

# Master's Thesis

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MSc in Marketing

## THE IMPACT OF ECONOMIC CRISIS ON BUYING BEHAVIOR AND CONSUMER ATTITUDES

The Impact of the Economic Crisis in 2008 on Icelandic Consumers'  
Attitudes Toward Shopping and Brand Switching

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Reykjavík, 13/05/2016



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This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

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### Abstract

The objective of this study was to explore the impact economic crisis have on buying behavior and consumer attitudes. Consumers' attitude toward shopping and brand switching were compared from four points of reference where changes occurred in the economic environment. Two points of reference were before the 2008 global economic crisis and two points of reference after the 2008 global economic crisis. The sample of the research consisted of Icelandic individuals, 18 years old and older. Consumers' self-reported attitudes toward statements related to attitude toward shopping and brand switching were extracted from the Target Group Index conducted by the research firm Gallup and compared using one-way between groups analysis of variance to reveal if there was a statistically significant difference in consumers' attitudes between the four years analyzed. The results show that Icelandic consumers' attitude toward shopping and brand switching are somewhat influenced by the economic environment, which is consistent with findings in previous studies conducted in other countries. The results also show that when the economy recovers, Icelandic consumers stick to some of the changes they made during the recession while they return to other pre-recession attitudes and behaviors. Icelandic consumers were also found to make new changes to their behavior and attitudes in the economic recovery.

*Keywords:* buying behavior, consumer attitudes, economic crisis, recession, marketing

## Table of Contents

<b>1. Introduction.....</b>	<b>8</b>
<b>1.1. Research Purpose.....</b>	<b>9</b>
<b>1.2. Factors in the Economic Environment Influencing Consumer Behavior ....</b>	<b>10</b>
<b>1.3. The Economic Environment in the Years Analyzed .....</b>	<b>12</b>
1.3.1. Unemployment rate.....	12
1.3.2. Inflation and purchasing power. ....	13
1.3.3. Economic growth.....	14
1.3.4. Economic environment in 2001.....	15
1.3.5. The economic environment and the consumer. ....	15
<b>2. Literature Review .....</b>	<b>17</b>
<b>2.1. Consumer Buying Behavior.....</b>	<b>17</b>
<b>2.2. Consumer Buying Decision Process .....</b>	<b>17</b>
2.2.1. Problem recognition.....	18
2.2.2. Information search. ....	18
2.2.3. Alternative evaluation.....	19
2.2.4. Purchase decision.....	19
2.2.5. Post purchase behavior. ....	20
<b>2.3. Variations of Consumer Buying Behavior .....</b>	<b>20</b>
2.3.1. Extensive decision-making.....	21
2.3.2. Limited decision-making. ....	21
2.3.3. Programmed behavior.....	22
2.3.4. Impulse buying. ....	22
<b>2.4. Consumer Attitudes.....</b>	<b>22</b>
2.4.1. Attitudes and behavior.....	23
<b>2.5. The Impact of the Economy on Consumer Buying Behavior and Attitudes</b>	<b>25</b>
2.5.1. Brand switching.....	26
2.5.2. Retail venues.....	28
2.5.3. Increased price consciousness, frugality and quality.....	28
2.5.4. Purchase reduction.....	31
2.5.5. Impulse buying, purchase planning and information search. ....	31
2.5.6. Simplicity seeking. ....	32
<b>2.6. Will the Changes in Behavior and Attitudes Persist Into a Recovering Economy? .....</b>	<b>33</b>

<b>2.7. Marketing in a Changing Economy .....</b>	<b>35</b>
2.7.1. Marketing in a recession. ....	35
2.7.2. Marketing in a recovering economy. ....	36
<b>3. Methodology .....</b>	<b>37</b>
<b>3.1. Sampling Procedures and Participants .....</b>	<b>37</b>
<b>3.2. Measures .....</b>	<b>38</b>
<b>3.3. Research Design and Data Analysis .....</b>	<b>39</b>
<b>4. Results .....</b>	<b>41</b>
<b>4.1. Attitude Toward Shopping .....</b>	<b>41</b>
<b>4.2. Attitude Toward Brand Switching .....</b>	<b>46</b>
<b>5. Discussion .....</b>	<b>50</b>
<b>5.1. Attitude Toward Shopping .....</b>	<b>50</b>
5.1.1. Look for the lowest price. ....	51
5.1.2. Luxury grocery stores. ....	52
5.1.3. Usage of coupon and discount card promotions. ....	52
5.1.4. Quality and quantity. ....	53
5.1.5. Starting to think more about what money is spent on.....	53
5.1.6. Spending money without thinking about it.....	54
<b>5.2. Attitude Toward Brand Switching .....</b>	<b>54</b>
5.2.1. Brand loyalty. ....	55
5.2.2. Fun to try different brands. ....	56
5.2.3. Private label products.....	56
<b>5.3. Implications .....</b>	<b>56</b>
5.3.1. Recommendations in a recession. ....	56
5.3.2. Recommendations in a recovering economy. ....	58
<b>5.4. Limitations and Further Research .....</b>	<b>59</b>
5.4.1. Limitations. ....	59
5.4.2. Further research. ....	60
<b>6. Conclusion .....</b>	<b>61</b>
References.....	63
APPENDIX A.....	71
APPENDIX B.....	74

### List of Tables

<b>Table 1.1. Economic environment.....</b>	<b>10</b>
<b>Table 2.1. Changes Consumers Stick to or Return to in a Recovering Economy... 32</b>	
<b>Table 4.1. Descriptive Statistics – I Often Look for the Lowest Price when I Go Shopping .....</b>	<b>39</b>
<b>Table 4.2. Descriptive Statistics – I Only Shop at Grocery Stores that Sell First Class Groceries.....</b>	<b>40</b>
<b>Table 4.3. Descriptive Statistics – I Always Use Discount Cards or Coupons when it is Possible .....</b>	<b>41</b>
<b>Table 4.4. Descriptive Statistics – Quality is More Important than Quantity .....</b>	<b>42</b>
<b>Table 4.5. Descriptive Statistics – I Have Started to Think More About what I Spend Money on.....</b>	<b>43</b>
<b>Table 4.6. Descriptive Statistics – I Tend to Spend Money Without Thinking About it.....</b>	<b>44</b>
<b>Table 4.7. Descriptive Statistics - When I Find a Brand I Like, I Stick to it.....</b>	<b>45</b>
<b>Table 4.8. Descriptive Statistics – It is Fun to Try Different Brands.....</b>	<b>46</b>
<b>Table 4.9. Descriptive Statistics – Most of the Times, I Think Known Brands are Better Than Private Label Products .....</b>	<b>47</b>
<b>Table 5.1. Post-hoc Summary – Consumers’ Attitude Toward Shopping .....</b>	<b>49</b>
<b>Table 5.2. Post-hoc Summary – Consumers’ Attitude Toward Brand Switching .</b>	<b>53</b>

### List of Figures

<b>Figure 1.1. Unemployment Rate .....</b>	<b>11</b>
<b>Figure 1.2. Inflation and Purchasing Power .....</b>	<b>12</b>
<b>Figure 1.3. Economic Growth .....</b>	<b>13</b>
<b>Figure 2.1. The Five Stage Buying Decision Process .....</b>	<b>16</b>
<b>Figure 2.2. Variations of Consumer Buying Behavior .....</b>	<b>19</b>
<b>Figure 2.3. The Theory of Reasoned Action .....</b>	<b>22</b>
<b>Figure 2.4. The Theory of Planned Behavior .....</b>	<b>23</b>

## 1. Introduction

Understanding consumers' buying patterns is one of the most important factors in the success of any organization (Sharma & Sonwalkar, 2013). The consumer is the most elemental basis for business organizations and therefore their behavior is of great importance for successful marketing and financial affluence (Mansoor & Jalal, 2011). Consumer behavior can vary vastly between products, individuals, cultures and economic situations and has changed substantially over the last 25 years (Kar, 2010). When consumers' buying behavior changes, many entities will have to make changes to their usual activities. By studying and predicting consumers' behavior, a business can understand their customers' needs and work on fulfilling them as well as meeting their expectations. Therefore, understanding how consumers behave helps companies maintain prosperity and contributes to their long-term objectives (Nistorescu & Puiu, 2009).

Researches on buying behavior during downturns in the economy suggest that consumers adapt their behavior to new and changed situations. When consumers adopt new strategies and tactics as a reaction to changing economic circumstances, companies need to understand how their customers' react and how their behavior changes to develop strategies to meet and capitalize on different needs, values and consumption patterns (Amalia & Ionut, 2009). It is vital that companies understand the nature and the scale of the change in consumers' behaviors and attitudes to formulate a marketing strategy that allows them to achieve objectives concerning sales, market share and profits (Shipchandler, 1982). From a psychological as well as a financial point of view, consumers experiencing crisis behave differently from those enjoying a blossoming economy (Ang, Leong, & Kotler, 2000). This can be, at the same time, an opportunity and a threat for companies, which makes it even more important than before to monitor and listen to consumers. Business strategies that were appropriate during a blossoming economy may become ineffective in a recession. Businesses may need to change their target market and adjust their marketing mix to reflect values sought by consumers experiencing economic crisis. For companies to succeed in this, it is vital for them to understand how an economic crisis affects consumers (Ang et al., 2000). Although much has been written about the impact of economic crisis and the following recession on consumer buying behavior and attitudes around the world, no comprehensive coverage was found specifically about changes among Icelandic consumers, which was the focus of this research. The global economic crisis in 2008 affected the daily lives of



many consumers around the world, including consumers in Iceland. It is important for Icelandic companies to realize the changes that the crisis and the following recession had on the buying behavior and attitudes of Icelandic consumers and if those changes are still present as the economy recovers from the crisis. Companies and stakeholders can also use this type of research in order to prepare for possible future recessions as the literature suggests that consumers react in similar ways to economic downturns in different time periods.

### **1.1. Research Purpose**

The objective of this research was to study the impact of economic downturns on Icelandic consumers' buying behavior and attitudes. In order to do that, self reported consumers' attitudes toward shopping and brand switching were compared from before and after the economic crisis in 2008. The research questions the study sought to answer were:

1. What impact did the economic crisis in 2008 have on Icelandic consumers' attitude toward shopping?
2. What impact did the economic crisis in 2008 have on Icelandic consumers' attitude toward brand switching?

The first research question explored consumers' attitude toward shopping, specifically price consciousness, attitude toward luxury grocery stores and promotions, importance of quality versus quantity and attitude toward thinking before money is spent. The second research question explored consumers' attitude toward brand switching, specifically brand loyalty and attitude toward private label products.

Data on self-reported attitudes was gathered from the Target Group Index, which is a survey conducted by the marketing research firm Gallup. The Target Group Index explores numerous factors of consumption, attitudes, behavior and interests among Icelandic consumers and is an ongoing survey, conducted every month of the year ("Neyslukönnun," n.d.).

To reach the objective of this research, it was important to identify years where the economic environment takes changes to be able to compare consumers' attitudes and behaviors under different economic circumstances. With that in mind, the researcher chose to analyze data from four points of reference. Two points of reference

were years close to the economic crisis of 2008: one-year prior to the crisis, 2007, and one-year post the crisis, 2009. One point of reference was seven years post crisis, 2015, which was the newest data available at the time of the research. Preferably, consumers' behavior and attitudes would have been analyzed seven years prior to the economic crisis as well, however, data from 2001 was not available to the researcher and therefore the oldest data available was analyzed, which was data from 2005. In the years analyzed prior to the crisis, 2005 and 2007, consumers were experiencing a blossoming economy with low unemployment, positive economic growth, low inflation and a growing purchasing power. The year 2009 can be categorized as a recession year with high unemployment rates, negative economic growth, high inflation rate and consumers' purchasing power was declining. In 2015, the economic environment had recovered substantially with lower unemployment rates, higher economic growth, low inflation and consumers' purchasing power was growing as well.

This study explored two factors extracted from the Target Group Index data: consumers' attitudes toward shopping and consumers' attitude toward brand switching. First, change in consumers' attitudes toward shopping was explored by analyzing respondents' self reported attitudes to statements in the Target Group Index and comparing the attitudes in the four years analyzed. Second, change in consumers' attitude toward brand switching was explored; also by analyzing respondents' self reported attitudes to statements in the Target Group Index and comparing the attitudes in the four years analyzed.

To find out if there was a statistically significant difference in consumers' attitudes between the four years analyzed, a one-way between groups analysis of variance (ANOVA) was conducted. When a statistical difference was found between the years, post-hoc tests were used to identify which years differed.

## **1.2. Factors in the Economic Environment Influencing Consumer Behavior**

Historically, the economy goes through business cycles with its upswings and downturns and both individuals and businesses are affected along the way. The aftermath of the majority of severe economic crises that have occurred share three characteristics (Reinhart & Rogoff, 2009). The first characteristic is deep and prolonged asset market collapses. Housing price declines on average 35 percent and equity price collapses on average 55 percent. The second characteristic is associated with profound declines in output as well as employment and the third characteristic is that the real

value of government debt tends to explode mainly because of collapse in tax revenues due to output contractions (Reinhart & Rogoff, 2009). Flatters and Willmott (2009) categorize recessions into two broad categories; brief and shallow or catastrophically deep and enduring. Most downturns fall into the previous category, provoking short-term changes in consumer behavior that depend on the causes of the crisis and who are most affected by it. Consumption trends resulting from this group of recessions usually rebound rather quickly when the recession ends, however, at different rates depending on sectors. The recessions in the latter category reshape consumers minds and have long-term impacts on buying behavior (Flatters & Willmott, 2009). The most recent global economic crisis hit in 2008 and had serious consequences for companies and individuals. According to Flatters and Willmott (2009), the 2008 economic crisis has features of both types of downturns by being not as deep as the Great Depression, which lasted from 1929 to 1939 (Eichengreen, 1992), and not persisting for a long time. However, it is thought to be the most severe crisis since the Great Depression, affecting most markets and consumers in all economic ranks (Flatters & Willmott, 2009).

