FAMILY PURCHASE DECISION:

AN EXAMINATION OF TEENAGERS' RESOURCES

AND INFLUENCE STRATEGIES

AMILY BINTI FIKRY @ AZIZ

UNIVERSITI SAINS MALAYSIA

2009

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by

AMILY BINTI FIKRY @ AZIZ

Thesis submitted in fulfillment of the requirements
for the degree of
Doctor of Philosophy

May 2009

KEPUTUSAN PEMBELIAN KELUAGA:

SATU PENYELIDIKAN TERHADAP SUMBER-SUMBER

REMAJA DAN STRATEGI-STRATEGI PENGARUH

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Tesis yang diserahkan untuk memenuhi keperluan
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CHAPTER 1

INTRODUCTION

1.0 Introduction

This section begins with an overview of teenagers' market. In the background of the study, based on previous studies, it is acknowledged that socioeconomic characteristics (i.e. resources) of teenagers exert an important influence on family purchase decisions. To set a clear content for the subsequent deliberations, the problem statement, research objectives and research questions are then presented. The scope of the study provides the rationale for the selection of the respondents, selection of the private academic secondary schools as well as the selection of the mobile phone products.

1.1   Background of the study

The study of family decision making usually ignores the influence of children such as teenagers. Most of the previous researchers tended to concentrate on decision-making made by husbands and wives, and claimed it as a family decision making (Commuri & Gentry, 2000; Davis, 1976). This however, may not hold true since family also comprises of other members such as children (Davis, 1976). Therefore, there is a need to study the children's market i.e. teenagers' market and understand their influence in family purchase decision.

The teenagers' characteristics make them an attractive market segment for marketers and advertisers. For example, teenagers spend a lot of their parents' money (Brazil, 1999; McLaughlin, 2000; Palan & Wilkes, 1997; Shoham & Dalakas, 2003). Tootelian and Gaedeke (1992) mentioned that students in the lower-income spend over

USD 100 [1] (equivalent to RM 319) per month on clothes and accessories, thus showing the importance of status and image to the lower income student. Yet, teens also save money to fulfill their shopping desire and are value conscious and are also said to exercise thrift and wisdom in spending their money (Bansal, 2004; Brazil, 1999).

Teenagers are categorized as 'hyper consumers' (Chaplin & John, 2005) who are able to influence family purchase decision (Bansal, 2004; Dobrow, 2006; Spero & Stone, 2004; Stone, Stanton, Kirkham, & Pyne, 2001) for a certain category of products such as VCRs, autos, computers, stereos and sporting equipment (McLaughlin, 2000) due to trust and the busy lifestyle of their parents (Brazil, 1999). However, the level of the teen's influence on family purchase decision also differs across several elements i.e. culture (Shoham & Dalakas, 2003), gender (Lee & Collins, 2000) and country (Lee & Marshall, 1998). Other than the aforementioned elements, the level of the teen's influence towards family purchase decision also differs according to resources. Nevertheless, limited research has been done to examine the relationship between resources and family purchase decision. Only Abdul Rahman (2003), Beatty and Talpade (1994), Foxman, Tansuhaj and Ekstrom (1989a) and McNeal and Yeh (1997) focused on the study of resources. The extent of the relationship, if any, among resources (i.e. teenagers' resources), influence strategies and family purchase decision is still unclear.

In addition, teenagers are also said to be disloyal to certain brands (Taylor & Cosenza, 2002) and adaptable to the latest technology (Bansal, 2004; Becker, 2005; Dobrow, 2006; Johnson, 2006; Stone, et al., 2001; Wilska, 2003). Considering their product skills and knowledge, there is no doubt that parents are depending on their

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[1] As of 2008, 1 USD was officially equivalent to about RM 3.19 (http://www.xe.com/ucc/convert.cgi, 2008)

(teenagers) decisions to purchase products for the family. Parents feel that their older children have more experience and knowledge about products (Brazil, 1999; Mangleburg, 1990). Parents also perceive that their teenagers have higher consumer skills, are more rational, and could comprehend basic economic concepts (Brazil, 1999; Roedder, 1981) as compared to younger children who are below the teen's age group. Ward and Wackman (1972) found that children's influence attempt decreased with age, but parents' yielding to the child's request increased with age. This is due to the reason that mothers trust the judgments made by their children as their children get older (Ward, 1974).

