

Developing financial consciousness reader

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Estimated reading time: 30 minutes



You will read about...

- materialism, price-related behaviour and buying
- impulsive buying behaviour
- compulsive buying behaviour

The text is edited from excerpts from:

- Dittmar, H., Bond, R. (2010): 'I want it and I want it now': Using a temporal discounting paradigm to examine predictors of consumer impulsivity. *British Journal of Psychology* 101: 751-776.
- Fenton-O'Creevy, M., Dibb, S., Furnham, A. (2018): Antecedents and consequences of chronic impulsive buying: Can impulsive buying be understood as dysfunctional self-regulation? *Psychology&Marketing* 35: 175-188.
- Furnham, A. (2014): *The New Psychology of Money*. Routledge
- Manolis, C., Roberts, J. A. (2008): Compulsive buying: Does it matter how it's measured? *Journal of Economic Psychology* 29: 555-576.
- Tatzel, M. (2002): "Money-worlds" and well being: An integration of money dispositions, materialism and price-related behaviour. *Journal of Economic Psychology* 23: 103-126.
- Vohs, K. D., Faber, R. J. (2007): Spent Resources: Self-Regulatory Resource Availability Affects Impulse Buying. *Journal of Consumer Research* 33: 537-547.
- Yi, S., Baumgartner, H. (2011): Coping with guilt and shame in the impulsive buying context. *Journal of Economic Psychology* 32: 458-467.

Specific areas of buying behaviour

Anyone who studied about consumer behaviour or related fields have some knowledge on the psychology of spending money. It describes the total of a consumer's attitudes, preferences, intentions, and decisions in the market place when purchasing a product or service. The study of consumer behaviour draws upon social science disciplines of anthropology, psychology, sociology, and economics, and it is a broadly studied field. This reader will focus on some of its specific areas: connections to attitudes, impulsive and compulsive buying.

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Price-related behaviour and materialism

According to Tatzel, **attitudes toward money, material values, and price-related behaviours encompass, respectively, the cognitive, motivational, and behavioural aspects of how money functions in the consumption experience.** Together they comprise what we can think of as a person's "money world". Some people inhabit a money world of plenitude, others of scarcity. In some worlds, money flows freely and in others it is held onto tightly. In some worlds, possessions are the central focus, in others possessions are peripheral. These money worlds invite value judgments. We approve or disapprove of the money behaviours of others. Depending on our own values, we may deride those who are tight with money for being cheap and stingy, or we may praise them for being frugal and wise. Similarly, we may criticize those who are loose with money for being wasteful and reckless, or we may admire them for being quality-minded and knowing how to live the "good life".

In a more objective fashion, we can ask about the mental health implications of attitudes toward money, materialism, and spending behaviours. The broader variables that give shape to "money worlds" – personality, culture, and economic prosperity – are also relevant for well-being. In attempting to bring these money-related and broader variables into alignment, **contradictions emerge.** For example, a reading of the literature suggests

- people who are loose with money are happier than people who are tight with money;
- materialists are loose with money;
- non-materialists are happier than materialists.

To resolve such apparent contradictions, Tatzel devised an interesting framework according to which **we may treat money dispositions (tight/loose) and materialism (high/low) separately.** There are now four combinations (i.e., tight with money and materialistic, loose with money and non-materialistic, etc.) that better reflect the real complexity of consumer spending.

- To be **tight with money** and reluctant to spend is to regard price in its negative role, as an outlay of economic resources. High price would therefore

be a deterrent to spending. Price in its negative role can take various forms: value consciousness (trying to get the most for one's money); price consciousness (trying to pay as little as possible); responsiveness to promotions such as sales and coupons; and price "mavenism" (being well-informed about prices). When price is viewed negatively, it functions as an important criterion in decision-making: larger outlays need to be justified.

- To be **loose with money** and willing or even eager to spend, on the other hand, is to regard price in its positive role. High price would therefore be an inducement to spending. Price in its positive role, that is, an attraction to high prices, is associated with two main factors: gaining prestige through expensive spending and belief in the price-quality schema. The belief that price is an indicator of quality (and similarly, that brand name products are better) will lead to wanting to pay more in order to get the best. Prestige sensitivity with respect to price depends on the attributions made by others: conspicuous spending signals to others that one has high status. Thus can one understand the apparent illogic of being attracted to, and preferring, high prices.

There seem to be three main strategies for dealing with price: **value-seeking, price aversion, and price-seeking**. The first two have in common that they view price in its negative role, but whereas the value-seeking consumer wants to acquire maximum quality for minimum outlay, the price averse consumer is primarily concerned with low price, even to the point of being indifferent about quality. Price-seeking consumers have in common with value seekers an avidity toward possession. Where they differ is that for price seekers, the desire to possess is matched by an attraction to spending, while for value seekers, the desire to possess is tempered by a reluctance to spend.

