

# Comparison of Brand Buying Behavior of Slovak Consumers at the Beginning of Economic Crisis and at Its End

Lucia Vilčeková

Comenius University in Bratislava/Faculty of Management, Bratislava, Slovakia

Email: lucia.vilcekova@fm.uniba.sk

**Abstract**—The aim of this paper is to examine the attitudes toward brands of Slovak consumers and to compare the differences in their buying behavior at the beginning of the economic crisis and now, when the crisis may be coming to its end. Secondary data from representative researches on buying behavior in Slovakia were used as a basis for comparison with the results of primary research conducted in 2013. Changes in consumer behavior are influenced by the economic situation, as the comparison showed. In 2009, when the crisis hit Slovakia, the main trigger for purchases was the price of the products, whereas now, it is the brand and country of origin. It is a good time now to get use of this situation, when customers are aware of the importance of buying domestic products to help Slovak economy to overcome the crisis.

**Index Terms**—buying behavior, economic crisis, attitudes toward brands, domestic vs. foreign brands

## I. INTRODUCTION

Consumer behavior is the study of the processes that individuals or groups go through when they are making their purchasing choices in order to satisfy their needs. This behavior is affected by broad set of factors such as: income, demographics, social and cultural factors. Beside these basic internal factors, which influence the buying behavior, there are also factors that are stimulated by the external environment surrounding the consumer. Therefore, the consumer behavior is a combination of customer's buying awareness combined with external motivators. This is the reason, why the consumer reacts to any change in the economic situation around him by changing his consumption [1]. Economic crisis, as commonly known, began as local mortgage crisis in the U.S. and over time transformed into global crisis. At first, Europe did not pay enough attention to worsening situation on financial markets. But economic environment was getting worse and Europe got also hit. Germany, Europe's largest economy officially plunged into recession in November 2008 and dragged down Europe's other economies [2]. Slovakia experienced economic growth in 2008 and first estimations did not expect

considerable influence of the crisis on Slovakia. One of the factors that brought comparable stability to Slovakia's financial sector at the beginning of the financial crisis in Europe was the finalization of Eurozone entry. In comparison with the weakening Czech, Hungarian, and Polish currencies, the Slovak Crown was stabilized in the second half of 2008 [3]. The magnitude and extent of the global recession hit Slovak economic activity in the first quarter of 2009.

The buying patterns of people tend to change during hard and stressful times such as economic crisis [4]. Consumer behavior is the study of the processes that individuals or groups go through when they are making their purchasing choices in order to satisfy their needs. This behavior is affected by broad set of factors such as: income, demographics, social and cultural factors. Beside these basic internal factors, which influence the buying behavior, there are also factors that are stimulated by the external environment surrounding the consumer. Therefore, the consumer behavior is a combination of customer's buying awareness combined with external motivators. This is the reason, why the consumer reacts to any change in the economic situation around him by changing his consumption [1].

Research from Euro RSCG Worldwide in 2010 showed a shift in consumer values and behaviors, as people begin to rethink what is important and how they want to live. The crisis has caused slowdown of consumer consumption and the priorities of consumers changed, as well as the perception and representation they have on brands and their benefits [5]. Each feature of the socio-economic situation has substantially changed not only the way the new consumer purchases, but also especially what they are buying and why they are buying. In developed countries, new consumers are more economical, more responsible and more demanding than before. Currently, new consumers are increasingly aware of all aspects involved in purchase of products, from design, safety, origin, to their social and economic impact [6].

Flatters and Willmott [7] have identified 8 trends how consumers behave in the post-recession period. The first four trends are accelerated by the recession and the following four are slowing down:

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Manuscript received December 16, 2013; revised March 17, 2014.

