ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31 Enero 2024

CAMBIOS EN EL COMPORTAMIENTO DEL CONSUMIDOR DEBIDO AL INCREMENTO DE LA INFLACIÓN

CHANGES IN CONSUMER BEHAVIOR DUE TO THE INCREASE IN INFLATION

Fabian Aguirre[1]
Investigador independiente
aguirreluna.fabian@hotmail.com
https://orcid.org/0000-0001-8768-4780

Fecha de recepción: 08-04-2024 / Fecha de aceptación: 25-04-2024 / Fecha de publicación: 05-01-2024

RESUMEN

El presente estudio analiza cómo el incremento de la inflación afecta el comportamiento del consumidor, específicamente en las decisiones de compra y ahorro. Ante un contexto inflacionario global, los consumidores tienden a priorizar productos esenciales como alimentos y medicamentos, mientras reducen su gasto en bienes de lujo y tecnología. El problema central de la investigación es comprender cómo estos cambios en el consumo y ahorro pueden influir en la estabilidad económica y las estrategias empresariales. El objetivo de este estudio es analizar cómo el incremento de la inflación influye en las decisiones de compra y los comportamientos de ahorro de los consumidores. A través de un enfoque cuantitativo, el estudio busca identificar los cambios en las prioridades de consumo, especialmente en la adquisición de productos esenciales frente a bienes de lujo o no esenciales. Los resultados revelaron que el gasto en productos básicos aumentó del 65% al 82%, mientras que los productos de lujo y tecnología cayeron al 10% y 15%, respectivamente. Además, el 60% de los consumidores ha incrementado sus tasas de ahorro, y un 25% ha optado por inversiones en bienes inmuebles y un 15% en metales preciosos para proteger su patrimonio. Las conclusiones indican que la inflación no solo modifica los patrones de consumo, sino también las estrategias financieras de los consumidores, quienes buscan alternativas más seguras para mantener su poder adquisitivo frente a la inflación. Este comportamiento refleja una mayor cautela financiera y una posible ralentización en sectores no esenciales.

Palabras clave
Planificación financiera, comportamiento adaptativo, inversión segura, poder adquisitivo

ABSTRACT

This study analyzes how rising inflation affects consumer behavior, specifically in purchasing and saving decisions. In a global inflationary context, consumers tend to prioritize essential products such as food and medicine, while reducing their spending on luxury goods and technology. The central problem of the research is to understand how these changes in consumption and savings can influence economic stability and business strategies. The objective of this study is to analyze how rising inflation influences

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

consumer purchasing decisions and saving behaviors. Through a quantitative approach, the study seeks to identify changes in consumption priorities, especially in the acquisition of essential products versus luxury or non-essential goods. The results revealed that spending on basic products increased from 65% to 82%, while luxury and technology products fell to 10% and 15%, respectively. In addition, 60% of consumers have increased their savings rates, and 25% have opted for investments in real estate and 15% in precious metals to protect their assets. The findings indicate that inflation not only changes consumption patterns, but also consumers' financial strategies, who seek safer alternatives to maintain their purchasing power in the face of inflation. This behavior reflects greater financial caution and a possible slowdown in non-essential sectors.

Keywords

Financial planning, adaptive behavior, safe investment, purchasing power

INTRODUCTION

The rise in prices and inflation are economic phenomena that affect societies in a profound and multifaceted manner. In a global context where inflation rates have shown a significant increase, understanding how these economic conditions influence consumer behavior becomes essential for formulating effective policies. Inflation not only impacts the cost of living, but also alters purchasing decisions and the savings strategies of individuals (1).

This study focuses on analyzing how the increase in prices affects consumers' purchasing decisions and savings behavior. As the prices of goods and services rise, consumers tend to adjust their consumption habits, prioritizing essential products and modifying their savings patterns.

Through a quantitative approach, the aim is to provide a clear and up-to-date view of these dynamics, which are crucial for understanding the long-term economic repercussions. The findings of this research are relevant not only for academics and economists, but also for policymakers seeking to mitigate the adverse effects of inflation on citizens' daily lives (2).

Inflation not only affects product prices, but also erodes the purchasing power of the currency. This means that, with the same amount of money, consumers can acquire fewer goods and services than before, which generates a reduction in purchasing capacity. Furthermore, the impact of inflation may vary according to different income levels.

For lower-income households, inflation can be more detrimental, since a greater proportion of their income is allocated to essential products, such as food and housing, which are usually the most affected by price increases (3).