As mentioned before, consumers' behavior and attitudes are subject to change, which can result in different consumption trends. The study of consumption trends and patterns among consumers is important for several reasons. Clements and Selvanathan (1994) state three reasons, first of which is that over 70 percent of GDP in most countries is traceable to total consumption and consumption therefore of great significance for the state of the economy. Second, consumption patterns are a means of measuring and assessing economic performance as they contain information about economic welfare and living standards. Finally, microeconomic policy issues make it important to understand price-responsiveness of consumption (Clements and Selvanathan, 1994). Consumption patterns and trends may change for numerous reasons and develop over the course of generations, as they depend on several factors including the economy (Gerbens-Leenes & Nonhebel, 2002). Years of uninterrupted prosperity before the 2008 global economic crisis had profound impact on consumers and their consumption trends. New tastes emerged and markets were created to serve them. Consumers could afford to be curious about innovative technology and indulge in enriching experiences and premium goods. The recession that followed the 2008 economic crisis also had profound impact on consumers' consumption trends by propelling some consumer trends forward and slowing, ending or reversing other trends (Flatters & Willmott, 2009).

### 1.3. The Economic Environment in the Years Analyzed

For the purpose of this research was important to clarify the economic situation in Iceland at each researched time period to link buying behavior and attitudes to the economical environment consumers are living in and be able to identify how and if changes in that environment influence the consumers' behavior and attitudes.

There are numerous economic indicators that can be used to define the state of the economy, including unemployment rate, inflation, purchasing power, and GDP growth rates ("Economic Conditions Definition," n.d.). These four indicators will be used in this study to describe the economic environment at each reference point. An overview of the economic statistic for the four years analyzed, as well as 2001, can be seen in Table 1.1.

Table 1.1

*Economic Environment*

	Unemployment	Inflation	Purchasing power	Economic growth
Pre-crisis				
2001	2,3%	6,7%	2,8%	3,8%
2005	2,6%	4%	7%	6%
2007	2,3%	5%	8,5%	9,5%
Post-crisis				
2009	7,2%	12%	-13,4%	-4,7%
2015	4%	1,6%	4,4% (2014)	4%

*Note:* Data from "Consumer price index," (n.d.); "Labour market," (n.d.); "Sector accounts," (n.d.); Statistics Iceland, (n.d.) & "Unemployment by quarters 2003-2015," (n.d.).

#### 1.3.1. Unemployment rate.

Unemployment is often one of the most serious consequences of an economic crisis and following the 2008 global economic crisis, unemployment in Iceland increased rapidly (Karl Sigurðsson, 2009). Unemployment in Iceland peaked in the second quarter of 2009 and for a short period of time, it was higher than the average unemployment rate in the EU countries (Arnaldur Sölvi Kristjánsson & Stefán Ólafsson, 2012). In the four years analyzed in this study, unemployment took drastic changes as Figure 1.1. illustrates. In 2005, the average unemployment rate was 2,6 percent and in 2007 it was 2,3 percent. In the recession year 2009, average unemployment rate was the highest at 7,2 percent and in 2015, it was down to 4 percent ("Unemployment by quarters 2003-2015," n.d.)

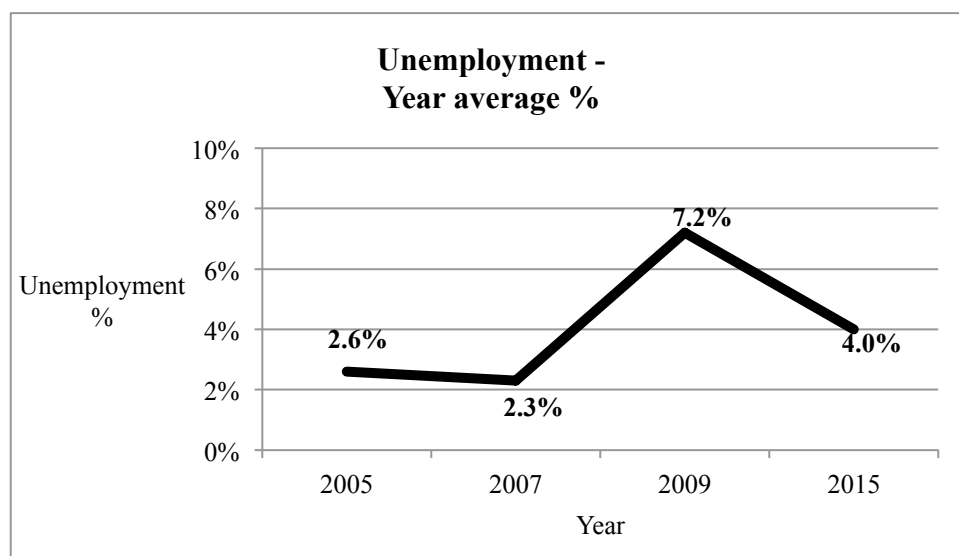


Figure 1.1. Unemployment Rate. Data from “Unemployment by quarters 2003-2015,” (n.d.).

### 1.3.2. Inflation and purchasing power.

Inflation implies that the value of money decreases. When the inflation rate is higher, consumers get lesser amount of products or services for the same amount of money as before (“Orðskýringar,” n.d.). Inflation influences the wellbeing of households and an increase in inflation can have tremendous effects on the ability of consumers to purchase products and services if wages do not increase along with inflation (Arnaldur Sölvi Kristjánsson & Stefán Ólafsson, 2012). During the four years analyzed in this research, inflation rates took much change. The inflation in 2005 was 4 percent and in 2007, it was 5 percent. In recession year 2009, inflation reached 12 percent and in 2015, inflation was the lowest of the four years at 1,6 percent (“Consumer price index,” n.d.). The massive fall of the Icelandic currency following the crisis in 2008 and the increase in inflation that followed caused a decrease in the real disposable income of the Icelandic households of 20 percent (Arnaldur Sölvi Kristjánsson & Stefán Ólafsson, 2012). Purchasing power measures what consumers can purchase for the resources they have available and is based on the disposable household income. If disposable income grows faster than prices, purchasing power is said to be growing (“Orðskýringar,” n.d.). Purchasing power in 2005 grew 7 percent from the previous year and the growth was 8,5 percent in 2007. In 2009, the purchasing power of disposable income decreased by 13,4 percent from the previous year. The statistics for 2015 had not been published at the time of this research but in 2014, purchasing power had increased by 4,4 percent from the previous year (“Sector

accounts,” n.d.). The development of inflation rates and consumers’ purchasing power is illustrated in Figure 1.2.

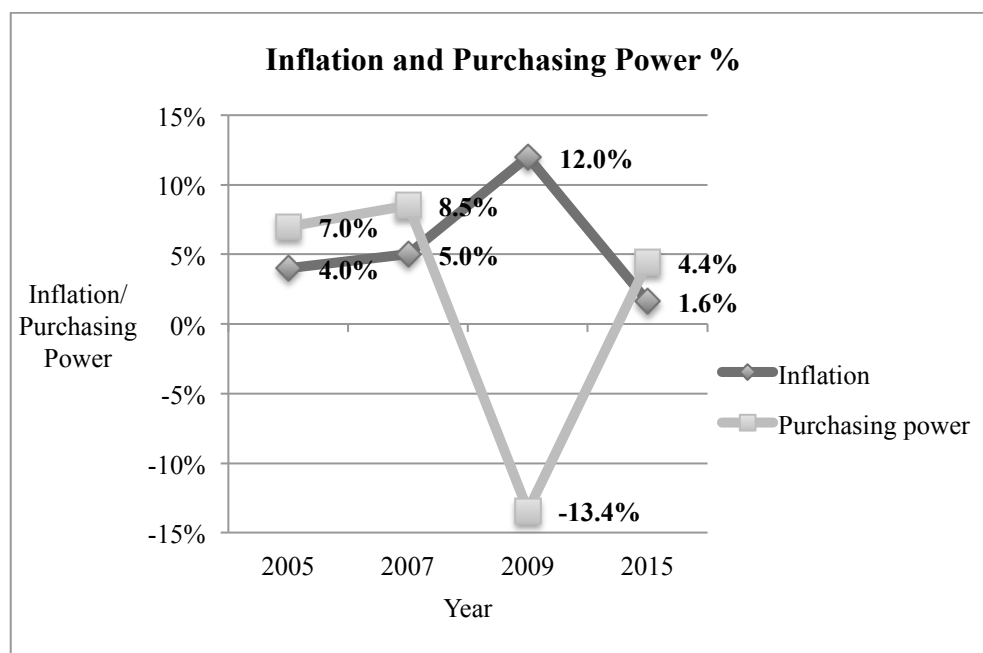


Figure 1.2. Inflation and Purchasing Power. Data from “Consumer price index,” (n.d.) & “Sector accounts,” (n.d.).

### 1.3.3. Economic growth.

Economic growth measures the increase in GDP (gross domestic product) for a certain period of time after including for inflation (“Orðskýringar,” n.d.). The economic growth in 2005 was 6 percent and grew substantially in 2007 when it was 9,5 percent. In 2009, the economic growth decreased to -4,7 percent and in 2015, it was up to 4 percent (Statistics Iceland, n.d.). Figure 1.3. demonstrates the development of economic growth in the years analyzed.

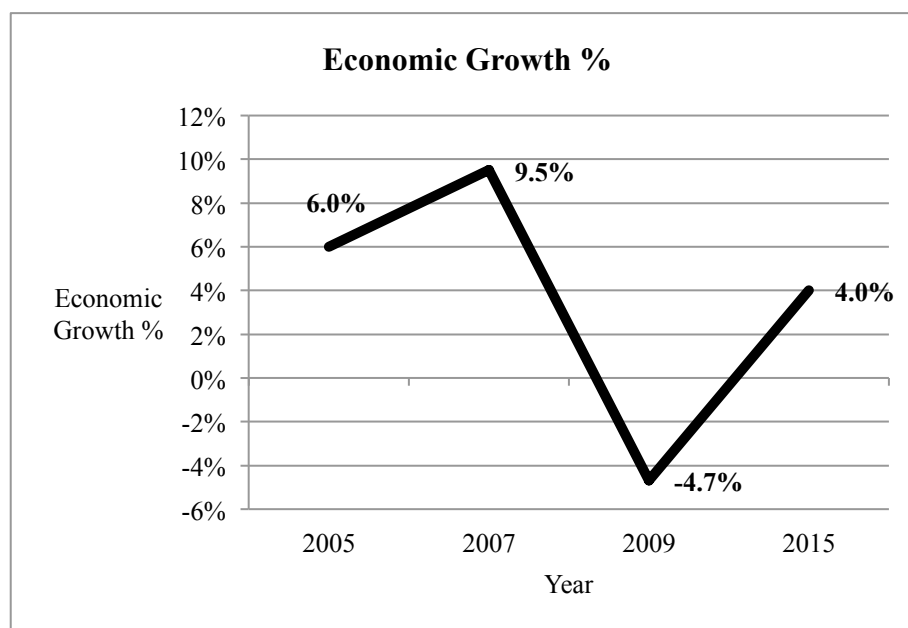


Figure 1.3. Economic Growth. Data from Statistics Iceland, (n.d.).

#### 1.3.4. Economic environment in 2001.

The economic environment in 2001, which is the year that would have been analyzed if the researcher had access to the data, had some similarities to the economic environment in 2005, 2007 and 2015. In 2001, unemployment rate was 2,3 percent (“Labour market,” n.d.), which is similar to the rate in 2005 and 2007, however, lower than unemployment in 2015. The economic growth was 3,8 percent in 2001 (Statistics Iceland, n.d.), which is similar to the economic growth in 2015 but lower than in 2005 and 2007. The inflation in 2001 was 6,7 percent (“Consumer price index,” n.d.), which is higher than in 2005, 2007 and 2015 and consumers’ purchasing power had decreased by 2,8 percent from the previous year (“Sector accounts,” n.d.). Comparing 2001 to the years analyzed in this research reveals that the economic environment was not quite as positive for the consumer as in 2005, 2007, and 2015. However, the environment in 2001 was significantly more positive for the consumer than in the recession year 2009.

#### 1.3.5. The economic environment and the consumer.

The economic environment in 2005 and 2007 has many similarities. The economic conditions were positive for consumers. Unemployment and inflation rates were low, consumers’ purchasing power was growing and the economic growth was positive. At the peak of the upswing in 2007, economic growth had increased substantially from only two years before and unemployment rates were still decreasing. Even though inflation had increased 1 percent from 2005, purchasing power was still growing in 2007. Many Icelandic consumers felt the effects of the blossoming economy

directly, like consumers all around the world. They did not have to worry about employment, could indulge in luxury products and allow themselves purchases that would not be considered necessities, as inflation rates did not reduce consumers' purchasing power and unemployment was not of concern to them.

The 2008 crisis began as a crash in the stock market in the fall of 2007, which was followed by a collapse of the Icelandic currency in early 2008 and finally the collapse of the Icelandic banks in October 2008 (Stefán Ólafsson, 2013). In the year following the economic crisis, 2009, many consumers became unemployed, which affected their disposable income along with substantial increase in inflation. Salaries did not increase along with the increasing inflation and consumers' purchasing power was reduced. In only two years, from 2007 to 2009, economic growth had decreased from 9,5 percent to -4,7 percent. In 2015, the economy had taken significant changes again since 2009 and was starting to look much similar to the economic environment in the years before the crisis hit. The unemployment rate had decreased, inflation was even lower than in the upswing year 2007, consumers' purchasing power was increasing and economic growth in 2015 was reaching rates as they were in 2005.

The economic environment that consumers are living in takes significant changes in the years that were analyzed in this study. Consumers experienced a significant rise in the economy in 2005, an economic boom in 2007, a recession in 2009 and finally an economic recovery in 2015. These major changes in consumers' situations resulting from upturns and downturns in the economy make these four points of reference ideal to explore the impact of changes in the economy on consumers' behavior and attitudes.