- Consumer demand for simplicity—consumers are buying uncomplicated, user-friendly product which simplify their lives
- Call for ethical business governance—consumers are punishing companies for unethical governance
- Desire to economize—people are living a less wasteful life
- Tendency to flit from one offering to another—easy access to information and friction-free purchasing is making consumers less loyal
- Green consumption—pricey green product became unaffordable for consumers
- Decline in respect for authority—people look to authorities to fix the economic situation and when the situation is not getting better, consumers' respect toward these institutions declines
- Ethical consumption—altruistic consumption and spending are falling as people focus on their own situation
- Extreme experience seeking—expensive and frivolous experiences were very popular during the economic boom but have fallen out of favor during the recession

Changes in consumer behavior are influenced by the economic situation, but vice versa; also have an impact on country's economy. In times of crises, consumer ethnocentrism can serve as a defense mechanism that can result in reducing deficits, therefore protecting national economies. Additionally it favors local industries, creating opportunities for growth without competitiveness [8]. From that perspective, consumer ethnocentricity is a way of coping with the negative impacts of global economic crisis on local governments.

The aim of this paper is to examine the attitudes toward brands of Slovak consumers and to compare the differences in their buying behavior at the beginning of the economic crisis and now, when the crisis may be coming to its end.

## II. MATERIAL AND METHODS

Data for this paper were drawn from primary and secondary resources. Secondary resources for this paper included information from two representative surveys from agencies Gfk, and Publicis Knut on consumer buying behavior and their attitudes toward brands. The third source was an interview about Slovak consumers and their buying habits with analysts from Gfk and Terno, both market research agencies. All secondary data originated in 2009.

Primary data were obtained from marketing representative research. The data collection lasted from January to April 2013. Anonymous questionnaire on consumer buying behavior was presented to Slovak respondents who were older than 16 years of age. They were chosen on basis of demographic quotas – age, gender, education and income to match the proportional distribution of Slovak population. The sample size was determined 1067 to get permissible error of 3 percent and confidence level of 95 percent for the research results.

The respondents were presented 26 statements concerning their brand buying behavior with emphasis on domestic versus foreign brands.

Both findings from primary and secondary research were evaluated in form of tag clouds in order to get better visualization of the results and to be able to compare findings from time at the beginning of the economic crisis and in 2013, when the global crisis may be coming to its end.

## III. RESEARCH RESULTS

First, buying behavior of Slovak consumers and their attitudes toward brands from 2009 will be described. The main findings are presented in Fig. 1.



Figure 1. Brand buying behavior of Slovak consumers in 2009.

81 percent of the Slovak populations who are older than 15 years were convinced that domestic products are better than foreign. But their buying behavior contradicts this conviction. A key factor in decision process of Slovak consumers was the price and discounts. 35 percent of consumers were buying discounted products. Brand was also an important factor influencing consumers' purchase decisions and was closely connected to experience. Consumers bought those products that were familiar to them and they had good experience with them.

In groceries, Slovaks prefer domestic over foreign. As an example, the sheep cheese, smoked cheese, sour milk products are popular local products. Outside of big cities, people make their purchases in local bakeries and local butchers' stores.

Slovak consumers showed no national sentiment in their purchases. More than one-fifth of the Slovaks were regularly shopping abroad, especially in the neighboring countries Hungary, Austria, Czech Republic and Poland. Nearly 70 percent of these consumers said the main reason for their purchases abroad are lower prices and better quality of products [9].

Most people in Slovakia consider that brands deliver a certain status for them, which is depicted in purchasing the right branded product. The number of consumers who are "into" branded fashion is growing amongst both men and women. However, when it comes to fashion, Slovaks are most particular about the brand of their shoes [10].

Typical for Slovak consumers was their price sensitivity and their decisions were made more on price and reliability of the products than their image or package. Majority of Slovak women were loyal to their favorite brands. More than 30 percent of consumers want to present their status with branded products. For consumers

younger than 24 was very important to purchase famous brands [11].

We can say, that the main reason for preferring certain products over others was the price and that the beginning of the economic crisis had an influence on buying behavior. For a comparison of buying behavior of Slovak consumers in 2013, see Fig. 2.



Figure 2. Brand buying behavior of Slovak consumers in 2013.

Concerning attitudes toward domestic brands, Slovak consumers agree that Slovak products are high quality products, but it is sometimes impossible to find Slovak brands of certain products in the stores. Nevertheless, they tend to prefer Slovak products in their purchases because they like Slovakia and they want to support the country's economy. Slovaks trust domestic brands more than those of foreign origin and they usually buy food that is made in Slovakia.

Considering foreign brands, Slovaks think they are more available and they usually buy consumer goods, footwear and textiles of foreign origin. Consumers do not think that foreign brands do have better quality than Slovak brands.