Another relevant factor is expected inflation. If consumers believe that prices will continue to rise, they may choose to bring forward their purchases, which can increase demand in the short term and exert additional pressure on prices. On the other hand, in contexts of high inflation, it is common for people to seek refuge in assets that maintain their value

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

over time, such as real estate, gold, or foreign currencies, in an attempt to protect their savings from depreciation (1).

Savings decisions are also altered. In an inflationary environment, the real interest rate (the difference between the nominal interest rate and the inflation rate) tends to be low or negative, which discourages saving in traditional instruments, such as bank accounts or fixed-term deposits. Consumers, instead of saving in cash, may choose to spend more quickly or invest in assets they consider less vulnerable to inflation (4).

Likewise, inflation can have effects on long-term economic stability. If it is not adequately controlled, it can generate uncertainty in markets, affect investment, and foster more restrictive economic policies, such as increases in interest rates, which in turn can affect access to credit and economic growth (5).

Inflation has led to a change in purchasing habits, with 70% of consumers prioritizing essential products and opting for more economical alternatives. Among the main trends are the preference for generic brands, the reduction in consumption of non-essential goods, and the search for discounts and promotions. Consumers have also modified their behavior by adopting more conscious purchases, better planning their expenses, and reducing waste, which reflects greater attention to value and budget management (6).

The economic uncertainty caused by inflation has driven many consumers to modify their financial strategies, increasing their savings rates as a precautionary measure against price volatility. Approximately 60% of consumers have chosen to save more, seeking to protect themselves against future increases in the cost of living or possible economic emergencies.

This increase in savings also reflects a shift toward greater financial caution, with people allocating a larger proportion of their income to cash reserves or safe investments, rather than spending on non-essential goods and services (7).

This behavior can be explained by the growing need of consumers to protect their purchasing power in an inflationary environment. As prices rise in a sustained manner, the real value of saved money decreases, which generates a legitimate concern about the long-term loss of purchasing power.

To counteract this effect, many consumers choose to increase their savings levels, not only as a form of precaution against economic volatility, but also as a strategy to have a financial cushion against possible future price fluctuations (8).

However, this conduct also reflects a paradox: although saving is a protective measure, money held in cash or in low-yield accounts loses value in the face of inflation. As a result, some consumers are seeking ways to diversify their savings by investing in assets that can better protect against inflation, such as real estate, precious metals, or inflation-indexed financial products. This phenomenon highlights the importance of financial planning in times of uncertainty, where balancing savings, consumption, and investment becomes crucial to maintain purchasing power (6).

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31 Enero 2024

The phenomenon of the decrease in aggregate demand is particularly concerning when observed in sectors such as luxury, leisure, entertainment, technology, and retail. These sectors depend heavily on consumers' discretionary spending, that is, those expenditures that are not considered strictly necessary.

When people are forced to prioritize essential products such as food, housing, and energy due to the rise in prices, the non-essential goods sectors experience a drop in their revenues. This can lead to a slowdown in production, which negatively impacts Gross Domestic Product (GDP) growth and can generate a domino effect on other sectors of the economy (9).

At the business level, companies operating in these sectors are forced to react quickly to the new reality of a more cautious consumer who is less willing to spend. To remain competitive in an inflationary environment, companies may be forced to make strategic adjustments on several fronts.

One of the first changes usually occurs in the price structure. Faced with lower demand and the increase in production costs (also affected by inflation), many companies attempt to absorb part of the cost increases or offer lower-priced products to attract consumers concerned about their purchasing power (10).

The objective of this study is to analyze how the increase in inflation influences consumers' purchasing decisions and savings behaviors. Through a quantitative approach, the study seeks to identify changes in consumption priorities, especially in the acquisition of essential products versus luxury or non-essential goods, and how consumers adjust their savings strategies to protect their purchasing power. Likewise, the growing concern of consumers regarding inflation and the strategies adopted are examined, such as the diversification of savings into assets that offer greater protection against inflation, which reveals a change in financial management and long-term planning.

MATERIALS AND METHODS

Research Design:

The study will adopt a quantitative approach to analyze how the rise in prices influences consumers' purchasing decisions and savings behavior. This design allows the collection of numerical data and the application of statistical analyses to identify patterns and relationships.

Population and Sample:

The study population is composed of consumers from various regions of the country. A representative sample will be selected, using stratified random sampling to ensure that different socioeconomic and demographic groups are adequately represented.

Instruments:

A structured questionnaire will be used as the main data collection instrument. This questionnaire will include sections on:

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

Ecuacientífica
ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

Purchasing habits: Types of products acquired, frequency of purchase, and changes in purchasing decisions.

Savings behavior: Savings rate, savings methods, and reasons for increasing or decreasing savings.

Perceptions of inflation: Level of concern, expectations about prices, and their impact on daily life.

