

# The Global Business Crisis and Consumer Behavior: Kingdom of Bahrain as a Case Study

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## Abstract

The consumer is the most elemental basis for any business organization; hence, their core behaviour is also of great importance and significance for a successful marketing experience and financial affluence. However, consumer purchasing behaviour can vary severely and has a very intricate trend. Consumer buying behaviour has been attracting the studies and interest of a large amount of commercial and academic faction for a long time. The level of intricacy of the process where the consumer buying can relate to has made the trend greatly difficult to be predicted and managed. This research aims to study the impact of the Global Business Crisis on Bahraini consumers, investigate their perception of this problem and whether their consumption behaviour has changed as a result.

As known, the current financial downturn had a huge influence on the economic and social aspects of consumers around the globe. Different behaviour has been shifted through different level of economies, one of which, the Bahraini culture purchasing pattern. For this reason, this research is aimed to focus on the changing trends in consumer buying behaviour in the present global business crisis.

**Keywords:** Global business crisis, Consumer behavior

## 1. Introduction

Generally speaking, consumer behaviour is the study of the processes that individuals or groups go through in making their purchasing choices in order to satisfy their needs. Usually the buying behaviour takes many forms of consumer's choices that can vary depending on a broad set of factors such as: earnings, demographics, social and cultural factors. Beside these basic internal factors which are considered to be influential to the buying behaviour, there are also a set of factors that would be simulated by the external circumstances in the environment surrounding the consumer. It is valuable to mention that the consumer behaviour is a combination of customer's buying awareness combined with external motivators to result in a change in the consumer's behaviour. This is why most of the economies around the globe shares one problem; because of the external influence on the internal community aspects.

The phenomenon of consumer behaviour has been so long attracting many researches because of its imperative importance to businesses around the world. By predicting consumers' behaviour, a business can understand consumers' needs, and can work on fulfilling the needs and meeting the expectations of their customers. This would eventually help businesses to maintain their prosperity and attain their long term goals. The context of this research can significantly help businesses and professionals to uncover the changes that would possibly occur to consumers' buying behaviour as a result of the global financial crisis.

Giant Financial institutions and banks had collapsed during the 2007 financial crisis. The shortfall in the US financial system and the crisis of the US sub-prime mortgage market had a ripple effect to other industrialized economies around the world. The crisis caused disturbances to powerful European and Asian economies putting them on the brink of deep recession. Other weaknesses in the global financial systems have surfaces. Some

financial instruments were too complex and twisted which caused distrust in the global financial system. The crisis caused inflation and fluctuations in the prices of commodities, and hence, consumers started to take a shifted action towards their needs and wants.

The psychological outcomes of the crash has extended worldwide as businesses became receptive to the obstacles caused by this crisis especially regarding expansion of their current projects and securing capital market investments for future growth. The uncertainty that surrounded businesses have naturally affected job security for employees, consumers has faced uncertainty regarding their income, and the consumption level dropped. The sharp fall in the stock market has caused many distressful events such as, reduction in credit, bank failures, dismissal of workers, contraction in the money supply and closing down businesses. The new financial circumstances increased panic and uncertainty among consumers. Many consumers around the world had fears related to their financial and material safety. Besides reduced employment earnings, many household lost their lifetime savings due to failure in the banking system or sharp decline in the values of their houses and stocks.

The social impacts of the financial crisis can be seen more obvious in the developing countries where the poor are being severely hurt during the crisis as demand for their labour falls, prices of essential commodities rise substantially and social services are cut. They find themselves forced to pull children out of schools and the food is being rationed among the family, with women the first to sacrifice their share. The general economic slowdown and rising unemployment forced household to increase working hours or send additional members to the labour force. As a consequence, household expenditure falls by as much as income. The consumers cannot prevent the fall in total expenditure; they tend to adjust the basket of goods purchased. For example the expenditure on food and necessities increases comparing to expenditure on clothes.

The crisis caused markets to contract and major changes appeared in their structure. The buyers changed their buying behaviour. They start to worry about their jobs and do not enjoy spending their money anymore. They postponed or reduced a big amount of purchases related to leisure and entertainment. People may start buying less quantities, or switch to larger size items to avoid repeated purchases. They also started to switch brands, and focus on price rather than quality and they also have started to intensify the search on the web looking for valuable bargains.

