially in Łódź. For elderly and retired persons this element even ranks first.

High earnings occupy only the fourth position in the hierarchy (62% of indications). They were attributed their greater importance in bigger families, those with lower incomes and in which the head of the family had the elementary school background. It is most interesting to note that such element as "protection of natural environment" was ranked very high - on the fifth place. It was pointed at by over a half of the respondents, and many of them even ranked it first or second. That is an expression of increasingly greater appreciation of ecological conditions especially at the time of rapidly progressing degradation of natural environment, pollution of air, water, etc.

Efficient organization and accessibility of various social services ranked only sixth (40% of indications). It appears that only pensioners and persons with low incomes attach a little bigger attention to this element of living conditions. That relatively low share of total indications must have been at least partly due to lack of confidence in any possibilities of expanding and improving the quality of social services. Possibility of travelling in Poland and abroad holds quite a significant place, with almost two-fifths of the respondents pointing at this element. These were for the most part people with the highest incomes and a higher educational background. It is rather surprising that "free time" came to rank only eighth. The main cause of such situation seems to be lack of favourable conditions for more attractive utilization of free time, while low living

standards diminish the significance of this element. Moreover, free time is not highly valued in Poland, because one can always "rip off" some free time during working hours. It should be added here that free time is, to a bigger degree, an instrumental value than a value in itself and it is desired only when other, more basic values have been attained such as good material or housing conditions, etc.

It is rather disappointing that the two elements, i.e. attractive job and education are attached very low significance. Anyway, these two categories are closely interrelated which means that the educational background determines, as a rule, the type and character of a job performed. Only every third respondent admitted that his job was interesting. That seems to have been due, to a large extent, to lack of faith in a possibility to make one's job more attractive within the bureaucratic system of centralized management and allocations of industrial supplies. In turn, a very low rank of education is connected with a marked drop in popularity of university education caused, among others, by ineffective utilization of university graduates and by their low pay. This has been confirmed by the other studies as well as by a very substantial and systematic drop in the number of students and persons willing to study in Poland.

Possession of car ranked last. Such low rank of a car is quite understandable comparing it with the other elements of living conditions encompassed by the survey.

### 3. DEGREE OF CONSUMER NEEDS SATISFACTION

The population's living conditions seem to be playing an important role both in the shaping of needs and in possibilities of satisfying them. In order to determine a subjective level of needs satisfaction the respondents were asked to what extent needs of their families in the area of food, clothing, housing, etc. were satisfied. They were given four possible variants of responses to choose from analogous to the school scale of grading very good, good, satisfactory, and unsatisfactory.

To determine more precisely the degree of needs satisfaction there were assigned to particular grades relevant indices on a four-degree scale from 3 to 0 starting from needs satisfied to a very good good degree and ending with those satisfied in an unsa-

tisfactory way. This procedure allowed to compile a general index of satisfaction of given needs or, speaking more precisely, an index of consumers' satisfaction with the degree to which particular needs were satisfied. The results are shown in Table 2.

Table 2

Degree of consumer needs satisfaction (3.00 = max.)

Needs	1987	1977
1. Nutrition	1.65	1.54
2. Clothing and footwear	1.61	1.76
3. Housing	1.59	1.89
4. Furniture	1.45	1.61
5. Household appliances (washing-machine, refrigerator, etc.)	1.45	1.74
6. Leisure goods (TV, tape-recorder, etc.)	1.21	1.73
7. Health care	1.15	..
8. Cultural entertainments (books, press, cinema)	0.86	1.36
9. Recreation and rest (organized holidays and tourism)	0.63	1.41

The ordering of needs according to indices of their satisfaction revealed that according to the respondents there were best satisfied needs of basic character such as nutrition, clothing and housing (very similar indices amounting to around 1.60 points). Satisfaction of three other interrelated needs concerning furniture, electrical household appliances and leisure goods proved to be a little lower. Needs of nonmaterial character such as health care, cultural entertainments and rest during holidays were satisfied worst in the respondents' opinion. The two last-mentioned groups of needs were evaluated at a level much below satisfactory (less than 1.00 point).

Comparison of the surveys conducted in 1987 and 1977 leads to quite interesting conclusions. It appears that the level of satisfaction of all needs (with one exception) was lowered significantly according to the respondents. In their opinion, the biggest drop in the level of needs satisfaction concerned rest during holidays (a difference of 0.78 point), possession of leisure goods (-0.52 point), and cultural entertainments (-0.50 point). The only exception proved to be an elementary need such as nutrition, which was considered to be a little better satis-



fied by the respondents (by 0.09 point) than 10 years earlier. It may testify to the fact that nutrition is a need especially protected - sometimes even at the cost of satisfying other needs. Moreover, it should be added that despite market shortages it is relatively easier to satisfy nutrition needs than others.

