



Microeconomics

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**EVOLUTION OF VALUE MOTIVES
OF CONSUMPTION
IN POST-SOVIET COUNTRIES:
THE EXAMPLE OF UKRAINE**

Abstract

The paper considers the evolution of household consumption in Ukraine to study the changes in consumer behaviour over time. The purpose of this study is to analyse patterns of consumer behaviour in Ukraine and their historical roots. This will facilitate a better understanding of factors driving consumer behaviour of Ukrainians, help forecast its future changes and develop mechanisms and instruments for Ukrainian companies to manage consumer behaviour. Research results reveal that Soviet consumption habits are still affecting Ukrainian patterns of consumer behaviour. Even younger population that has never experienced the Soviet system is affected by its consumptive patterns to some extent. After the USSR's collapse, Ukraine started to adopt consumer behaviour patterns from the Western world, first of all the consumerism and its inherent consumer protection, as well as the more recent fight against excessive consumption. At the same time, another global consumption trend – creative consumerism – is being ac-

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tively adopted by Ukrainians, partly because such forms of behaviour are inherited from Soviet society. Modern technologies along with the COVID-19 crisis effect the patterns of consumer behaviour in Ukraine, primarily through the increasing role of online technologies in consumer decision making, in purchasing and post-purchasing processes.

Key Words:

Ukraine; social media; Covid-19; Ukrainian economy; consumer behaviour; consumer goods; consumer analysis; USSR.

JEL: D12, G51, O33.

3 figures, 1 table, 12 references.

Introduction

Ukraine is a lower-middle income country in Eastern Europe. Its economy is rebounding after the political and economic turmoil of recent years. The World Bank classifies Ukraine as a lower-middle income country. Significant economic reforms are supported by the international community and have resulted in a relatively stable currency and recovery of disposable income despite the military conflict in the East. Following a political and economic crisis in 2014-2015 and cumulative economic decline of 16%, Ukraine's economy began slowly growing in 2016 with two percent year-over-year growth; there has been significant growth since 2016 driven by economic stabilization and a growth in disposable incomes. While the country's turn-around was primarily attributable to reforms implemented by Ukraine's first technocratic government, growth in 2016 was driven by a rebound in domestic investment activity and a modest recovery in household consumption.

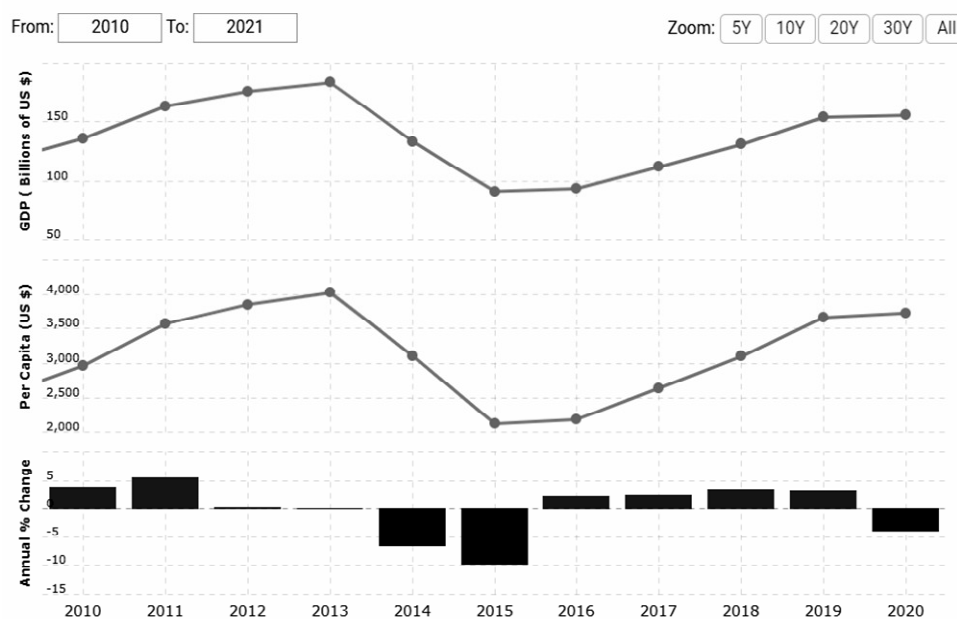
In 2019, Ukrainian GDP reached US\$139.1 billion, positioning the country as the 56th largest economy in the world. Ukraine is a country with a population

of 41.8 million. The relatively low per capita GDP of \$3,659 transfers into \$13,341 in purchasing power parity reflecting the efficiency of Ukrainian processors and service providers.

