

# FACTORS AFFECTING HOUSEHOLD CONSUMPTION

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**ABSTRACT:** *The main purpose of this study was to examine the factors affecting household consumption in the municipalities in the northern province of Surigao del Sur, Philippines. Factors include cultural, social, personal, psychological and marketing campaigns. The study used the descriptive survey method. A researcher-made questionnaire was used as the main instrument for data collection. To verify the answers of the respondents and solicit additional information, interviews were also conducted. The results of the study revealed that the most significant factor affecting household consumption is the personal factor. People living in the rural mostly belong to middle income or low level income group. This is the reason why respondents strongly agree that they prioritize their basic needs. Moreover, marketing campaigns through online is a challenge for companies to communicate with the people in the rural not only in this pandemic but throughout the times since respondents are not familiar in social media. Most of them have no smartphones and internet connectivity.*

**Keywords:** Household consumption, Personal Factors, Cultural Factors, Social Factors , Psychological Factors, Marketing Campaigns

## 1. INTRODUCTION

Household spending is the quantity of final consumption expenditure made by resident households to meet their everyday needs, like food, clothing, housing (rent), energy, transportation, durable goods (notably cars), health costs, communications, leisure, and miscellaneous services. Consumption expenditure is the amount of goods and services people either individually or collectively spend to satisfy their needs and wants. The economic well-being of a household can be explained in terms of its access to goods and services. It can be seen that high level of consumption means higher level of economic well-being. Measuring consumption expenditure is perhaps a way of measuring the economic well-being of a country.

Studies pertaining to consumption examine how and why society and individuals consume goods and services. Also, this investigates how consumption affects society and human relationships. Present studies focus on meanings of goods and the role of consumption in identity making. Traditionally, consumption was seen as rather unimportant compared to production, and the political and economic issues surrounding it. However, consumption is recognized as central to modern life with the development of a consumer society, increasing consumer power in the market place, the growth in marketing, advertising, sophisticated consumers, ethical consumption etc. Based on the data published by Organization for Economic Co-operation and Development (2019), in the U.S. household spending actual individual consumption in national accounts equal to households' consumption is on the average 60% of gross domestic product (GDP). For that reason, it is considered a crucial element for economic analysis of demand. Household spending comprise government transfers referred as the expenditure added to expenditures of general government and non-profit institutions serving households (NPISHs) that directly assist households, in terms of health care and education [1]. Its evolution allows an assessment of purchases made by households, reflecting changes in wages and other incomes, but also in employment and in savings behavior.

The data released by the Philippine Statistics Authority provide that household final consumption expenditure grew by 5.6 percent in the second quarter of 2019. This was slower than the 6 percent growth in the same period of 2018. Food and non-alcoholic beverages shares 41.3 percent of the total household expenditure, lower by 5.5 percent compared to last year's 6.4 percent growth. Miscellaneous goods and services increased by 6.9 percent growth in the second quarter of 2019. Other expenditure items which contributed to the growth of household final consumption expenditure include housing, water, electricity, gas and other fuels, 5.8 percent; transport, 2.9 percent; communication, 5.1 percent; restaurants and hotels, 5.4 percent; education, 14.5 percent; education, 14.5 percent; and furnishings, household equipment and routine household maintenance, 4.7 percent. Moreover, alcoholic beverages and tobacco decrease by 1.3 percent [2].

It is evident that rural areas contribute in the development of a country through creating jobs, supplying food and raw materials to the growing population of the economy. Despite of these significant contributions, rural areas are often neglected, branded by limited healthcare and education services. Policies were proposed as an intervention strategy to address the challenge in the rural development. D.B. Mignouna et.al, pointed out that the main issue in any intervention strategy for rural development revolves around policy propositions that could be pursued to fill the big gap existing between urban and rural areas [3].

This paper specifically attempts to examine how various factors such as cultural, social, personal, psychological, and marketing campaigns affects household consumption in rural areas as well as the extent households' spend their money.

Moreover, this study is done to examine the factors affecting the spending pattern of households and to better comprehend the motivation behind why households are having money related problems. Subsequently, household consumption data can be used to measure poverty and eventually promote its eradication by providing micro level knowledge about targeting particular areas within the country's poverty reduction agenda. Thus, in designing a policy option such as poverty reduction targeting household spending or expenditure a sound knowledge is very important.

## 2. MATERIALS AND METHODS

Descriptive survey method was used. A researcher-made questionnaire is the main instrument used for data collection. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information. Households in the municipalities of Surigao del Sur Philippines were the respondents of this study.

The respondents of this study were the residents of the two barangays in Cantilan, Surigao del Sur namely Magosilom and Lininti-an. A total of 400 were the respondents from the total population using Sloven's formula.