As regards consumer behaviours in the sphere of food consumption in Poland it is even pointed out that there appear here certain characteristics of Giffen's paradox. They find their reflection in intensified demand for food (in the situation of its growing prices) and in resignation from purchasing non-food items. Consequently, the remaining needs (considered to be needs of higher order) are being satisfied in further order, while in crisis conditions their satisfaction is drastically reduced.

Comparison of needs satisfaction indices in particular years leads to the next conclusion. Namely, along with deterioration of living conditions and in connection with the lowering of subjective degree of needs satisfaction there is growing a gap between the needs being best and worst satisfied within a given hierarchy. The difference amounted to 0.53 point in 1977 and rose to 1.02 points in 1987. This leads ultimately to a bigger differentiation of the "profile" of needs. That is not an accidental phenomenon, as it has been confirmed by an analysis of the degree of needs satisfaction in groups with different material situation. It proved that the less favourable the material situation was the bigger were the differences in the level at which particular needs were satisfied and conversely - the higher the incomes the more flattened the profile of needs. That seems to be some kind of confirmation of the so-called second law of Gossen concerning behaviour of consumers in the process of satisfying various types of needs.

#### 4. CONSUMERS' PROPENSITY TO SATISFY NEEDS

Degree of needs satisfaction and smaller or bigger contentedness of consumers ensuing from it are a function of two main elements. On the one hand, they depend on the size of needs felt by them and, on the other hand, on possibilities of their effective satisfaction. Thus, they depend indirectly on the size of income remaining at a household's disposal. That is due to the fact that degree of needs satisfaction is always evaluated from

the viewpoint of existing possibilities to satisfy them. Simultaneously, every consumer is aware of the amount of income which in his opinion would allow him to satisfy his needs in a satisfactory way.

Accordingly, the respondents were asked what amount of their monthly earnings within a family would be sufficient in their opinion to satisfy a family's needs satisfactorily? It appeared that the postulated level of incomes amounted to 31.5 thousand zloty as compared with average per capita income reaching ca. 16.5 thousand. Thus, it was by around 90% higher than incomes received actually. Hence, in the respondents' opinion only an income which is almost twice higher can be considered sufficient to satisfy well the existing needs, which makes a big difference between the real situation and the situation found to be desirable by the respondents, and testifies to a strong sense of deprivation of needs. This discrepancy and relatively unsatisfactory satisfaction of needs arouse the necessity of determining consumers' propensity to satisfy needs experienced by them. Accordingly, they were asked whether they would be willing to increase considerably their professional efforts and exertion if it were mean their higher incomes?

The obtained responses are quite explicit as 60% of the respondents admitted they were ready to intensify their efforts in professional work in order to improve their material situation despite the fact that most of them considered their jobs to be hard or very hard. The readiness to intensify efforts and obtain higher incomes was more pronounced among young than older persons. That is quite obvious if we take into account a very difficult material situation of young people, especially those setting up their families. A little higher than average preferences to improve material living conditions at the cost of more intensive work were also expressed by the respondents from multi-person families, and what is interesting - rather from wealthier than poor households. Since a considerable role in the level of consumption in Poland is played by free socio-welfare benefits (ca. one-sixth of consumption) the respondents were also asked whether their earnings (cash incomes) or free benefits should be playing a bigger part in shaping their living conditions?

The obtained responses confirmed an insignificant role of social benefits in the respondents' opinion. Namely, it appeared that 92% of the respondents would rather have their living condi-

tions shaped by their earnings than by free of charge social benefits. Only pensioners (which is quite understandable) and persons with the lowest educational background attributed to social benefits a little higher significance than the average indications.

A desire to increase incomes is usually connected (or should be connected) with a certain risk of an employee ensuing from failures in his work. Hence, the respondents were asked whether an employee should be incurring the risk resulting from failures in his work to a much bigger degree but in exchange for it his incomes and living conditions should be dependent more than before on his initiative, industriousness and education? To the question formulated in such way a vast majority of the respondents (over 90%) answered affirmatively. That is a very positive result all the more so as a significant unanimity of views could be observed here. It shows that initiative and enterprise have not completely disappeared yet, and that providing a proper motivation it will be possible to release huge reserves inherent in the human factor. The so-called "second stage of the economic reform" being introduced in Poland at present relies, to a big extent, on potentialities in this field. The survey has also disclosed that young-employees are more willing to incur risk in their work than older ones. Such willingness appears to be increasing along with a higher educational background and income per one member of household.