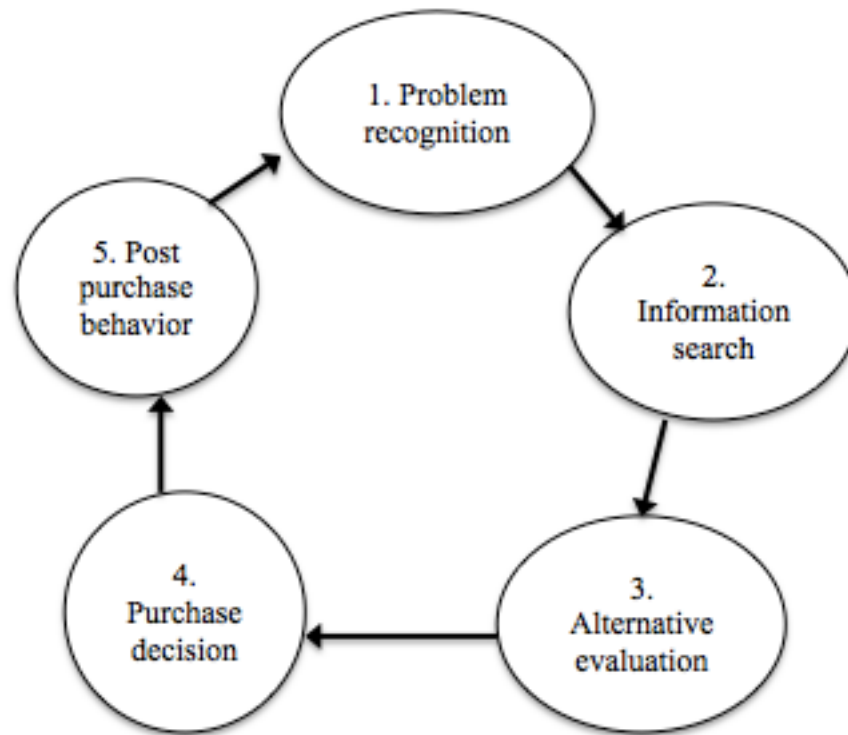
## **2. Literature Review**

### **2.1. Consumer Buying Behavior**

Consumer behavior can be defined as the “the study of the processes that individuals or groups go through in making their purchasing choices in order to satisfy their needs” (Sharma & Sonwalkar, 2013, p. 34). In broad context, consumer buying behavior can be seen as a subset of human behavior and the several factors affecting individuals in their daily lives also influence their purchasing activities and decisions. Consumer buying behavior is both a psychological and a social process, including both mental and physical activities, and a combination of internal and external factors influence and determine the buying behavior of consumers (Modi & Jhulka, 2012). Kotler & Armstrong (2012) have identified four characteristics that strongly influence consumer-buying behavior. Those are cultural, social, personal and psychological characteristics. Consumer buying behavior is a complex and dynamic concept in nature and because of the various factors influencing consumers; their behavior varies both between individuals as well as the situations the individual is in (Modi & Jhulka, 2012).

### **2.2. Consumer Buying Decision Process**

In the early stages of consumer behavior research, it was often referred to as buyer behavior, reflecting the emphasis on the interaction between the consumer and producer at the time of purchase. However, it is now recognized that consumer behavior is an ongoing process, not only the activity when a consumer hands over payment and in turn receives goods or services. The expanded view looks to the entire consumption process, which includes factors influencing the consumer before, during and after a purchase (Solomon, 2006). Most researchers studying consumer buying behavior agree that the buying process that consumers go through when acquiring a product or a service consists of five stages (Comegys, Hannula, & Väisänen, 2006; Mansoor & Jalal, 2011; Solomon, 2006). The five-stage buying decision process model, as illustrated in Figure 2.1, is a widely used tool for marketers and can help them gain a better insight into consumer behavior. The idea behind the model is that when a consumer purchases a product or a service, the purchase activity is a forward moving process. The process begins before the actual purchase takes place and carries on once the purchase has been made (Comegys et al., 2006).



*Figure 2.1.* The Five Stage Buying Decision Process Model. Adapted from Comegys et al., (2006).

### **2.2.1. Problem recognition.**

At the first stage of the buying decision process, the consumer recognizes a need, also referred to as a problem, to be satisfied (Comegys et al., 2006; Mansoor & Jalal, 2011; Solomon, 2006). The problem or need may be large or small, simple or complex but it leads the consumer to perceiving a difference between his ideal and actual situation (Solomon, 2006). A need can arise by the quality of the consumer's actual state moving downwards (need recognition) or the consumer's ideal state moving upwards (opportunity recognition). In both cases, a gap occurs between the consumer's actual and ideal state (Solomon, 2006). Comegys et al. (2006) state that other factors besides differences in the consumer's actual and desired state can influence need recognition such as demographic factors and inferred influences, including psychological factors (Comegys et al., 2006).

### **2.2.2. Information search.**

At the second stage of the buying decision process, the consumer begins to search for information related to the need that has been recognized (Comegys et al., 2006; Mansoor & Jalal, 2011; Solomon, 2006). Consumers search for information either

by scanning their own memory for information (internal search) or supplementing their own knowledge from external sources (external search) (Solomon, 2006). The extent of the information search the consumer engages in depends on several factors such as the importance of the purchase, the need to learn more about the purchase and/or how easily the relevant information can be obtained and utilized (Solomon, 2006). A purchase decision that involves extensive search for information often entails a perceived risk (uncertainty) or believes that the product has potential negative consequences (Comegys et al., 2006; Solomon, 2006). The extent of the information search also depends on the characteristics of the individual engaging in the information search, regardless of the product category (Alba & Hutchinson, 1987; S. E. Beatty & Smith, 1987; Solomon, 2006).

### **2.2.3. Alternative evaluation.**

Alternative evaluation is the third stage of the decision process (Comegys et al., 2006; Mansoor & Jalal, 2011; Solomon, 2006). At this stage, the consumer evaluates different brands and product attributes depending on the information gathered during the information search in the previous step. The criteria the consumer decides to use to narrow down product-alternatives depends on the level of involvement the purchase has to the consumer; consumers making purchases with a high level of involvement carefully evaluate several brands while consumers making purchases of low involvement may not consider any alternatives to their normal brand (Solomon, 2006). At the end of this phase, the consumer forms preferences among brands and may form an intention to buy the most preferred brand (Comegys et al., 2006).

### **2.2.4. Purchase decision.**

Once the options from the relevant category have been assembled and evaluated, the consumer makes a decision on which product or brand to buy. This is the fourth stage of the process (Comegys et al., 2006; Mansoor & Jalal, 2011; Solomon, 2006). Even though the consumer may form an intention to buy at the previous phase of the process, there are two factors that may intervene between the purchase intention made at the alternative evaluation stage and the actual purchase decision (Kotler, 2000; Solomon, 2006). The first factor is the extent to which another persons' attitudes reduce the buyers preferred alternative. The second factor is unanticipated situation factors that may change the purchase intention, such as a change in the consumer's income or other purchases become more important. Perceived risk can also influence the consumer's decision to modify, postpone or cancel a purchase decision. Therefore, the preferences

and purchase intentions resulting from the evaluation stage of the purchase decision process are not fully reliable predictors of the consumer's actual purchase behavior (Kotler, 2000; Solomon, 2006).

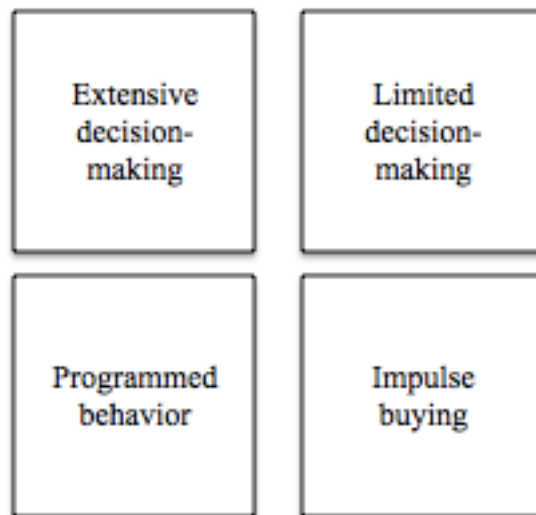
#### **2.2.5. Post purchase behavior.**

After the purchase, the consumer evaluates the choice made, which is the fifth and final stage of the purchasing process (Comegys et al., 2006; Mansoor & Jalal, 2011; Solomon, 2006). Post purchase behavior can be divided into two groups: post purchase satisfaction and post purchase actions. Post purchase satisfaction is the closeness of the relationship between the consumer's expectations and the product's perceived performance. Post purchase action may be carried out by the consumer saying good things about the brand to others, repurchasing the product (Kotler & Keller, 2012) and being loyal to the brand (Comegys et al., 2006). Some claim that satisfaction does not necessarily create loyalty (e.g. Oliver, 1999), however, studies in various areas of consumer research describe and emphasize how satisfaction does in fact generate loyalty (e.g., Auh & Johnson, 2005; Ball, Coelho, & Machas, 2004). Brand preference, repurchase intention and how they interact with each other are also important issues in post purchase action (Comegys et al., 2006). According to Hellier, Geursen, Carr, & Rickard's (2003) model, brand preferences and its strength have positive effect on repurchase intention. The model also reveals that loyalty has positive effect on brand preference and satisfaction has positive effect on loyalty (Hellier et al., 2003).

### **2.3. Variations of Consumer Buying Behavior**

In some occasions, consumers do not engage in all five stages of the buying decision process covered in the previous chapter. Most consumers make many decisions every day, few of which are of importance to them. For situations when the purchase is of low importance to the consumer, it may be inappropriate to assume that the consumer goes through active information search and extensive alternative evaluation (Kassarjian, 1981). Olshavsky & Granbois (1979) even argue that "for many purchases a decision process never occurs, not even on the first purchase" (p. 98). However, most researchers studying consumer buying behavior agree that consumers go through some variation of the decision process when acquiring a product or a service (Comegys et al., 2006; Kotler & Keller, 2012; Mansoor & Jalal, 2011; Sharma & Sonwalkar, 2013; Solomon, 2006). Four distinctive variations of consumer buying behavior have been identified by the literature depending on frequency of occurrence, emotional involvement, decision-

making complexity and risk. The four variations of consumer buying behavior are: extensive-decision buying behavior, limited decision-making buying behavior, programmed behavior and impulsive buying behavior, see Figure 2.2 (Mansoor & Jalal, 2011).



*Figure 2.2. Variations of Consumer Buying Behavior. Adapted from Mansoor & Jalal, (2011).*

### **2.3.1. Extensive decision-making.**

In extensive decision-making situations, the consumer spends a relatively long share of time on information search and takes a long period of time to make a decision regarding the purchase. According to Bauer, Sauer, and Becker (2006) extensive decision-making most often occurs when purchasing a product that is important to the consumer, such as specialty goods, and mainly occurs in first purchases. Of the four categories of consumer buying behavior, decisions involving extended problem solving correspond most closely to the traditional decision-making perspective covered in the previous chapter as the consumer goes extensively through each of the five steps of the process (Solomon, 2006). The consumer evaluates the alternatives carefully by using many criteria and perceives a significant difference among the alternatives (Solomon, 2006) carefully selecting a product alternative (Bauer et al., 2006).

### **2.3.2. Limited decision-making.**

Limited decision-making buying behavior is another variation of consumer buying behavior and involves a reasonable level of decision-making. The information search that the consumer engages in is relatively low compared to the information

search conducted in the extensive decision-making variation. This type of behavior applies for example when a consumer can easily get information on a product and its quality (Mansoor & Jalal, 2011) but the information search and evaluation are limited to a few subjective important attributes such as brand and price information (Bauer et al., 2006). Consumers perceive the alternatives offered as similar and choice is often influenced by the store displays (Solomon, 2006).

### **2.3.3. Programmed behavior.**

Programmed behavior, also referred to as habitual behavior, is characterized by low complexity and limited information search. Consumers simply recognize a need and make a decision (Kerin, Hartley, & Rudelius, 2015). This process usually applies to routine purchases of low cost items that the consumer has the routine of buying (Mansoor & Jalal, 2011), the consumer is familiar with the product category and makes the decision based on past experience (Bauer et al., 2006).

### **2.3.4. Impulse buying.**

The last variation of buying behavior identified by the literature is impulsive buying. In this case, the consumer makes the decision unconsciously and is induced by external stimulation that makes a specific product appear attractive and irresistible to the consumer (Sharma & Sonwalkar, 2013). This type of decision-making has the lowest cognitive effort and has a strong presence of reactive elements that arise suddenly, as the purchase is triggered at the point of sale. Most often, this behavior is present in situation when purchasing products that are low-priced and require low-involvement and are of periodic need (Bauer et al., 2006).

## **2.4. Consumer Attitudes**

Although the definition for attitude varies between time and authors, “there is a general agreement that a person’s attitude toward some object constitutes a predisposition on his part to respond to the object in a consistently favorable or unfavorable manner” (Ajzen & Fishbein, 1973, p. 41). Attitudes are important in influencing and studying consumer behavior as they put consumers in a frame of mind of liking or disliking objects. Attitudes lead individuals to act in a fairly consistent way toward similar objects because attitudes are difficult to change; to change a single attitude, one might have to make major adjustments to other attitudes as a person’s attitudes fit into a certain pattern (Kotler & Armstrong, 2012). However, individuals are in some cases motivated to alter one or more of their attitudes because they have the

need to maintain a consistency among their attitudinal components. Therefore, in situations where individuals are confronted with inconsistencies among their attitudes, they might take action to change them (Solomon, 2012).

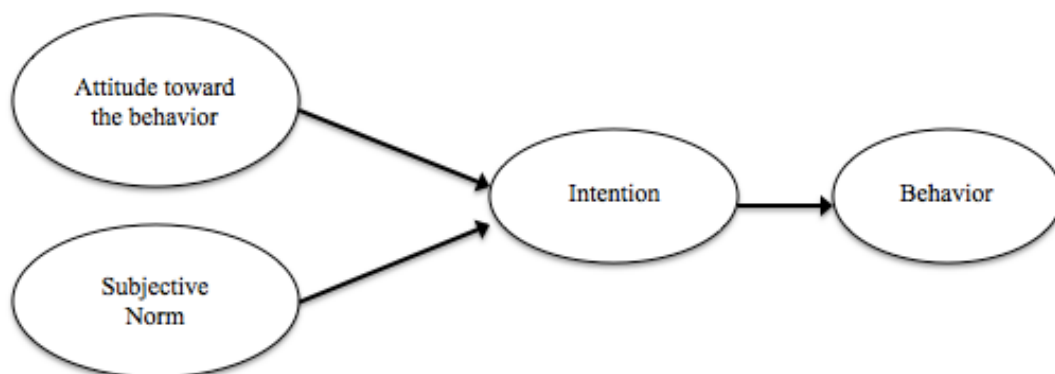
Attitudes are affected by various changes that may occur in consumers' external environment, where some changes are financial while others are nonfinancial (Mueller, 1963). In her research on the forecasting ability of attitudes, Mueller (1963) found that attitudes contribute significantly to the ability to account for fluctuations in durable goods spending, after accounting for changes in the financial situations of consumers. According to Mueller (1963), attitudes respond to changes in economic conditions and attitudes that are affected by environmental changes can be useful to explain fluctuations in consumer spending. Therefore, attitudes have been used to assess current business conditions and predict economic developments through customer anticipation surveys (Mueller, 1963).