The role of the government is rather important to protect consumers against inflation by controlling and preventing prices from further increasing to ensure that the purchasing power of consumers will not deteriorate causing serious problems such as long term unemployment and poverty.

This research aims to study the impact of the Global financial crisis on Bahraini consumers, investigate their perception of this problem and whether their consumption behaviour has changed as a result.

The results of this research were based on the analysis of a questionnaire that was distributed to random consumers in Bahrain to have an overview of their knowledge about the Global Financial Crisis and some of its effects and to see if the financial crisis affected their consumption. The data was analyzed using SPSS package to test the hypotheses. In order to investigate the existence of the statistical significance between the variables in the hypothesis, we are going to apply the One Sample T-test method. However, the paper approaches some difficulties that faced consumers after the financial crisis and tries to suggest some solutions. One of the most important problems that consumers are suffering from is the accelerated prices of basic commodities such as food and housing.

In order to form a clear framework and address the objectives of this research, the research can be divided into seven sections.

Section 1 introduces the topic by defining the aim of the research, the main questions representing the research problem, the objectives and the value of this research. Section 2 significant literature review of the topic by valued previous studies. Section 3 introduces the research methodology that was followed to investigate the research questions. Section 4 demonstrates testing the hypothesis and the results of the test. Section 5 discusses some of the challenges that were revealed through the research investigation. Section 6 proposes some solutions and recommendations to the problems introduced in the previous section. Section 7 provides a discussion and a final conclusion on the research findings and how they have addressed the research questions.

## **2. Literature Review**

### *2.1 Consumer behaviour*

Perner, (2008) stated that consumer behavior involves the study of the processes which individuals, groups, or organizations perform to acquire products, services, experiences, or ideas to satisfy their needs and how these processes have impacted the consumer and society. The role that consumers play in these days is very crucial to

businesses' survival. It is the driving force behind the success of many businesses, because most of the contemporary consumers spend major time on buying decisions.

"The buying behaviour is considered a very complex phenomenon because it consists of a wide set of prior and after purchase activities" (Hansen, 2004, p. 9). The buying process consists of five stages. Starting from recognizing a problem or in other words, recognizing a need that must be satisfied, the consumer then begins to search for information related to that problem or need. After evaluating different alternatives, the consumer makes the decision to purchase the most suitable alternative and the final stage comes after purchasing, when the consumer evaluates the choice being made.

There are four distinctive classes of consumer buying behaviour identified by the literature. What differentiate these classes can be observed through the frequency of occurrence, emotional involvement, decision making complexity and risk. These types are known to be: programmed behaviour; limited decision making buying behaviour; extensive decision-making buying behaviour and impulsive buying (Arnould, 2002, p. 172).

Programmed behaviour (also called habitual behaviour) is distinguished by low complexity and little information search, this process is usually known as routine purchase of low cost items that consumer is used to buy out of habit: such as coffee, newspapers, bus tickets, etc. (Learn marketing, 2008).

Limited decision-making buying behaviour involves reasonable level of decision making and relatively low amount of information search in order to generate a purchase. An example of this type can be the purchase of clothes when someone can easily get information on the product and its quality and spend short time selecting the desired outfit (East, 1997, p. 183).

The extensive decision-making buying behaviour is identified as being the opposing type to the limit decision-making buying behavior (Foxall and Goldsmith, 1994, p. 165). In this process the consumer would spend a relatively longer share of time in information search and would take longer period to make a decision regarding this purchase because this process is usually adopted when purchasing infrequent expensive product that takes a large share of the consumer's income and involves higher psychological risk (Peter and Olson, 2007, p. 89).

The last type of buying behaviour identified by the literature is the impulsive buying. It is a decision made unconsciously and induced by an external stimulus that would make a specific product to appear attractive and irresistible to the consumer (Wells and Prensky, 1997, p. 49).

It can be seen in the four listed behaviours above, that the fundamental driving force behind these behaviour is the consumer's emotion. It is the primary determinant of buying behaviour that is highly influenced by some external and internal factors (Chaudhuri, 2006, p. 35).

Although emotion is a subjective issue that differs according to individual attributes and situational contexts, it is still regarded as the most elemental determinant of planned and unplanned buying behavior (Havlena and Holbrook, 1986). The unplanned behaviour matches greatly the impulsive buying which is driven mostly by emotional forces (Laros and Steenkamp, 2005).

