

The Effect of Socioeconomic Classes on the Subjective Perception of Economic Situation

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Abstract

The paper deals with the influence of a consumer's inclusion in a socioeconomic class on the rate of optimism or pessimism in anticipating the future, with regard to the consumer behaviour, the attitudes towards finances, savings, working efforts and life-style. The data are based on a large-scale research carried out with a representative sample of the Czech population in the latter half of 2014. The regression statistical analysis was used for calculating and explaining the variables. The outcomes show that people are more optimistic in foreseeing their own future than the future of the Czech Republic. As for the consumer behaviour and financial attitudes, the differences between the classes are not prominent. There are, however, differences in such issues as the fear of poverty or finding suitable jobs.

Key words

Socioeconomic class, consumption, consumer behaviour, cultural capital, optimism, future anticipations

JEL Classification: M31

Introduction

One of basic indicators in any market economy is the household consumption. This is a decisive factor for the growth, stagnation or fall of national economy. If households spend their money, the end products and services sell well, and companies thus can think about their further development and investments. Such situation is considered to be successful. If, on the contrary, the household consumption decreases, it is a negative signal for the economic situation of a country. This is why even the assessment of macroeconomic stability is based on the relations between the domestic supply and demand and those of national savings and domestic investments (Spěváček & Vintrová, 2010). Household finances and their changes are strategically important for the national economy, with considerable consequent political implications (Mahja-been, 2008).

The economic behaviour of households depends above all on their disposable incomes. The data published by the Czech Statistical Office (Český statistický úřad, 2015) show that both the expenditures on the final consumption and the savings were growing in accordance with the growth of disposable incomes in the period 2005–

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2008. The growth of disposable incomes, however, does not develop in a linear way. Thus, e.g., at the onset of the crisis, Czech consumers started to save more, in spite of their constantly growing incomes in 2009. This trend is in accordance with the theories of the economic psychology about a considerably close connection between the consumption and the future expectations (Verhallen & Freud, 1981). It is not easy to forecast the future consumption, as there is no unambiguous dependence on one or more clearly defined parameters, and this is why the consumer confidence becomes a key factor in predicting the future growth or stagnation of the economy as a whole.

Consumer confidence as one of the fundamental determinants of the economic growth has been in the centre of attention by economists since the times of Keynes (Ludvigson, 2004). One of the most important issues is the degree of optimism or pessimism in consumers' attitudes towards their own future, where the optimism means lower savings and higher consumption, and vice versa. The interrelations between consumer confidence and household consumption were illustrated at various markets (e.g. Carroll et al., 1994 in the USA, Bryant and Macri, 2005 in Australia, Easaw et al. 2005 in Great Britain). Future prospects depend not only on a person's economic situation, but even on the way of viewing and interpreting world events, or their presentation in global "mediascapes" (Headey, Muffels & Wooden, 2008). Simultaneously, socio-cultural factors such as habits, traditions and moral standards are reflected here (Beemsterboer, Stewart, Groothoff & Nijhuis, 2008). In spite of the high attention paid to researching consumer confidence, the exact mechanism of how the economic growth is influenced by the consumer confidence has not yet been explained in a satisfactory way (Ludvigson, 2004). The aim of this paper is to explore a part of this relation, viz. with respect to social classes and their influence on consumption.

It appears that an especially significant factor predicting an undesirable development is the feeling of uncertainty about the future incomes. Consumers do not cut down their consumption in connection with such income changes that can be expected (e.g. as a result of a person's increasing age), but they do react strongly to the feelings of any future uncertainties (Carroll, 1994). Households would change their consumption, but only if they considered the change in income or wealth (Walden, 2013). An increased unemployment risk of the head of the family means a considerable additional decrease in consumption, this effect being multiplied among manual workers whose only incomes are their wages. This can be strengthened by any threats to the employment of the family partner (Benito, 2006).

The inclusion of a consumer in a socioeconomic class affects his/her own anticipation of the future as well as his/her consumption, both current and prospective. In order to explore the consumer confidence and its impact on the total economic consumption and savings, it is necessary to deal with mutual relations of consumer confidence and socioeconomic classes. The role of the social class as a contextually dependent variable in different contexts is discussed in some previous studies of the authors (see e.g. Chytková, Černá & Karlíček, 2012)

Similarities in the incomes of people belonging to the same social class are often accompanied by similarities in sharing values and opinions (Coleman, 1983). The social class as a complex variable (depending e.g. on the place of residence, profession, hobbies, etc.) can predict some types of consumer behaviour better than the very income. Even differences in mass media behaviour of particular social classes are worth mentioning (e.g. Stříteský, 2014).