After the crisis years (from 2014 to 2016), the Ukrainian economy grew continuously again at a rate of 3 to 4 percent per year (Figure 1). Wages and the standard of living have been improving continuously since 2016, and in addition, many migrant workers have been transferring money to their families in Ukraine (in 2019 the approximate amount reached 5 billion US dollars from Poland alone). All this has also had considerable influence on the consumer behaviour in Ukraine. These trends were interrupted in 2020 due to the corona crisis and the country has been facing a downturn since.

Figure 1

GDP of Ukraine over 10 years

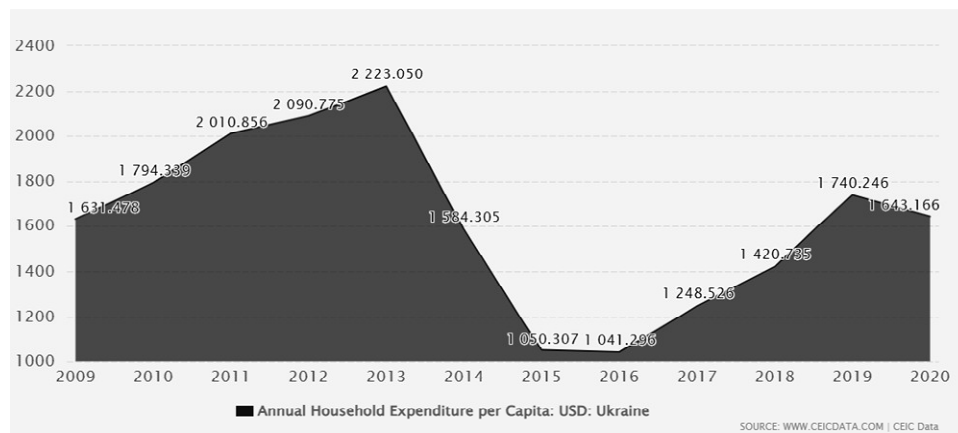


Source: Trading Economics. (n.d.). *Ukraine GDP* [Data set].
<https://tradingeconomics.com/ukraine/gdp>

Over the last 10 years, Ukraine's annual household expenditure per capita has changed dramatically. Until 2013 it rose steadily, but plummeted in 2014 and reached the lows of a little over 1 million USD in 2015 and 2016. (Fig 2). Although recovery was observed post 2016 and reached a high in 2019, a drop was observed due to the impact of Covid-19 in 2020 when the indicator reached similar levels to those of 2009.

Figure 2

Annual household expenditure per capita, USD



Source: CEIC Data. (n.d.). *Ukraine's household expenditure per capita from 1999 to 2020* [Data set]. <https://www.ceicdata.com/en/indicator/ukraine/annual-household-expenditure-per-capita>

Literature Review and Problem Statement

Olena Sokhatska & Siddharth (2019) discuss how adding a variety of user generated content platforms and social interactive tools, digital technologies have recently represented a new avenue for the development of consumer behaviour, giving rise to the term *social media*. As the use of social media has grown in popularity, consumers have begun to regard these tools as an information source for product details during the purchasing decision process. Consumers effectively use technology, particularly social media, in the course of online shopping. This approach of addressing customer wants is defined as an electronic process, and

it is argued that social media plays an essential role in this regard. Social media marketing is defined as a technique that enables businesses to advertise to consumers via social media and to carry out marketing operations in this manner. According to a survey on Facebook usage in Turkey, people use Facebook to keep current friendships rather than to expand their social circle. As a result, it can be claimed that social media networks such as Facebook, Instagram, and Twitter enable individuals to engage with others and, as a result, play a key part in consumer online shopping behaviour (Sokhatska & Siddharth, 2019).