On the other hand, the planned behaviour is a result of rationality rather than emotionality because planned behaviour is a complex process for the great deal of information needed and the long time spent on selection. Although the planned behaviour is primarily induced by emotions, it is still considered to be less emotional than unplanned.

The theory of planned consumer behaviour deals with the consumer's perception of complexity. Simply stated, the planned consumer buying behaviour is explained as how difficult the consumer selects and secures a product. The level of complexity is driven by the opportunity cost of the alternatives as well as the transaction costs like time, money and effort (Ajzen, 1991).

This theory also presents the concept of 'perceived behavioural control' as a vital component of the planned behavioural intention. The theory explains the important role of consumer's perception of complexity as well as the essential function of risk associated with every purchase action (Posthuma and Dworkin, 2000). It is observed that as the consumer's expectation of a negative outcome increases this increases the level of perceived risk (Hansen, 2004, p. 6).

## *2.2 The Consumer Behaviour in Response to the Financial Crisis*

The buying patterns of people tend to change during hard and stressful times such as economic crisis (Nistorescu and Puiu, 2009). The consumer reacts to any change in the economic situation around him by changing his consumption. This happens due to a change in the levels of his perception of risk.

Financial crisis affects the customers not only economically but also psychologically. People become more money minded. They do not want to spend money on premium products anymore, even if they still could afford to do so. They only buy necessities, switch to cheaper brands and have a more rational view on promotion. They start to compare different products and select based on price compromising quality (Nistorescu and Puiu, 2009). The buying process in this situation can be transformed from being a programmed behaviour or a limited decision-making buying behaviour to become the extensive decision-making buying behaviour. In other words the buying behaviour before the crisis was not based on extensive decision making and information gathering but after the crisis the process became more complicated.

Growing unemployment, increasing inflation, “freezing” or even decreasing of wages, the decreasing of purchasing power, bad economic situation are facts that affect the consumers in almost all national markets. As long as people are reading more about economic crisis and as long as the press is focusing in reflecting the crisis effects, there is a psychological effect with negative impact on consumers (P. Amalia, P. Ionut, 2009). The influence of the crisis on people can be reflected on their consumption.

George Katona (1974) suggests that many people believe that in a few months when prices would be higher, they would have to spend more on necessities and therefore would have smaller resources at their disposal for the purchase of desirable but nonessential goods and services. Therefore inflation encourages the postponement of discretionary expenditures.

G. Katona (1974) also believes that during recession people are motivated to save because of threats related to their jobs or income. The saving rates decline as economic conditions improve. He suggests that saving more or less is influenced by economic and psychological factors. But during hard times it is difficult for some people especially those have been harmed directly either by decreasing wages or those who were forced out of their jobs to save money because they are left with less money that they rather have to spend on necessities.

In their study, P. Amalia and P. Ionut (2009) show that people are not the same and not all the people have the same perception about a situation with negative effects like economic crisis. The most important factors which model the consumer’s behaviour in such a situation are: risk attitude and risk perception. Risk attitude reflects consumer’s interpretation concerning to the risk content and how much he or she dislikes the content of that risk. Risk perception reflects the interpretation of the consumer of the chance of being exposed to the risk content. Using the risk attitude and risk perception factors, consumers can be segmented to:

1. *The panicked consumers*: are those who have a high risk attitude and a high risk perception. This kind of consumers is in an immediate stressful situation. They are high risk averse and will try to avoid the risk. These consumers tend to over react in crisis context. Any way it is expected that panicked consumers to drastically cut their spending, to reduce consumption and switching brands even product categories. They will eliminate major purchases and will be focused on looking for best price. Thus, they are not loyal to any brand; they are loyal only to the best price.
2. *The prudent consumers*: are those who have high risk attitude and low risk perception. Even if these consumers: they are risk averse and consider that they are not in an immediate stressful situation because they are not high risk exposed. Thus, these consumers are very prudent and carefully plan their spending, postpone major purchases, in some cases switching brands, they are very well informed in the purchasing process.
3. *The concerned consumers*: are those who have low risk attitude and high risk perception. Even if these consumers consider that they are high exposed to the risk content they are not risk averse and usually they assume risks. So their behaviour is determined first by the risk perception. This type of consumers will plan their spending. This could happen only in case of risk perception increasing. Also, this category will continue to do major purchases but only if they make a “good deal”. If risk perception is increasing they will tend to postpone major purchases. They tend to remain loyal to the brands but in some cases they are able to switch to less priced options, in these cases companies could introduce a lower version of the premium or middle brand in their portfolio to retain them. Also it is interesting that this type of consumers is ready to try new and innovative products in spite of the hard times.
4. *The rational consumers*: are those that have low risk attitude and low risk perception. So they are not risk adverse and consider that they are not exposed to the risk content. They avoid the information concerning to the crisis effects and generally they maintain their “usual behaviour”. It is expected that these consumers will not reduce their spending, and will continue to buy their favourite brands and try the innovative products.

