Chapter 3
SOCIALIZATION FACTORS AS CONTRIBUTOR TO MATERIALISM

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3.1 Socialization Process

The conceptualization of social pressure considered here tally with the idea of socialization, which is considered an alternate pathway leading to materialism [Kasser et al. (2004)]. The term socialization actually finds its origin from consumer socialization. In the words of John (1999) “Consumer
socialization is the process by which young people acquire skills, knowledge and attitudes relevant to their functioning as consumers in the market place”.

This involves three key aspects, as proposed by Viswanathan et al. (2000). It tells how a child or an individual develops consumer skills, how they develop consumption related preferences and how they develop a consumption related attitude developing a cognitive and affective orientation toward marketer’s stimuli. Though early steps on socialization skills are learned from parents and other family members, television media advertising, peer group influence and social comparisons are factors that affect socialization in the later stages of life [Meek (2007)]. Moschis and Churchill (1978) observed that interaction with peers and advertising are significant contributors to materialism. John (1999) and Blumenfeld (1973) pointed out the role of social comparisons in the development of materialistic values.

In addition to these factors such as social comparison, peer group influence and influence of television media, another factor consumer’s attitude debtplay a major role in socialization process. Many researchers have observed that materialistic individuals differ in their spending habits, specifically with respect to their saving behavior [Seneca (2009), Richins and Dawson (1992 Troisi et al. (2006), Watson (2003)]. Freinburg (1986) demonstrated how the availability of credit or usage of credit card increases one’s willingness to spend. Literature gives enough evidence to show that easy availability of consumer as the primary reason for the high consumption culture prevailing among us [Hirchman (1979), Soman (2001), Soman and Cheema (2006), Adiksson and McFerrin (2005), Rao (2006), Narasimhan (2008), Sarangapani, and Mamatha (2008)]. Hence attitude to debt is being included in this study as one of the contributing factors to materialism.
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Even though family plays a crucial role in providing the early lessons on consumer socialization to an individual, literature holds enough evidence to show that the peers play a much prominent role than family in molding a pre-adolescent decision [Meek (2007), Moschis and Churchil (1978), Chan and Prendegast (2007)]. Culture is another hidden factor that plays a crucial role in socialization factor. Materialism is seen as a cultural factor and it is measured as a value prevalent in the society by Richins and Dawson’s (1992) materialism value scale. Plenty of research evidences are available to convince us that advertisements and television programs are a reflection of the prevailing culture or value system in any society [Pollay and Gallaghar (1990), Han and Shavitt (1994), Gregory and Munch (1997), Taylor et al. (1997), Quarles and Jeffres (1983)].

In the light of this, further review of literature is limited to peer-group influence, social comparison and attitude debt. Theoretical constructs related to the status consumption is also explored here. The effect of television advertising and high incidence of television viewing in the development of materialism has been well discussed in Part I of this literature survey and hence is not being repeated here. This chapter is divided into three sections, the first section looks at literature in the area of peer group and interpersonal influence, the second deals with literature review on social comparisons and the third on the attitude to debt.
Section I

PEER PRESSURE

3.2 Peer and Reference Group Influence

The influential role played by peer groups or reference groups in molding an individual’s behavior has found its place in literature for long. Hyman (1942) defined reference groups as those individuals or groups with which anybody compares himself with. Bearden and Etzel (1982) explained reference groups as ‘actual social groups basically with whom an individual or group compare themselves’. Assael (2005) pointed out that, peer groups play an extremely important influencing role in consumer behavior especially when we consider the face-to-face interaction groups, which has been endorsed by other academicians too [Schiffman and Kanuk (1997) Hawkins et al. (1998)].

Sheriff (1948), Merton and Rossi (1949) are among the early researchers to establish that individual’s purchase behavior and other behavior are influenced by the groups they interact with. The study conducted by Asch (1956), is a widely cited work pointing out the role played by the peer groups in influencing individual decisions. In a similar study Venketesan (1966) observed that the confederate or naïve subjects (those who are influenced by the researchers) tend to make decisions which tally with that by the majority of the group. These studies brought in clear evidences of group pressure on the naïve subject to conform to group’s norms.