Maqbool Misbah and Gulzar Asma (2018) discuss how the modern approach to communication with customers is organized through social media marketing. Because of the prominence of social media marketing, businesses confidently focus their efforts in this sector to achieve their various goals. Social media marketing has a favourable impact on customer purchasing decisions and brand awareness. The authors also conclude that unfavourable activities might have an impact on the company's commitments as well as the consumers of the items.

Israa Al-Dhuhli, Elham Al Mukhaini, and Sara Ismael (2014) review the wide range of options customers have through social media. There are numerous social media sites available, such as Facebook, Twitter, and Instagram, which play a significant role in consumer purchasing behaviour. It is also beneficial to understand which social media platform is more effective and how it affects consumer purchasing decisions.

Ahmad Ammoura and Adnan Veysel Ertemel (2016) look at consumer purchasing behaviour as the method by which consumers can meet their needs and desires. This study examines three types of relationships, each with three different characteristics of purchasing. Social media advertising is less effective in identifying a consumer need; it has a minor effect on customers purchasing and post-purchase behaviour, but it has a greater impact on product selection.

Lim, Radzol, Cheah and Wong (2017) discuss how social media hosts several effective variables such as social media influencers, which focus on source legitimacy, source attractiveness, and meaning transfer. The consumers' attitude serves as a bridge between the external and endogenous relationships. Social media facilitates consumer social connections, which leads to increased customer trust and purchase intent. As a result, trust has a direct impact on purchasing intentions. The perceived utility of the site also has an impact on customer purchasing decisions.

Other authors who have delved into the topic include Mulcka and Kloba (2021), Nazarova (2021), and Koval & Mikhno (2020).

The aim of this article is to determine the factors influencing the consumer behaviour of Ukrainians in order to predict its future changes and develop mechanisms and tools for managing consumer behaviour for Ukrainian companies.

The methodological basis for achieving the research goal is the use of general scientific and special research methods, in particular, the analysis of statistical data on consumer demand for ten years from 2009 to 2019, systematized factors influencing consumer behaviour in this period. A comparative analysis was used to compare the effects of the 2020 pandemic on consumer behaviour. A graphical method was used to illustrate consumer spending trends.

Analysis of Household Expenditure in Ukraine

The analysis of the dynamics of consumer aggregate household expenditures for 2009–2019 (Table 1) shows a relatively uniform growth of the indicator by region during the study period, in particular, 3.1-4.3 times compared to 2009 (the average value in Ukraine in 2009 and 2019 amounted to 2417.1 and 8826.3 UAH per month, respectively). However, if we compare the currency equivalent of household consumption expenditures (in EUR), the dynamics are less pronounced (an increase of 1.2-1.6 times) due to the depreciation of the national currency. Thus, the increase in consumption and household income is primarily evidence of the impact of inflation in the country against the background of overall low purchasing power. At the same time, the share of cash income accounted for by total consumer expenditures of households in Ukraine in 2019 was 79.2%, which is 11.3 percentage points. Less than in 2009 (90.5%).

Therefore, nominally households have become more solvent because they consume less of their cash income and conserve resources to finance non-consumer needs. However, in reality, these changes did not significantly affect the population's living standards, which remain one of the lowest among European countries. Nevertheless, the noticeable social stratification in the regional aspect attracts attention.

Almost 70-90% of cash income goes to consumption, thus limiting households' savings and investment activity. The share of cash income in more urbanized regions is higher compared to areas where households make extensive use of non-monetary sources, in particular in the form of products obtained from personal farms and self-procurement, thus, the importance of the socio-demographic characteristics of households in shaping their consumer behaviour.