According to Ang S. H. (2001), these changes in consumption behaviour arising from an economic crisis may be moderated by personality characteristics. These include the degree to which consumers are risk adverse, value

conscious, and materialistic. Risk aversion pertains to the degree to which an individual feels comfortable with unfamiliar circumstances and is willing to undertake chances. Value consciousness refers to the importance an individual places on getting the best deal or quality for a fixed price. Materialism concerns the importance an individual places on physical possessions as a reflection of his station in life to others.

New trends in consumer behaviour emerged as a result of the economic recession. A study conducted by Paul Flatters and Michael Willmott (2009) identified these new trends.

1. A demand for simplicity: during recession consumers are used to limited offers and they tend to simplify their demand, so after the crisis it is expected that consumers will continue to buy simpler offerings with greatest value.
2. Discretionary thrift: even the rich people are economizing, although they don't have to. They revealed their dissatisfaction with excess consumption. They started to recycle, buy used goods and teach their children simple and traditional values.
3. Mercurial consumption: Today's consumers are "agile" they act fast in response to price change, and have the ability to switch brands looking for the least price sacrificing the quality and loyalty.
4. Green consumerism: this trend has slowed during the recession because people are not willing to pay more for products that has close substitutes with cheaper price. The demand for green, environment friendly has declined but it is anticipated to recover after the recession.
5. Ethical consumerism: people are less donating for charity, animal welfare etc, because they are focusing on their families' welfare. This trend is expected to recover slowly after the recession.

Many surveys in several countries investigated the impact of the global financial crisis in consumer behaviour, such as (Research and marketing, 2009):

- "In USA 90% of US consumers believe that they are currently living in a recession. This is an indication of how recession caused by the financial crisis influenced consumer behaviour. 56% of US consumers feel that their lifestyle has been impacted by the recession. Suddenly, consumers were forced to revalue their spending and shopping choices. For 72% of US shoppers, lower prices have a high amount of influence over where people do their shopping".
- "The same survey was conducted in Spain and the results showed that 82% of Spanish consumers believe that they are currently living in a recession. 53% of Spanish consumers feel that their lifestyle has been impacted by the recession. More than one-in-three UK consumers experienced a worsening financial situation, falling job security and falling confidence in the housing market in 2008 and 2009".
- "In the South East Asia, 78% of Chinese customers have felt some impact from the financial crisis and middle-class consumers in the 19 to 45 age group are feeling the most pressure. (82%) of South Korean consumers believe that they are currently living in a recession. Over one-third of Japanese shoppers are giving up some of their favourite brands to save money".
- "In the Arab world about (59%) of consumers in the United Arab Emirates (UAE) and 30% in Saudi Arabia believe that their country is in a state of recession, research shows that consumers are adjusting their consumption behaviour s. (38%) of Saudi and (37%) UAE consumers have changed their lifestyle as a response to the global economic downturn. Luxury brands have become an essential part of the Saudi Arabia and UAE standard of living as consumers are willing to pay higher prices for products that they believe will bring them social status".

### 3. Methodology

This study investigates the impact of the Global Business Crisis on consumer behaviour in Bahrain. The problem of the study is to identify the impact of Global Financial Crisis on consumer behaviour in Bahrain, presented in the following questions:

1. To what extent the Bahraini consumer is aware of the Global FC and its effects?
2. What is the impact of the Global Financial Crisis on change of the Bahraini consumer behaviour?

The Hypotheses:

H1:- The Bahraini consumer is aware of the Global Financial Crisis and its effects on consumption, inflation and on the country's economy.



