

CONSUMER INCOME-MAIN FACTOR OF INFLUENCE ON THE APPLICATION OF CONSUMPTION (CASE STUDY AREA IN THE SURROUNDING AREA OF MUNICIPALITY ORADEA)

Alina Emilia Maria MOȘOIU¹

¹ Oradea University

e-mail: alina_mosoiu@yahoo.com

The level of food consumption depends on the general framework of macroeconomic policies, which influence through many levers the consumption behavior of population and we remind here the incomes policy, credit policy, monetary policy, exchange rate policy, national assistance policies etc..

The demand for foodstuff is under the influence of many socio-economic factors: the price of the product, family income, the price of substitutable products, lifestyles, consumption habits, living environment etc.. The most sensitive variations of food demand are determined by the change of the product price and family income.

The determinative factor of the agricultural products demand, if we assume that price remains unchanged is constituted by population income. It should be noted that income level (above a certain level that ensures a decent standard of living), generates changes of qualitative nature on demand and in an insignificant measure changes of quantitative nature.

To establish in concrete terms the fact that income levels influences and in which way it influences the population consumption for the garden stuffs we conducted a survey of views in the surrounding area of Oradea.

Key words: solvent demand, economic restructuring, purchasing power

Looking back, one of the defining elements of the last 5 years was the raising of the level of living, as a global indicator for measuring of the quality of life, increase marked by the evolution of population income, the dynamics of acquisition and consumption. Romanians started to win more, which drew with it the possibility to have more goods and goods of better quality.

The reason itself of the existence of a marketing system is to satisfy the final consumer. Getting satisfaction is the meaning of effort made starting from agricultural production and getting to commercialization of foodstuff in stores. The deed of buying rewards, in one way or another, all the participants to achieve this satisfaction, which is very important, however, is the consumer choice, resulting in a number of consequences for the entire agricultural system.

The knowledge of the final demand is objective necessary because of less the following reasons:

- allow farmers and processors to focus the production under structural aspects, quantitatively and qualitatively, and consequently to establish the conducts concerning the sale conditions which they anticipate in the future;
- orientate the distributors in selecting the assortment structure of the products they will buy to resell to consumers, in quantity, quality, time and desired places, it need to be emphasized that the expectations of farmers and processors only correspond in a small way with those made by distributors, and usually, estimates of distributors (retailers in particular) are more accurate closer to the truth, because they are closer to customers and they know better their needs;
- it helps the marketing system to correct on the fly the mentioned anticipate error, sometimes the consequences of these errors not adjusted en route may bring serious damage to the firms involved.

Factors influencing the level of food consumption are very numerous and not only come from the agriculture, but have a much wider area. Thus, at the factors of influence in the sphere of agriculture (recall here the agricultural prices and the level of agricultural offer), plus population income, which are the result of wage policies, social insurances, welfare, etc. and the prices of other categories of food, non – and all the services. However, to the economic factors are added social factors, demographic, climatic, cultural, religious, etc.. Of course, the factors with the most ponderosity in determining the level of food consumption are primarily of economic nature, namely the people income and food prices. To these are added the restrictions that can be imposed on alimentary consumption the prices of other categories of goods (non alimentary and services).

Solvent consumer demand is reflected in the most synthetic way in the budget revenue and expenditure of households. Total nominal income of the population represents the potential solvent demand, while income cash express the final request of consumption that is manifested on the market of goods and services in the framework of some bilateral relations of the market.

MATERIAL AND METHOD

The method of marketing research presents two advantages, namely: providing information directly from consumers and information on family budgets that are closely related to the importance (hierarchy) and the solvency of the consumer needs.

To achieve a qualitative research method was used the statistical survey based on written questionnaire, which included a corresponding number of questions for the results obtained to be relevant to the settled objectives of the research. The survey was conducted based on sample.

To track consumer attitudes on consumption of agricultural products and the supply location of these products I followed the following steps:

- setting the objectives concerning the consumption demand for agricultural products of population from surrounding area of Oradea;
- specifying the area of application of the survey-surrounding area of Oradea for each locality separately;
- the progress – 20 April – 10 May 2009;
- determining the sample for the survey (85 people).

RESULTS AND DISCUSSIONS

Total revenues are composed of cash income, the consumption equivalent value of agricultural products from own resources and the equivalent value of the free benefits.

In Romania, a relatively low share of cash income in total income of the population reflects the consequences of economic restructuring after 1990 and reorientation of the population to subsistence households. In the review years it is noted the increase of this ponderosity, as an effect of economic growth (*tab.1*).

Table 1

**The structure of total incomes of establishments from Romania
between 2004 -2007 - %**

Specification	2004	2005	2006	2007
Total incomes, from which:	100	100	100	100
-cash	70,4	68,0	74,4	76,2
- the equivalent value of free labour conscription or with cost reduction received from economic agents	0,6	0,8	0,9	1,1
- the equivalent value of garden stuff consumption from their own resources	29,0	31,2	24,7	22,7

Total expenditure of households expressed the use of revenues, those being intended for consumption or formation of public savings. The main destination is the consumption, supported by spending money and the equivalent value of garden stuff consumption from own resources.

Decreases or increases of garden stuff prices, or, as appropriate, of the population revenues are reflected immediately in changes of the structure of population consumption by product category (*tab.2*).