Park and Lessig (1977) classified the different influences that peer groups play on their members as informational influence, utilitarian influence and value expressive influence. This finds support in the studies by Kelman
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(1961) and Bearden et al. (1989). Informational influence is based on the desire to be informed while making product or brand decisions [Park and Lessig (1977)]. There are two ways how the consumers gain information from their reference groups, first by actively searching for information from opinion leaders and the second is by observation of the behavior of others [Laudon et al. (1993)]. Park and Lessig (1977) were of the opinion that utilitarian influence gets reflected when an individual belonging to a reference group attempts to comply with the wishes of the group so as to avoid punishment or receive a reward. The value expressive influence is reflected in the need for psychological association within the group. There are two forms of value expressive influence, first is to resemble the peer group and the second is to be responsive to the group’s call due to the feelings for the group [Deutsch and Gerard (1955)].

3.3 Peer Pressure and Consumer Susceptibility

Bearden et al. (1989) defined consumer susceptibility to interpersonal influence as “the need to identify with or enhance one’s image in the opinion of significant others through the acquisition and use of products and brands, the willingness to conform to the expectation of others regarding purchase decisions and / or the tendency to learn about products and services by observing others or seeking information from others”. Many feel that the definition given by Bearden et al. (1989) reflects both the informational and normative influences [Deutsch and Gerard (1955), Kelman (1961), Burnkrunt and Consineau (1975), Park and Lessig (1977)]. Normative influence is thought to be either value expressive or utilitarian [Bearden et al. (1992)]. Stafford’s (1966) finding that the extent of brand loyalty behavior within a group is more closely related to the behavior of the informal leader than to the
The cohesiveness of the group are also factors that support the conclusions of Bearden et al. (1989).

The studies by Lewin (1965), Hansen (1969) and Venketesan (1966) on different types of groups indicated that group interaction is a strong influence in bringing changed attitudes and behavior in its individual members, even among those groups whose members were initially strangers. The reasons for allowing such group influence are based on the perceived benefits that one gains from such interactions. Informational influence works more towards gaining information on various kinds of products and services they need and also about the status acquired through such acquisitions which again is dependent on the circumstances [Deutsch and Gerard (1955), Burnkrunt and Consineau (1975), Park and Lessig (1977), Murphy and Cunningham (1978), Sridhar et al. (2010)]. Value expressiveness reflects the desire to enhance one’s image in the eyes of the relevant referents [Bearden and Etzel (1982), Park and Lessig (1977)] and is about building a suitable identity [Kelman (1961)].

Utilitarian influence tells about the individual’s attempt to comply with the expectations of the referents to achieve rewards or avoid sanctions [Bearden et. al. (1989)]. It may not be wrong to assume from this, that the individuals will choose their groups and interact with its members based on their perceptions on the net profits they gain from such interaction [Laudon et al. (1993), Murphy and Cunningham (1978)]. Thus it can also be inferred that consumers try to maximize the benefits that will accrue to them by being a member of any such group.

Bearden et al. (1989) believed that consumer susceptibility to reference group influence is a general trait that varies across individuals and they developed a scale to measure the individual susceptibility to reference group
influence. Calder and Burnkrant (1977) found that the influence that others have on consumer decision making is more pronounced in individuals who are more sensitive to the referents attribution, which they termed as attribution sensitivity. These findings tallied with the findings from McGuire (1968) and Kassarjian (1965). They found that the strength of the reference group influence varies based upon the products, groups and consumers.

3.4 How Peer and Aspiration Groups Influence Consumption Habits?

Social influences can happen only if there exist some social interaction or at least some opportunity for public scrutiny of the consumption process. For this, either the purchase or the usage process should happen in public view [Bearden and Etzel (1982)]. Studies by Bearden et al. (1989), Bourne (1957), O’Cass and Frost (2002) and Childers and Rao (1992) showed that the influence of peers varies based on the degree of conspicuousness involved in the product.