H2:- The behaviour of Bahraini consumers did change in effect of the global financial crisis, these is a shift from expensive to inexpensive substitute, a shift from luxury to essential, a shift from huge quantities to small quantities and a shift from consumption to saving.

A questionnaire would be distributed to random population and the results of the survey would be analyzed using SPSS software.

#### 4. Testing Hypotheses and Results Analysis

This part of the research includes three main topics, the first is concerning testing the reliability of the statistical analysis for the data by using Cronbach's alpha. The second topic is about descriptive statistics of the study variables through descriptive statistical measures such as frequencies and percentages. The third topic represents testing the study hypotheses, using the one sample T-test.

##### 4.1 Testing the reliability

In order to measure the internal reliability of the data used in this research, Cronbach's alpha was used to measure the internal consistency. The result of the reliability test should be close to  $\alpha = 0.82$ . Higher value indicates more reliability.

##### 4.2 Descriptive Analysis

Table 1 illustrate the age groups of the sample. (6%) of the sample is between 18 and 24 years, (14%) is between 25 and 34 years, (14%) is between 35 and 44 years, (9%) is between 45 and 54 years, (6%) is between 55 and 64 years and (1%) is at 65 years or above.

Table 2 showed that the sample consists of 30% males and 20% females.

Table 3 showed the different monthly income categories of the sample. 16% of the sample earn below BD 1000. The second group earns BD 1000 to 2000 and consists of 15%. 9% of the sample earns a monthly income between BD 2000 to 3000. The last group of 10% earn above BD 3000.

Table 4 illustrated that about (74%) of the respondents reported that they are aware of the Global financial crisis and (64%) believed that it has affected consumption and (66%) reported that the global crisis caused inflation (88%) of the respondents understand the effect of Global financial crisis on Bahrain's economy.

Table 5 illustrated that (58%) of the respondent reported that they turned from buying expensive goods to inexpensive substitute goods, and (52%) switched from buying luxury to essential goods, (58%) mentioned that they are buying small quantities rather than huge quantities, (46%) of the respondents mentioned that they disagreed about shifting from consumption to saving.

##### 4.3 Testing the hypothesis

In this part, One Sample t-test will be used to test our hypothesis.

**First:** Hypothesis setting for one sample t-test:

H1: "The alternative hypothesis": The Bahraini consumer is aware of the Global Financial Crisis and its effects on consumption, inflation and on the country's economy.

H2: "The alternative hypothesis": The behaviour of Bahraini consumers did change in effect of the global financial crisis, these is a shift from expensive to inexpensive substitute, a shift from luxury to essential, a shift from huge quantities to small quantities and a shift from consumption to saving.

**Second:** Calculation of the degree of freedom using the following formula:

$$V = n - 1$$

Where,

V= degree of freedom

$$\text{Then, } V = 50 - 1 = 49$$

$$\text{Sig} = 0.05$$

Then, find T-tabular value, which is  $t_{\text{tab}} = 1.684$

**Third:** Hypothesis testing:

In hypothesis testing for the one sample t-test, the calculated value of (t) will be compared with the table value. To accept alternative hypothesis, the calculated value of the one sample t-test must be greater than the table value. Also it must be noted that the value of sig must be less than 0.05.

#### 4.4 The results testing the first hypothesis:

Accept the alternative hypothesis H1, because all calculated values of t are above t-tabular = 1.684, and all sig values are below sig=0.05.

- Impact of consumption has significant relationship with the Global financial Crisis.
- Effect on consumption has significant relationship with the Global Financial Crisis.
- Effect on rising inflation has significant relationship with the Global Financial Crisis.
- Effect on country's economy has significant relationship with the Global Financial Crisis.

#### 4.5 The results testing the second hypothesis

Three out of four calculated values of t were above t-tabular= 1.684, and three out of four sig were below sig=0.05, thus the alternative hypothesis H1 is accepted.

- Shifting from expensive to inexpensive substitute goods has significant relationship with the Global Financial Crisis.
- Shifting from luxury to essential goods has significant relationship with the Global financial Crisis.
- Shifting from huge quantities to small quantities has significant relationship with the Global Financial Crisis.
- Shifting from consumption to saving has no significant relationship with the Global Financial Crisis. T below t-tabular= 1.684 and sig above sig=0.05.