The inclusion of a consumer in a socioeconomic class is a decisive factor even for a person's worldview. Lower classes tend to be present-time orientated, enjoying the present moment and dealing with current problems, yet being focused on their families, on the welfare of other persons, and on creating friendly atmosphere. Higher classes are more future-orientated, bound for long-term goals (Durgee, 1986; Piff, 2010). The consumers who belong to higher classes more often feel having their lives in their own hands, they are more active and their family budgets are long-term orientated, taking into account the global situation (Henry, 2005). These facts participate even in forming different lifestyles of different socioeconomic classes.

The socioeconomic class is a variable that is decisive not only for the amount of money spent by customers, but even for the way how the money is spent. The differences in consumer behaviour of different socioeconomic classes can be well explained by the so called habit, which serves as a framework for the consumers' way of thinking, the perception of the present and the future, the perception and interpretation of what is offered by the market, and consequently, how much and on what goods the consumers spend their money (Holt, 1997; Henry, 2005). Consumers react to economic, political and social events, or their image in media, in accordance with their inclusion in a socioeconomic class, and they adapt their purchasing behaviour accordingly. It is an important fact that the socioeconomic class determines not only a consumer's economic, but even cultural and social capital (Bourdieu, 1984). It is above all the cultural capital that has strong influence on the way of the customer's choice and interpretation of the information about the world. The cultural capital affects both the predictions of the customer's own future and the interpretation of information that is available at the market, the information having frequently been issued by the very marketing activities, especially marketing communication (e.g. advertising, PR, tag instructions). Of course, it may sometimes happen that such information is misleading, especially in the case of unfair marketing (see e.g. Karlíček, Novinský & Tahal, 2014). The volume of information aiming at the consumer is enormous, and it is the cultural capital that plays an important part in the critical selection. The lack of cultural capital can make a consumer's situation even worse by influencing the consumption in an undesirable way.

1 Research goal

The objective of our study is to explore the above mentioned facts and to contribute to the explanation of mutual relations between consumption and consumer confidence, by means of involving the socioeconomic class as a complex statistical variable. Our research questions are formulated with the aim of finding relationships between the lifestyle, the inclusion of the customer in a socioeconomic class and the rate of consumers' optimism concerning their own future and the future of the society.

The crucial importance in this part of our research was attributed to the following questions:

1. Interconnecting the standard socioeconomic stratification with: a) the rate of optimism or pessimism concerning a person's future plans; b) the rate of optimism or pessimism concerning future perspectives of the Czech Republic.

2. Detecting the strength of the ties between the socioeconomic status of Czech customers and the statistic variables that define their economic behaviour, viz. the attitudes towards finances, savings, working efforts, consumer behaviour and lifestyle.

2 Methodology

The analyses are based on a large-scale qualitative-and-quantitative research of a representative sample of the Czech population in the latter half of 2014, called "The future of the Czech Republic". The research focused on the persons' economic situation, the attitude towards money, the strategy used in family budget, as well as the confidence in one's own future and the future of the society, the adherence to values (e.g. the health) in view of their relations to consumption. The respondents were intentionally chosen so as to represent various socioeconomic status, various age, and various residence place (incorporating both inhabitants of Prague and those of other parts of the country). The interviews were transcribed verbatim and analysed with the help of the software "Dedoose" specially developed for analysing qualitative data. The crucial topics obtained in the qualitative part of the research served as the basis for the quantitative questionnaire.

The quantitative part of the research was carried out with 1576 respondents in cooperation with OMG Research Company. The sample was chosen by means of quota selection, so as to be representative for the Czech population. Apart from standard sociodemographic questions, the questionnaire covered topics concerning changes in consumer behaviour in the crisis period, consumers' worries, their behaviour at the labour market, confidence in institutions, attitudes, as well as topics indicating consumers' cultural capital (e.g. leisure time activities, speaking foreign languages) and the treatment of information sources.

Standard demographic identification variables were completed by other variables obtained in the research, above all the socioeconomic classification, which is a score assorting the Czech population into eight zones, with equal representation of the factors of education, economic activities, professional position, household equipment and household incomes. For elaborating the economic classification, we used a computational model designed by the Mediaresearch company, which carries out currency research programmes for retailing audits, household panels and media viewership. The classification is based on the so-called household score which is the aggregation of the input information about a household into a continual scale (Mediaresearch, 2015). This socioeconomic classification reflects the statistic variables that are most frequently assigned to a social class: profession, income, property, education and place of residence (Solomon et al., 1999).