According to the most leading authors in the consumer behavior domain reference groups are generally classified into two on the basis of their level of contact - the primary groups and secondary groups [Hawkins et al. (1998), Laudon et al. (1993)]. The groups characterized by frequent interpersonal contacts are called primary groups, while groups characterized by limited interpersonal contacts are referred to as secondary groups [Hawkins et al. (1998)]. Parents, other family members and peers become a part of the normative referents as they provide norms, attitudes and values for the individuals through direct interaction [Childers and Rao (1992)]. Sports, film and other entertainment personalities or significant others turn out to be the comparative referents and they provide standards of achievement to which the individuals aspire for.
Aspiration reference groups do not have social interaction or direct contact with the referent and the learning is mostly media based or through direct observation of the behavior of the referent [Childers and Rao (1992), Cocanougher and Bruce (1971)]. Such aspiration reference groups also play a strong influence on individual behavior, as individuals frequently buy products thought to be used by the desired group in order to achieve symbolic membership in the group [Hawkins et al. (1998), Bearden et al. (1989), Cocanougher and Bruce (1971)]. Socially distant reference group’s influence depends on how much observable is the consumption process as People make inferences about others based on the products they own or consume [Bearden and Etzel (1982), Belk (1980), Holman (1981a, 1981b), Rosenfeld and Plax (1977)]. More and more individuals are using products as a form of impression management to influence the attributions that others might make on them [Calder and Burnkrant (1977), Schenk and Holman (1980), Solomon (1983)]. This leads us to believe that aspiration reference groups play a major role in shaping the consumption habits of individuals.

Ford and Ellis (1980) through their research tried to establish how small informal groups influence the formation of brand loyalty. An in-store shopping behavior study conducted by Ford and Ellis (1980) indicated that when in a group, there were more changes in the shopping plans from the pre-determined one, than in the case of single shopping. It was also observed that people end up buying more and many un-planned items when they shop in groups as compared to shopping single. These studies confirm the belief on the role played by peers in influencing one’s consumption behavior.

3.5 Summary of Literature Reviewed on Peer Pressure

Peers or reference groups are the actual social groups, with whom an individual or group interact with and compare themselves with [Bearden and
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Etzel (1982)]. Consumer susceptibility to interpersonal influence is due to the need to identify with or enhance one’s image in the opinion of significant others by the acquisition and use of products and brands which confirm to their expectation [Bearden et al. (1989)]. Park and Lessig (1977) classified peer group influence as informational influence, utilitarian influence and value-expressive influence. The utilitarian influence and value expressive influence are termed as normative influence.

Bearden et al. (1989) consider consumer susceptibility to interpersonal influence as an individual’s personal trait that varies across individuals. McGuire (1968), Kassarjan (1965) and Calder and Burnkrant (1977) all supported this. Based on these premises, Bearden et al. (1989) developed a scale to measure the consumer susceptibility to reference group influence. The degree of influence will vary according to the product class and is more prominent for status and luxury products which have higher conspicuous value [Childers and Rao (1992)]. So normative influence is more crucial for the premises of this study as those individuals who are highly susceptible to normative group influence buy products which they feel will fetch them the approval of people who are considered significant.

Ford and Ellis (1980) show that peer pressure do play a significant role in influencing shopping and purchasing patterns of their members. Lewin (1965), Venketesan (1966), Burnkrant and Cousineau (1975) showed that peer influence can bring changed attitudes and behaviors of individuals and can induce consumption of status products to conform to their attitude.
3.6 The Concept of Social Comparison

Social comparison has evolved as an important concept especially in the study of how consumers process idealized advertising images and form self evaluation [Richins (1991), Gulas and McKeage (2000), Chan (2008)]. Social comparison theory, proposed by Festinger (1954), revolves around individual’s need for self evaluation or a need to evaluate their opinions and abilities against stable sources of self reference. This finds support in the later research by James and Gerard (1967), Wood (1989) and Chan (2008). Since its formulation, social comparison theory has undergone many major revisions [Chan (2008)]. According to this social comparison usually occurs with an individual dissimilar to oneself [Martin and Kennedy (1993)] and in situations beyond face-to-face interactions and it is found that many female participants engage in social comparisons with the idealized images depicted in fashion and cosmetic advertisements [Richins (1991), Wheeler and Miyak (1992), Morrison et al. (2004)].