### 5. Challenges

The current crisis has reached the consumers globally. It has threatened their wealth as people have lost their assets, savings and they are facing major concerns about their future stability.

They lost trust in the current financial system because some financial institutions have been putting peoples' money at risk for their own benefits. Even the consumers who don't own a bank account and never applied for a loan have been affected by this crisis. Consumers must be aware that the global financial crisis has reached a consumption level and it is no longer affecting only financial institutions and investors.

The Four identified challenges associated with the financial crisis that mostly reshaped the buying behaviour of consumers are: the lowered disposable income, increased opportunity cost risk, decreased savings and job uncertainty.

The disposable income is defined as the available amount of money for spending and saving by households after income taxes have been deducted. The diminished disposable income is distinguished to be the most critical challenge for the consumers' purchasing activities.

Choices are associated with a particular opportunity cost which makes people often feel pressure and more cautious during the process of purchasing to avoid making wrong decisions and hence experience greater opportunity cost.

People also face great pressure regarding their job security because of the excessive dismissal of staff by large corporations they started to feel uncertain with their job stability.

Another financial crisis outcome, which resulted in a change in consumer behaviour, is the inability to sustain the same level of savings before the crisis.

Higher prices and money depreciation are recognized to be the most significant factors preventing the consumers from sustaining their usual levels of savings. This was a financial crisis outcome resulted in greater cautiousness during purchasing.

One of the causes of the financial crisis as seen by economists is said to be the consumer's lack of understanding of financial products and services that became too complex. Through education consumers acquire specific skills and knowledge to help them make rational financial decisions. Here governments can play an important role to spread the needed knowledge in this field. This is mostly important in a time of financial crisis when consumers more than anytime need to be able to know how to avoid mistakes and navigate both new and traditional markets confidently.

Currently there has been a new trend that consumers are extensively turning to use e-commerce to search for lower prices and generate income on the Internet. Though consumer gains have been realized, the e-marketplace is evidenced by fraud and lack of security in e-transactions which raises questions regarding privacy protection and the ability to solve any problem that may arise.

Healthcare costs are continuing to be a challenge to consumers, as the amount of spending on medical costs rises.

### 6. Proposed Solutions & Recommendations

The government role is fundamental in trying to overcome some problems associated with the Global Financial crisis. Its intervention is essential to ensure that consumers are not affected adversely by this crisis by subsidizing

the essential commodities like food. This would prevent increasing the prices in the future. Controlling the prices would be in favour of the consumers who have lost their jobs, wages and life time savings. There is a need for government to provide regulations to protect consumers from the effect of the global financial crisis, especially the poor.

Government must take actions to restore responsibility, accountability and transparency to the national and international markets by creating legislative and institutional structures to reduce undesirable effects of the global financial crisis especially in the financial sector due to its vital role which affects all the aspects of society.

Government should be ready to step in especially after the credit squeeze which has affected vital services and this harmed the poor especially in food and housing sectors. It should put restrictions on businesses that do not work in favour for consumers.

Education is a fundamental factor that assists consumers to take more rational decisions regarding the uses of their disposable income. This is rather impossible for a population where financial studies are not part of their compulsory education. It is highly suggested that financial studies to be included as appropriate in the public schools as a core subject to be studied by all students.

Banks and Financial institutions have an incredibly important role to help avoid another financial crisis by simply explaining to their clients the nature and features of their financial products. By clarifying the consequences of acquiring this particular product consumers can avoid loans or credit that are hard to repay or a very risky investment.

There is a need to spread the awareness through consumer protection associations, to help consumers achieve the greatest possible benefit using their disposable income. Many consumers especially the illiterate don't have knowledge of the effects of the financial crisis and find it hard to cope with the difficult circumstances that the whole world is living through.

Consumers should start focusing on long term planning. They must plan for their kids' future to be able to meet financial obligations for their college tuition.

Saving is an important action toward securing for retirement period. It is a way to remain financially stable and normally feel more secure. In order to be able to increase the savings plan, consumers have to follow the planned behaviour suggested by the literature earlier. By planning the purchases ahead of time consumers can avoid extra spending caused by unplanned purchases and as a result saving rate will increase.