To determine the reliability of the questionnaire a pre-test was conducted to at least 30 households from outside of the scope of the study. Data from this test was analyzed using alpha test to measure reliability.

The researcher employed frequency counting and simple percentage to determine the frequency and the percentage distribution in quantifying the data gathered. Alpha test was utilized to test the reliability and consistency of the instrument. Weighted mean was used to determine the level as to how the factors affect the household consumption.

Data on household consumption at the micro levels, that is, households and families may serve as a tool to bring light to various aspects of the economic situation of countries around the globe. It serves as an indicator of the living standards.

This study is anchored in the General Theory by Keynes which emphasized that when employment increases, aggregate real income is increased. The psychology of the community is such that when aggregate real income is increased aggregate consumption is increased, but not by so much as income [4].

## 3. RESULTS AND DISCUSSION

Social values can play a significant role in shaping household consumption patterns. Some strata of social values that can influence household consumption includes value for money and budgeting which relates to the emphasis on getting the best value for money, seeking discounts, comparing prices, and effective budgeting in household consumption. Also, family and relationships social values which reflects the importance given to family values and relationships in household consumption decisions, including products and services that promote family bonding, quality time, and shared experiences. Moreover, cultural and artistic expression social values which concerns on the appreciation of cultural diversity, artistic expression, and heritage in household consumption, including supporting local artisans, traditional crafts, and cultural events. It's important to note that these strata of social values can vary across households and individuals based on their cultural background, socioeconomic status, personal beliefs, and priorities.

Purchase decisions are affected by various factors. Cultural, social, personal, psychological, and marketing campaigns factors are identified. Studying and understanding the factors that influence household consumption will help organizations and companies in creating and developing improved marketing strategies, enhanced advertising campaigns in line with household needs that eventually will result to increased sales.

**Cultural factors.** According to McCracken, the original location of the cultural meaning that ultimately resides in consumer goods is the culturally constituted world. This is the world of everyday experience in which the phenomenal world presents itself to the individual's senses fully shaped and constituted by the beliefs and assumptions of his/her culture. A culture directs the consumer's wishes and behavior. It creates the identity of society and that what makes it different from other societies. Also, it forms different points of view in society which shape consumer behavior.

**Table (1) Cultural Factors**

Indicators	$\mu$	Descriptive Rating
1. My society culture affects my buying behaviour.	3.04	Agree
2. I / We use social networking sites to spot the latest fashion trends.	2.04	Disagree
3. I / We invite friends at home for a drink or dinner.	1.70	Strongly Disagree
4. I / We invite friends or colleagues in restaurants.	1.92	Disagree
5. I / We only buy products at a lower price.	3.27	Disagree
6. I consider the quality of the product rather than the price.	3.33	Strongly Agree
7. I buy the latest fashion on clothes, shoes, and accessories.	2.12	Disagree
8. I buy products / things that are must have like iPad or Galaxy Tab (tablet).	1.80	Disagree
9. I buy products for business or professional requirement.	2.68	Agree
10. I consider my religion in the products I buy.	2.98	Agree

Cultural essentials notably influence purchase behavior. Man is a social element and society plays a critical role in determining a man's needs and behavior. Young individuals often learn essential factors and qualities about their needs from first blood relations and other critical gatherings. Marketers are continuously attempting to spot "social movements" which indicate the need of new products or services that may be of use to consumers.

As shown in the table, respondents strongly agree that they consider the quality of product rather than the price before buying products and goods for their consumption. They only buy products sold at a lower price for them to economically save money and later use it for other household needs. It can be observed that consumers in rural areas mostly have low income. In most cases, individuals and families in the rural spent a relative large percentage of their income on food, clothing and shelter. As noted in most literatures on poverty, emphasis is usually placed on specification of minimum levels of disposable family income or household expenditures. Agrekon, Vol 38, No 2 (June 1999) Belete, Igodan, Marete & Van Averbek 196 definition is made of individuals and families as poor when a relatively large percentage of their income is spent on food, clothing and shelter [5].

On the other hand, respondents strongly disagree on inviting friends at home for a drink or dinner. Poor household like the ones at rural areas is expected to spend the huge percentage of their income on their basic needs like food, clothing, health and education. Inviting friends at home for a drink or dinner is considered a luxury. This happens only if there are special occasions like birthdays and weddings. People in rural areas have the willingness to spend money to buy a drink or a share a meal with friends but they can't have it due to financial reasons. Their income is only enough for their basic needs.

