

Does economical crisis effect consumer behavior - dissertation example

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Does Economical Crisis Effect Consumer Behavior

Introduction What is consumer behaviour? It entails the psychological processes that consumers go through in the recognition of their needs, in finding ways of meeting these needs, when making purchasing decisions Wayne, D (2008). In other words, consumer behaviour can be described as the study of “ why people buy”. Therefore based on this premise, it becomes easier for companies to develop strategies to influence consumers Dann, Stephen (2007). Barbar & Uchitelle (2008) shows consumer behaviour theory is also essential in the understanding of how consumers shop and make other marketing decisions.

Research aim and Objectives

This study will mainly focus on analyzing the impact of the economic crisis on consumer behavior. Therefore, the key objectives of the research will include:

- i. To analyze the sales of luxury brands during the economic crisis.
- ii. To investigate what techniques have been developed in order to maintain sales
- iii. To investigate whether consumers have changed their spending habits
- iv. To find out the long term impact of the economic crisis

Rationale of the study

This study will greatly benefit different parties for instance; current investors, potential investors, scholars, the government and consumers themselves.

The current players in these industries will be able to gain knowledge on how their products are faring in the market and with this they are able to develop strategies on how to improve their position. To scholars, this study will

enable them to gain knowledge as well as understanding as to why luxury brands are still being purchased despite the economic crisis. The government will also gain a better understanding of the standards of living and with this develop suitable policies. For the potential investors, they are well-equipped to make decisions concerning venturing into such industries. Lastly, the study will also provide essential data for future researchers.

The Impact

According to Smith (2009), as most consumers struggle to fit in the economic crisis, most companies have realized the opportunity for capturing the changing consumers' profile. This is by offering lower priced products, a strategy for continuity and winning consumers. Sullivane (2008) informs that new products should enter the market at low prices and be promoted through special offers or free samples. Not very long ago, luxury was beyond most people's reach and it was mostly available to the elite. For example, Louis Vuitton was once renowned for making products solely for European aristocrats. Compare this to the current situation where its logo-ridden products are worn the world-over by teenagers. "What was once exclusive in Beverly Hills is now everywhere," observes Fred Hayman in Dana Thomas 2007 book *Deluxe: How Luxury Lost Its Luster*.

Recently, there has been a dramatic shift in the definition of luxury. In its normal definition, luxury goods refer to products and services that are not deemed to be essential and are associated with affluence. However, luxury is no longer defined by excess and conspicuous consumption (Conspicuous consumption in this case means to show ones social status. This is so especially when the goods publicly displayed as a sign of economic power.)

Reports indicate that consumers have not compromised on the quality of clothes they buy; they have simply changed their shopping strategies. By this we mean consumers are more focused on the price but the quality of goods bought has not been lowered. Consumers are now turning to on-line shopping, and are relying more on word of mouth- if a friend recommends a shop then one is likely to visit it.

Conclusion

The economic crisis has had a massive impact on luxurious clothes. Significant drop in the sale of such clothes have been reported and although the economic situation has somewhat improved over the past year, consumers have developed a frugal behaviour. Consumers are no longer purchasing goods regardless of the price; they are seeking other cheaper avenues of obtaining the goods. Analysts claim that this behaviour will not be dropped by consumers simply because the economic situation is improving. It may yet linger for a while.

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