Almost half of the total household expenditures are spent on food and non-alcoholic beverages (46.6% in Ukraine as a whole in 2019). Compared to 2009, the share of homes that spend more than 50% of total expenditures on food decreased in 2019. Moreover, the percentage of households with high risks of social exclusion has significantly reduced (with average per capita equivalent total income per month below the statutory subsistence level) – from 16.2% in 2009 to 1.1% in 2019. This trend indicates a reduction in the extent of poverty.

Table 1

Dynamics of total consumer expenditures of households by regions of Ukraine (on average per month, per household, UAH), 2009-2019

Region \ Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ukraine	2417	2765	3118	3265	3444	3707	4602	5331	6634	7655	8826
Crimea	2342	2660	2927	3090	3354	-	-	-	-	-	-
Vinnitsia	2281	2564	2939	3119	3137	3504	4704	5384	6982	7547	8824
Volyn	2219	2733	3151	3286	3502	3788	5065	5755	6714	7850	8889
Dnipro	2310	2530	2797	2947	3050	3389	4082	4973	6205	7707	8225
Donetsk	2365	2731	3124	3344	3610	3333	3936	4704	5799	6440	7952
Zhytomyr	2254	2524	2663	2976	2900	3342	4260	4604	5930	6651	8211
Zakarpattia	2818	3147	3701	3860	4336	5000	6538	8054	9167	10814	12161
Zaporizhzhia	2196	2643	3044	3340	3233	3890	4522	4734	6151	7747	8035
Ivano-Frankivsk	2727	2993	3184	3322	3580	4012	5146	6617	8411	8733	10442
Kyiv	2573	2762	2947	3097	3434	3400	4390	4867	5600	7062	8429
Kirovohrad	1887	2067	2537	2537	2835	3033	4013	4655	5918	6831	7740
Luhansk	2199	2557	2744	3137	3014	2893	3319	4017	5280	6158	6703
Lviv	2646	2991	3227	3474	3878	4157	5369	6541	7820	9252	11053
Mykolaiv	2546	2957	3337	3597	3686	3849	4263	5155	6074	7642	8856
Odesa	2327	2927	3147	3185	3274	3786	4680	5136	6330	7174	8261
Poltava	2023	2434	2884	2864	3241	3454	4312	4802	6278	6694	7366
Rivne	2431	2746	2975	3044	3030	3240	4193	4538	6000	6489	8267
Sumy	1868	2482	2631	2563	2780	3162	4187	4683	6061	6845	7747
Ternopil	2420	2610	3026	3115	3286	3651	5243	5905	8553	8039	9716
Kharkiv	2347	2689	2921	3095	3404	3653	4380	4884	6168	7106	7463
Kherson	1938	2397	3172	3175	3234	3709	4060	5026	5907	6363	7164
Khmelnitskyi	2249	2518	2622	2645	3008	3124	4000	4978	6000	6764	8229
Cherkasy	2530	2957	3307	3410	3506	3584	4698	4945	6141	6954	7948
Chernivtsi	2607	2713	3057	3244	3411	3984	4813	6300	7317	8528	9310
Chernihiv	2171	2535	2913	2874	3174	3342	4573	4969	6406	7998	8683
Kyiv (City)	3638	3983	4905	4945	5203	5088	6097	7156	8787	10351	13058
Sevastopol (City)	3131	3699	4541	4591	3810	-	-	-	-	-	-

Source: data from Ministry of Finance of Ukraine (2020).

From 2009 to 2019, the share of investment expenditures in the structure of total spending of households in Ukraine increased from 4.1% to 4.6% in most regions; there were also constructive changes. Of course, these are not significant structural changes, but nevertheless, the fact that the population thus increases its financial capacity, forms a resource base for passive income, and raises living standards is a positive factor.

However, it should be noted that the share of such expenditures in households in developed countries is much higher, so to optimize the structure of total spending, it is necessary to increase investment costs (investments).