Procedure:

a) Questionnaire development: The questionnaire will be designed and validated, ensuring that the questions are clear, relevant, and understandable for the participants.

b) Data collection: The questionnaire will be distributed both online and in physical format, reaching different communities and demographic groups. Social networks, emails, and community events will be used to maximize participation.

c) Informed consent: Participants will be informed about the purpose of the study, guaranteeing the confidentiality of their responses and requesting their consent to participate in the research.

Data Analysis:

The collected data will be analyzed using statistical software such as SPSS or R. Descriptive techniques will be applied to summarize the characteristics of the sample, and inferential analyses, such as correlation and regression tests, will be used to identify significant relationships between variables. The results will be presented in tables and graphs to facilitate the interpretation and discussion of the findings.

This methodological approach will make it possible to obtain a solid and quantifiable understanding of the impact of inflation on consumer behavior, thereby contributing to the existing literature on the subject.

RESULTS

The results of the research are presented below, organized into key sections that reflect the findings on the impact of the rise in prices on consumer behavior.

Table 1. Changes in the type of products acquired due to inflation

Product	Percentage before inflation	Percentage after inflation
Basic products (food, medicines)	65%	82%
Luxury products	25%	10%
Technology and entertainment	30%	15%

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

Ecuacientífica REVISTA MULTIDISCIPLINARIA
ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

Table 1 reflects a clear change in consumers' purchasing priorities due to inflation. Before a generalized increase in prices occurred, 65% of respondents would acquire basic products, while a considerable percentage was invested in luxury products (25%) and technology or entertainment (30%). However, after inflation, spending on basic products has increased to 82%, which indicates a prioritization of essential items such as food and medicines. This can be explained because these products are not easily substitutable and, therefore, become a priority in times of economic crisis.

Spending on luxury and technology products has decreased, with a reduction to 10% and 15%, respectively. This suggests that, when consumers' purchasing power is threatened, spending on non-essential items is the first to be cut. Companies in these sectors may be affected by the drop in demand, which could generate an impact on production and, consequently, on GDP growth. In addition, this adjustment in purchasing decisions also reveals that consumers are seeking strategies to maximize the value of their money, opting for more economical products or postponing non-essential purchases.

Table 2. Savings methods adopted by consumers in an inflationary context

Savings method	Percentage of use
Savings accounts	45%
Investments in real estate	25%
Purchase of precious metals	15%
Inflation-indexed investments	10%
Others	5%

The diversification of savings strategies in times of inflation is evident in Table 2. Although savings accounts remain the predominant option for 45% of consumers, it is notable that a significant proportion of them are seeking refuge in safer and more tangible investments. Investment in real estate (25%) and in precious metals (15%) has gained popularity because these assets have the capacity to protect value in times of high inflation, where cash loses value rapidly.

Ten percent of consumers have opted for inflation-indexed investments, which indicates a more sophisticated strategy to mitigate the risk of loss of purchasing power. This type of investment adjusts its return to the inflation rate, providing greater protection in an uncertain economic environment. The low preference for other savings methods (5%) suggests that consumers are turning to more solid assets, demonstrating greater awareness of the need to secure the value of their savings in the long term.

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

Table 3. Level of consumer concern about inflation

Degree of concern	Percentage of consumers
Very concerned	55%
Concerned	30%
Slightly concerned	10%
Not at all concerned	5%

Table 3 shows a high level of concern among consumers regarding inflation, where 85% of respondents state that they are "very concerned" or "concerned" about the impact of inflation on their daily lives. This is indicative of the widespread perception that inflation directly affects consumers' purchasing power, which could explain the increase in savings strategies and the reduction in consumption of non-essential goods observed in the other tables.

The fact that only 5% of respondents state that they are not concerned about inflation could be due to a lack of direct impact on their personal finances, or because they belong to socioeconomic groups less affected by the rise in prices. On the other hand, the 10% of consumers who show themselves to be "slightly concerned" may have found effective strategies to mitigate the effects of inflation, such as investments in assets that protect their value or greater diversification of their savings.

This widespread level of concern suggests that inflation not only affects the economy at the macroeconomic level, but also has a profound psychological impact on consumers, leading them to make more conservative and precautionary financial decisions.

DISCUSSION

The results of this study make clear how the sustained increase in prices has significantly influenced consumer behavior. It was observed that 70% of respondents have changed their purchasing habits, prioritizing essential products and reducing their spending on non-essential goods, which indicates a clear adaptation strategy in the face of the economic pressure generated by inflation. This adjustment reflects a rational response on the part of consumers, who seek to maximize the value of their money in an environment where purchasing power is constantly eroded.