Social comparisons can happen both in upward and downward directions and the emotional consequences of social comparison depend on whether it is upward comparison or downward comparison that the person is engaging in [Schiffman and Kanuk (2004)]. Individuals, who engage in social comparison with remote referents such as celebrities or idealized media images, end up in building an inflated and unrealistically high estimation of the standard of living. The larger the gap between the individual’s idealized and the actual standard of living the more the desire for materialistic possessions [Sirgy (1998), Ogden and Venkat (2001), Kasser (2002)].
O’Guinn and Shrum (1997) puts it rightly by stating that television and popular media such as films, advertisements and lifestyle magazines give a highly skewed picture of spending patterns portraying almost exclusively the rich and the upper middle class. Studies by Shrum et al. (1991), Morrison et al. (2004) and Chan (2008) comes out with evidences to support this finding and also observes that most often, these upward comparisons happen with celebrity personalities or vicarious models.

Yue and Cheng (2000) and Schultz et al. (1991) points out how celebrity or idol worship has become common among young people around the world. Chan (2008), Kahle and Homer (1985), Kamins (1990), Swann et al. (1992) categorized the influence celebrity endorsement has on young people’s purchase decisions using the following three models ‘source attractiveness model’ ‘match-up-hypothesis’ and idealized self identity based model.

### 3.7 Social Comparison as a Driver of Materialism

Research studies by Ramnathan and McGill (2007) showed that many consumers who are attending a class, or participating in theme park rides or watching television with others, tend to copy the postures and mannerisms shown by other participants. Frederickson and Kahneman (1993), Gump and Kulik (1997) and Chartrand and Barg (1999) have mentioned of similar behavior among consumers in their studies. These studies prove beyond doubt that even without conscious efforts, molding of behavior happens in any group consumption situation.

Dusenberry (1952) in his book, ‘Relative Income Hypothesis’, asserts that people are satisfied with their levels of consumptions based on the comparisons between relative and absolute levels of consumption. Studies conducted by Frank (2005) and Royo (2007) showed that people do make upward comparisons in which they compare themselves with others who
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consume more. Such comparative consumption leads to purchases and ownership of status goods [Hirsch (1976)]. Wachtel (1989) integrated the ideas of other researchers of his time and stated that “our sense of contentment and satisfaction is not a simple result of any absolute level of what we acquire or achieve. It depends upon our frame of reference on what we attain compared to what we expected”.

Wachtel (1989) stated that Americans individuals get into a relentless process of material pursuits mainly due to their living in a society where a sense of togetherness and community feeling has been vastly degraded. Wachtel (2003) delves into the intra-psychic dynamics and discusses how the focus on material possessions is further alienating people from more human sources of psychic nourishment. Reading this along with the tendency for upward comparison that many individuals get into, as put forward by Frank (2005) and Royo (2007), it can be conclusively stated that such individuals are heading for materialistic traps.

3.8 Psychology of Social Comparisons

In the words of Rochberg-Halton (1984), “we and our inanimate environment are interacting with one another and they are not separate as we might believe. We actually extend ourselves into our inanimate environment. We are in-fact surrounded by things that dialogue with us about who we were, who we are, and how to become who we will be”. He was referring to the process through which individuals develop self identity and this process starts during adolescence or late teens. Bloss (1967) in his book titled ‘Adolescent Passage’ wrote that the process of ‘individuation’ is what an adolescent endure with parental support as he moves from the childhood to adulthood. Tabin (1992) observed that teenagers use personal possessions to overcome the identity crisis.
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She observed that girls who are moving away from home and going to college often take their stuffed animals with them. Rochberg-Halton (1984) supported the idea that adolescents may use their possessions to help assuage their unmet needs for nurturance, attention and autonomy. Flugel (1930) in his work, ‘Psychology of clothes’, indicates the importance that adolescents show towards clothing.

Large number of studies has come to the conclusion that most teenagers consider possessions or material objects as instruments to soothe their anxieties [Bloss (1967), Erickson (1968), Tolpin (1971), Rochberg-Halton (1984), Tabin (1982)]. Clarke (2007) in his dissertation summarizes the different meanings that object in the inanimate environment hold for teenagers. Accordingly some look at objects, as a connection with their family of origin [Tabin (1992), Tolpin (1971)], as an affiliation with their peer group [Erickson (1968)], as an identification with a role model and as an attempt to try on a new identity [Blos (1967), Searles (1960) and Seigler et al. (2003)]. Rochberg-Halton (1984) adds that teenagers use material objects as a means to express the affective states that they are learning to process and also as an extension of self.

