CHAPTER 7

CONSUMPTION: CONCEPTS AND PATTERN

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CONSUMPTION

• **Definition**: Enjoy a utility in which individuals consume goods and services for self-satisfaction

• Consumption in the family economy is the utilization of goods and services directly for the satisfaction of human wants (Fitzsimmons, 1973)
4 INFLUENCE FACTORS

Income
- Main source is labor force.
- Income was determined by time allocation.

Time
- High income, so time is very valuable.

Taste
- Determined by tradition and personal.
- Eg. Health life style.

Price
- Low in price, so high in consumption & vice versa.
CONSUMPTION PROCESS

ACQUISITION

• Acquisition of G & S from all sources: market & non market

USE

• Use of G & S to maintain household wellbeing

DISPOSAL

• Dispose of all consumption residue
• More important due to environmental deterioration & solid waste management crisis
What make our economy go?

• The fundamental purpose of the economy is to provide goods n services to fulfil consumer needs n wants.

• Adam Smith:
  – *Consumption is the sole end purpose of all production, and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer...”
Output of Consumption

Consume

Utilise G & S to fulfil needs n wants

Wellbeing/QOL
Output of consumption

• **HH wellbeing:**
  – It is the state of health, comfort, or happiness that results from (among other things) the consumption of G $ S (Magrabi, 1991)
  • i.e. HH has many needs & desires which yield satisfaction when they are satisfied.
CONSUMPTION & INVESTMENT

• In the consume of the product, the income of money involved.
• 
  Money is the purchasing power that can increase consumption.
• Families need to think whether to use the money for consumption or investment purposes.
• Need to think about opportunity costs and the costs and benefits
• Opportunity costs: the investment caused consumers can not enjoy the utility of purchasing goods / services, delaying the process of enjoying the utility for consumption.
• Need to determine whether the unavailable utility is large @ small.
• If the opportunity costs of the unavailable utility is large, then the option of investment may not be made.
• Whether a large utility / small, depending on the amount that is left to consume after making the investment.
• Costs involved in investment:
  – The cost of investing: the cost of registration, payment of commissions to brokers, taxes
• Benefits when investing
  – Income increase in the future lead to increased in purchasing power, increased in consumption and increased utility in the future.

• Even though utility deferred, but overall gives a higher utility.
CONSUMPTION PATTERN

• To illustrate how the goods/services involved in the use of combined to form the level of consumption.

• There are 3 ways to state the consumption
  – By type of goods and how much is consumed
  – By how products are consumed (chain guide)
  – Using the values used in the selection of goods.
FACTORS INFLUENCE CONSUMPTION PATTERN

• Consumption practices change with time & place, covering a variety of human activities, & motives, interests & desires on the other hand is diverse and designed & compiled by the environment in which individuals are (Kyrk, 1923).

• The role played by individual. every individual. Differ in the role of biologically caused; to suit the age & gender, and ability & individual preference.

• The values held by individuals. Which produces a variety of needs: the prestige, the resulting value in a group, the social and others; prestige value is the value that affect irrational in consumption (Kyrk).
CONSUMPTION PATTERN

• Expenditure on consumption distributed to several groups of goods / services
• Food, clothing, housing, education, health, transport
• Food may be categorized into 2: for the needs & luxuries
HAWTREY, 1925

• Two classes of goods in the consumption needs
  – Defensive goods: used to avoid physical discomfort
  – Creative goods: used to produce satisfaction
    comfort
Consumption elements

• Three elements:
  – Acquire goods / services from various sources: the source of market & non-market purchase of a family / government / community in the form of free.
  – Use it to obtain the well-being of family life
  – Use of waste: a critical stage in ensuring that the environment is not affected.
CONSUMPTION MEASUREMENT

• Income (distribution & average income) is an important measurement of CONSUMPTION patterns.

• Equal income distribution: the family use less luxury goods @ INFERIOR GOODS rather than the existing society (rich & poor)

• Fixed Income is preferred rather than non foxed income because the level of consumption is uncertain.
CONSUMPTION AND THE ENVIRONMENT

• CONSUMPTION AFFECT THE ENVIRONMENT THROUGH
  – The extraction and use of natural resources (wood, fossil fuels)
  – The creation of factories and factory complexes whose operation creates toxic by products
  – The use of commodities themselves (automobiles) creates pollutants n waste.
Consumption & environmental issues

• Climate change causing by global warming.
• Decrease in the number of sources of clean water
• Reduction in the fisheries stock
• Increase in the extinction of species leading to loss of unique genetics which may be usable for medicinal or agricultural use/purpose.
SUSTAINABLE CONSUMPTION

**Definition:**
- “...the use of services & related products which respond to basic needs & bring a better quality of life while minimizing the use of natural resources & toxic materials as well as emissions of waste & pollutants over the life cycle of the service or products so as not to jeopardize the needs of future generations.’
CONSUMER TAKING ACTIONS

• Consumer Awareness:
  – Knowledge (what to do)
  – Desire to act

• Make sure all the labeling behind a product
• Conserving energy in other sources
• Disposal options -3R (Reduce, Reuse, Recycle)
Conclusion

• Consumption - to enjoy the utility in using goods / services to satisfaction.
• There are two stages of the process of determining the consumption.
• Consumption pattern and influences factors. Hawtrey classified into 2 classes of goods - defensive and creative
• There are three elements of the consumption and measurements in consumption.
• Sustainable consumption
Thank You