Table 2

**The structure of monetary expenditures of consumption of households in the
surrounding area of Oradea -%**

Specification	2004	2005	2006	2007
Monetary expenditures of consumption, from which for:	100	100	100	100
Alimentary products	42,3	41,6	40,3	40,6
Non alimentary merchandise	34,0	33,6	33,7	32,8
Services payment	23,7	24,8	26,0	26,6

Source: Data Division of Statistic Bihor, 2008

You must keep in mind that from monetary expenditures of public money over 40% of them are intended for purchase on the market of food.

Under these conditions, Figure 1 is edifying for the analyzed area: 61.43% of the subjects spend monthly 10-30% of monthly family income for the purchase of the main garden stuff of consumption, a percentage of 31, 43% of the answerer spend 30 -- 50% of monthly family income, and 7.14% of them spend even 50 - 70% of monthly income received.

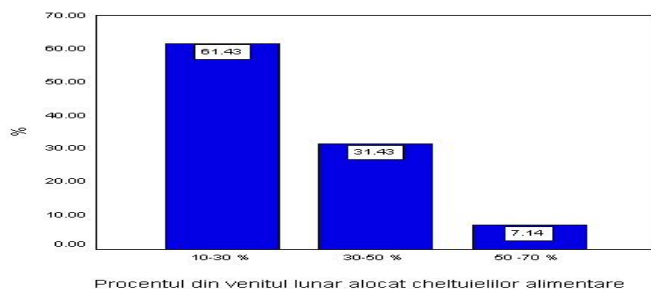


Figure 1 **Structure of sample by the percentage of monthly income devoted to expenditure on garden stuff.**

Regarding the evolution of the purchasing power in the period 2004-2008, edifying are two indicators:

- the prices of products consumption, which increased 2498 times;
- average net wage, which increased 1678 times.

Analyzing the evolution of population income in recent years may be seen a small increase in wages but insofar as the income from agriculture decrease. This increase is lower than inflation increase for the period analyzed.

Table 3

The evolution of population incomes from surrounding area of Oradea between 2004 – 2008 - %

Nr. crt.	Income type	2004	2005	2006	2007
1.	Raw wage and other righteous wage	58,8	59,4	61,1	61,5
2.	Incomes from agriculture	5,4	5,0	4,5	5,3
3.	Incomes from independent non agricultural activities	4,2	4,1	3,9	3,5
4.	Incomes from social labour conscription	25,4	25,7	24,7	24,5
5.	Other incomes	6,2	5,8	5,8	5,9

Source: Statistical Yearbook of Bihor county, 2008

Table 4

Total income of the main categories of households in the period 2004-2007 in the surrounding area of Oradea

- lei (RON) monthly per person

	2004	2005	2006	2007
Total incomes				
From which at the households of:	388,41	417,89	474,64	582,92
Employees	433,58	503,62	582,40	725,73
Farmers	395,90	298,14	320,23	403,09
Unemployed	226,03	292,48	261,51	324,39
Pensioners	360,13	392,70	429,09	526,61

Source: Statistic Directorate of Bihor county

A particularly important factor in determining consumption demand for agricultural products of population in the surrounding area of Oradea is represented by their monthly income(*fig.2*).

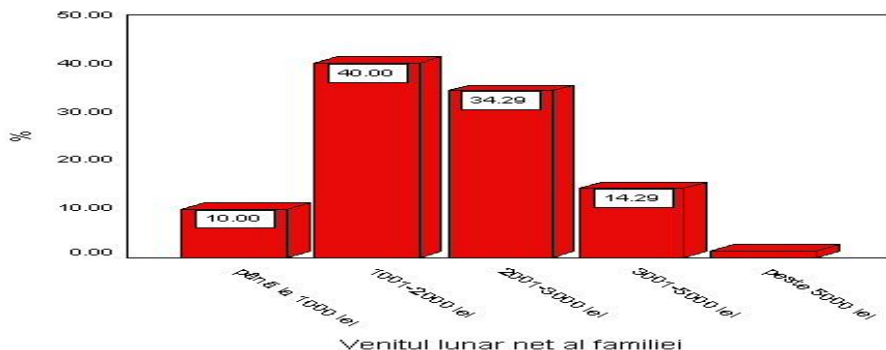


Figure 2 **Structure of sample by net monthly income of the family of persons interviewed**

The majority is held by households with a net monthly income between 1000 and 2000 lei (40%) and families with a monthly net income between 2000 and 3000 lei (34.29%).

Here you should keep in mind that this survey I conducted in the surrounding area of the city and the majority ponderosity of the interviewed was held by a population of rural areas who completed the consumption from goods produced in their gardens.

CONCLUSIONS

From the total household consumption about 43% go on food and soft drinks, 7% on clothing and shoes, and yet almost as much on alcohol. Clearly, much of Romanian acquisitions in urban area are in the retail sector.

The important part of the demand in the area examined is satisfied by the consumption of the product from their own resources, its ponderosity in total income being 30-40%, in a greater proportion for households in rural areas and less in the urban.

Reduced incomes or higher prices lead to a migration of demand from more expensive products, to the products below. On the other hand increasing the purchasing power (a result of increased revenues, or reduction of the prices), determine the population orientation towards products more expensive, high-processing, superior in terms of quantity. In fact, as I stated previously, changes in income and prices determine (particularly in countries where the standard of living of the population is at least decent) only structural changes in population consumption.

But there are superior products, in which case, an increase of revenue determines the increase of spending for them (exotic fruits, products highly

processed, high quality, with large number of ingredients, whose production cost is high, etc.).

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