#### **2.4.1. Attitudes and behavior.**

Attitude has been an important concept since the 1920s when behavioral scientists began to search for factors mediating between stimulus perception and overt behavior (Ajzen & Fishbein, 1973). Multi-attribute attitude models were used to understand attitudes because of their complex nature. These models assume that a person's attitude toward an object depends on beliefs the person has about several of its attributes. Multi-attribute attitude models identify these beliefs and combine them to derive a measure of the person's overall attitude. The most influential multi-attribute attitude model was the Fishbein model, which measured three components of attitude: salient beliefs, object-attribute linkages and evaluation of each of the important attributes (Solomon, 2012). However, when examining the relationship between attitudes and behavior, results often reported correlations that were low (Smith & Swinyard, 1983). These results made it difficult for anyone to rely on attitudes to predict and explain human behavior. Wicker (1969) stated that it is more likely that attitudes are unrelated or slightly related to behavior than that attitudes will be closely related to behavior. Still, many other psychologists believed attitudes to be predictive of behaviors and offered possible explanations for the inconsistencies observed by Wicker. Those explanations included doubts about the experiments or the representativeness of the sample of studies included in Wicker's arguments as well as the fact the Wicker's review only relied on experimental studies, ignoring survey data that provided a stronger evidence for a relationship between attitudes and behavior (Ajzen & Fishbein,

2005). The debate raised the question about when attitudes predict behavior and lead to the development of the principle of compatibility, developed by Ajzen and Fishbein (1977). According to the principle of compatibility, attitudes and behavior correlate with each other to the extent that they refer to the same action, target, context and time elements, which are the different elements of attitude and behavioral entities. Therefore, one must assess the attitude that corresponds to the behavior in terms of action, target, context and time elements to be able to predict and understand the determinants of specific behavior (Ajzen & Fishbein, 1977).

To predict how individuals will behave based on their existing attitudes and behavioral intentions, the theory of reasoned action and the theory of planned behavior were developed. The theory of reasoned action, as illustrated in Figure 2.3, claims that intentions consist of attitude toward a behavior and subjective norms and intentions direct behavior. The intention to perform a behavior is created by a favorable or an unfavorable attitude toward the behavior along with a subjective norm that either encourages or discourages a behavior (Fishbein & Ajzen, 1975).

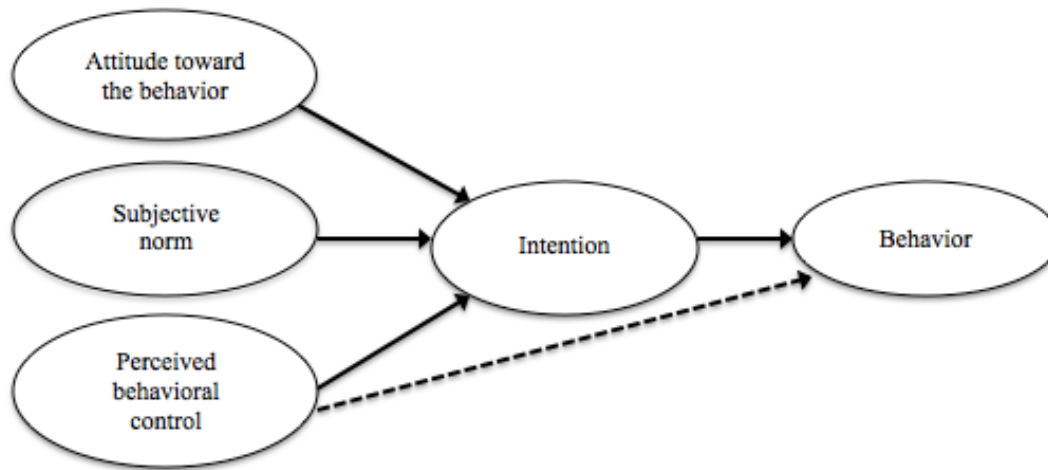


*Figure 2.3. The Theory of Reasoned Action. Adapted from Ajzen & Fishbein, (1975).*

The theory of planned behavior incorporated the concept of perceived behavioral control as an additional predictor to the attitudinal and normative component of the theory of reasoned action to accommodate for behavior over which people have limited control. Perceived behavioral control serves as a proxy for actual control and contributes to the prediction of behavior. People's behavior is strongly affected by their confidence in their ability to perform it, which perceived behavioral control stands for. According to this model, perceived behavioral control along with behavioral intention



can be used directly to predict behavior and is therefore considered in addition to intention, as illustrated in Figure 2.4 (Ajzen, 1991).



*Figure 2.4. The Theory of Planned Behavior. Adapted from Ajzen, (1991).*

Since it has been established that attitudes can predict behavior, it is important to determine what attitudes mean in terms of decision-making and buying action and which attitudes consumers consider important and predispose them to a particular choice in the marketplace. Of all the various features of a product or a brand, there are some that predispose consumers to actual purchase and others that do not. Consumers' attitudes towards features that are closely related to their preferences or purchase decisions are considered to be determinant when it comes to purchasing behavior. Businesses can identify those determinant attitudes by using direct and indirect questioning, observations and experiments and then build a marketing strategy around those attitudes that have been identified to be determinant (Myers & Alpert, 1968).

## **2.5. The Impact of the Economy on Consumer Buying Behavior and Attitudes**

Much research has been undertaken on the impact of economic crisis on consumer buying behavior and attitudes, and the majority of them reveal that economic crisis have severe impact on consumer buying behavior and their attitudes (Zhigalova, 2012). In most developed economies, consumer behavior prior to the 2008 crisis was influenced by years of prosperity with the exception of occasional slowdowns. Consumers felt the effects of the blossoming economy directly. They could afford to be

curious about products, spend on enriching experiences and indulge in premium goods. Consumers could afford to pay extra for socially conscious consumption and spread on purchases that were not necessities but felt deserved (Flatters & Willmott, 2009). As stated before, consumer-buying behavior is influenced by several factors, including the external environment the consumer is living in and changes in the external environment can induce changes in the consumers' behavior (Modi & Jhulka, 2012). One of those changes that can occur in the external environment is an economic crisis and the recession that follows. Even though crisis can be seen mainly as an external influence, it also has important psychological influences on consumers by forcing them to question their beliefs and attitudes towards purchasing (Zhigalova, 2012). This means that economic crisis not only change the external environment influencing consumers' behavior but also affect the internal factors influencing consumers. Studies conducted in different countries show that economic crisis have strong economic and social impact on consumers. Attitudes, aspirations and purchasing patterns of a crisis-hit consumer are different from those existing before a recession (Sharma & Sonwalkar, 2013). Switching brands and retail venues, increased price consciousness and frugality, purchasing reduction, less impulse buying and more purchasing planning as well as seeking a simpler lifestyle are among the factors that have been found to characterize crisis hit consumers. These factors will be explored further in the following coverage.

### **2.5.1. Brand switching.**

During a recession, consumers have been observed to switch from the brands they are used to buying to alternative, lower priced brands as they become more sensitive to price (Mansoor & Jalal, 2011). An explanation for brand switching behavior can be traced to economic theory. Economic theory states that consumers' shift in behavior by switching to other brands is due to a change in the function between the amount consumers are willing to pay and their perception of value that they are receiving. If consumers see enough value in the premium-brand product, they will choose it over the more basic brand product despite the premium brands higher price. However, in a recession consumers become less willing to pay more and the preferences of some consumers begin to move from the premium-brand product to the product of a more basic brand ("How the recession," n.d.). A CMO Council/Pointer Media Network study showed that in the recession in 2009, more than half of U.S. consumers who had been loyal to a brand in 2007, either reduced their loyalty or switched entirely to rival products (as cited by Piercy, Cravens, & Lane, 2010). While essentials are often less

affected by economic downturns than luxury products, the effect on essentials varies between specific brands with the consumer moving from better known to lesser-known brands (e.g., Ang et al., 2000). A shift toward lower priced products has been observed following the 2008 economic crisis with increases in sales of private label products. Private-label products are sold on average for one-third less than the equivalent national brand and during an economic recession, many consumers were considering private-label products as the best value with quality at a lower price (T. K. M. Beatty & Senauer, 2013). Sales of private-label products in the U.S. grew by 34 percent between the years 2006 and 2010 (T. K. M. Beatty & Senauer, 2013) and in the U.K., many private label brands enjoyed success following the economic crisis of 2008. In a survey conducted by Datamonitor in the U.K., 43 percent of respondents agreed that they had given up some of their favorite grocery brands following the 2008 crisis. In the survey, only 15 percent responded that they “rarely” or “never” bought private label products whereas 36 percent said they were regular purchasers of private label products (“UK consumers,” 2009). The trend toward private-label products was also observed among consumers in Japan. Known for their willingness to pay for quality products and lack of interest in cheaper goods, Japanese consumers were making drastic changes in their attitude towards shopping. Before the recession, the private-label penetration rate was only 4 percent in Japan, compared with the global average of 20 percent. However, after the economic crisis of 2008 and the following recession, private-label sales were expected to grow by 60 percent in Japan in 2010 (Salsberg, 2010).

Brand switching behavior has also been observed following economic crisis further in the past. A research conducted by Ang et al., (2000) following the economic crisis in Asia in 1997 showed that during the economic recession, Asian consumers moved from better known to lesser-known brands. This changed occurred in two steps by consumers moving from premium brands to challenger brands first and then to generic products as the economic crisis became more severe. Following the oil crisis in the U.S. in the 1970s, U.S. consumers also sought to buy cheaper products e.g., private label products (Shama, 1981).

The increase in sales of private-label products seems to apply mainly to the grocery product market. A survey conducted by Booz & Company in 2008 among consumers in the U.S. revealed that only around 7 percent of respondents were switching to a store brand personal care product while almost 33 percent had switched to a store brand in grocery shopping (Leinwand, Moeller, & Shriram, 2008). In addition,

Ang et al. (2000) found that brand switching was less common for products with a high-perceived risk and strong brand equity.

### **2.5.2. Retail venues.**

Along with changing their choice of brands during an economic recession, consumers change their choice of retail venues. Evidence suggest that consumers become more promiscuous following a economic crisis by shopping in a wider variety of stores (Shipchandler, 1982). Cheaper, discount oriented stores become more popular among crisis-hit consumers who are seeking to save money by buying lower priced products. In the pre-recession years, consumers were willing to pay for convenience but after the global economic crisis in 2008 hit, consumers were seen to move away from that willingness and begin to seek retail venues that provide lower prices and were prepared to travel and shop around for good prices (Salsberg, 2010; T. K. M. Beatty & Senauer, 2013). Before the 2008 crisis, 55 percent of supermarket shoppers in the U.S. were focused on convenience, looking primarily for ways to save time in their shopping while in 2011, majority of consumers were found to be trying to save money in their food costs and 74 percent stated that low prices were very high priority in selecting their primary grocery store (T. K. M. Beatty & Senauer, 2013). After the economic crisis of 2008, Japanese consumers started flocking to discount and online retailers whereas before they were known for their willingness to pay for convenience. After the 2008 crisis, they were more willing to travel for good prices with 53 percent of consumers claiming to be more likely to “spend time to save money rather than spend money to save time” (Salsberg, 2010, p. 1). In the U.K., almost one third of consumers were seen changing where they do their grocery shopping in an attempt to safe money after the 2008 crisis (“UK consumers,” 2009). The 1997 crisis in Asia had the same impact on the Asian consumers with them trading down in selection of stores, preferring stores that offered lower prices for the same products (Ang et al., 2000). However, the behavior of traveling between stores to compare prices and purchase products on special promotions was not found among consumers in the stagflation period in the U.S. in the 1970s. This may be traced to the high cost of gasoline caused by the oil crisis, which may have outweighed the savings in traveling between stores for lower priced products (Shipchandler, 1982).

### **2.5.3. Increased price consciousness, frugality and quality.**

During an economic recession, consumers become more price conscious than they were before economic crisis. Price typically becomes a more concern when

disposable income declines and therefore, in recession when jobs and wealth become uncertain in consumers' lives, price becomes a more concern (Hampson & McGoldrick, 2013) and a more critical consideration in decision making (Ang et al., 2000). The 2008 crisis developed a new frugality among consumers (Zhigalova, 2012), which was characterized by strong awareness of value that managed compromises in terms of price, brand and comfort (Sharma & Sonwalkar, 2013). According to Shipchandler (1982), the consumers' definition of value may also change following a crisis; moving from novelty, fashion and new product features to usefulness and durability, which may cause consumers to expect a higher level of functionalism in products and services. Some authors believe that consumers compare and select products based on price while compromising quality during a recession (Mansoor & Jalal, 2011; Nistorescu & Puiu, 2009). However, in the context of crisis and perhaps contrary to expectations, many studies have found quality to be what comes first for the consumer and even before lower prices when making purchase decisions in a recession. Consumers in a recession appreciated low prices and price was a core attribute when making a purchasing decision, however, quality and durability of the product was equally or even more important than low prices (Sharma & Sonwalkar, 2013). Despite a worse financial situation, consumers were not willing to settle for less but they were willing to shop more channels to get the value and quality they wanted for a better price (White-Sax, 2009). This attitude was found among consumers in the U.K. following the 2008 economic crisis. The U.K. consumer was shopping for value but reluctant to sacrifice the quality of products. While lower prices had big influences on where consumers in the U.K. did most of their grocery shopping, a demand for high overall quality was still present despite their deteriorating financial situation ("UK consumers," 2009). Asian consumers were found to view product life cycle costs equally or more important than lower prices following the economic crisis in Asian in 1997 (Ang et. al, 2000). Similarly, Shama (1981) found that the consumer preferred quality products during the stagflation period in the U.S. in the 1970s.

Flatter and Willmott (2009) identified discretionary thrift to be an advancing trend during recession the recession following the 2008 economic crisis. The recession made thrift both acceptable and fashionable. Flatter and Willmott's (2009) research among affluent consumers showed dissatisfaction with the previous excessive consumption and many affluent consumers were economizing and becoming more frugal, even in areas where they did not always need to. They wanted a more a

wholesome and a less wasteful lifestyle, were recycling more and buying used goods. According to Hampson & McGoldrick (2013), a culture of thrift emerges on national levels during a recession, even among consumers suffering no direct effects of the recession, perhaps because recessions also have a social dimension.