The COVID-19 pandemic has come on top of the various structural weaknesses of Ukraine's economy and contributed to the recession in 2020. A severe decline of economic activity was recorded in the second quarter of 2020. Private consumption, which had remained strong in previous years, recorded its first negative result since 2015. Its 10% year-over-year (YoY) decrease in the second quarter of 2020, during the first wave of pandemic, was detrimental to the economy because it accounts for 74% of GDP. Fixed asset investment dropped even deeper by more than 22%. Companies have been postponing their investments due to high uncertainty and a drop in demand. Indeed, the impact of the pandemic led to negative growth in all sectors, with the deepest contractions experienced by restaurants and hotels, agriculture and transports.

Ukraine's gross domestic product grew 5.7 percent year-over-year in the second quarter of 2021, compared to preliminary estimates of 5.4 percent expansion and following a 2.2 percent drop in the previous period. It was the highest growth recorded since the third quarter of 2011, boosted by household consumption (17.4 percent), fixed investment (14.8 percent), and public spending (2.9 percent).

Figure 3

Average monthly salary in Ukraine (in UAH)



Source: Trading Economics. (n.d.). *Ukraine average monthly wages* [Data set].
<https://tradingeconomics.com/ukraine/wages>

Factors to Improve the Consumption

Increasing spending on areas of life such as education, sports, social payments to the vulnerable, health care, promoting fertility through increased childbirth assistance will increase the purchasing power of citizens, which will have a positive impact on private business. Increasing money circulation is a tool that can restore the country's economy, reduce financial disparities in society and improve the quality of life of the population with targeted and transparent use of funds and the absence of corruption.

Trends in consumer behaviour in Post-Soviet Ukraine

The consumer behaviour of households in Ukraine is constantly changing under economic shocks, political instability, growing social vulnerability, and, consequently, societal tensions. Moreover, the lack of sustainable economic growth over time leads to increased social inequality and deepening poverty, reduces the ability of households to save, and even more invest, their resources, causes the spread of migration among the population, especially young people, and generally threatens the quality of life in the country.

Research of the demographical structure of Ukrainians shows that nowadays the majority of Ukrainian consumers were born and grew up in the times of Soviet Union. Thus, their consumer habits, naturally, have formed during the Soviet realities. The economy of scarcity unsurprisingly gave rise to a society of scarcity. The Soviet way of life as a structure had several key mechanisms for shaping the way of consumption. First, in the USSR, the means of production were produced in a larger volume than consumer goods. This structural bias implied a constant risk of a shortage of consumer goods, even when considered purely quantitatively. Second, the shortage of consumer goods inevitably gave rise to a lack of material incentives for labour activity, which had to be compensated for with the help of the ideological education of a new (communist) personality. The shortage of consumer goods stimulated the Soviet version of consumerism, which was regulated by the principle of «take it while it is given, this product may not be available tomorrow». As a result, there are the paradoxes of hoarding in the context of scarcity.

First, this follows the logic of the development of individual needs: growth in prosperity triggers a chain reaction of increased needs. At the same time, natural needs tend to grow into artificial ones, the satisfaction of which is no longer dictated by the logic of human reproduction as a living being. Artificial needs are objectively necessary conditions for social survival in a certain artificial environment.

Second, the economy of overproduction creates a culture of overconsumption, without which it is impossible. In such an economy, it is necessary to produce not only things, but also the desire to acquire them. Business achieves this goal by using advertising technologies, seducing the consumer with patterns replicated by popular culture, aestheticizing consumption, turning the purchase of goods into a game of chance, a vanity competition, drawing it into the games of sales, accumulative coupons.

Third, the culture of overconsumption is based on a financial culture of waste that replaces philistine frugality. This culture is reproduced with the help of a system of mass consumer lending and electronic payments, which greatly facilitate overcoming the mental barriers that arise on the way to parting with money.

Classical consumerism is a product of an early stage in the development of a consumer society. The conveyor production system gave rise to a system of mass consumption culture. It is characterized by a race for status in quantitative terms: the desire to have what others have, while in the same or more quantity.

Consumerism began to spread rapidly in post-Soviet Ukraine: after the collapse of USSR, Ukraine has become open to the Western world and consumerism started to replace Soviet patterns. However, there was an important barrier to the spread of consumerism in Ukraine: low purchasing power. Thus, being excited about the available goods and services, Ukrainian consumers couldn't afford to completely follow their needs.