The increase of the teenagers' influence on family decision-making has attracted the attention of many researchers (Beatty & Talpade, 1994; Chavda, Haley and Dunn, 2005; Foxman, Tansuhaj & Ekstrom, 1989a, 1989b; Lee & Collins, 2000; Lee & Marshall, 1998; Lindstrom, 2004; Palan & Wilkes, 1997; Shoham & Dalakas, 2003). However, such studies on the specific aspects of influence i.e. influence strategies, are still limited. Commuri and Gentry (2000) further highlighted that 'too much research on family consumer behavior is focused on "who" and too little on "how" (pp. 8). Commuri and Gentry (2000) also recommended the study on influence strategies, rather than focusing on the relative influence (i.e. 'who' makes the decision) study on family consumer behavior. In addition, it must be noted that very little attention has been given towards understanding the behavior of the teen's market in the context of a developing country i.e. Malaysia. In the case of China, Ying (2003) focused on the consumption pattern of Chinese children, while McNeal and Yeh (1997) and McNeal and Ji (1999) focused on the consumer behavior pattern of Chinese children. As such, no study has directly focused on Chinese teenagers' influence strategies. In the context of Malaysia, previous researchers such as Abdul Rahman (2003), Lee and Hendon (1999), Sidin,

Zawawi, Wong, Busu, and Hamzah (2004) and Sidin, Abdul Rahman, Rashid, Othman, and Bakar (2008) did focus on family decision-making but covered different aspects than the study at hand. Lee and Hendon (1999) covered purchase decision made by Malaysian couples. Sidin et al. (2004) examined the impact of the sex role orientation on the husband's and wife's decision-making; Sidin et al. (2008) covered the impact of social structural variables on the children's consumption attitude and behavior intention; whilst Abdul Rahman (2003) focused on the impact of familial characteristics on the children's purchase behavior outcome pattern. Due to that, this research attempts to fill some of this theoretical gap by focusing on the extent of the relationship, if any, among teenager's resources, influence strategies and family purchase decision.

Researchers started to focus on teenagers in the late 1980s in an attempt to gain a better understanding on this market (Beatty & Talpade, 1994; Chavda et. al., 2005; Foxman et al., 1989a, 1989b; Lee & Collins, 2000; Lee & Marshall, 1998; Lindstrom, 2004; Palan & Wilkes, 1997; Shoham & Dalakas, 2003). This may be due to the below mentioned factors which need to be understood in examining the increasing influence of teens towards family purchase decision. By looking at the American perspective, McNeal (1992) posited several factors that may contribute to the growth of children's influence in family decision-making. Firstly, parents are having fewer children, thereby increasing the influence of each child. Secondly, the rapid increase in the number of one-parent families also increase the number of children who do some of their own shopping. Thirdly, an increasing number of women now delay childbearing, and these women usually have more to spend on their children. Finally, almost 70 percent of the households with children are dual-earner households. Working couples foster household participation and self-reliance among their children, out of necessity.

Additionally, McNeal (1992) revealed that the total income of young children was estimated at almost USD 9 billion (equivalent to RM 28.9 billion) in the year 1989. However, it is also estimated that on average, children influence 17 percent of family spending for 62 product categories which is up to USD 132 billion (equivalent to RM 420.87 billion) every year, where the USD 82.4 billion (equivalent to RM 262.7 billion) is on food and beverage purchases, USD 13.2 billion (equivalent to RM 42.1 billion) on clothing, USD 16.9 billion (equivalent to RM 53.9 billion) on play items, and USD 3.1 billion (equivalent to RM 9.88 billion) on health and beauty aids.

Dugas (2001) surprisingly stated that the teenagers of today are living in a culture of debt resulting from an expensive lifestyle and easy money. The abovementioned notion is based on youth as a major consumer market and media focus. For example, teens spent up to USD 175 billion (equivalent to RM 557.97 billion) in 2003 through parental allowances and their personal job earnings, thus making them the major consumer market and media focus (Teenage Research Unlimited, 2003).