As consumers place more emphasis on the value and the utility of a purchase, quantity has been found to become less important in consumers minds. During a prospering economy, consumers felt that if the price is good enough, it did not matter if they threw some of the product away but during a recession, this behavior is viewed as wasteful (White-Sax, 2009). However, despite consumers valuing quality over quantity during a recession, their focus on price and the value of a purchase leads them to stock up during sales (T. K. M. Beatty & Senauer, 2013) and turn towards bulk buying if they perceive cost savings (Mansoor & Jalal, 2011; Salsberg, 2010). Nevertheless, the tendency of bulk buying and stocking up does not apply to all consumers according to Ang et al. (2000). It only applies to those consumers who were less influenced by the recession. For consumers with a very low discretionary income, smaller packages were found to be more appealing as they tend to demand lower payment for each purchase and are thus more affordable even though the unit cost may be higher. Psychology also plays a part in why not all consumers turn to bulk buying during a crisis, for example, some Asian consumers felt like with smaller package they are being more frugal in their consumption as larger packages may result in wastage (Ang et al., 2000).

Along with their newfound frugality and the trending thriftiness, consumers in a recession need more reasons to justify a purchase than before a crisis. To buy at higher prices, consumers needed to perceive a clear quality advantage the product possesses and if consumers were still loyal to a brand, they preferred to wait for a lower price by exploiting promotions or discount coupons at the expense of comfort shopping (Sharma & Sonwalkar, 2013). A study by M. Egol, A. Andrew Clyde and K. Rangan (as cited in Sharma & Sonwalkar, 2013) revealed that 65 percent of U.S. consumers were using coupons more often following the 2008 crisis, focusing on saving money at the expense of comfort shopping. Consumers in the U.K. were also found to be increasing to usage of coupons to obtain discounts following the economic crisis in 2008 ("UK consumers," 2009). Some of the increase in coupon redemption may be traced to the fact that more coupons were issued, however, according to NCH Marketing Service's research consumers are more responsive to coupons during a recession (as cited by White-Sax, 2009).

#### **2.5.4. Purchase reduction.**

Following an economic crisis, consumers make fewer purchases and purchases of selected goods are postponed (Mansoor & Jalal, 2011). The impact of a downturn in the economy on products that are not categorized by the consumer as necessities but rather luxury, nonessential goods tends to be more severe than on products that are categorized as essentials. Sale of electric goods, travel, clothing and cosmetics have been found to decrease during economic recessions (Leinwand et al., 2008.; Shipchandler, 1982). Furthermore, consumption of specialty products, such as softeners, falls while the basic product, in this case detergent, is less affected. Sales of luxury cars decrease during a recession while lower-end, smaller cars have been seen to experience sales increases (Ang et al., 2000). Consumers have been found to delay purchases that would demand a substantial share of their discretionary income during a recession. Areas such as durables, services and structural transportation and housing sometimes require time, effort and in some cases costs if consumers were to change purchasing patterns (Leinwand et al. 2008). Therefore, in those cases, the general trend during a recession was rather to delay purchases than trade down to a less desirable product or brand (Leinwand et al., 2008; Deleersnyder, Dekimpe, Sarvary, & Parker, 2004) . For example, in a survey conducted by Booz & Company, 22 percent of respondents said they were delaying the purchase of a new car during the recession following the 2008 crisis (Leinwand et al., 2008). This was also the trend in the stagflation in the U.S. in the 1970s when 55 percent of survey respondents expressed that they intended to use their car for a longer period of time than they had before, whereas 46 percent expressed that view in a period that was not characterized by stagflation (Shipchandler, 1982).

#### **2.5.5. Impulse buying, purchase planning and information search.**

Impulse buying is a sudden desire that leads the consumer to buy immediately with no pre-shopping intentions and such purchases have been found to have a positive relationship with money available (S. E. Beatty & Ferrell, 1998). Therefore, during a recession when consumers' disposable income decreases, they are less likely to make impulse purchases. Planning before purchasing, such as making shopping lists, also decreases the likelihood of impulse purchases (Inman, Winer, & Ferraro, 2009) and research have shown that following a crisis, consumers exercise more purchase planning (McDaniel, Rao, & Jackson, 1986; Shipchandler, 1982). The U.K. consumer was observed to do more preparation before shopping, such as following a shopping list and not buying other items than were on the list ("UK consumers," 2009) and the same

behavior was found among U.S. consumers (Shipchandler, 1982). Along with consumers' increased frugality and awareness of value, consumers were doing more research before the purchase to make more informed purchasing decisions. Consumers weighted the advantages and disadvantages of buying a product more conscientiously and engaged in more comparative shopping that involved comparing prices, content and product benefits across brands (Ang et al., 2000; Shipchandler, 1982; Shama, 1981) and following the 2008 crisis, consumers were found to intensify search online for valuable bargains (Mansoor & Jalal, 2011). This change in behavior can cause changes in the consumer decision-making process; a process that was characterized by impulse or programmed behavior before the crisis may transform into a limited decision making behavior or even an extended-decision making behavior after an economic crisis. Therefore, a buying process that before economic crisis did not include extensive decision making, can after a crisis become much more complicated (Mansoor & Jalal, 2011).

#### **2.5.6. Simplicity seeking.**

Downturns tend to be stressful to individuals and typically increase consumers' desire for simplicity. Consumers have been found to look for more simple product alternatives to match their desire for a simpler lifestyle after a crisis and during a recession (Flatters & Willmott, 2009). Shama (1981) and Shipchandler (1982) analyzed changes among U.S. consumers caused by the oil crisis in the 1970s and found that the economic stagflation made the consumer seek to simplify their lifestyles. This behavior was observed by increases in consumers growing fruits and vegetables in their backyards, baking at home and growing emphasis on health and physical fitness. Consumers were willing to bypass unnecessary frills attached to products and enjoy simpler kinds of entertainment (Shipchandler, 1982). Flatters and Willmott (2009) identified a growing demand for simplicity following the 2008 global economic crisis. Consumers were found to look for less complicated, user-friendly products along with trusted brands and value that could simplify choice making (Flatters & Willmott, 2009). Ang et al. (2000) and White-Sax (2009) also observed consumers increasingly opting for a simpler lifestyle following an economic crisis.



## 2.6. Will the Changes in Behavior and Attitudes Persist Into a Recovering Economy?

It has been assumed that attitudes and behavior revert back to normal post crisis, however, the theory of cyclical asymmetry states that sales fall faster during economic downturns than they recover during economic expansions (Deleersnyder et al., 2004). Therefore, consumers reduce their spending faster in a response to crisis than they revert back to spending when the economy recovers (Hampson & McGoldrick, 2013). Most of the researchers studying consumers' attitude and buying behavior after an economic crisis and during the following recession agree that the recession and consecutive years of declining economy reshape consumption patterns that continue after the recession has come to an end and into economic recovery (Piercy et al., 2010).

While some changes in consumers' behavior and attitudes are as temporary as the economic recession, others are more lasting (Hampson & McGoldrick, 2013). Table 2.1. summarizes some of the changes consumers make during a recession that have been identified by the literature to either prevail into an economic recovery or be as temporary as the recession.

Table 2.1.

*Behaviors Consumers Stick to and Return to in a Recovering Economy*

Stick to:	Return to:
Frugality	Entertainment
Private label products	Restaurants
Changed perception of value	Vacations
Thriftiness	Driving
Simplicity	

*Note:* Adapted from Flatters & Willmott (2009); Hamm, Young, & Helm, (2008); "How the recession," (2009); Leinwand et al., (2008); T. K. M. Beatty & Senauer, (2013).

After the recession ends, consumers are predicted to reject the overconsumption and extravagant lifestyles that characterized the consumer in the years leading up to the

economic crisis of 2008 and stick to their newfound frugal behavior (Hamm et al., 2008). Private label loyalties appear to persist when the economy recovers from the 2008 crisis (T. K. M. Beatty & Senauer, 2013), indicating that consumers are content with the quality of private label products and do not see a reason nor a need to return to the more expensive national brands. In a study by Lamey, Deleersnyder, Dekimpe, & Steenkamp (2007), it was found that although originally stimulated by the recession, increased spending on private label product during recession is permanent and has left a permanent scar on national brands. Businesses waiting for a return to normality are predicted to be disappointed as the recession has fundamentally altered the behavior of U.S. consumers ("How the recession," 2009). A McKinsey research found that of the consumers who switched to cheaper products following the 2008 economic crisis, 46 percent said they performed better than they had expected. Even though they preferred the premium brand, 41 percent said the brand was not worth the money and 34 percent said they no longer preferred higher-priced products. The results of the survey show that even though consumers' willingness to pay returns with economic recovery, changes to their perception of value may have fundamentally changed what consumers choose to buy ("How the recession," 2009).

Flatters & Willmott (2009) believe that consumers coming of age during the 2008 crisis and the following recession will, like the ones who lived through the Great Depression, stick to the attitudes and behaviors they learned during the recession throughout their lives. Flatters & Willmott (2009) do believe that some consumers may revert back to their prerecession consumption patterns but many people under the age of 35 during the recession will remain simplicity-seeking and thrifty consumers. Salsberg (2010) also states that the shift in behavior and attitudes of the Japanese consumers following the 2008 economic crisis seems to persist despite economic recovery and suggests that the attitude and behavior change might therefore be attributable to more environmental factors than the economic crisis, such as digital revolution, regulatory action and the emergence of a new less materialistic younger generation. When asked about the changes they will undo under a positive economic outlook, consumers also state themselves that they predict to stick to some of the change they made to their behavior and attitudes during the recession. Respondents in the Booz & Company survey generally do not think they will substantially change their more frugal spending patterns and attitudes despite a recovering financial situation. However, there are some

areas that consumers predicted to return to fast. Those areas include spending on restaurants, vacations, entertainment and driving (Leinwand et al., 2008).

## **2.7. Marketing in a Changing Economy**

### **2.7.1. Marketing in a recession.**

Upturns and downturns in the economy have substantial effects on companies and industries (e.g. Deleersnyder et al., 2004) as they influence consumers' behavior. Companies' marketing strategies are affected along with sales and profits (Ang et al., 2000). When consumers' behaviors and attitudes change, it is important for business to review marketing strategies to be able to meet changed needs and values among consumers. In a recession, marketing managers need to stimulate consumer demands through strategy, which often requires redefining the target customers and redesigning the marketing mix. This may entail narrowing a product line, offering cheaper alternatives and discounts, lowering prices and increasing promotions (Shama, 1993). Since consumers become more price conscious during recession, companies need to make some adjustments to their pricing policy. Businesses can either charge the same price for higher quality products or lower price for a product of same quality as before. Another strategy is to charge lower prices for lower quality products, however, this strategy may prove harmful in the long run because when the economy recovers, consumers may still perceive the product as being of lower quality despite product improvements (Ang et al., 2000). Remaining committed in markets where a brand or a product is a leader or a close challenger is essential during a crisis. If new products are introduced they should be consistent with consumers' changed values of frugality, durability and functionality and existing brands need be adjusted to the new attitudes of the consumer by retaining the core benefits of the product while adapting them to fit the changed environment (Ang et al., 2000).

Many research suggest that aggressive marketing in a recession is important and increasing marketing budget in tough economic times can under certain circumstances be vital for companies. In his article on aggressive recession marketing, Aaker (2009) refers to seven previous empirical studies on the impact of an advertising budget on sales or marketing share during a recession. Those studies all found the same positive relationship between the advertising budget and sales: firms that increased marketing budgets in a recession gained greater sales, not only during the recession itself but also when the economy recovered (Aaker, 2009). The main reason is that competition for

customers' attention is reduced during a recession because of fewer advertising and promotion programs, meaning that companies get more attention from consumers for the same expenditure (Aaker, 2009). Srinivasan, Lilien, & Rangaswamy (2005) agree and state that firms should be proactive to change in the environment, including recessions. They conclude that proactive marketing is an important driver in how companies view and react to recessions. Roberts (2003) states that during a recession, firms should invest aggressively in marketing. Many companies experiencing a downturn in their revenue reduce costs in areas such as advertising and promotion but according to Roberts (2003), they should do the exact opposite to survive the recession and prosper into the recovery. The results of Robert's (2003) study revealed that businesses that increased marketing budget during an economic crisis were not significantly less profitable during the recession than those that decreased marketing spending during the downturn. In addition, their profits increased substantially faster in the recovery; companies that increased marketing spending during a recession gained market share three times as fast as those that cut marketing spending during a recession (Roberts, 2003).

### **2.7.2. Marketing in a recovering economy.**

The 2008 global economic crisis and the following years of recession reshaped much of consumers' behavior, attitudes and consumption patterns. Therefore, despite an economic recovery, for most businesses conditions will not return to what they were prior to the crisis ("How the recession," 2009; Piercy et al., 2010). Budget grocery stores have been making adjustments to their offers to retain the new customers they gained in the recession (Gray, 2008) and manufacturers have recognized that the consumers' buying process has changed and become more complex after the 2008 crisis. As a result, they are making changes to products offerings (Piercy et al., 2010). According to Piercy et al. (2010) in order to prosper in economic recovery, companies will have to adapt to the searching scrutiny of the "smart shopper", who is characterized by looking hard at price, value and quality.

### 3. Methodology

To compare consumers' buying behavior and attitudes toward shopping and brand switching between 2005, 2007, 2009 and 2015, attitude related statements from the Target Group Index conducted by Gallup were analyzed. The Target Group Index is a comprehensive survey that explores numerous factors of consumption, attitudes, behavior and interests. The survey is ongoing throughout the year and is based on a randomly selected sample of the Icelandic population including individuals of 18 years and older ("Neyslukönnun," n.d.). The survey contains total of 2.000 questions and statements and is sent out by e-mail to 3.000 individuals monthly. Each individual in the sample receives the survey once a month and the 2.000 questions are distributed over a twelve-month period (Einar Einarsson, personal communication, February 29, 2016).

#### 3.1. Sampling Procedures and Participants

The sample of the Target Group Index consisted of Icelandic individuals of 18 years old and older, males and females. The sample of the survey was randomly selected from participants in the Gallup Opinion Panel. The sample of the Opinion Panel was determined with the aim to include an appropriate number of people with demographic factors representing the Icelandic population. The demographic factors were gender, age and residence. When a sample of 3.000 individuals had been selected randomly from the Opinion Panel, the individuals received an email containing the online survey, which they could choose to complete or not. The individuals who chose to complete the survey did so on their own time under no supervision. Participants in the Target Group Index did not get any payment for taking part in the survey, however, participants in the Opinion Panel were assigned to a lottery where they had a chance of winning gift cards for 5.000 ISK. Participants were also informed that Gallup regularly supports charities of participant's choice based on number of participants in the Target Group Index. The number, gender and age range of participants in each of the four years analyzed can be seen in Appendix A. It should be noted that the number of participants who chose to complete the survey varied between the years analyzed and respondents were not obligated to answer all the questions in the survey. Therefore, Appendix A displays separately the number of participants for each statement analyzed as well as the number of participants in each year analyzed.