To avoid the problems associated with rising healthcare cost it is very crucial to set aside money in a dedicated healthcare savings account or keep a credit card on hand in case of emergencies.

## **7. Discussion & Conclusion**

The world is facing tremendous economic challenge. The US subprime crisis in 2007 negatively affected a number of well-developed economies including Bahrain. The financial crisis is known as a multi-dimensional trend, which has various impacts on economic stability and social life. In this context it is highly observed that one of the most rigorously impacted sections of the Bahrain's economy was the consumer buying behaviour.

Consumer buying behaviour is seen as a collection of decision-making processes, which are determined by some internal and external factors. However, the most influential factor is recognized to be the external economic instability that Bahrain's consumers experience. The depressing effects of the financial crisis have hit the overall consumers' purchasing behaviour effecting both planned and unplanned buying behaviour s.

This excessively unstable environment is very challenging for Bahrain's retailers and especially their marketing strategies. Deriving from the crisis and its bad influence on the business activities in Bahrain, retailers are forced to adapt to this crisis by utilizing their marketing mix components. The marketing mix components we refer to are price, product, place, promotion, and people. The most prosper marketing strategy promising of long term growth and customer loyalty is the one that allows the integration and innovation among the various marketing mix components such as, non-traditional promotions, fair pricing, captivating in-store surrounding, high-quality services and superior goods' quality.

The increased transactional complexity associated with the financial crisis made purchasing decisions more risky, therefore consumers prefer to shift to less harmful choices. For that particular reason it is highly advised that businesses adopt a marketing strategy that minimizes the transactional costs.

According to the survey results, the majority of the respondents agreed that they are aware of the financial crisis and which has an effect on their own consumption.



During recession many consumers will be forced to cut back on their spending, but how and by how much they cut back, will differ greatly by brand and category. Every consumer has a different set of priorities and loyalties which will ultimately determine if and how their spending behaviour will change.

Every person has to choose among different brand categories and the choices differ from person to person, but the one consistent thing is that every brand evokes a certain set of positive feelings. In order for a product to be successful in an economic downturn, it is critical to do more than just fulfil a need or service; it must also create an emotional connection with the consumer that evokes a positive feeling and keeps him coming back for more. There are different ways to approach the consumer loyalty; one way is to personalize the product. The less personal the product is the lower the need to remain loyal to that brand. It is known that in the situation of an economic downturn, consumers can only afford to remain loyal to fewer products; therefore every brand must strive to be among these brands.

In order for businesses to succeed in a recession, brands should work hard to sustain and strengthen their long term strategy, invest in developing their brands to and emphasize on differentiating their brand against the competitors to be able to capture the loyalty of their customers. Other steps that must be accounted for such as, adding new brands to their portfolio, creating strong personal connections with their customers and make the brand feel irreplaceable to its users.

The recession worked in favour for store brands and private label brands, creating huge opportunity to enhance their market position. They have the opportunity to steal significant market share from more expensive brand because consumers focus on reducing their spending.

Bahraini consumers have adopted new trends as a result of the financial crisis. They shifted from buying expensive goods to less expensive substitute goods because it is not worth paying a higher price for brands with similar lower priced products.

Many consumers have been reducing their spending, they have redefined what they consider as "necessities" and what are considered "luxuries", but they still find it hard to save. Saving is very crucial matter in economic downturn. It can help consumers feel more secured and reap the fruit of their reduced spending. Although the majority answered "No" to saving, that doesn't mean they will not consider saving in the future when the economic conditions will be more stable.

Although some consumer's conservative purchasing habits may return to their usual status within a couple of years after the recession, but it is highly expected that consumers will have to change their spending habits for good.

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Table 1. Age group

| Age |       | Frequency | Percent |
|-----|-------|-----------|---------|
|     | 18-24 | 6         | 12.0    |
|     | 25-34 | 14        | 28.0    |
|     | 35-44 | 14        | 28.0    |
|     | 45-54 | 9         | 18.0    |
|     | 55-64 | 6         | 12.0    |
|     | 65+   | 1         | 2.0     |
|     | Total | 50        | 100.0   |

Table 2. Gender

| Sex |        | Frequency | Percent |
|-----|--------|-----------|---------|
|     | male   | 30        | 60.0    |
|     | female | 20        | 40.0    |
|     | Total  | 50        | 100.0   |