General attitudes of Slovaks toward brands can be described as follows: Consumers do have their favorite brands and they do not care if they were produced abroad or in Slovakia but they are very aware of the country of origin. They are brand oriented and they make their purchase decision based on brands. They are not willing to pay more for Slovak products, but they not hesitate to spend more money on their favorite brands. The consumers are interested in the country of origin and they are willing to take the time to search for the information of where the product they want to purchase was made. Brands play an important role for Slovaks, but the consumers are sometimes confused with the great variety of brands.

Slovak consumers are considered to be brand oriented. Marketing experts say the economic crisis has had some effect on perception of Slovak consumers toward brands – the belief of certain brands names and their promise of quality grew stronger and the consumers became more price sensitive and when they give away their money they expect to get the desired performance.

The crisis made stronger the relation of Slovaks to traditional, established brands. Slovaks look for a certain guarantee of quality and certainty. And traditional brands provide exactly such a guarantee for them [12].

Slovak consumers do not behave as patriots when they are shopping and retailers have already begun to see that Slovak consumers are becoming more price sensitive because of the worsening economic situation and that

they are more often ignoring a product's country of origin when shopping. This is caused both by lower purchasing power of Slovaks and by a lack of consumer patriotism that was never built in Slovakia. Based on surveys conducted by GFK in 2011, Slovak consumers have a strong interest in purchasing domestic products but it is questionable whether they actually reach for those products when shopping [13].

#### IV. CONCLUSION

At the beginning of the crisis, consumers could be distinguished by regions where they lived. Especially in the cities, there was a growing group of consumers who preferred quality and famous brand names. In small towns and villages, the main criterion for purchases of concrete products was the price. The country of origin was not important for these consumers; the key factor was the price. Majority of consumers agreed that domestic products are better, but almost one fifth of them made their purchases abroad because of lower prices. Typical for the period when the global crisis hit Slovakia was that the main trigger in their buying behavior was low price.

In year 2013, we can see a shift in the buying behavior. Slovak consumers are brand oriented, they care about products they buy regardless of the price. When they have their favorite brands, country of origin is not important for them and they are willing to pay more money for it. The main reason for buying Slovak products is to support the economy and we can say that Slovak consumers are very aware of the benefits of supporting domestic production. Nevertheless, consumer ethnocentrism is not typical for Slovaks. In the past 20 years, many companies underwent a privatization by multinational companies that “domesticated” international products in Slovakia. Consumer ethnocentrism also depends on the share of domestic production compared to foreign products. There are certain industries in Slovakia where this share is in favor of domestic production—food industry. But there are many products where consumers are forced to buy foreign brands, because there is nearly no Slovak production, e.g. electronic devices, consumer goods, clothing...

To raise the awareness of consumers about the benefits of purchasing domestic products the participation of government and manufacturers is needed. There are several institutions in Slovakia that support domestic production. Industrial Property Office of the Slovak Republic, a central state administration body responsible for industrial property protection; Slovak Association for Trademark Products that protects and promotes the common interests of manufacturers of branded products; Ministry of Agriculture and Rural Development with a program to label domestic agricultural and food products called “Quality Label SK”; Association of Trade and Tourism (ZOCR) introduced an initiative “Quality from Our Regions” to increase Slovak consumers’ awareness of domestic products. Promoting a positive attitude towards domestic product is beneficial and there is a need

to invest in consumers' education to support Slovak economy in times of global economic crisis.

#### ACKNOWLEDGMENT

This article has been elaborated as one of the outcomes of research project VEGA 1/1051/11 "Analysis of the strategic process of brand building and brand management in the context of homogenization and individualization of consumer needs".

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**Lucia Vilčeková** was born in Slovakia in 1980. She received an M.S. from the Comenius University in Bratislava in 2003 and Ph.D. in management from the Faculty of Management, CU in 2009. She has been working in Department of Marketing in Faculty of Management, CU since 2009. Her main research interests are marketing, market research and data mining and she was a member of various research teams examining brands, social responsibility and advertising. She has published her research papers in various international journals including *International Journal of Education and Research*, *Marketing Science and Inspirations*, and *European Journal of Business and Economics*.