## 5. CONDITIONS AND POSSIBILITIES OF SATISFYING NEEDS

Low incomes in relation to prices of products are the main but not the only obstacle restricting satisfaction of needs in conditions of economics of shortage. There should be mentioned here the supply barrier and the accompanying administrative barrier resulting from regulations determining rights of consumers to purchase various goods and services (different forms of rationing). These obstacles are in many cases more difficult to overcome than price-income barriers. In such conditions, freedom of choice is considerably limited with consumers often purchasing goods and services being a distant substitute of products they would actually wish to purchase. Apart from forced substitution there are, moreover, made forced expenses (Kornai 1980). They re-



sult primarily from fear of inflation and the fact that a consumer adversely affected by a prolonging shortage purchases a product not when it is necessary but when it is available.

It must be also mentioned here that in the situation of deep shortages, a consumer is often guided in making his purchasing decision by the principle of least effort (Woods 1981). In accordance with this principle, he will give up, for instance, long queuing or his efforts to be granted a right to purchase certain products (e.g. a coupon entitling him to buy a car). That, however, concerns in most cases needs with a relatively weak intensity and insignificant importance for a man.

An example of a product whose consumption is largely restricted by the supply-administrative barrier may be meat and meat products. The survey shows that over three-fourths (77%) of the respondents stated that existing meat allotments (between 2.5 and 4 kg per capita a month) were insufficient to satisfy needs of a family. At the same time, two-thirds of them expressed an opinion that if there had been no coupons and, simultaneously, supply had been better they would have been buying other kinds of meat and meat products than they were buying. What is even more important, 88% of those who expressed such opinion would have been buying better but also more expensive kinds of meat and meat products. It can, thus, be seen that the respondents evaluated very low available meat products and were ready to accept their higher prices for their better kinds. Anyway, many consumers already do that in practice, as three-fourths of the respondents proved to be supplementing their meat rations (although with different frequency). The main reasons of such behaviour were too low official meat rations, dissatisfaction with assortment and quality of products offered by the socialized trade and lack of time for queuing.

Another example of constraints on the supply side may be a colour TV set possessed by 42% of the households under survey today. This is accompanied by quite substantial needs in this field, which is confirmed by the fact that more than every fourth household (27%) not having a colour TV set so far intends to buy it soon. These intensive needs are recorded despite very high prices for colour TV sets in Poland, which amount to 10-15 monthly earnings and are among higher ones in Europe. Such needs seem to be a result of some social pressure on possessing a colour TV set as a symbol of high living standards and a social imitation

effect in the sphere of consumption. There are, however, no real chances for satisfying the needs soon due to a drop in production and substantial cuts in imports.

Finally, it is necessary to mention here yet another, perhaps the most painful example of the influence exerted by supply limitations on the level of needs satisfaction. What is meant here are flats as one of the most significant elements of living conditions. The extremely unfavourable, or even virtually tragic housing situation in Poland, lack of any prospects for obtaining a flat within at least the next ten or more years cause a pronounced frustration of the society, and especially of young people standing at the threshold of their life-professional career.

Constraints on the side of supply cause ultimately that many goods are not bought but "acquired" or "arranged" in conditions of economics of shortage. Seeking and acquiring goods absorbs a lot of free time, causes nervousness and fatigue, and generates a feeling of frustration and failure. It also arouses a very strongly felt humiliation resulting from realization that satisfaction of even the most basic needs involves excessive exertion, waste of time, buying on the "black market", etc. The acquiring of products in this way not only lowers quality of life but it also leads to pathological social phenomena.

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Stanisław Gajewski

#### POTRZEBY KONSUMPCYJNE GOSPODARSTW DOMOWYCH I SKŁONNOŚĆ DO ICH ZASPOKAJANIA W WARUNKACH KRYZYSU

Celem artykułu jest próba odpowiedzi na pytanie, jaki jest w ocenie konsumentów stopień nasycenia podstawowych kompleksów potrzeb gospodarstw domowych

oraz jaka jest skłonność do ich zaspokajania na tle istniejących uwarunkowań ekonomicznych i instytucjonalnych w Polsce. Przedstawione w nim informacje pochodzą z badań ankietowych przeprowadzonych w Łodzi w 1987 r., które objęły 906 osób z 501 gospodarstw domowych. Do pewnych porównań posłużyły także wyniki podobnych badań przeprowadzonych w Łodzi w 1977 r.

Okazało się, że najlepiej zaspokojonymi są potrzeby o charakterze podstawowym, a więc wyżywienie, ubranie, mieszkanie oraz jego wyposażenie. Potrzeby zaspokojone najgorzej to rozrywki kulturalne oraz wypoczynek urlopowy.

Z badań wynika także, że istnieje silna skłonność do zaspokajania odczuwanych potrzeb i polepszania bytu materialnego. Możliwości te ograniczane są nie tylko wskutek relatywnie niskich dochodów, ale przede wszystkim przez barierę podażową oraz związaną z nią barierą administracyjną (różne formy reglamentacji) w nabywaniu wielu dóbr.