In Ukraine, this importance of consumption has become relevant relatively recently, in the post-socialist period. Consumer hedonism is associated with the first decade of the 2000s, called «fat zeros», when new infrastructure (shopping centres, credit cards, etc.) and increased income created conditions and opportunities for hedonistic consumption. During the last decade hedonism of Ukrainians has grown significantly. But Christian traditions and culture inherent to Ukrainians are engraved in the mentality, which primarily reduces hedonism. Therefore, hedonism in Ukrainian society is still not significant. The desire to get pleasure, the search for thrills today is still not in trend. Thus, even getting greater purchasing power, Ukrainian society didn't adopt the pattern of classical consumerism completely.

The upcoming global environmental crisis and realization of the destructive role of consumerism in this context makes humanity change its consumer behaviour. Thus, more and more people are drawn into various forms of green consumerism. Green consumerism is developing in two main directions. First is guided by the concern for the preservation of the environment. This type of green consumer strives to buy products that minimize their environmental impact. They buy more expensive environmentally friendly cars, invest in new energy-saving technologies (for example, install solar panels on the roof of their house), engage in waste sorting, etc. Second focuses on taking care of health by minimizing the

impact of new harmful products, invented with the aim of drawing people into overuse. A typical example is refusing fast food. An important form of this version of green consumerism is following a variety of diets, which, according to their developers and proponents, are most adequate for a person's natural needs.

Ukrainian consumers adopt global practices, such as green, eco, responsible, conscious consumption or even anti consumerism. In a general sense, these can be called ethical consumption, which implies a purposeful, conscious purchase of goods and services produced in accordance with ethical principles, namely, with minimal harm to humans and the environment. Ethical consumption involves the consumption of organic products, fair trade products, products manufactured with no animal tests (products-not-tested on animals), clothing that does not involve child labour or create slave-like working conditions (non-sweatshop brands). Ethical consumption also means avoiding «unnecessary» purchases.

At the same time, there are some barriers to adopting ethical consumption in Ukraine: Soviet patterns of consumption, low level of educational activity from the government, lack of legislative stimulation to ethical consumption, stubbornly low level of environmental culture of Ukrainians. The challenge caused by COVID-19 pandemic strongly impacted consumer behaviour of Ukrainians but most of resulting changes have been disappearing after cancellation of pandemic-related restrictions. The only trend that has become an emerging pattern of consumer behaviour in Ukraine is the increasing role of online space in decision making, in purchasing and post-purchasing processes, as well as extended use of delivery services.

Conclusions

In Ukraine, there has been a recovery in living standards since 2016 led by the improvement in wages, however, a drop was observed in 2020 due to the impact of Covid-19. With the introduction of scientific development, increased wages and social guarantees, the consumption of products will increase, which will cause an increase in production and economic recovery. In 2021, Ukraine's economy is expected to recover mildly at 3.6%, which is faster than anticipated, and the growth is expected to rise to 3.8% in 2022 as the spread of Covid-19 slows.

To summarize the changing consumer behaviour in Ukraine we must admit that the Soviet heritage still impacts consumer behaviour of Ukrainians. Despite this impact, however, Ukrainian consumers are gradually adopting consumption patterns of the Western society: green, eco, responsible, conscious consumption. Moreover, younger generations are much less impacted by the So-

viet consumption patterns than the more aged population. The mode of production and normative culture exert a coercive effect, forming a way of life that includes consumption as an integral part. Individuals, for various reasons, resist structural coercion, forming resistance tactics. Thus, the economy of a consumer society gives rise to consumerism as an adequate culture of overconsumption, imposes an appropriate type of consumer's personality, easily amenable to manipulation by business.

These conclusions help us to better understand the fundamentals of consumer behaviour of Ukrainians. Further research has to be aimed at forecasting changes in customer behaviour patterns in Ukraine and development of mechanisms and instruments to manage it.

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