Table 3. Monthly income

| Monthly income |               | Frequency | Percent |
|----------------|---------------|-----------|---------|
|                | below BD 1000 | 16        | 32.0    |
|                | BD1000-2000   | 15        | 30.0    |
|                | BD 2000-3000  | 9         | 18.0    |
|                | Above BD 3000 | 10        | 20.0    |
|                | Total         | 50        | 100.0   |

Table 4. Consumer perception of the Global Financial Crisis

| Factors                                                                              | Strongly disagree |    | disagree |     | Neither agree nor disagree |     | agree |     | Strongly agree |     | Total |
|--------------------------------------------------------------------------------------|-------------------|----|----------|-----|----------------------------|-----|-------|-----|----------------|-----|-------|
|                                                                                      | Fre               | %  | Fre      | %   | Fre                        | %   | Fre   | %   | Fre            | %   |       |
| Bahraini consumer began to feel the impact of global financial crisis on consumption | 3                 | 6  | 2        | 4   | 8                          | 16  | 24    | 48  | 13             | 26  | 50    |
| The financial crisis has affected my consumption priorities                          | 2                 | 4% | 9        | 18% | 7                          | 14% | 25    | 50% | 7              | 14% | 50    |
| I know that the global financial crisis contributed to rising inflation              | 2                 | 4% | 7        | 14% | 8                          | 16% | 22    | 44% | 11             | 22% | 50    |
| I understand the effects of global financial crisis on Bahrain's economy             | -                 | -  | 2        | 4%  | 4                          | 8%  | 34    | 68% | 10             | 20% | 50    |

Table 5. The impact of Global Financial Crisis on the behavior of Bahraini consumers

| Factors                                    | Strongly disagree |     | disagree |     | Neither agree nor disagree |     | agree |     | Strongly agree |     | Total |
|--------------------------------------------|-------------------|-----|----------|-----|----------------------------|-----|-------|-----|----------------|-----|-------|
|                                            | Fre               | %   | Fre      | %   | Fre                        | %   | Fre   | %   | Fre            | %   |       |
| Shift from expensive to inexpensive        | 2                 | 4%  | 9        | 18% | 10                         | 20% | 10    | 20% | 19             | 38% | 50    |
| Shift from luxury to essential             | 2                 | 4%  | 11       | 22% | 11                         | 22% | 14    | 28% | 12             | 24% | 50    |
| shift from huge quantity to small quantity | 3                 | 6%  | 4        | 8%  | 14                         | 28% | 24    | 48% | 5              | 10% | 50    |
| Shift from consumption to saving           | 9                 | 18% | 14       | 28% | 9                          | 18% | 11    | 22% | 7              | 14% | 50    |

Table 6. One-Sample Test

|                                | Test Value = 3 |    |                 |                 |                                           |       |
|--------------------------------|----------------|----|-----------------|-----------------|-------------------------------------------|-------|
|                                |                |    |                 |                 | 95% Confidence Interval of the Difference |       |
|                                | t              | df | Sig. (2-tailed) | Mean Difference | Lower                                     | Upper |
| impact on consumption          | 5.621          | 49 | .000            | .840            | .54                                       | 1.14  |
| effect on consumption priority | 3.425          | 49 | .001            | .520            | .21                                       | .83   |
| effect on rising inflation     | 4.245          | 49 | .000            | .660            | .35                                       | .97   |
| effect on country's economy    | 10.995         | 49 | .000            | 1.040           | .85                                       | 1.23  |

Table 7. One-Sample Test

|                                            | Test Value = 3 |    |                 |                 |                                           |       |
|--------------------------------------------|----------------|----|-----------------|-----------------|-------------------------------------------|-------|
|                                            |                |    |                 |                 | 95% Confidence Interval of the Difference |       |
|                                            | t              | df | Sig. (2-tailed) | Mean Difference | Lower                                     | Upper |
| shift from expensive to inexpensive        | 3.911          | 49 | .000            | .700            | .34                                       | 1.06  |
| shift from luxury to essential             | 2.713          | 49 | .009            | .460            | .12                                       | .80   |
| shift from huge quantity to small quantity | 3.412          | 49 | .001            | .480            | .20                                       | .76   |
| shift from consumption to saving           | -.739-         | 49 | .464            | -.140-          | -.52-                                     | .24   |