We can think of the variables of tight vs. loose with money (i.e., price in its negative or positive role) and high vs. low material values (strong or weak desire to acquire) as giving rise to price-related behaviour as follows: **the value-seeking consumer can be seen as tight with money and materialistic, the price averse consumer as tight with money and non-materialistic, and the price-seeking consumer as loose with money and materialistic. There is a fourth combination, loose with**

money and non-materialistic, which does not match up with a price strategy, but also describes a specific behaviour. So, we can combine money dispositions and materialism to describe consumers' "money worlds" (Table 1). Of course, the four "boxes" are a conceptual heuristic; reality is more fluid than this. People vary in materialism and in how tight or loose with money they are, and although we are regarding these money worlds as dispositional (from within the person), there are surely situational influences that sway us. An individual may "visit" various positions in these boxes, yet may frequent one locale especially.

Table 1: Consumer styles based on money dispositions and materialism

	Tight with money Price in its negative role Worry about money	Loose with money Price in its positive role Enjoy spending
High materialism Public meaning of things "Thingify" experiences Self-monitoring Dissatisfied, want more	Value Seeker Bargain hunter Collector, hold possessions Enjoy price comparison shopping "Save-to-spend"	Big Spender Exhibitionist Replace possessions Price-quality schema Debt prone
Low materialism Private meaning of things Non-material values	Non-Spender Saver Ascetic lifestyle Price averse Quality less important	Experiencer Spend for recreation, self-development and services Generous

Source: Tatzel 2002, p. 115.

Impulsive buying behaviour

Impulsivity can be described as 'acting without thinking', where people are more motivated by immediate reward, rather than by long-term consequences of their behaviour. This characteristic of everyday decision making also applies to wanting particular consumer goods now, rather than planning consumption over time to maximize long-term satisfaction. Consumers often experience **conflict between desiring particular goods right now, on the spur of the moment, and wanting to spend their money sensibly on objects from which they can be sure to derive**

benefits over time. When the short-term desire wins out, the consumer engages in impulse buying. Impulse buying is extremely common, with 90% of people making such purchases at least occasionally, yet people often wish afterwards they had not done so.

Consumer impulsivity is a problem for traditional microeconomic decision theory because it implies **time-inconsistent preferences** that switch from ‘I want it now’ to later regret, violating the central assumption of the discounted utility model that individuals have a consistent and unitary rate of time preference according to which they discount the value of all delayed events. One influential variation conceptualizes **intertemporal choice as the outcome of a conflict between different selves**: a ‘myopic’ doer focused on immediate gratification and a ‘farsighted’ planner concerned with longterm benefits. Impulse buyers are assumed to **discount the future at too rapid a rate**, where the benefits of the desired object at the point of imminent purchase outweigh the (future) problem of paying the bill.

Researchers in consumer and retail marketing have often argued that impulsive buying either leads to positive outcomes or is harmless. They argue, for example, that, “impulse buying is not always viewed negatively by consumers, but represents a rational alternative to more time-consuming search behaviours”; and that there are important “socio-psychological benefits of shopping and impulse purchasing” proposing that impulsive buying may be understood as an act of freedom in which the need for analytical evaluation is obviated because the product's “rightness” is experienced directly.

Prior work on impulse buying has stressed factors that influence desire for goods. For example, physical proximity can stimulate sensory inputs that affect desire. Touching products in a store, tasting free samples of food, sniffing enticing aromas, or test-driving a luxury automobile can enhance desire to purchase a good. An analysis provided a multifaceted portrait of desire, noting that desire has its roots in motivation, historical and society trends, and, ultimately, morality. In contrast, there is an approach (that of Vohs and Faber) that focuses on **the role of self-control in impulsive spending**. Past research has shown that, at the trait level, being controlled (as opposed to being impulsive) is negatively related to impulse buying and positively correlated with the percentage of personal income saved. It

also suggested that generally having good self-control helps consumers not to buy impulsively.

New ideas and innovative theories have brought about an upsurge in the field's understanding of self-regulatory processes. Vohs and Faber think of self-regulation as having three core ingredients:

- establishment of goals or standards,
- monitoring one's distance from current status to the desired end point
- operations that move the self from current to desired state.

Self-regulatory resources are seen as diverse and have been found to be recruited across a variety of diverse domains during goal activity. The **reservoir of regulatory resources is, however, finite and, consequently, regulatory resources become temporarily depleted or fatigued by situational self-control demands**. This tenet predicts that immediately after having exerted self-control a person may be unable to draw upon enough regulatory resources to reach a subsequent goal, such as the goal to spend prudently (i.e., not impulsively).

