Chapter 17

The Influence of Socio–Economic Factors on State and Dynamics of Consumer Behaviour: Measuring and Evaluation

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ABSTRACT

Changes in dynamics of economic development of Latvia and its regions are characterised by changes of consumer behaviour and socio-economic factors. The purpose of the chapter is to study and analyse the peculiarities of socio-economic factors and consumer behaviour based on methods of economic and mathematical analysis and evaluation. It is important to analyse the influence of socio-economic factors, which determine consumer behaviour in the regional economics. Unemployment, prices, average wage, and industry output volume influences Latvia’s consumer behaviour features. As a rule, in the region with the highest average wage there are higher expenditures and vice versa. Latvia’s consumers’ consumption is characterised by significant consumer division into two dominating groups: the rich and the poor. Each of these two social groups has its own consumption peculiarities.

INTRODUCTION

Many researchers consider consumer behaviour to be an important condition for the growth of the internal demand and the economic stability in a society. Internal and external investors hope this statement is true for choosing profitable objects for capital investment. Moreover, the consumer behaviour is always determined by different economic and non-economic factors. The author is considering the system of these factors in order to define the peculiarities of state and dynamics of consumer behaviour in the economy of Latvia and its regions. Consumer behaviour is researched in households.

DOI: 10.4018/978-1-5225-2727-5.ch017
The hypothesis of the research is an assumption that the group of socio-economic factors (employment, average wage, prices) significantly influences consumer behaviour of Latvia and its regions, based on adequate evaluation of the Consumer Confidence Indicator.

**Research Object:** Households fulfilling consumers’ function “incomes– expenditures” in the economic system.

**Research Subject:** Socio-economic factors of consumer behaviour in Latvia in the regional aspect.

On the basis of index method the evaluation of consumer confidence dynamics of Latvia is presented. The results of factor analysis of consumer behaviour in Latvia (its two main regions) and Daugavpils city are displayed, according to the surveys’ results, which were conducted with personal participation of the author.

Certain research findings (the analysis of the correlation of Consumer Sentiment Index and Consumer Confidence Indicator components with real markers of the state and its regions macro-economic development) can be used in developing of regional economy development strategy. The chapter can be used in the study process of economic and regional economic subjects: “Economic theory”, “Marketing”, “Regional economics”. The situation was described before change of local currency “Lat (Ls)” into Euro (Eur).

**BACKGROUND**

In economic science a great attention was always paid to the consumer behaviour theory. In the foreign economic science consumer behaviour conclusions and postulates which were worked out in the framework of classical and neoclassical approach (A. Marshall, W.Pareto, J.Keynes, J.Hicks), as well as in the approach of Keynesianism and neo-Keynesianism in the course of institutional and neo-institutional theories (T.Veblen, R.Coase, T.Eggertsson), maintain their significance.

The economic approach to consumer behaviour in the context of problem choice is proposed in the works of S.Kuznets, J.Neiman, and H.Hotelling. The social psychology conception of consumer priorities is developed in researches of R.Blackwell, G.Katona, J.Coleman, P.Miniard, J.Engel, and other authors. In these researches the analysis of consumer behaviour takes into consideration the influence of the society structural mutual connections.

In the research of K.Levin, D.Newcomb, W.McGuire, J.Hodgson, the title of which is “New Marketing Approach” or “Behavioural Marketing”, the main attention is paid to consumer’s individual behavioural culture peculiarities and social psychology constituent parts.

In Russian authors’ works, the main approaches to the consumer expenditures structure, analysed with the usage of mathematic methods in economics, were formulated in the works of G.Baikov, A.Danilov, A.Karapetyan, K.Levin, A.Ovсянянков, A.Orlov, A.Rimashevskiy. Such questions as the optimal consumer expenditures structure, the correlation of income level and consumer expenditures structure were reviewed. In the works of S.Aukucionek, S.Dzarzasov, A.Oleinikov, Y.Olsevich and other authors, a special place belongs to the study of consumer behaviour peculiarities, taking into consideration the notion of economic mentality in circumstances of market economy formation. “Medium class” consumer behaviour quantitative evaluations, developed by L.Grigorjev, J.Avramov, L.Ovcharov, T.Komarskiy, also provoke the interest.