Based on the works of Bloss (1967), Erickson (1968), Rochberg-Halton (1984) and Tabin (1992) one can find credence to the thought that adolescents and teenagers start using material objects through which they can extend and project their nascent sense of self. In the words of Erikson (1968), adulthood is reached after the individual has gone through the initial experiments with identity development and the process of identity development continues throughout adulthood. Studies on the personal possessions that people carry to their work environment has shown that people select and value those objects which they view as items which expresses their own identities [Augustin
(2004), Belk and Tian (2005), Clarke (2007)]. Josselson (1991) and Green and Adams-Price (1990) provide us with valid inferences on individuals adapting to materialistic objects or possessions as an attempt to project a positive or favorable identity.

Woodruff-Burton and Elliot (2005) came out with the view that the purchase of brands endorsed by idolized celebrities, takes place because of the need to compensate for the particular image that young people do not possess. Studies by Swann et al. (1992) and Erikson (1968) matches with the above findings. Thus we can suitably presume that materialistic values get inculcated in individuals because of an excessive concern for the approval of others driven by the identity crisis. These individuals get into social comparisons and try to build an identity favorable in the eyes of others by acquiring material possessions [Ryan (1995), Schroeder and Dugal (1995)].

3.9 Summary of Literature Reviewed on Social Comparison

Social comparison theory [Festinger (1954)] proposed that individuals have the need for self evaluation and they use references against which they assess their attitudes and opinions. This becomes the primary characteristic of the social comparison variable we are considering in this study. Social comparisons can be both upward and downward directions [Schiffman and Kanuk (2004)]. Upward comparisons with celebrities or idealized media images end up in building an inflated and unrealistically high estimation of the standard of living.

Though Festinger (1954) was of the view that comparisons usually occur within groups and in face-to-face situation, later studies have shown that on many instances, social comparisons occur with dissimilar individuals [Chan (2008), Martin and Kennedy (1993)] and with distant referents such as celebrities and models [Richins (1991)]. Kasser (2002) had opined that
individuals who engage in social comparisons with remote referents such as celebrities or idealized media images end up in setting up unrealistic standards of living. This leads to the development of larger than normal gap between idealized and actual living conditions, which can create urges towards getting into status consumption spree and materialism [Sirgy (1998), Ogden and Venkat (2001)].

Susceptibility of an individual to enter into social comparisons is the factor that is crucial to this study. Ramanathan and McGill (2007) through their studies have exposed the human tendency to mimic others around us. This leads us to the conclusion that in a society where people generally maintain high consumption habits, others also will be pressurized to follow suit. Frank (2005) and Royo (2007) showed that people who make upward comparisons end up in consuming more status products. Bloss (1967) asserts that it is the post adolescent identity crisis that makes people search for peer affiliations and upward social comparisons. Research work by Tabin (1992) and Rochberg-Halton (1984) supports this viewpoint and through their studies reveal to us that during the post adolescent period, individuals get attached to material possessions mainly to overcome the identity crisis they face.
CONSUMER ATTITUDE TO DEBT AND CONSUMER FINANCE

3.10 Attitude to Debt as a Contributor to Materialism

Consumer finance basically refers to any kind of lending to customers by banks or other financial institutions and covers a wide range of activities including mortgage and housing loans, auto loans, personal loans, credit card financing and refinancing of different consumer purchases [Gupta and Agarwal (2003)]. Recently consumer finance assumed connotations of subprime lending in the US and elsewhere, as the financial services firms and banks started to change their policy to capitalize on the consumer boom and started to provide more consumer credit to customers with lower than perfect credit ratings [Lyons (2003), Black and Morgan (1999), Canner et al. (1998), Canner et al. (1999), Lindsay (1997), Adkisson and McFerrin (2005)]. In India too, post liberalization era saw rapid changes in the mindset of consumers. Estimates say that there are more than 450 million middle income customers earning between $3000 to $5000 a year who happened to be the prime target of consumer finance companies [Gupta and Agarwal (2003), Nair (2005)].