### 3.2. Measures

To measure consumers' change in behavior and attitudes between the four years analyzed in this research, six statements that measured attitude toward shopping and three statements that measured attitude toward brand switching were extracted from the Target Group Index. The statements that were chosen to measure consumers' attitude toward shopping measured different factors of attitude toward shopping such as price consciousness, attitude toward luxury stores and promotions, quality versus quantity and thinking about what money is spent on, which is why these six statements were chosen to conduct this research. In addition, the literature had identified that those factors are influenced by downturns in the economy among consumers in other countries and therefore possible to compare Icelandic consumers' behaviors and attitudes to consumers in other markets. The literature had also identified brand switching to be one of consumers' characteristics following a downturn in the economy, including increases in sales of private label products. Therefore, statements that measured consumers' attitudes towards brand switching and private label products were chosen for this research. The statements used to measure and compare consumers' behavior and attitudes were also required to be included in the Target Group Index in all the four years that were analyzed in this study.

Respondents in the Target Group Index rated their attitude toward the statements below on a four point Likert item scale where the options were "strongly agree", "somewhat agree", "somewhat disagree" and "strongly disagree".

In order to explore the variable attitude toward shopping, the following six statements were analyzed.

1. "I often look for the lowest price when I go shopping"
2. "I only shop at grocery stores that sell first class groceries"
3. "I always use discount cards or coupons when it is possible"
4. "Quality is more important than quantity"
5. "I have started to think more about what I spend money on"
6. "I tend to spend money without thinking about it"

In order to explore the variable attitude toward brand switching the following three statements were analyzed:

1. "When I find a brand I like, I stick to it"
2. "It is fun to try different brands"
3. "Most of the times, I think known brands are better than private label products"

The Icelandic version of the statements can be seen in Appendix B.

### 3.3. Research Design and Data Analysis

To explore whether there was a difference in respondents' attitude toward shopping and brand switching between the four years, consumers' answers to the attitude related statements were compared in the years analyzed in this research. The economic environment in the four years was the independent variable and attitudes toward shopping and brand switching were the dependent variables.

The data used for the research was secondary data. The research firm Gallup collected the data and the data was not collected for the purpose of this research. To collect the data for this study, the researcher got access to a database belonging to Gallup, which contained results from the Target Group Index in the years researched in this study. The data was then imported to Microsoft Excel for adjustment before importing it into IBM SPSS where the data was statistically analyzed. The Likert scale answers were labeled, where "strongly agree" was labeled as 1, "somewhat agree" as 2, "somewhat disagree" as 3 and "strongly disagree" as 4. The respondents were divided into four groups, depending on in which year they participated in the survey.

To compare consumers' attitudes in the four years researched, a one-way between groups analysis of variance (ANOVA) was used. A one-way between groups ANOVA compares the variance between different groups with the variability within each of the groups to reveal if there is a statistically significance difference in the distribution of the mean scores between the groups. An F ratio is calculated, which stands for the variance between the groups divided by the variance within the groups. A large F ratio indicates that there is more variability between the groups than there is within each of groups (Pallant, 2013). A one-way between groups ANOVA test was selected for the statistical analysis of this study because it was important to determine whether there was significantly more variability in the distribution of the mean score between years than there was within each year to reveal if consumers' attitude changed along with changes in the economic environment. There were different participants each year and therefore, between-groups ANOVA was used.

Levene's test was used to determine if the assumption of homogeneity of variances was met. The Levene's test for homogeneity of variances tests whether the variance in scores is the same for each of the groups (Pallant, 2013). When the assumption of homogeneity of variance was not met, a Welch's test was used to

determine if there was a statistically significant difference in the mean score between the four years. A Welch's test is more reliable when the assumption homogeneity of variance is not met since the Welch's test is more robust to unequal variances (Wilcox, 1987).

Since one-way between groups ANOVA only determines if there is a significant difference between the groups and does not identify which groups are different, post-hoc tests were conducted to identify which years differed significantly when a significant difference had been detected. When the assumption of homogeneity of variance was met, the Tukey's HSD post-hoc test was used to identify pairwise differences. When the Welch's test had been applied to test for significant differences, the Games-Howell post-hoc test was used to identify pairwise differences. The Games-Howell post-hoc test is designed for unequal variances (Field, 2013).

Conducting a series of ANOVA tests separately for each dependent variable can run the risk of an "inflated Type 1 error", meaning that it is more likely to find a significant results when in reality there is no significant difference between groups (Tabachnick & Fidell, 2013). To reduce the risk of a Type 1 error, a more stringent alpha value was set using the Bonferroni adjustment. The Bonferroni adjustment entails dividing the normal alpha value, typically .05, by the number of tests performed (Pallant, 2013).



## 4. Results

### 4.1. Attitude Toward Shopping

A one-way between-groups analysis of variance was conducted to explore if there was a significant difference in consumers' attitude toward shopping between the four years analyzed. Participants were divided into four groups depending on in which year they participated in the survey. When a significant difference was found between the years, post-hoc tests were conducted using a Bonferroni adjusted alpha level of .0083.

Table 4.1.

*Descriptive Statistics – I Often Look for the Lowest Price when I go Shopping*

	<i>M</i>	<i>SD</i>	95% CI
2005	2.09	.795	[2.04, 2.14]
2007	2.18	.818	[2.14, 2.22]
2009	1.74	.719	[1.71, 1.77]
2015	1.82	.737	[1.78, 1.86]

Table 4.1. shows descriptive statistics for the dependent variable “I always look for the lowest price when I go shopping”. Homogeneity of variances was violated, as assessed by Levene's test of homogeneity of variance ( $p = .000$ ). A Welch's test showed a statistically significant difference at the  $p < .05$  level in the scores for the years:  $F(3, 3100.39) = 129.449$ ,  $p = .000$ . Post-hoc comparisons using the Games-Howell test indicated that the mean score for years 2009 and 2015 were significantly different from the mean score in year 2005 and 2007. The mean score in 2009 and 2015 were lower than the mean score in 2005 and 2007, meaning that more respondents in 2009 and 2015 agreed with the statement to often look for the lowest price than in 2005 and 2007. Year 2015 and 2009 did not differ significantly from each other. Year 2007 and 2005 did not differ significantly from each other.

Table 4.2.

*Descriptive Statistics – I Only Shop at Grocery Stores that Sell First Class Groceries*

	<i>M</i>	<i>SD</i>	95% CI
2005	2.45	.727	[2.40, 2.49]
2007	2.54	.698	[2.51, 2.57]
2009	2.67	.776	[2.64, 2.71]
2015	2.57	.792	[2.52, 2.61]

Table 4.2. shows descriptive statistics for the dependent variable “I only shop at grocery stores that sell first class groceries”. Homogeneity of variances was violated, as assessed by Levene’s test of homogeneity of variance ( $p = .000$ ). A Welch’s test showed a statistically significant difference at the  $p < .05$  level in the scores for the years:  $F(3, 3037.99) = 21.960$   $p = .000$ . Post-hoc comparisons using the Games-Howell test indicated that the mean score for year 2005 was significantly different from the three other years. Mean score for year 2005 was the lowest of the four years, meaning the more respondents agreed with the statement that they only shop at grocery stores that sell first class groceries in 2005 than the other three years. The mean score for year 2009 was also significantly different from the other three years. The mean score for year 2009 was the highest of the years, meaning that more respondents disagreed with the statement in 2009 than in the other three years. Year 2007 and 2015 did not differ significantly from each other.

Table 4.3.

*Descriptive Statistics – I Always Use Discount Cards or Coupons when it is Possible*

	<i>M</i>	<i>SD</i>	95% CI
2005	2.53	.902	[2.47, 2.58]
2007	2.74	.891	[2.70, 2.78]
2009	2.30	.909	[2.26, 2.34]
2015	2.41	.900	[2.36, 2.46]

Table 4.3. shows descriptive statistics for the dependent variable “I always use discount cards or coupons when it is possible”. A one-way ANOVA showed that there was a statistically significant difference at the  $p < .05$  level in the scores for the years:  $F(3, 6317) = 80.58, p = .000$ . Post-hoc comparisons using the Tukey’s HSD test indicated that the mean score for all years were significantly different from each other. The mean score in 2009 was the lowest, meaning that more respondents agreed to the statement that they always use discount cards or coupons when it is possible in 2009 than in the other years. The mean score in 2007 was the highest of the four years, which means that more respondents disagreed with the statement in 2007 than in the other three years.

Table 4.4.

*Descriptive Statistics – Quality is More Important than Quantity*

	<i>M</i>	<i>SD</i>	95% CI
2005	1.77	.620	[1.73, 1.81]
2007	1.70	.614	[1.67, 1.73]
2009	1.79	.599	[1.76, 1.82]
2015	1.61	.609	[1.58, 1.64]

Table 4.4. shows descriptive statistics for the dependent variable “Quality is more important than quantity”. Homogeneity of variances was violated, as assessed by Levene’s test of homogeneity of variance ( $p = .000$ ). A Welch’s test showed a statistically significant difference at the  $p < .05$  level in scores for the years:  $F(3, 2927.38) = 22.130, p = .000$ . Post-hoc comparisons using the Games-Howell test indicated that the mean score for year 2015 was significantly different from the three other years. The mean score for year 2015 was the lowest of the four years, meaning that more respondents agreed with the statement that quality is more important than quantity in 2015 than in the other years analyzed. The mean score in year 2009 and 2007 were also found to differ significantly. The mean score in 2009 was higher than the mean score in 2007, meaning that more respondents disagreed with the statement that quality is more important than quantity in 2009 than in 2007. Year 2005 did not differ significantly from year 2007 or 2009.

Table 4.5.

*Descriptive Statistics – I Have Started to Think More About what I Spend Money on*

	<i>M</i>	<i>SD</i>	95% CI
2005	1.72	.716	[1.68, 1.77]
2007	1.82	.746	[1.79, 1.85]
2009	1.73	.697	[1.70, 1.76]
2015	1.72	.731	[1.68, 1.76]

Table 4.5. shows descriptive statistics for the dependent variable “I have started to think more about what I spend money on”. A one-way ANOVA showed that there was a statistically significant difference at the  $p < .05$  level in scores for the years  $F: (3, 6701) = 9.23, p = .000$ . Post-hoc comparisons using the Tukey’s HSD test indicated that the mean score for year 2007 was significantly different from the other three years analyzed. The mean score in year 2007 was significantly higher than in the other three years, meaning that more respondents in 2007 disagreed with the statement that they have started to think more about what they spend money on. Mean scores for years 2005, 2009 and 2015 did not differ significantly from each other.

Table 4.6.

*Descriptive Statistics – I Tend to Spend Money Without Thinking About it*

	<i>M</i>	<i>SD</i>	95% CI
2005	2.61	.855	[2.56, 2.66]
2007	2.76	.877	[2.72, 2.80]
2009	2.77	.870	[2.73, 2.81]
2015	2.92	.853	[2.87, 2.97]

Table 4.6. shows descriptive statistics for the dependent variable “I tend to spend money without thinking about it”. Homogeneity of variances was violated, as assessed by Levene’s test of homogeneity of variance ( $p = .000$ ). A Welch’s test showed a statistically significant difference at the  $p < .05$  level in scores for the years:  $F(3, 3092.42) = 25.499, p = .000$ . Post-hoc comparisons using the Games-Howell test indicated that the mean score for year 2005 was significantly different from the three other years analyzed. The mean score for year 2005 was significantly lower than the other three years, meaning that more respondents in 2005 agreed with the statement that they tend to spend money without thinking about it than in the other three years. The mean score for year 2015 was also significantly different from the three other years. The mean score for year 2015 was significantly higher than in the other years, which means that more respondents disagreed with the statement in 2015 than in the other years. Mean scores in years 2007 and 2009 did not differ significantly from each other.

#### **4.2. Attitude Toward Brand Switching**

A one-way between-groups analysis of variance was conducted to explore if there was a significant difference in consumers’ attitude toward brand switching between the four years analyzed. Participants were divided into four groups depending on in which year they participated in the survey. Homogeneity of variances was violated, as assessed by Levene’s test of homogeneity of variance ( $p = .000$ ) in the three following tests, and Welch’s tests were conducted. When a significant difference was found between the years, post-hoc tests were conducted using a Bonferroni adjusted alpha level of .017.

Table 4.7.

*Descriptive Statistics – When I Find a Brand I Like, I Stick to it*

	<i>M</i>	<i>SD</i>	95% CI
2005	1.85	.599	[1.81, 1.89]
2007	1.89	.536	[1.86, 1.91]
2009	2.04	.621	[2.00, 2.07]
2015	1.80	.635	[1.76, 1.83]

Table 4.7. shows descriptive statistics for the dependent variable “When I find a brand I like, I stick to it”. A Welch’s test showed a statistically significant difference at the  $p < .05$  level in the scores for the years:  $F(3, 3038.84) = 40.558, p = .000$ . Post-hoc comparisons using the Games-Howell test indicated that the mean score for year 2009 was significantly different from the other three years. The mean score for year 2009 was the highest of the four years, meaning that the more respondents disagreed with the statement that they stick to a brand they like in 2009 than in the other years analyzed. The mean score in year 2015 and 2007 were also found to differ significantly. The mean score for year 2015 was lower than the mean score in 2007, meaning that more respondents agreed to stick to a brand they like in 2015 than 2007. Year 2005 did not differ significantly from year 2007 or 2015.

Table 4.8.

*Descriptive Statistics – It is Fun to Try Different Brands*

	<i>M</i>	<i>SD</i>	95% CI
2005	2.10	.651	[2.06, 2.14]
2007	2.03	.588	[2.01, 2.06]
2009	2.03	.628	[2.00, 2.06]
2015	2.24	.684	[2.20, 2.28]

Table 4.8. shows descriptive statistics for the dependent variable “It is fun to try different brands”. A Welch’s test showed a statistically significant difference at the  $p < .05$  level in scores for the years:  $F(3, 3010.36) = 32.343, p = .000$ . Post-hoc comparisons using the Games Howell test indicated that the mean score for year 2015 was significantly different from the other years. The mean score in 2015 was the highest of the years analyzed, meaning that more respondents disagreed with the statement that it is fun to try different brands in 2015 than in the other years. Years 2005, 2007 and 2009 were not found to be significantly different from each other.