The socioeconomic classification is calculated by means of a regression equation (1) that, in accordance with theoretic deliberations and analyses, was formulated as:

$$score = \frac{\text{household structure} + \text{the head's professional status} + \text{equipment}}{\text{referential income}} \times \text{education} \times \text{region} \quad (1)$$

The ABCDE classification consists of 8 categories A, B, C1, C2, C3, D1, D2, E, that are defined as the octiles of the socioeconomic score of all Czech households. These categories are specified so that each of them should represent 12.5% of the Czech population. In a more frequent practical application, the eight categories are reduced to five. This means that the categories C1-C3 are aggregated in the category C, and the categories D1-D2 in the category D.

The regressional statistical analysis in our research used the socioeconomic classification calculated in this way as the explained (dependent) variable, while the explaining (independent) variables consist of the data describing the anticipation of the future, attitudes towards finances, savings, labour efforts, proper lifestyle and consumer behaviour of the Czech population, which will be explained more clearly in the respective sections.

3 Results

3.1 The rate of optimism in connection with a person's plans and with future perspectives of the Czech Republic

The first research goal is to find out the rate of optimism or pessimism in anticipating a person's own future and the future of the country, as well as the distribution of consumer optimism among the socioeconomic structure of the Czech population.

For each of the two questions, the 1-10 scale was used, with 1=pessimism, 10=optimism.

A coefficient for mutual relations of the two questions was figured out. The correlation between the degree of optimism in a person's individual life and the prospects for the future of the country equals to 0.36. We also applied the analysis based on the NPS (Net Promoter Score) methodology, where the respondents using the degrees 9 or 10 are considered to be promoters of optimistic attitudes, and those using the degrees 1 till 6 are considered to be promoters of pessimism (2). The other calculated figures and values are mentioned in table 1.

$$NPS = \frac{\Sigma \text{ of the values 9 and 10}}{\text{the total number of respondents}} - \frac{\Sigma \text{ of the values 1 till 6}}{\text{the total number of respondents}} \quad (2)$$

Table 1 Degree of optimism

Type of the value	Q1) What is the degree of optimism in foreseeing the future realization of your plans?	Q2) What is the degree of optimism in your anticipation of the future of the Czech Republic?
Correlation coefficient	0.36	
Average value on the scale	6.5	4.7
Median	7	5
Answers 9 and 10 on the scale	14%	3%
Answers 1 till 6 on the scale	42%	79%
NPS	-28	-76

Source: OMG Research + our own calculations

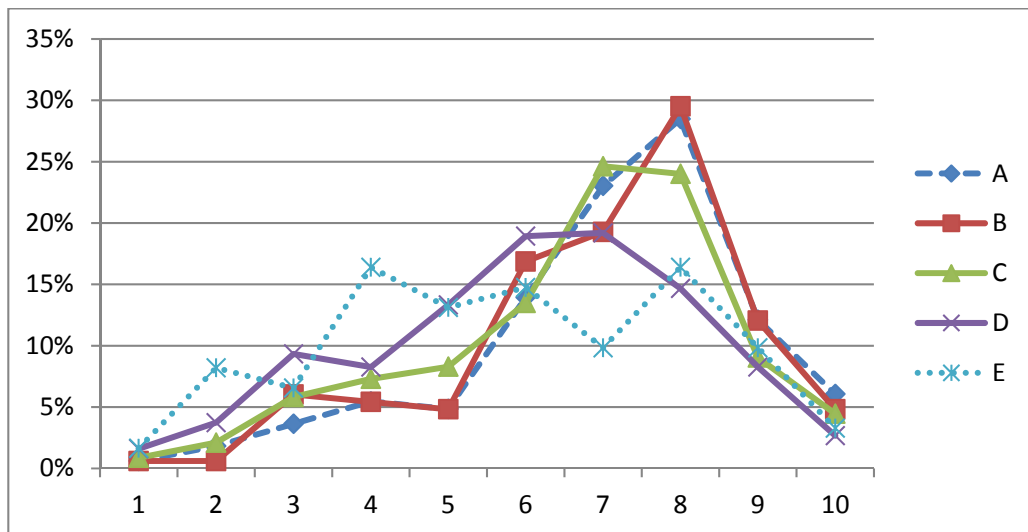
The analysis shows that the Czech population declare higher degree of optimism in their individual plans and prospects (mean 6.5, median 7), as compared to the lower optimism in anticipating the future of the Czech Republic (mean 4.7, median 5).