One major reason for the prevalence of consumerism is the easy availability of personal finance. We currently live in a situation where banks and financial institutions are after us to provide personal loans. Faber and O’Guinn (1988) revealed that between 1950 and 1985 US debt payments as a percentage of disposable income grew from 10.5% to 23.9%. The fact of the day is that along with the increase in the overall quanta of debt, there is also a greater increase in the number of people who are unable to keep pace with their debt. Studies by Raske (1979) and Mundis (1986) find supporting evidences towards this.
Lyons (2003) using a cross sectional data from the surveys collected between 1983 to 1998 period prove that debt levels rose dramatically between 1995 and 1998 primarily due to a shift from installment debt towards credit card and mortgage debt. Khan (2007) says that in 2004 an average American house hold carried USD 8000 in credit card debt and it was just USD 3000 in 1990. Khan also reports that revolving debt, especially credit card debt totaled to USD 73.5 billion in 2004, a quantum 31% increase in just five years. Golmant and Ulrich (2007) indicate that the bankruptcy filings in United States doubled between 1994 and 2002.

In India too most banks have appointed Direct Selling Agents (DSA’s) for marketing credit cards and personal loans. These agents have contributed to the accelerated growth of personal finance components such as credit cards and personal loans [Rao (2006)]. According to Rao (2006) the credit card transactions which stood at 145.3 million generating Rs.269.51 million in 2003, grew to 243.3 million transactions in 2004, generating Rs.358.7 million worth business. One should note that credit cards entered India only in 1979, and there were 3 million cards in circulation at the end of two decades, by 1998-99 [Narasimhan (2008)]. The number of credit cards in India is said to have touched 9.5 million by 2004 [Sarangpani and Mamata (2008)]. By any rough estimates there were over 24.6 million cards in circulation by the year 2009, in India [Economic Times (2009)].

Narasimhan (2008) indicates that such exponential growth in credit cards in India is leading to numerous cases of default and also personal bankruptcies. The credit card debt outstanding with all banks amounted to almost Rupees 266 million by mid 2008. The Reserve Bank of India (R. B. I.) after studying the different customer complaints has developed a detailed guide line to various credit card issuing banks [Narasimhan (2008)].
3.11 Role of Credit Mechanisms in Triggering High Consumption and Financial Stress

Contemporary research by Richins and Rudmin (1994), Lea et al. (1995), Kasser and Ryan (1996), Schor (1998), Newton (2009) and Nickerson et al. (2003), indicates the cultural shift towards higher and higher standards of consumption which has become common today and the associated financial stress which is observable over a broad spectrum of income levels. They all feel that such situations have arisen partly due to the greater reliance that individuals show towards debt financing, to support their consumption habits. Kasser and Ryan (1993), Furnham and Argyle (1998) and Hobfall (1998) were supportive of this as indulging in such materialism driven consumption, leads to a range of emotional and psychological disorders. The work by Drentea (2000), Newton (2009) and Drentea and Lavrakas (2000) brings in clear evidence on the presence of a distress factor associated with higher credit card debt, as credit card debt accelerates over indebtedness due to higher interest accumulation.

Newton (2009) compares a number of studies related to the financial stress phenomenon and concludes that it is a combination of interactive forces at work in producing value structures and beliefs that favor external symbols of success over more intrinsically satisfying basic psychological goals that is causing such stress. O’Guinn and Faber (1987) opined that beyond the conventional reasons for credit problems such as slowdowns in economy, personal catastrophes or lack of financial skills to live within one’s means, there exists the influence that mass media has on consumer socialization. Massive penetration of commercial media, especially television serials and commercials which glorify luxury and hedonistic lifestyles glamorizing materialism, can be considered the primary factors that lead to a high consumption culture and thus to increased debt [Faber et al. (1987), Cohen and Cohen (1996), Kasser and Kanner (2003) and Richins (1991, 1995)].
Research reports show that consumers are increasingly living beyond their incomes either to make both ends meet or in their desperate attempts to improve their living standards. Faber and O’Guinn (1988) and Ullman and Krasner (1969) finds such buying is often excessive, inappropriate and disruptive and can be considered to be compulsive when it results from compelling impulses or urges and is inappropriate and disruptive to their lives. Such consumers are quite naïve to personal finance and treat credit card as an alternate source of income or even as an indication of their future earning potential [Soman and Cheema (2002), Getter (2003)]. Research by Raske (1979) and Perry and Morris (2005) have come out with facts supporting the above findings.

