FAMILY LIFE-CYCLES AND THEIR IMPACT ON CONSUMER BEHAVIOUR IN LIGHT OF CHANGES IN FAMILY-FORM

FINAL REPORT

OTKA PD 83779

1. Introduction

The purpose of this research study was to investigate the relationship between family forms and family consumption patterns, with a clear focus on the study of family life-cycles. The project aimed to understand the consumption patterns of non-traditional but important and relevant family forms, such as single-parent families. Accordingly, this research includes the comparison of full families and single-parent families, moreover, evaluates the impact of the age of children on family consumption.

The specific objectives were the followings:
1. To study and evaluate the family life-cycle concept conceptually and empirically
2. To understand and compare the consumption patterns and preferences across the various stages of family life-cycle model
   - To compare traditional and alternative/modernized life-cycle stages based on their consumption patterns
   - To understand beliefs, attitudes, and other factors that contribute to the differences in consumption across the family life-cycle stages
3. To reveal, how changes in family influence family consumption, included the family decision making process

2. Methodology

The research project included the evaluation of the following sub-topics:
- Theory of family life-cycles, family/household consumption. Literature review.
- The impact of family forms on interpersonal influence between single-parent and full families. Secondary analysis.
- Consumer decision-making styles of young adults living in parental home. Quantitative study (N=293 respondents) with online data collection and qualitative content analysis (essays, N=18 families, including parents and children).
- Household life-cycle effects on household expenditures. Quantitative study with a national sample (N=1000 respondents) using random sampling and face to face interviews. All respondents were the primary shoppers in the given household.
- Shopping styles of family life-cycles. Quantitative study with a national sample (N=700) using an online panel.

3. Key results

Brief literature review

Household life-cycles were first described in the 1950s in the formal marketing literature and the analysis of consumption patterns during different household life-cycle stages grew particularly popular during the 1980s and 1990s (see, among others, Gilly and Enis 1982; McLeod and Ellis 1982; Wagner and Hanna 1983; Schaninger and Danko 1993; Wilkes 1995) because household-level data had become available. In the early 2000s, understanding the new life-cycle stages brought about by the continuous challenge to the traditional family type took attention (see, for instance, McGregor and Bateman 2003; Bearden and Wilder 2007) and the need arose for the complex modeling of household life-cycle stages based on empirical data (Du and Kamakura 2006). Household life-cycle theory argues that households' lives follow a specific path, along which changes in their demographics are accompanied by adjustments in their lifestyles, including their consumption patterns. Consequently, life-cycle models hypothesize that life-cycle stages affect household consumption due the differences in purchasing power, needs and motivations between the individual stages. The theoretical approach itself has enjoyed undiminished popularity ever since its early application in sociology, yet the operationalization of the concept has changed continuously and it has been criticized due to the inherent flaws of the life-cycle concept (see for example Derrick and Lehfeld 1980). As far as business research is concerned, Wells and Gubar's (1966) marketing-oriented concept is the most popular and most frequently cited of the early models (Schaninger and Danko 1990). Their model consists of nine life-cycle stages defined according to the age, marital status and employment status of the household head and the age of the youngest child in the family. The greatest deficiency of the early models is, however, that they only take into account the classic family types – unlike modern life-cycle models. An example of the latter is Gilly and Enis's (1982) model, which incorporates modern types of cohabitation and, hence, deals with single-parent households separately. Distinguishing this life-cycle stage has special significance from a consumption perspective because the rather limited amount of discretionary time and disposable income of single-parents typically have a strong bearing on their consumption opportunities (see Harcsa (2008), Cseres-Gergely and Molnár (2008), and Hong et al. (2005), for example).

To sum up, most approaches comprise the following life-cycle stages: (1) young single, (2) childless couple, (3) full nest, i.e., (married) couple or single with child/ren, (4) empty nest, i.e., older (married) couple without children, and (5) older single. The models differ in whether they subdivide the 'couple with child/ren' stage into the three sub-stages (full nest 1, 2 and 3) according to the number and age of the children, whether they deal with single-parent families separately, and exactly how they account for a (female) household head and her age. The household life-cycle model is frequently applied to explain and predict household expenditure. McLeod and Ellis (1982) argue that household expenditure is related to life-cycle stages, especially around the time of marriage and when the child/ren turn school-aged. In

his large-sample investigation involving multiple product categories, Wilkes (1995) confirmed that a relationship exists between life-cycle stages and household total expenditure.

The impact of family forms on interpersonal influence between single-parent and full families

The primary study applied and tested the interpersonal susceptibility scale of Bearden, Netemeyer, Teel (1989) and the family communication pattern scale developed by Ritchie and Fitzpatrick (1990). Both scales proved to be reliable in the Hungarian sample.