In the same vein, Woodward (1998) cited that the amount of money Florida's youth received exceeded the national average. For example, according to Woodward (1998), children at the ages of 9 to 11 years old received a national average of USD 4[2] (equivalent to RM 12.75), while those at the ages of 12 to 13 and 14 to 15 received USD 5.82 (equivalent to RM 18.56) and USD 9.68 (equivalent to RM 30.87) respectively. However, the study of Royer, Jordan, and Harrison (2005) disclosed that 39 percent of children in elementary schools received around USD 6 to USD 10 (equivalent to RM 19.13 to RM 31.90) of weekly allowance. Besides, 27 percent of children in middle school received USD 6 to USD 10 (equivalent to RM 19.13 to RM 31.90), 15 percent received USD 11 to USD 15 (equivalent to RM 35.07 to RM 47.83) per week and 42

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[2] As of 2008, 1 USD was officially equivalent about RM 3.19 (http://www.xe.com/ucc/convert.cgi, 2008)

percent received USD 16 (equivalent to RM 51.01) or more. Additionally, the majority of middle school (51 percent) and high school youths (51 percent) saved only when it was necessary. Only 26 percent of middle school youths and 31 percent of high school youths saved their money weekly. This shows that youths tend to spend more than save, which may cause a serious problem in the future i.e. inflation.

Looking at the Asian perspective, Ying (2003) posited several reasons for the increased influence of children on family decision-making. Firstly, improvement in the standard of living in urban and rural areas leads to the fulfillment of basic living needs. This will make parents focus on the higher level needs i.e. education. Secondly, based on the only child culture, parents pay more attention to their child's needs and wants. Thirdly, due to the improvement in the standard of living, parents want their children to enjoy what they themselves did not enjoy during their childhood. This leads to the parents fulfilling their child's needs and wants, thus giving the child more clout in influencing their parents' purchasing decision.

In the study of Ying (2003), the investigation of the China Social Survey Institute revealed that in 85 percent of the families, the children's average consumption per month is one third or more of the family's income (China Women's Daily, 1999; cited in Ying, 2003). In other words, the consumption of one child is higher than that of one adult (Ying, 2003).

In Malaysia, the proportion of the total population of people below the age of 50 is expected to increase from 10 percent to 40 percent during the periods of 1990-2015. In that scenario, 14.27 percent of Malaysia's population in 1990 comprised of teenagers and by the year 2000, the total teenager population is expected to constitute 14.16 percent of the country's population (Euromonitor International, 2005a). Thus, the large growth in the total population of people below the age of 50 is expected to come mainly

from the older age-group, including parents, while the proportion of teenagers tend to decline, albeit slightly.

Some of the abovementioned factors outlined by McNeal (1992) may be seen as indicators to the increasing influence of teenagers on general in family purchasing decision. In fact, based on the following demographic trends Malaysia is fast catching up with the scenario in the U.S.A. Firstly, Malaysian parents are having fewer children, thus leading to an increase in the influence of each child. In 1990, the birth rate per one thousand population was 27.9, while the fertility rate was 3.3 children per female. The rates declined further in 2003, to 21.7 in terms of birth rate per one thousand population, and 2.67 in terms of fertility rate (Euromonitor International, 2005b). Secondly, due to the changing lifestyle that favors higher education and late marriages, as well as economic considerations due to the growing urbanization and increase cost of living, Malaysian women nowadays tend to delay childbearing, and when these women get married, they usually have more money to spend on their children. Accordingly, the average age of women to have the first child increased from 25.8 years old in 1990, to 28.2 years old in 2003 (Euromonitor International, 2005c).

The aforementioned scenario leads to the increasing influence of Malaysian teenagers towards household purchases. Based on the data generated from MCMC (2004) and unpublished data from the Malaysian Department of Statistics (2006), it was found that Malaysian teenagers generally influenced 10 percent of household expenditure for the 12 major expenditure categories which on average amounted to RM 971,905,114 per month in 2004/2005 . It was noted that one of the 12 major categories was communication, a sub-category of which is mobile phones. It was further found that teenagers' general influence on household expenditure for the sub-category mobile phones amounted to RM 4,656,571 per month in 2004/2005. Specifically, Malaysian