Although it is generally acknowledged that

feelings of excitement and stimulation experienced at the moment of impulse buying are subsequently replaced by feelings of remorse and ambivalence,

little attention has been paid to the particular discrete emotions experienced following impulse buying episodes. Yi and Baumgartner filled this gap by viewing impulse buying as an instance of self-regulation failure and investigating two discrete self-conscious emotions that arise from impulse buying: **guilt** (a feeling of remorse or regret which involves preoccupation with a particular transgression; people wish they had behaved differently or could somehow undo the bad deed that was done) and **shame** (a more debilitating and enduring experience felt when people perceive that their deep-seated flaws are revealed to oneself and to others; as such, it is tied to the attribution of a certain event to perceived deficiencies of one's core self):

The researchers identified **eight strategies** used in the general purchase context to cope with shame and guilt:

- Planning to reduce impulse buying (devising strategies in order to reduce the frequency of and/or the amount spent on impulse buying)
- Planning to make up the monetary loss (devising plans to compensate for the money spent on impulse buying)
- Mental disengagement (engaging in activities that serve to distract the person from thinking about the stressor)
- Resignation (admitting that the problem is beyond one's control and giving up further attempts to curb impulse buying)
- Blaming others (transferring responsibility and/or venting one's feelings to other people)
- Seeking social support (seeking advice or understanding from other people)
- Rationalization (coming up with excuses for having bought on impulse in order to feel better)
- Mental undoing of the transgression (mentally reconstructing the transgression and wishing that one could have avoided it).

Compulsive buying

Compulsive buying is at the more pathological end of the impulsive buying spectrum and highlights negative consequences of buying behaviour, emphasising that there is a meaningful distinction between impulsive buying and pathological compulsive buying. Compulsive buying can be thought of as **a chronic tendency to purchases products far in excess of a person's needs and resources**. This tendency among consumers appears to be **on the rise**: estimates of compulsive buying among young adults, for example, range from 6% to 12.2%. This is considerably higher than previous estimates of compulsive buying among adults where compulsive buying was thought to range from 1% to 6% of the population.

Television programmes have made the whole issue of compulsive buying better understood. There are a number of popular terms for pathological compulsive buying: shopaholism, consuming passions, retail therapy, acquisitive desire, overspending, and affluenza. The very early literature referred to oniomania or

buying mania, considered an impulse pathology characterised by excessive, impulsive, uncontrollable consumption. It has been linked (genetically) to other impulse disorders like gambling, alcoholism and binge eating.

There is recent evidence of biological disorders of neurotransmitters that may in part account for the behaviour (the “highs” and “rushes” felt). The psychological factors that were identified concern the gaining of approval and recognition, the bolstering of self-esteem and escaping into a fantasy where people feel important and respected. There are also sociological and cultural forces that actually encourage the behaviour.

There are many forms of this “odd behaviour pattern”. Some buy every day; others in response to negative life events. Some buy for themselves; others for family and friends. Many buy things they don’t need or ever use, which seem to lose their meaning after the purchase is made. Most purchases are clothes, jewels, electronic equipment, or collectables.

It has been argued that compulsive spending is a serious and growing problem because of increasing production of goods around the world linked to increased wealth and the ease of credit. Next, people compare themselves to a much wider circle than they did in the past. Previously “keeping up with the Joneses” just meant the neighbours, but television and other media have made reference point groups bigger and richer.

Compulsive buying has now been recognised as a **common, and serious, social problem**. Many overs shoppers feel they have to keep their compulsion secret, lest they are condemned as narcissistic, superficial and weak willed.

People overshop to feel better about themselves or more secure. It may be a distraction helping them avoid other important issues. It can be a weapon to express anger or seek revenge. It may be a vain attempt to hold on to the love of another. It may be a balm used to soothe oneself or repair one’s mood. It may be an attempt to project an image of wealth and power. It may be a way of trying to fit into an

appearance-obsessed society. Equally, it may be a response to loss, trauma or stress. It could also be a way of trying to feel more in control or finding meaning in life.

Benson sets out to describe **typical “triggers”** of compulsive shopping which she divides into five categories:

- Situational: sales signs, magazine ads, bad weather.
- Cognitive: feeling guilty, deserving a reward, rationalisation.
- Interpersonal: buying after a fight, attempting to impress peers, nice salesperson.
- Emotional: feeling excited, sad, lonely, stressed, or even euphoric.
- Physical: as a substitute for eating, after drinking alcohol.

She then lists **typical aftershocks**, which can be financial (calls from creditors; poor credit rating; massive overdrafts), relationship-based (secretiveness; fights; clutter), emotional (depressed; ashamed; angry), workbased (lowered performance; long hours; stealing), physical (headaches; sleeping problems), to do with personal development (wasted time; fewer holidays), or spiritual (lost community spirit; mismatch of values and lifestyle).

Benson also recommends keeping a journal and developing a shopping autobiography to understand how, when and why one shops, as well as “conducting a motivational interview” with oneself. The six shopping questions are: Why am I here? How do I feel? Do I need this? What if I wait? How will I pay for this? Where will I put it?

After reading this reader and watching the video lesson, you can quickly **test yourself** at <https://create.kahoot.it/share/a4d149c5-b130-479c-94f5-8b4600597020>

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