Table 4.9.

*Descriptive Statistics – Most of the Times, I Think Known Brands are Better than Private Label Products*

	<i>M</i>	<i>SD</i>	95% CI
2005	2.32	.812	[2.27, 2.37]
2007	2.42	.833	[2.38, 2.46]
2009	2.60	.842	[2.56, 2.64]
2015	2.40	.765	[2.36, 2.44]



Table 4.9. shows descriptive statistics for the dependent variable “Most of the times, I think known brands are better than private label products”. A Welch’s test showed a statistically significant difference at the  $p < .05$  level in scores for the years:  $F(3, 3096.17) = 30.370, p = .000$ . Post-hoc comparison using the Games Howell test indicated that the mean score for year 2009 was significantly different from the three other years. The mean score in year 2009 was the highest of the four years, meaning that more respondents disagreed with the statement that most of the times they think known brands are better than private label products in 2009 than in the other years. The mean score for year 2005 and year 2007 differed significantly from each other. The mean score in year 2005 was lower than in year 2007, which means that more respondents agreed with the statement in 2005 than in 2007. Year 2015 did not differ significantly from either year 2007 or 2005.

## 5. Discussion

Consumers are the most elemental basis for businesses (Mansoor & Jalal, 2011) and understanding their buying patterns is among the most important factors in the success of business organizations (Sharma & Sonwalkar, 2013). Consumer behavior is not static as it is influenced by various factors (Kotler & Armstrong, 2012; Mansoor & Jalal, 2011; Modi & Jhulka, 2012) and has been observed to take changes over the years (Kar, 2010). For companies to succeed, it is vital for them to identify and understand these changes in consumer behavior and attitudes and adapt accordingly. The literature has revealed that consumer behaviors and attitudes are influenced by changes in the economy, including economic crisis. The literature has also found that some of the changes consumers make in their behavior and attitudes during an economic recession remain despite an economic recovery. The purpose of this research was to study the impact of an economic downturn on consumers' buying behavior and attitudes. In order to do that, the impact of the 2008 global economic crisis on Icelandic consumers' attitude toward shopping and brand switching was explored. The findings show that Icelandic consumers do somewhat change their attitudes toward shopping and brand switching following an economic crisis and the result are in many ways similar to what has been found in previous research conducted in other countries. The results also reveal that in a recovering economy, Icelandic consumers stick to some of the changes they had made during the recession while they return to other pre-recession attitudes and behaviors as well as make some additional changes to their attitudes and behaviors.

### 5.1. Attitude Toward Shopping

Table 5.1. shows a result summary of the post-hoc test conducted. The table demonstrates years where a significant difference was found in consumers' attitudes and shows whether consumers agreed more or less with the relevant statement in the years being compared. Consumers' attitude toward shopping in 2009 was found to be significantly different from their attitude in 2007 in five of the six attitude statements analyzed. Attitude toward shopping in 2009 was found to be significantly different from attitudes in 2005 and 2015 in four of the six statements.

Table 5.1.

*Post-hoc Summary – Attitude Toward Shopping*

	2005	2007	2009	2015
<b>1. I often look for the lowest price when I go shopping</b>	2009 agree more 2015 agree more	2009 agree more 2015 agree more	2005 agree less 2007 agree less	2005 agree less 2007 agree less
<b>2. I only shop at grocery stores that sell first class groceries</b>	2007 agree less 2009 agree less 2015 agree less	2005 agree more 2009 agree less	2005 agree more 2007 agree more 2015 agree more	2005 agree more 2009 agree less
<b>3. I always use discount cards or coupons when it is possible</b>	2007 agree less 2009 agree more 2015 agree more	2005 agree more 2009 agree more 2015 agree more	2005 agree less 2007 agree less 2015 agree less	2005 agree less 2007 agree less 2009 agree more
<b>4. Quality is more important than quantity</b>	2015 agree more	2009 agree less 2015 agree more	2007 agree more 2015 agree more	2005 agree less 2007 agree less 2009 agree less
<b>5. I have started to think more about what I spend money on</b>	2007 agree less	2005 agree more 2009 agree more 2015 agree more	2007 agree less	2007 agree less
<b>6. I tend to spend money without thinking about it</b>	2007 agree less 2009 agree less 2015 agree less	2005 agree more 2015 agree less	2005 agree more 2015 agree less	2005 agree more 2007 agree more 2009 agree more

*Note.* The table compares years where a significant difference was found in mean scores.

### 5.1.1. Look for the lowest price.

According to the results of this research, Icelandic consumers become more price conscious following a downturn in the economy by looking more for the lowest price when shopping. In the recession year 2009, more consumers were found to be looking for a lower price when shopping than in the years before the recession, 2005 and 2007. In the upswing year 2007, consumers had the most negative attitude toward looking for the lowest price. Consumers did not seem to be returning to their attitude as it was before the economic crisis despite a more positive economic environment in 2015, as a significant difference in attitudes was not found in 2009 and 2015. Therefore, consumers' changed attitude towards lower prices seems to be a lasting effect that persists despite an economic recovery. These results are consistent with the theory of

cyclical asymmetry, which claims that consumers reduce their spending faster in response to a crisis than they increase their spending when the economy recovers from the crisis (Deleersnyder et al., 2004). The findings are also similar to what has been found in previous research where consumers became more price conscious when the economy took a downturn (Ang et al., 2000; Salsberg, 2010; Shipchandler, 1982) and were expected to stick to that attitude despite a more positive economic outlook, for example by continuing to favor lower priced products (“How the recession,” 2009; Lamey et al., 2007; Leinwand et al., 2008; Salsberg, 2010; T. K. M. Beatty & Senauer, 2013; “UK consumers,” 2009).

### **5.1.2. Luxury grocery stores.**

The literature reveals that consumers start to switch their main retail venues to cheaper, discount oriented retailers during a recession in an attempt to save money (T. K. M. Beatty & Senauer, 2013; Salsberg, 2010; “UK consumers,” 2009) and according to the results of this research, Icelandic consumers’ behavior is similar. Of the four years analyzed, consumers in 2009 were the most negative toward only shopping in luxury grocery stores. However, their changed attitude does not seem to be lasting since in the recovery in 2015, consumers had returned to their attitude as it was in the upswing year 2007. These findings is somewhat interesting when compared to the results from the previous statement where consumers’ attitude toward looking for the lower price did not change between the recession in 2009 and the recovery in 2015; consumers in 2015 were still looking for the lowest price. Looking at the results in this context might indicate that when the economy recovers from a recession, Icelandic consumers still appreciate lower prices but having a more positive outlook toward the economy and an improving financial situation, they have started to allow themselves luxury as well.

### **5.1.3. Usage of coupon and discount card promotions.**

Following an economic crisis, increased usage of coupon promotions has been observed along with consumers’ greater price consciousness and frugality (T. K. M. Beatty & Senauer, 2013; Sharma & Sonwalkar, 2013; “UK consumers,” 2009; White-Sax, 2009) and the results of this study indicate that Icelandic consumers also increase their usage of discount cards and coupon promotions after an economic downturn. During the peak of the upswing years in 2007, Icelandic consumers had the most negative attitude toward using such promotions while consumers in the recession year 2009 had the most positive attitude toward always using coupon or discount card

promotions when possible. In 2015, consumers' positive attitude toward using coupon and discount card promotion had declined compared to the recession year, however, it was still significantly more positive than in the years before the economic crisis, 2005 and 2007. These results indicate that a downturn in the economy has positive effects on coupon and discount card utilization. However, even though consumers in 2015 had not returned completely to their pre-crisis attitude, the effects decline with a recovery in the economy and increased coupon and discount card promotions therefore not a strongly lasting effect of economic crisis.

#### **5.1.4. Quality and quantity.**

Previous studies found that following a recession, consumers started to focus more on the quality, durability and value of the product or service than they did prior to an economic downturn (Ang et al., 2000; Shama, 1981; Sharma & Sonwalkar, 2013). As consumers placed more emphasis on the quality, durability and value of a purchase, quantity was found to become less important (White-Sax, 2009). However, quite the opposite was found among Icelandic consumers in this research. The 2008 economic crisis seems to have influenced consumers' attitude toward quality and quantity but not in the same way as has been found in previous research among consumers in other markets. Icelandic consumers had a significantly more negative attitude to the statement that quality is more important than quantity in the recession year 2009 than in the upswing year 2007. These findings indicate that Icelandic consumers change their attitude in a recession toward valuing more the quantity of a product rather a product of higher quality. Icelandic consumers' attitude changed again when the economy was recovering from the economic crisis. In the recovery in 2015, Icelandic consumers had reversed their attitude compared to the recession and were significantly more positive to the statement that quality is more important than quantity than in the other three years analyzed. These results indicate that during a recession, Icelandic consumers become less quality oriented and more quantity oriented than during an economic upswing. The results also indicate that in an economic recovery, Icelandic consumers become more quality focused than they were both during the economic upturn as well as during the economic downturn.

#### **5.1.5. Starting to think more about what money is spent on.**

Consumers in a recession have been found to make more informed purchasing decisions than during a growing economy. The literature has revealed that, in a recession, consumers are less likely to make impulse purchases (S. E. Beatty & Ferrell,

1998; Inman et al., 2009). Consumers have been found to exercise more purchase planning before shopping (McDaniel et al., 1986; Shipchandler, 1982; “UK consumers,” 2009) and conduct more information search before purchasing, such as looking for information about the product online and doing more comparative shopping during a recession (Ang et al., 2000; Mansoor & Jalal, 2011; Shama, 1981). This does not seem to apply entirely to the Icelandic consumer during a recession. Although fewest consumers in the boom year 2007 had a positive attitude toward having started to think more about what they spend money on, a significant difference was not found in attitudes between 2005, 2009 and 2015, despite a significantly different economic environment. This might indicate that Icelandic consumers’ attitude towards starting to think more about what they spend money on is rather affected by a significant upswing in the economy than a downturn, as according to statistics, 2007 was the high point of the upswing years. Consumers’ attitude toward starting to think more about what they spend money on in 2005, 2009 and 2015 might be a normal state, which is affected when the economy takes a significant upturn as happened in 2007.

#### **5.1.6. Spending money without thinking about it.**

Surprisingly, consumers’ attitude toward spending money without thinking about it was not found to differ significantly between the upswing year 2007 and the recession year 2009. Although consumers’ attitude toward starting to think more about what they spend on had changed from 2007 to 2009, their attitude toward spending money without thinking about it had not changed between those years despite a significantly different economic environment. Interestingly in 2015, more consumers disagreed with the statement that they tend to spend money without thinking about it than in the three other years analyzed. A possible explanation for these unexpected results is that in 2009, only a few months had passed since the economic crisis hit in 2008 and consumers might have still had the habit of spending without thinking about it, whereas in 2015, after dealing with years of recession, consumers may have built up the habit of spending money more carefully and stick to that habit despite a recovering economy.

## **5.2. Attitude Toward Brand Switching**

This study also explored if Icelandic consumers changed their attitude toward brand switching following the economic crisis in 2008. Table 5.2. shows a result summary of the post-hoc test conducted. The table demonstrates years where a

significant difference was found in consumers' attitudes and shows whether consumers agreed more or less with the relevant statement in the years being compared.

Consumers' attitude toward brand switching in 2009 was found to be significantly different from their attitude in the other years analyzed in two of the three statements analyzed. Consumers' attitude toward finding it fun to try different brands in 2009 was not found to differ from 2005 or 2007.

Table 5.2.

*Post-Hoc Summary – Consumers' Attitude Toward Brand Switching*

	2005	2007	2009	2015
<b>1. When I find a brand I like, I stick to it</b>	2009 agree less	2009 agree less 2015 agree more	2005 agree more 2007 agree more 2015 agree more	2007 agree less 2009 agree less
<b>2. It is fun to try different brands</b>	2015 agree less	2015 agree less	2015 agree less	2005 agree more 2007 agree more 2009 agree more
<b>3. Most of the times, I think known brands are better than private label products</b>	2007 agree less 2009 agree less	2005 agree more 2009 agree less	2005 agree more 2007 agree more 2015 agree more	2009 agree less

*Note.* The table compares years where a significant difference was found in mean scores.

### 5.2.1. Brand loyalty.

The results of this research show that the economic environment influences consumers' brand loyalty with Icelandic consumers becoming less loyal to brands following a downturn in the economy. Decreased brand loyalty and brand switching has been identified to be characteristics of consumers' behavior following an economic crisis and during a recession (Ang et al., 2000; "How the recession," 2009; Mansoor & Jalal, 2011; T. K. M. Beatty & Senauer, 2013; "UK consumers," 2009). Icelandic consumers were found to be the least brand loyal in 2009 of the four years analyzed, which is consistent with results of previous studies. However, the decreased brand loyalty does not last into a recovering economy according to the results of this study. In 2015, consumers were found to be the significantly more loyal to brands than they were in both the upswing year 2007 and the recession 2009.

### **5.2.2. Fun to try different brands.**

In the year 2015, consumers were found to have a significantly more negative attitude toward finding it fun to try different brands, which is consistent with their high brand loyalty. However, a significant difference was not found in consumers' attitude toward finding it fun to try different brands in the other three years analyzed. These results indicate that changes in the economic environment is not a factor that influences consumers' attitude toward finding it fun to try different brands as a difference was not found in consumers' attitude between 2005, 2007 and 2009 despite a different economic environment.

### **5.2.3. Private label products.**

Attitude toward private label products was the most positive in the recession when fewer Icelandic consumers thought that known brands were better than private label products than in the other three years analyzed. This is consistent with what has been found in previous studies in other markets where consumers' brand switching behavior was observed during a recession with increases in sales of private label products (T. K. M. Beatty & Senauer, 2013; Lamey et al., 2007; Salsberg, 2010; Shama, 1981; "UK consumers," 2009). Previous studies have also shown that private label loyalties persist despite a recovering economy (T. K. M. Beatty & Senauer, 2013; Lamey et al., 2007; "UK consumers," 2009). However, according to the results of this study, the increased positive attitude toward private label products does not seem to persist into the recovering economy among Icelandic consumers. Consumers in 2015 were found to be returning to their attitude as it was in the years before the recession when more consumers stated that they thought known brands were better than private label products, indicating that the increased positive attitude toward private label products is not a lasting effect among consumers in Iceland.

