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CONSUMPTION IN UKRAINE: CULTURAL ASPECT

Анотація. У статті досліджується культура споживання і витрат українців на прикладі однієї середньостатистичної української сім'ї через економічний аналіз їх щомісячних витрат.

Ключові слова: середня заробітна плата, уряд, інфляція, споживання, культура, бідність.

Abstract. This paper explores consumption and spending of money in different spheres on the example of an average Ukrainian family. The impact of cultural aspects is emphasized.

Key words: average wages, government, inflation, consumption, cultural variables, indulgence.

Introduction. Consumption is a social and cultural process involving cultural signs and symbols beyond an economic, utilitarian process. Culture defined as a «learned, transmitted, and shared phenomenon» is one of the most important factors affecting consumers' attitudes, behaviors and lifestyles.

Each individual gets exposed a large number of thoughts, values, norms, and cultures and thus learns to differentiate between the good and the bad ones, thereby choosing a certain belief system that keeps on changing with more and more experience.

In the most general sense, consumption means satisfying needs. As it is, the concept of needs must be defined. A need seems compulsory for existence because when a need is fulfilled it provides pleasure, and otherwise it gives pain.

In the light of globalization consumers in almost every corner of the globe are increasingly able to eat the same foods, listen to same music, wear the same fashions, watch the same television programs and films, drive the same cars, dine in the same restaurants and stay in the same hotels. The rise of a global culture does not mean that consumers share the same tastes or values. Rather, people in different nations, often with conflicting viewpoints, participate in a shared conversation, drawing upon shared symbols. One of the key symbols, in that conversation is the global brand [1].

The culture of consumption includes the following aspects:

1. The pervasive and rapid circulation of commercial products, that is, things produced for exchange within a capitalist market, takes priority over and above things redistributed by governmental through the welfare state or exchanged among social groups through gift giving.

2. The relative independence of consumption activities from those related to production and the growing power and authority this gives to some consumers over market dynamics.

3. Changes in the relationships between different systems of production and valuation in society such that these are all increasingly interlinked and mediated by market values; i.e., how much does it cost? How much will someone pay?

4. The special importance given to the use of consumer goods in the allocation of individual status, prestige, perceived well-being and quality of life [1].

In order to understand how individuals act as consumers it is important to get familiar with the concept of consumer behavior and each factor, which is linked to it. For marketers all around the world it is extremely important to understand the needs and behaviors of individuals in order to get a deeper insight to how they choose to purchase products and services. Consumer behavior is a rather vast concept with many visible factors influencing it but also there is the hidden part, which lies in the consumer. For companies to get into the minds of consumers, they must consider all the visible factors influencing consumer behavior and analyze how people choose to see these marketing efforts and decide whether they are effective or not.

Amongst the four characteristics influencing consumer behavior, the influence of culture on consumer behavior is vital to get to grasp with. Culture can be defined as the heart of every society, impacting peoples' needs, wants and behavior. Every country has its own unique culture, inevitably meaning that consumer behavior varies from country to country. This means that people coming from different cultures have their own tastes when it comes to purchasing; for example, something that is highly preferred in another culture may not be in another [2].

Ukraine is one of the largest countries in Europe by territory and number of educated urban population. At the same time, it is a country with very poor citizens. Why does this happen? Ukraine is one of the largest countries in Europe by territory and number of educated urban population. We are the country No. 1 in the area of fertile soils and technical talents, the leader by geographical reach of the world's largest markets. A country with cheap electricity and rich mineral wealth, open to business and, on the whole, a democratic country. At the same time, it is a country with very poor citizens [3].

According to the IMF in 2015, GDP per capita in Ukraine is only \$2,100 — expectably less than Honduras. Proceeding from the fact that in the world the average income of a citizen is usually equal to the GDP per capita in his country, you can roughly argue that \$2100 per year is the arithmetic mean of the annual income of all rich and all poor Ukrainian.

Ukrainians do not trust anyone with their money but would rather keep it in a box under a bed at home, an online poll revealed. Statistics know everything, and this time we are able to find out how Ukrainian women and men spend their wages. The average wage in Ukraine in January 2018 was only USD 292 (7,711 Ukrainian hryvnia) per month [4].

Let us find the answers to the following questions:

- 1) How do Ukrainians actually spend their salaries once they get them?
- 2) How much money does an average Ukrainian need to live comfortably?

Question 1. 94% of their earnings Ukrainians spend on food, transport, essential goods, and paying for so-called «communal services», which include electricity, water,

gas, and incorporated maintenance of apartment buildings where they live. Thus, locals are only able to save 6% of their earnings [5].

A year ago, Ukrainians were spending on essential services and food 90.8%, while two years ago such expenditure was around 89%.

Also, we should mentioned that Ukrainians spend more money on alcohol and tobacco, than on medical, 3% on phone and Internet, and 40% on food.

Even though average wages in hryvnia grew 1.7% times during the last 3 years, prices and inflation are galloping ahead, leaving Ukrainians with less money to spend on entertainment or travel. Locals are saving on buying clothing as well, while expenses on living in their own apartments are also on the rise.



Sources [6, 7]

Most people in Ukraine live in small high-rise apartments in cities. Not many residents own detached dwellings, except for a dacha (a small countryside home where citizens grow fresh produce for own consumption).

People usually live in apartments they own outright, without a mortgage. Youngsters reside with parents until they can afford to buy their own place to live. This is why 1-room units are the most popular type of flats in Ukraine, both for rent and purchase — they are the most affordable. For instance, even in the capital of Ukraine, Kiev, you can buy a 1-bedroom flat for only US \$25,000.

Let us take one average Ukrainian family as an example and explore their monthly spends:

- Groceries: 1850 hryvnia (\$69)
- Communal payments (electricity, gas, water, building repairs fund): 611 UAH (\$23)
- Transport: 469 UAH (\$17)

- Alcohol and tobacco: 330 UAH (\$12)
- Medicine: 280 UAH (\$10)
- Clothing: 211 UAH (\$8)
- Appliances and renovations: 202 UAH (\$8)
- Vacations: 152 UAH (\$6)
- Internet and mobile phone: 138 UAH (\$5)
- Restaurants and hotels: 124 UAH (\$5)
- Education: 46 UAH (\$2)
- Other expenses: 184 hryvnia (\$7) [7]

The data is averaged for all the households, so some people have no expenditure in certain areas. It would be hard to imagine a vacation for \$6, for example.

In the countryside people tend to spend much less on food, as the majority of families grow their own fresh produce and keep cattle, chickens, or goats.

Conclusion. Ukraine is the country whose Power Index is utterly high (95 out of 100). Moreover, Ukrainians are a restrained nation whose culture of consumption is currently developing. Consequently, the total poverty of the Ukrainian little depends today on the volume of the shadow economy, on the high level of inequality or on the monopoly of oligarchs on state assets, land and mineral resources. Redistribution of benefits from the rich Ukrainian to the poor will not correct this situation — there are few rich in Ukraine, and compared to the world tycoons, the Ukrainian oligarchs are simply beggars.

The prices on food, especially quality products, are growing faster than the average inflation in the country, so people are not only forced to spend more on food, but also buy cheaper assortment Ukrainians are spending less on vacations and more on everyday necessities. At the same time, locals do not want to give up their vices, such as smoking, or drink less alcohol.

The dream salary for employees in Ukraine is around \$800 (21,000 hryvnia). Still, Ukrainian experts feel confident that after 2020 Ukraine's economy will improve, in line with worldwide trends.

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