**Social factors.** Social factors play an important role in the household consumption. Human beings are social animals. Our decisions are driven by the people we met every day. Perreau 2014 said that an individual buying decisions is influenced by someone around him or her. This includes reference groups, family, role and status. They influence the buying decisions of consumers because they have used the product or the brand earlier. Also, they know what the product is all about and they have complete knowledge about the features or specifications of the product [6].

Respondents strongly agree that their family is the most influential people that affect their buying behavior. A person develops preferences from his childhood by watching family buy products and continues to buy the same products and continues to buy the same products even when they grow up. Kotler & Armstrong 2010 states that family members can influence individual consumer's buying behavior. A family forms the environment for an individual to acquire values, develop and shape personality. This environment offers the possibility to develop attitudes and opinions towards several subjects such as social relations, society and politics. A family creates first perceptions about brands and consumer habits [7].

In contrast, respondents strongly disagree that they prefer products that increases their prestige. People living in rural areas do not have the desire to buy products just for the sake of increasing their status. As noted, poverty is prevalent in rural areas. The big number of population belongs to the lower class. Having enough money is the primary concern for people in the lower, working, and lower middle classes, so price sensitivity and value for money are important for products targeting these groups. For marketers, social class may be a useful factor to consider segmentation and targeting. The market offering must be for this group must be designed to meet the expectations in terms of quality, service, and atmosphere.

**Personal factors.** Personal factors influence the buying behavior of consumers. These factors vary from person to person, resulting to different consumer behavior.

Respondents strongly agree that it is important to think and plan for the things to buy. They keep focus on their needs rather than their wants. They try to live a simple life as much as possible. They always spend money wisely. Income influences the buying behavior of individuals. A high income means a high purchasing power, that is, there is an opportunity for the consumer to spend. People living in rural areas mostly belong to the middle income or low level of income group as dictated by the present economic condition. Based on the Philippine Statistics Authority (PSA) 2018, farmers, fisher folks, individuals' residing in rural areas and

children who belong to families with income below the official poverty thresholds posted the highest poverty incidences in 205 at 40.8, 36.9, 34.0, and 33.5 percent, respectively [8]. A great percentage of their income is spent on basic needs like food and clothing.

However, respondents disagree that they care about people opinions when they buy things. Consumers' behavior is greatly influenced by his age. That is, the life cycle where he is at present.

**Table (2) Personal Factors**

Indicators	$\mu$	Descriptive Rating
1. I consider my financial condition during shopping.	3.23	Agree
2. I care about people opinions when I buy things.	2.15	Disagree
3. My age determines the things I buy.	2.85	Agree
4. I buy products that suits personality.	3.03	Agree
5. I often change to another product if I had bad experience with the previous one.	2.84	Agree
6. I try to live a simple life as much as possible.	3.59	Strongly Agree
7. I buy things that I like.	3.05	Agree
8. I keep focus on my needs rather than on my wants.	3.59	Strongly Agree
9. I always spend money wisely.	3.55	Strongly Agree
10. It is important to think and plan for the things I buy.	3.70	Strongly Agree
11. I / We love to travel and see new places.	2.52	Agree
12. I watch movies or entertainment shows.	2.41	Disagree

According to Pemani et.al, tastes in food, clothes, furniture, and recreation are often age-related. Chocolates and sweets are often bought when an individual is a child, but when he grows old these preferences changes [9]. Also, buying is also shaped by the stages by which families pass as they mature over time. Marketers often define their target markets in terms of life cycle stage and develop appropriate products and marketing plans for each stage. Lifestyle influences buying behavior. Lifestyle refers to the individual's interest, values, opinions and activities that replicate the manner where he lives in the society. A health conscious person is more likely to buy organic foods rather those preserved or canned foods.

**Psychological factors.** Psychological factors affect consumer behavior. Factors include motivation, perception, learning, and beliefs and attitudes.

Respondents strongly agree that they buy mostly from the shop where they are treated with respect and where attendants show concern for them. Based on the context of consumer behavior, learning is defined as changes in behavior resulting from past experiences. It is an ongoing process that is dynamic, adaptive, and subject to change. A person comes to know a product or service after he used it. When satisfied with the product or service, he will buy the same product again or avail the same service. The person who has a

negative experience with a particular product or service is more likely not to buy or avail it in the future because of his or her previous experience with it.

Meanwhile, respondents strongly disagree that they buy whatever they want when they feel depressed. This is because most of the people living in the rural have incomes enough only for their basic needs. The COVID-19 outbreak has brought to increased economic crisis at present. The disease has affected household incomes and rural businesses. Goods and services consumed during this time have decreased. The rate of unemployment is rising due to staff layoffs.