## **5.3. Implications**

### **5.3.1. Recommendations in a recession.**

Since an economic recession can affect the performance and even the survival of businesses (e.g. Srinivasan et al., 2005), these results may have important implications for Icelandic companies during possible recessions in the future. In economic recessions, effective marketing planning and implementation become vital while in a growing economy, growth is more easily achieved as the whole market is growing (Ang et al., 2000) According to the literature, consumers' behavior and attitudes have similar



characteristics following several economic downturns in the past and it can therefore be assumed that consumers will adapt their behavior and attitudes in similar ways in possible recessions in the future. As the findings of this research show, Icelandic consumers do change their buying behaviors and attitudes in some ways following a downturn in the economy. Therefore, when changes occur in the economic environment, Icelandic businesses will need to review how their target customers have changed their behavior and attitudes and even target different customers. Businesses will need to review their marketing mix as well to be able to fulfill their customers' changed needs, expectations and values. Following the global economic crisis in 2008, more Icelandic consumers were looking for the lowest price when shopping than in the years before the crisis. Therefore, Icelandic retailers need to adjust their product portfolio to this changed consumer behavior by offering lower priced products following a downturn in the economy. The findings of this research also reveal that during a recession, consumers' were more positive toward private label products than during a prospering economy. Grocery retailers might therefore meet consumers' greater price consciousness by increasing private label products in their portfolio during a challenging economic period. Icelandic grocery stores that offer only first class groceries will have to add lower priced brands to their portfolio to hold on to consumers during a recession, as according to the results of this study, fewer Icelandic consumers shop at luxury grocery store during a recession. During the recession year 2009, more Icelandic consumers disagreed with quality being more important than quantity. Icelandic businesses would therefore be more successful in appealing to consumers by offering more quantity at the same or lowered price rather than offering the same or higher price for products of higher quality during a challenging economic period. However, Icelandic businesses should avoid decreasing the quality of products. As Ang et al. (2000) state, decreasing the quality of a product can prove harmful in economic recovery when consumers might still perceive the product of lower quality despite improvements made. The results of this research also reveal that the economic environment affects consumers' usage of coupon- and discount card promotions, with increased utilization of such promotions during a recession compared to a growing economy. Therefore, businesses might want to increase promotions using discount cards or coupons following an economic crisis.

Icelandic consumers were found to become less loyal to brands during the recession in 2009 compared to the other three years analyzed. Market leaders therefore

need to put forth greater efforts to retain customers during a recession, for example by exploiting loyalty programs or offering discount promotions. New, emerging brands or brands that have low market share can view consumers' decreased brand loyalty as an opportunity to reach consumers and gain new customers during a recession.

In addition to reconsidering their marketing mix and target customers, companies should also keep in mind, as covered in the literature review, that aggressive, proactive marketing during a recession is vital in surviving the recession and prospering into the recovery (Aaker, 2009; Roberts, 2003; Srinivasan et al., 2005).

### **5.3.2. Recommendations in a recovering economy.**

When the economy recovers after an economic crisis and the following recession, businesses will need to review their target customers and marketing mix again to find out if consumers' behavior and attitudes have changed along with a more positive economic environment. According to the results of this study, Icelandic consumers stick to some of the changes they made to their behaviors and attitudes in the recession into an economic recovery while they return to others as they were before the economic crisis of 2008. Icelandic consumers were also found to make some additional changes to their attitudes and behaviors in the recovering economy.

Icelandic consumers in 2015 were still price conscious when shopping by looking for the lowest price despite a substantially improved economic environment from 2009. However, they were returning to their attitude toward luxury grocery stores as it was in the upswing year 2007. Grocery retailers may therefore want to update their product portfolio to carry a mix of lower priced items along with luxury products since consumers in 2015 seem to want both. Icelandic consumers in 2015 had returned to their attitude toward private label products to what it was in the years before the economic crisis when more consumers perceived known brands as better than private label products. However, since Icelandic consumers were found to stick to increased price consciousness, retailers might want to maintain some lower priced, private label products in their portfolio while increasing the presence of known brands in the product portfolio when the economy recovers. More Icelandic consumers in 2015 had started to find quality more important than quantity and retailers therefore need to focus on offering products of higher quality than they did during the economic recession. Businesses might want to emphasize different promotions than coupon and discount card promotions since Icelandic consumers in the recovery had started to decrease their utilization of coupon and discount card promotion from the recession. Interestingly,

consumers in 2015 had become more careful about what they spend money on than in 2009 and the years before the 2008 economic crisis, indicating that Icelandic consumers in 2015 were making less impulse purchases. Icelandic businesses will need to be aware of this changed attitude when designing promotions and advertisements by adapting the content to a more information seeking, informed consumer.

The increased brand loyalty of consumers in 2015 will make it more difficult for new brands as well as brands with low market share to reach consumers and attract new customers during an economic recovery. However, the increased consumers' loyalty means that market leaders can retain their current customers with less effort than during the economic recession.

As the findings of this study reveal, consumers' behavior and attitudes take various changes in the four years analyzed along with changes in the economic environment. When consumers' behavior is not stable, businesses' strategies and operations cannot be either. Consequently, businesses need to constantly monitor changes in consumers' environment and respond quickly to changes that may occur to be able to fulfill customers' needs and expectations.

## **5.4. Limitations and Further Research**

### **5.4.1. Limitations.**

This study relied on consumers' self-reported attitudes and behaviors to explore the impact of economic crisis on consumers' behavior and attitudes. Self-reporting can prove inaccurate due to bias such as social desirability bias (e.g. Arnold & Feldman, 1981) and recall bias (e.g. Raphael, 1987). This is considered to be a limitation to the study as it can affect the results of the research. However, the Target Group Index is conducted yearly and the data used for this research gathered in the years that were analyzed, which limits respondents' recall bias as they do not have to recall behaviors and attitudes many years in the past. The data used was pre-existing and not collected for the purpose of this study, which can also cause limitations. If the research had been conducted using primary data, more questions and statements concerning attitudes toward shopping and brand switching could have been used to explore consumers' attitudes toward those factors deeper. However, that would have required respondents to recall behaviors and attitudes years in the past and increased the risk of recall bias. The sample sizes for each year and question analyzed were unequal, which can cause limitations by affecting the assumption of homogeneity of variance. Another limitation

to this study is the lack of access to data on attitudes seven years prior to the economic crisis since attitudes were analyzed seven years post the economic crisis. A comparison of attitudes seven years prior to the crisis might have revealed different results since the two years analyzed before the economic crisis in this research were characterized by significant upswings in the economy. The respondents of the Target Group Index completed the survey under no supervision of the research firm, which could cause limitations if respondents needed assistance, for example in understanding meaning of questions.

#### **5.4.2. Further research.**

To increase the understanding of the impact economic crisis have on consumers' buying behaviors and attitudes, future studies could explore actual sales data from the years before and after an economic crisis to find out more about how the consumers' behavior changes and if their self reported attitudes fit to the actual sales data. Future research could also explore additional factors of buying behavior and attitudes among Icelandic consumers, such as if consumers become more simplicity seeking and if they postpone certain purchases rather than trade down during an economic recession as has been found among consumers in other countries. Future studies might explore whether the change in attitudes and buying behavior differs between various demographic groups depending on variables such as age, gender, and income and education levels. This research used four years as points of reference but future research could cover a longer time period and use more years as points of reference.

## 6. Conclusion

Understanding consumers' behavior and attitudes is one of the key factors in the success of organizations (Sharma & Sonwalkar, 2013) and with the various factors influencing consumers, their behavior and attitude are subject to change (Kar, 2010). As the findings of the study suggest, the economic environment influences Icelandic consumers' attitudes toward shopping and brand switching. After the global economic crisis of 2008, the economic environment in Iceland took drastic changes with increasing unemployment, negative economic growth, increasing inflation rates and decreasing purchasing power. Under these changed conditions, the Icelandic consumer's attitude toward shopping changed in some ways, indicating a relationship between consumers' attitude toward shopping and the economic environment. During the recession, the consumer became more price conscious by looking for the lowest price when shopping, shopping less in luxury grocery stores and started utilizing coupons and discount cards more to save money. These results are consistent with findings of previous research conducted among consumers in other countries. The economic downturn also seems to have influenced the consumers' attitude toward quality and quantity in a sense that following the crisis; fewer Icelandic consumers thought that quality is more important than quantity. Surprisingly, the crisis-hit Icelandic consumer still had the same attitude toward spending money without thinking about it as in 2007, yet had started to think more about what he spends money on compared to 2007.

The negative change in economic circumstances also influenced consumers' attitude toward brand switching with the Icelandic consumer becoming less loyal to brands in the recession and more positive toward private label products. These results indicate that there is a relationship between brand loyalty and the economic environment as well as between attitude toward private label products and the economic environment. These results have also been found in previous studies conducted in other countries. The economic environment does not however seem to be a factor that influences consumers' attitude toward finding it fun to try different brands.

In 2015, the economic environment had become in many ways similar to what it was in 2005 and 2007. Unemployment rates had decreased from the recession and economic growth was positive again. Inflation rates were even lower than in the upswing years before the crisis and purchasing power was growing. According to the literature, consumers are expected to stick to many of the changes they made during a

recession into a recovering economy. In some cases, this applies to the Icelandic consumer as well. Despite a much more positive situation, Icelandic consumers were still looking for lower prices in 2015. Although still focusing on finding the lowest price, consumers in 2015 seem have started to allow themselves some luxury since their attitude toward luxury grocery stores had returned to what it was in the boom year 2007 along with their attitude toward private label products. Consumers in 2015 were still more positive toward coupon and discount card promotions than they were in the upswing year 2007 and consumers in 2015 were the most careful about what they spend money on having the most negative attitude toward spending money without thinking about it, indicating a more frugal attitude among consumers in 2015 than in the upswing years before the crisis despite a similar economic environment. Furthermore, consumers in 2015 had the most positive attitude toward quality being more important than quantity. A stronger brand loyalty was also a characteristic of consumers' attitude in the economic recovery in 2015. Although the Icelandic consumer had returned to some of his pre-recession attitudes and behaviors in 2015, the recession seems to have had some long-term impact on consumers. By looking for quality, value and good prices, the Icelandic consumer seems to have become the "smart shopper" that Piercy et al. (2010) refer to.

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## APPENDIX A

## Demographics of sample

Table A1

*Demographics – Attitude Toward Shopping*

	2005	2007	2009	2015
<b>1. I often look for the lowest price when I go shopping</b>	n = 1060	n = 1977	n = 1853	n = 1349
Female	525	983	922	643
Male	535	994	931	706
Age range:				
18-24	180	266	224	115
25-34	204	353	299	204
35-44	220	453	414	197
45-54	217	394	438	257
55-64	141	378	334	262
65+	98	133	144	314
<b>2. I only shop at grocery stores that sell first class groceries</b>	n = 1069	n = 1975	n = 1765	n = 1298
Female	524	962	838	610
Male	545	1013	927	688
Age range:				
18-24	174	178	207	89
25-34	209	348	278	195
35-44	222	486	409	206
45-54	213	444	421	232
55-64	150	381	315	266
65+	101	138	135	310
<b>3. I always use discount cards when it is possible</b>	n = 1053	n = 1950	n = 1811	n = 1507
Female	524	967	859	751
Male	529	983	952	756
Age range:				
18-24	178	259	226	132
25-34	204	346	279	238
35-44	219	452	411	228
45-54	218	394	431	298
55-64	139	369	323	281

	65+	95	130	141	330
<b>4. Quality is more important than quantity</b>	n = 1077	n = 1993	n = 1461	n = 1246	
Female	530	959	719	605	
Male	547	1035	742	641	
Age range:					
18-24	175	231	143	88	
25-34	210	335	216	180	
35-44	224	467	304	189	
45-54	217	443	385	223	
55-64	149	383	280	266	
65+	201	134	133	300	
<b>5. I have started to think more about what I spend money on</b>	n = 1056	n = 2446	n = 1887	n = 1316	
Female	524	1223	901	632	
Male	532	1223	986	684	
Age range:					
18-24	180	405	237	98	
25-34	205	463	298	199	
35-44	220	557	425	188	
45-54	213	479	445	259	
55-64	142	415	339	271	
65+	96	128	143	301	
<b>6. I tend to spend money without thinking about it</b>	n = 1044	n = 2117	n = 1832	n = 1324	
Female	515	1036	907	633	
Male	529	1081	925	691	
Age range:					
18-24	174	294	224	115	
25-34	202	359	297	202	
35-44	217	498	407	195	
45-54	219	444	428	252	
55-64	137	382	332	260	
65+	95	140	144	300	



Table A2  
*Demographics – Attitude Toward Brand Switching*

	2005	2007	2009	2015
<b>1. When I find a brand I like, I stick to it</b>	n = 1072	n = 2029	n = 1596	n = 1416
Female	533	993	852	605
Male	546	1043	827	709
Age range:				
18-24	175	280	184	89
25-34	213	340	242	192
35-44	223	485	383	199
45-54	217	437	433	241
55-64	147	356	313	277
65+	104	138	124	316
<b>2. It is fun to try different brands</b>	n = 1079	n = 2036	n = 1679	n = 1314
Female	533	993	852	605
Male	546	1043	827	709
Age range:				
18-24	175	280	184	89
25-34	213	340	242	192
35-44	223	485	383	199
45-54	217	437	433	241
55-64	147	356	313	277
65+	104	138	124	316
<b>3. Most of the times, I think known brands are better than private label products</b>	n = 1077	n = 2016	n = 1713	n = 1311
Female	534	971	869	606
Male	543	1045	844	705
Age range:				
18-24	174	280	205	87
25-34	211	341	251	189
35-44	223	470	385	199
45-54	215	428	425	242
55-64	150	361	318	278
65+	104	136	129	316

## APPENDIX B

### Icelandic Version of the Target Group Index Statements

#### Attitude toward shopping

1. Ég leita oft að lægsta vöruverði þegar ég fer að versla
2. Ég versla bara í matvöruverslunum sem selja fyrsta flokks matvöru
3. Ég nýti mér alltaf afsláttarkort eða afsláttarmiða þegar þess er kostur
4. Gæði eru mikilvægari en magn
5. Ég er farin(n) að hugsa meira um í hvað ég eyði peningum
6. Mér hættir til að eyða peningum umhugsunarlaust

#### Attitude toward brand switching

1. Þegar ég finn tegund sem mér líkar þá held ég mig við hana
2. Það er gaman að prófa mismunandi vörumerki
3. Yfirleitt tel ég þekkt vörumerki betri en vörur sem eru merktar viðkomandi verslun