As welfare and optimism are relative concepts and they are influenced by making comparisons with other households, the consumers' viewing of current situation is accompanied by viewing the situation of the preceding generations. Therefore, the respondents were asked whether they believe that their own future will be better or worse than their parents' situation, when the respondents themselves reach the comparable age. A five-degree verbal scale was suggested for the answers, with 1=much worse, 5=much better. The results confirmed Czech persons' moderate pessimism, the resulting value being 2.58.

High attention in our research was paid to the distribution of optimism-pessimism from the viewpoint of the consumers' socioeconomic status. The layout is shown in the diagrams based on the analysis of the above mentioned values, ranged according to particular socioeconomic classes.

Figure 1 illustrates the particular socioeconomic segments in accordance with the answers to the questions about forecasting the realization of a person's plans and forecasting the situation of the Czech Republic (with 1=pessimism, 10=optimism on the scale).

Figure 1 Optimism in anticipating the future realization of a person's plans



Source: OMG Research + our own calculations

Calculation of NPS coming from the same values is illustrated in Table 2.

Table 2 Optimism in anticipating the future realization of a person’s plans according to the inclusion in a socioeconomic class

Type of the value	Socioeconomic class				
	A	B	C	D	E
Answers 9 and 10 on the scale	18%	17%	13%	11%	13%
Answers 1 till 6 on the scale	30%	34%	38%	55%	61%
NPS	-12	-17	-24	-44	-48

Source: OMG Research “Budoucnost ČR” (= The Future of the Czech Republic) + our own calculations

The research also tried to find out which of the factors of the optimism in a person’s future plans correlate most closely with the socioeconomic class. Table 3 presents the items with the absolute coefficient value higher than 0.2.

Table 3 The factors most prominently influencing “the fulfilment of a person’s plans”

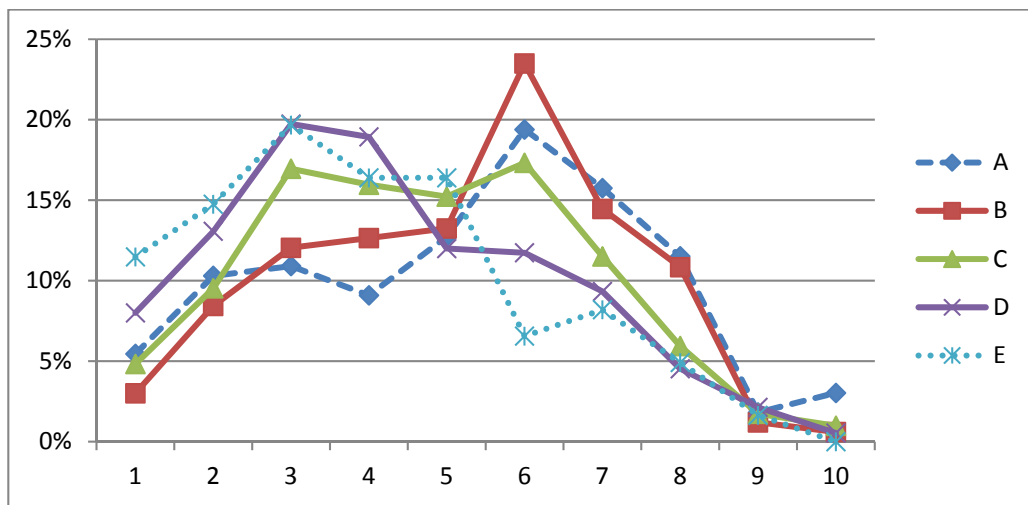
Statements suggested to the respondents	The correlation to the fulfilment of a person’s plans
I can never get rich	-0.36
I have to do a job that differs from my wish	-0.27
Price is more important for me than quality	-0.26
I cannot find a suitable employment in my branch, in a long term	-0.25

Source: OMG Research + our own calculations

Negative values of the correlation coefficient mean: the higher the class scale, the lower agreement with the statement.

The results of the computation concerning the rate of optimism or pessimism concerning future perspectives of the Czech Republic are illustrated in figure 2 and in table 4, where NPS is calculated.