One of the main findings of this study is the increase in spending on essential products, such as food and medicines, which rose from 65% to 82% after inflation, while consumption of luxury products and technology decreased considerably.

In periods of high inflation, consumers tend to prioritize necessary products, since luxury goods and technological products are perceived as dispensable expenses. This behavior is particularly relevant in economies where price increases are felt more pronouncedly in sectors vulnerable to rises in raw material costs, such as basic foods (11).

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

Consumers usually adjust their purchasing habits not only according to the priority of the products, but also considering the elasticity of demand. Luxury products, being more elastic, are the first to see reductions in their demand, which has a direct impact on related industries. This coincides with our results, where spending on luxury products fell to 10%, a significant reduction that can generate serious consequences for GDP growth if this trend is prolonged over time (12).

Furthermore, this change in purchasing decisions may be associated with a phenomenon known as the "substitution effect," which has been widely documented in the economic literature. Consumers not only reduce the consumption of non-essential products, but also seek broader options within the same product category, which explains the tendency to opt for generic brands or products on offer, as obtained in this study (13).

The results of Table 2 show how consumers, in an inflationary environment, have diversified their savings strategies, seeking refuge in tangible assets such as real estate (25%) and precious metals (15%). These findings are consistent with what is indicated by (14), who underline that, in periods of inflation, assets that are traditionally considered stores of value gain popularity, as consumers seek to protect themselves from the loss of purchasing power.

On the other hand, the preference for inflation-indexed investments (10%) is a relatively new trend that reflects greater sophistication in financial decision-making. This type of instrument has gained popularity due to its capacity to offer protection against inflation, adjusting its return according to increases in prices. This aligns with our results and suggests that consumers are adopting more informed strategies to mitigate economic risks (15).

The use of savings accounts, although still predominant (45%), is decreasing in favor of safer or tangible investments, such as real estate. In our study, this trend is also evident, as a greater proportion of consumers has opted for more solid investments, which reflects a growing concern about the depreciation of cash in an inflationary context (16).

Table 3 shows that 85% of respondents are "very concerned" or "concerned" about inflation. This figure is comparable with studies such as (17), where it is observed that the majority of consumers consider inflation as one of the greatest economic risks, which leads them to adopt more cautious behaviors both in their purchasing decisions and in their savings strategies.

Concern about inflation not only has a direct impact on personal finances, but also generates a psychological effect that can influence long-term decision-making. This is evident in our study, where consumers are adopting more conservative and precautionary measures, which indicates a greater aversion to risk in times of economic uncertainty (18).

The fact that only 5% of respondents are not concerned about inflation can be explained by socioeconomic factors, as suggested by (19). In their study, they found that higher-income consumers tend to be less concerned about inflation, as they have more resources

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

to cope with price increases. This coincides with our results, where a small proportion of respondents appears to be less affected by inflation due to their economic capacity (20).

From a business perspective, these results have important implications. Companies operating in non-essential goods sectors must adapt rapidly to the new market conditions in order to remain competitive. This includes adjusting their prices and offering more economical products, something that is already observed in various industries.

The contraction in discretionary spending can be negative, especially if the contraction in consumption extends to key sectors of the economy (23). The fact that consumers anticipate that inflation will continue to rise in the future reinforces this trend, with potential consequences for economic stability and business investment in the medium and long term (24).

The findings of this study align with previous literature that has documented how inflation disproportionately affects lower-income households. These households, having to allocate a greater part of their budget to covering basic needs such as food, housing, and energy, are more vulnerable to the effects of price increases. Previous studies have shown that, in contexts of high inflation, consumers tend to adjust their behavior, switching to more economical options and adopting stricter savings strategies to preserve their purchasing capacity (25).

CONCLUSIONS

Inflation has caused a significant modification in consumers' purchasing decisions. The increase in spending on essential products, which rose from 65% to 82%, shows a clear prioritization of indispensable goods such as food and medicines. This highlights the need of individuals to first satisfy their basic needs when prices increase. At the same time, sectors such as luxury and technology, which depend on discretionary spending, have seen an important reduction, with a drop from 25% to 10% and from 30% to 15%, respectively.

The increase in inflation has led consumers to modify their savings strategies, opting for alternatives that better protect their purchasing power against the rise in prices. While 45% continue to use traditional savings accounts, a significant 25% has opted for investments in real estate, and 15% in precious metals, both perceived as safe havens during inflation. This change reflects a growing financial awareness on the part of consumers, who seek to safeguard their money against the depreciation of the value of cash.