Based on the results we can see that the protective (34.1%) and the consensual (33.8%) communication patterns are the most popular among the total sample. Pluralistic families (17.4%) achieve the third position, while the lassez-faire style is the least popular (14.7%). Cross-table statistics suggest a weak significant relationship between family form (single-parent or full families) and family communication style. This result indicates that consensual and pluralistic communication styles describe full families more than both single-parent households and the total sample. These two styles relate to high concept orientation, which means that full families lay more emphasis on the encouragement of childrens' own views. This is noteworthy, because prior studies concluded that in single-parent families the children are more involved in the decision-making process (Tinson et al. 2008) and shop more often both with their parent and alone (Ahuja et al. 1998). When gender was controlled during the analysis, that was no significant difference measured.

Consumer decision-making styles of young adults living in parental home

The study analysed the consumer decision-making styles using a scale developed by Kim, Lee and Tomiuk (2009). The scale proved to be reliable in the Hungarian sample.

The study identified the following decision-making styles in the case of young adults living in parental home: (1) careful and deliberate, (2) perfectionism and high quality conscious, (3) recreational and hedonistic, (4) well-informed, (5) budget planning and (6) label conscious.

According to our results, the product or service category proved to be significant when considering young adults' ownership of their own purchases. It became clear that the more personal the item, such as books, sport shoes or snacks, the more influence young adults have on the decision as they are focused on the individual aspects and what is most relevant to them. Young adults in our sample proved to be knowledgeable consumers, just as Gronhoj (2007) suggested. As a result, young adult children can influence decision-making within the family, and due to their age and their capability to comprehend more abstract concepts, this influence can be significant. The influence of the family form on family purchases has proven to be significant in previous studies (e.g. Tinson et al 2008, Thiagarajan et al. 2009, Roberts et al. 2004), however, this research was not conclusive in relation to the measured products/services. We did discover, however, that certain communication styles – consensual and pluralistic – are more popular among single-parent families than in full families.

Household life-cycle effects on household expenditures

The present study intended to approximate as closely as possible the causal relationship between belonging to a life-cycle group and expenditure structure. In order to identify a causal relationship in the absence of the required experimental arrangement, we use statistical methods to derive causal inferences from observational data. The matching method is used to establish a quasi-experimental arrangement. The essence of this method is to assign to each member of the treatment group non-treated persons who are similar to the treatment group in every respect other than the treatment itself (Ho et al. 2007). Our research is original in that the pairing of the individuals is performed using genetic matching, which appeared as a novel method in the international literature only a few years previously, its merits having been recognized over pre-existing methods. Overall, we can conclude that the use of matching method proved to be useful in our study and demonstrated its potential for other studies in the field of marketing.

In part, our findings confirm earlier research results relevant to the topic, and in part, they complement them. A novel finding is that certain expense categories, such as monthly proportional expenditure on housing/furnishings and holidays/travels, are not dependent on household life-cycle stage, that is, these expenditures constitute a similar proportion of household total expenditure throughout their entire life course if only life-cycle effects are considered. Some of our results add detail to previous findings and hence call attention to further research opportunities. A good example is the disparity in consumption patterns among the elderly, namely between those living alone and those cohabiting with their partner. The elderly living without a partner appear to be more socially active, as they spend a higher share of their income on culture/entertainment, but less on health care products in comparison to their cohabiting counterparts. Furthermore, the proportions of certain items in the expenditure of elderly households do not, contrary to prior expectations, fall below the population average; for example, expenditure on sports/wellness/massages/cosmetics.

Worthy of emphasis is the significant impact that childbirth was found to have on household expenditure structure. Our study evaluated the structure of household expenditures with and without children. Besides that, the age of the (youngest) child was also observed in order to estimate how the effect of childbearing changes over the life course. Three age categories were distinguished for the children: (1) under seven years old, (2) between 7 and 18 and (3) over 18. According to our results, households with children have different consumption patterns compared to those households without children. Having a child increases the spending on healthcare, education, housing and decreases the spending on transport, culture and entertainment, holiday and travel, saving, other products and services. This study also indicates that the spending on housing, healthcare, transport, culture and entertainment, education, holiday and travel, other products, loan and savings highly depends on the age of the youngest child.

Shopping styles of family life-cycles

The study of shopping styles of family life-cycles aimed to contribute to the understanding of consumption of life-cycles since the availability of primary data is limited in this respect. Shopping style was measured by the Sprotles - Kendall (1986) and Rook - Fischer (1995) scales. The analysis identified four shopping styles, namely (1) impulsive, (2) planned, (3) utilitarian, and (4) hedonistic shopping styles. Considering the family life-cycles the following differences were identified. Our results indicate that young childless singles and couples are more impulsive shoppers and shopping is rather a pleasant activity to them. Households with children tend to do more planning, especially families with child(ren) aged 6 years and below. At the same time, this group also enjoy shopping. It is noteworthy, that single-parent families cannot be described by strong planning despite their lower financial status. Shopping is a pleasant activity to this group and they also tend to be impulsive in their decision-making. Middle-aged singles and couples without children can be characterized by utilitarian shopping style, while older shoppers do more planning before do shopping.

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