Figure 2 Optimism in anticipating the future of the Czech Republic



Source: OMG Research + our own calculations

Table 4 Optimism in anticipating the future of the Czech Republic according to the inclusion in a socioeconomic class

Type of the value	Socioeconomic class				
	A	B	C	D	E
Answers 9 and 10 on the scale	5%	2%	3%	3%	2%
Answers 1 till 6 on the scale	68%	83%	80%	83%	85%
NPS	-63	-71	-77	-81	-84

Source: OMG Research + our own calculations

The analysis discovered only one factor influencing the optimism in future perspectives of the Czech Republic with a correlation coefficient higher than |0,2|. This is the statement "I can never get rich", with the correlation coefficient 0.23.

3.2 The ties between the socioeconomic status and economic behaviour

The study also aims at finding out in what degree the optimism is connected with the strength of each of the particular factors of social life and consumer behaviour. The regression analysis was applied, with the outcomes (Table 5) showing more details about the reasons for the worries about the future.

Table 5 Aspects most closely correlated to socioeconomic classes

Statements suggested to the respondents	Correlation coefficient
I am afraid of falling down to the poverty line	0.28
I speak foreign languages (excluding Slovak)	0.23
Foodstuff prices are going to rise	0.23
My living standard is going to fall down	0.23
I am afraid of not being able to buy more expensive goods, even if I borrow money	0.21
Uncertain future	0.20

Source: OMG Research "Budoucnost ČR" (= The Future of the Czech Republic) + our own calculations

So as to analyze the statistically most prominent relations in more details, the Table 6 presents the answers by the respondents in particular segments. A four-point scale was offered, with 1=very likely and 5=very unlikely

Table 6 The most closely correlated aspects according to socioeconomic classes

Statements suggested to the respondents	Socioeconomic class				
	A	B	C	D	E
I am afraid of falling down to the poverty line*	3.48	3.35	3.08	2.56	2.36
How many foreign languages I speak	1.5	1.1	0.9	0.5	0.5
Foodstuff prices are going to rise*	2.7	2.7	2.29	2.05	1.73
My living standard is going to fall down*	2.83	2.72	2.47	2.11	2.15
Uncertain future*	2.69	2.52	2.29	1.97	1.97

*A four-point scale was offered, with 1=very likely and 5=very unlikely

Source: OMG Research + our own calculations

Conclusion and discussion

The first part of the study focused on searching the rate of optimism in anticipating one's own future and the future of the Czech Republic. The outcomes were evaluated according to the inclusion of the respondents in the socioeconomic segments, the rate of optimism in anticipating both the respondents' own future and the future of the country being measured on a 1-10 scale.

It was found that in this respect the links between the inclusion of the respondents in a socioeconomic class and the degree of optimism in anticipating the future are closer than in the respect of the consumer behaviour. It is worth mentioning that people are more optimistic in anticipating their own future than the future of the Czech Republic.

The data analysis confirmed interconnections with socioeconomic classes in most of the topics concerning finances. Persons in lower groups attach more importance to price than to quality, they care for information about discounts and they buy clothes in second-hand shops. Even having financial reserves is connected to a socioeconomic group, while having minor earnings outside of a person's employment has only weak relation to a particular group.

The analyses show differences both in the rate of optimism between the socioeconomic classes and in viewing a person's own life and the future of the Czech Republic. It is evident that the socioeconomic status plays an important part in the rate of optimism in anticipating the consumers' individual situation and the situation of the country. This can be related even to the tendency of persons with a higher socioeconomic status to view themselves as active participants with the capacity of having the insight in the situation and being able of utilizing it (Henry, 2005).

It appears that the socioeconomic coefficient reflects even the rate of the cultural capital (represented here by the item of speaking foreign languages).

The mentioned findings can be useful even for the political marketing. Apart from "hard" economic data, such as the gross domestic product or the unemployment rate, it is useful to take into account even "soft" data related to the overall social mood among the population. These factors can have principal influence on the decisions made by the population in such situations when political parties and political groupings present their programmes.

The second part of the study dealt with the respondents' attitudes towards everyday life situations from the viewpoints of consumer behaviour, personal finances and lifestyle. The authors concluded that the dependence of these factors on a consumer's inclusion in a socioeconomic class is not that strong as it could have seemed in advance. As for the consumer behaviour and financial attitudes, the differences between the classes are not prominent. The highest level of differences occurs in items like fear of poverty or finding suitable jobs. An interesting topic should be stressed, viz. that the opinion about the high importance of children's education is totally independent of a person's inclusion in a socioeconomic class.

The findings are in a considerably high accord with the outcomes of similar studies published in other countries (e.g. Piff, 2010) based on sociological research and

concluding that, in certain aspects of social life, members of lower classes behave in a more pro-social and empathetic way than person with a higher socioeconomic status.

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