. Table (3) Marketing Campaigns

Items		
1. I go shopping on-line (shopee, lazada, zalora).	2.39	DA
2. I go shopping for <i>ukay-ukay</i> .	3.97	SA
3. I avail on the discounts offered when shopping on-line.	2.72	A
4. I give special consideration to brand image.	2.64	A
5. I consider Word of Mouth important as a form of advertisement.	2.38	DA
6. Promo offered by the product is important.	2.79	A
7. Advertising campaign is an important factor.	2.56	A
8. I buy products that have additional or free items.	2.75	A
9. I buy products that are popular in the social media like facebook.	1.63	SD
10. I buy products that are advertised by my favourite tv personality.	2.04	DA
11. I buy I buy mostly from the store that offers fair prices (low prices for goods of low quality and high prices for goods of high quality).	3.51	SA
12. I buy mostly from the store that offers low prices.	3.60	SA
13. I buy mostly from the store where I spend less time in my transaction.	3.41	SA
14. I buy mostly from the store which offers additional services for free.	3.43	SA
15. I buy from the store which has best rewards for loyal customers.	3.17	A
16. I buy mostly from the store where the needed items can easily be located.	1.50	SD
17. I buy mostly from stores that give membership / <i>suki cards</i> .	3.09	A

**Marketing campaigns.** Marketing campaigns can influence consumer behavior because they elicit reactions, utilizing imagery and word associations tied to emotional responses. It causes consumers to react to them. The more people react to the marketing campaign of a certain product, the more they will talk about it to other people, and the more likely they will buy the product

It is important for marketers to understand consumer buying behavior because it gives them the idea as to why consumers chose that certain product. Also, this will help them identify which marketing campaigns are effective and to which increases return on investment.

Contrary to most people do in the cities, people living in the rural strongly agree that they do not buy products that are

popular in social media. It can be noted that the respondents of this study are the head of the family. Most of them have no internet connectivity and are not acquainted with the internet. Availability of smartphones for these families is very limited. To them, this is too expensive considering their daily income. They are only consuming products that they knew already and they are familiar with. Hence, there is no chance for them to look into the products and services available or posted in the social media like facebook. This is a challenge to companies how to persuade consumers in who have no internet connectivity to buy products and avail the services they offer.

#### 4. CONCLUSION

In conclusion, household consumption is greatly influenced by cultural, social, personal, psychological and marketing campaigns. Disposable income of households is a key determinant factor in consumption of goods and services.

**Cultural factors.** Respondents agree that society culture affects their consumption behavior. What they learn from their parents becomes their culture. It can be observed that consumers in rural areas mostly have low income. In most cases, individuals and families in the rural spent a relative large percentage of their income on food, clothing and shelter. Majority of the families in the rural belong to the lower class. Spending money on high priced items is not an option for them. Their priority is to make their ends meet because it is necessary for survival.

**Social factors.** Respondents strongly agree that the family is the most influential people that affect their buying behavior. Also, they buy products that are recommended by their friends. The reference group where they belong serve as their reference in their buying decision. An individual's role in the society depends on his/her social class. His/her buying preferences is directly associated on the role he portrays in the society.

**Personal factors.** Respondents strongly agree that it is important to think and plan for the things that they will buy. Individuals' buying tendency is related to his income. Low income individuals spend mostly on necessary items. He/she would never spend on luxury products. He/she is motivated on products necessary for survival.

**Psychological factors.** Respondents strongly agree that they buy mostly from the shop where they are treated with respect and where attendants show concern for them. A person who is satisfied with a particular product or service will show strong inclination in buying the same product or service again.

**Marketing campaigns.** Contrary to most people do in the cities, people living in the rural strongly agree that they do not buy products that are popular in social media. It can be noted that the respondents of this study are the head of the family. Most of them have no internet connectivity and are not acquainted with the internet. This is a challenge to companies or industries on how they will engage in rural marketing in order to promote their products and services. Marketing in the rural involves a process of face to face interaction between the seller and the prospective buyer. Giving free samples among the rural people improves the acceptance of the product. This is identified as an effective sales promotion activity. In addition, trade fairs are good

opportunities to launch products for marketers in the rural market. Trade fairs usually happens during fiesta celebrations or any significant celebration of a particular rural area. Rural people are more likely attracted to see and buy products in this activity because it is festive considering the dances and songs competition.

The study recommends that households should be aware of the importance of saving money rather than spending it to various activities not significant to the household operations. Planning is a good practice to minimize overspending in the household. This would result to savings. Government authorities may intensify the implementation of programs that enhance the livelihood of the households and encourage them to participate in order for them to earn money and raise their disposable income paving the way to a better standard of living.

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