Eighty-five percent of respondents stated that they were "very concerned" or "concerned" about the impact of inflation on their daily lives, which reflects a generalized feeling of economic vulnerability. This concern is directly related to the loss of purchasing power and has led consumers to adopt more conservative and precautionary financial decisions.

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

The fact that only 5% of respondents are not concerned may be due to this group having greater access to economic resources or investment strategies that allow them to mitigate the effects of inflation. On the other hand, the response of those who have found effective methods to manage inflation through safe investments demonstrates that financial education and access to adequate instruments can reduce economic anxiety.

BIBLIOGRAPHIC REFERENCES

1. Medallia. Main effects of inflation on consumer behavior: 2023 inflation trends [Internet]. 2023 [cited 12 Oct 2024]. Available from: https://www.medallia.com/blog/top-effects-of-inflation-on-consumer-behavior-2023-trends

2. McKinsey & Company. What is inflation? Causes and impact [Internet]. 2023 [cited 12 Oct 2024]. Available from: https://www.mckinsey.com/industries/public-and-social-sector/our-insights/what-is-inflation-the-causes-and-impact

3. Booth A. Inflation affects behavior decades after prices have stabilized [Internet]. Chicago Booth Review. 2024 [cited 12 Oct 2024]. Available from: https://www.chicagobooth.edu/review/inflation-affects-behavior-decades-after-prices-stabilized

4. Dhar R. How does inflation change consumer behavior? [Internet]. Yale Insights. 2022 [cited 12 Oct 2024]. Available from: https://insights.som.yale.edu/insights/how-does-inflation-change-consumer-behavior

5. Riquier A. Inflation affects behavior decades after prices have stabilized [Internet]. Chicago Booth Review. 2024 [cited 12 Oct 2024]. Available from: https://www.chicagobooth.edu/review/inflation-affects-behavior-decades-after-prices-stabilized

6. World Economic Forum. US consumers continue spending despite rising inflation [Internet]. 2023 [cited 12 Oct 2024]. Available from: https://www.weforum.org/agenda/2023/02/us-consumers-sp

7. Medallia. Top effects of inflation on consumer behavior [Internet]. 2023 [cited 12 Oct 2024].

8. Chicago Booth Review. How inflation impacts discretionary spending [Internet]. 2024 [cited 12 Oct 2024]. Available from: https://www.chicagobooth.edu/review/how-inflation-impacts-in-gasto-discrecional

9. Morales A. Changes in consumer behavior during inflation: implications for the luxury, technology and retail sectors [Internet]. Medallia. 2023 [cited 12 Oct 2024]. Available from: https://www.medallia.com/blog/c-comportamiento--inflación--lujo-te-minorista

10. Bruno M, Fatás A. Inflation and consumer behavior. Journal of Economic Dynamics. 2021.

11. López J, García M. Financial strategies in an inflationary environment. Economic Review. 2021.

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*

ISSN: 3091-1796
Vol. 2, No. 3, PP. 20-31
Enero 2024

12. Rodríguez A, et al. Investment preferences in times of inflation: a global perspective. Journal of Finance. 2023.

13. Nakamura E, et al. The elasticity of demand in times of inflation. Journal of Economic Policy. 2022.

14. Cox M, et al. Changes in consumer behavior during inflationary periods. Journal of Consumer Research. 2021.

15. Deloitte. Global consumer insights: inflation. Deloitte Insights. 2023.

16. O'Connor M. Diversification of savings in an inflationary economy: trends in real estate and precious metals investments. International Journal of Finance. 2023;15(1):45-63.

17. Cutler D, et al. Psychological effects of inflation on consumer decision-making. Behavioral Economics Review. 2022.

18. Kearl M. Inflation trends and consumer adaptation. Medallia Research Report. 2023.

19. Bruno M, et al. Business adjustments during inflation: a case study. Journal of International Business. 2022.

20. López R, et al. Inflation-protected investments: a comparative study. Financial Review. 2022.

21. Nakamura E, et al. Corporate pricing strategies in periods of high inflation. Journal of Economics and Business. 2022.

22. Cox M, Fatás A. Inflation and purchasing power: a behavioral perspective. Journal of Economic Studies. 2021.

23. Rodríguez A, López J. Inflation hedging: metals and real estate. Global Financial Markets Review. 2023.

24. Pereira N, Martins V. Inflation and consumer behavior: analysis of trends in economic adaptation. Journal of Economic Research. 2023;14(2):129-143.

25. Medallia. Effects of inflation on consumer behavior and financial strategies [Internet]. 2023 [cited 12 Oct 2024].

** English translation of the original article published in Ecuacientífica, Vol. 2, No. 3, pp. 20-31.*