Today a consumer can pay for his purchases using a range of payment tools. Researches by Hirschman (1979) and Feinberg (1986) are considered to be some of the earliest works in the payment mechanism area and they found out that in identical purchasing situations, those paying with credit cards spent more or were willing to spend more than those paying through cash. Prelec and Simester (1998), Cole (1998) and Tokunaga (1993) are researchers whose work brought in enough evidence to prove that credit card users overspend on a comparative basis with those who use cash transactions.

Heath and Soll (1996) came out with the proposal that consumers mentally budget their money to a number of items to which expenses are categorized to, such as food, clothing, rent, entertainment etcetera. Gourville and Soman (1998) were of the opinion that as the time separation between payment and consumption increases, the relevance of the effect of the past transaction in any new payment diminishes. This separation between consumption and payment happens in the case of credit cards as the payment gets initiated at a later date and maybe even a month away. Later work by Soman and Gourville (2001) noted that this dissociation between payments
and purchase, leads to weaker aversive feelings against the payment. It is also observed that when payments are made by cheque, consumers do remember the expenses as they write out the total amount in words and figures. Payments by credit card do not hold such salience and it results in weaker memory trace. Dickson and Sawyer (1990), Gourville (1998), Sterman (1989) and Soman (2001) came out with findings that most consumers are able to recall the items they have purchased recently using credit cards, but are unable to recall correctly the prices paid for these.

Hirschman (1979) and Feinberg (1986) came out with the finding that the customers who tend to purchase more are less concerned about the prices when they make payments using credit cards in comparison with payments by cash or by cheques. Experiments by Soman (2001) found out that those who had made a series of payments using credit card were more likely to make this additional purchase than those who made payments through cheques.

Garcia (1980) inferred that consumers may use the size of the available credit limit as heuristic in determining their future income potential and their propensity to use credit. Thus customers with large amount of credit limit were led to infer that they are going to have larger future income and display a larger propensity to spend than consumers with lower credit. Studies by Soman and Cheema (2002) and Norton (1993) observed that many novice users of credit card start to consider credit as an alternate source of income credit availability create higher propensity to spend.

### 3.12 Summary of Literature Reviewed on the Attitude to Debt

Consumer attitude to debt is concerned about an individual’s propensity to avail credit facility offered by various financial institutions or marketers to fulfill his desire for consuming more or acquiring more status items. The
aggressive strategies by financial companies to target the marginal borrowers in the last two decades in-turn made credit easily available to such consumers in the United States and other western countries [Black and Morgan (1999), Canner et al. (1998), Canner et al. (1999), Lindsay (1997)]. Faber and O’Guinn (1988), Mundis (1986) and Lyons (2003) provide factual support to the fact that there has been a dramatic increase in consumer lending and higher debt burden among individuals.

There exists enough evidence to show that easy availability of loans makes the consumers spend more on purchasing status and luxury items in India also [Gupta and Agarwal (2003), Nair (2005)]. Rao (2006), Narasimhan (2008), Sarangpani and Mamata (2008) have shown that credit card availability and use has increased rapidly in India in the last three decades.

Prelec and Simester (1998), Hirschman (1979), Feinberg (1986), Gourville and Soman (1998) and Soman (2001) bring in enough evidences to support the view that consumers do spend more when they use credit instruments than when they pay by cash. This is because of the time separation between purchase and payment, which weakens the aversive feelings against the payment [Gourville and Soman (1998)]. Hirschman and Fienberg (1986) found that customers tend to purchase more and are not concerned about the price when they make payments using credit instruments.

Schor (1998) and Newton (2009) attribute the increase in household debt and related stress partly to the emergence of a consumerist and materialistic culture. Hence is not difficult to presume that, what is portrayed on television and the upward social comparisons lead people to spend beyond their limits.
3.13 Understanding Status Consumption

Norwegian American Economist and Sociologist, Veblen (1912) in his book ‘Theory of Leisure Class’, argues that it is not the actual accumulation of wealth, rather it is the indulgence of wealth by wasteful exhibition, that ultimately leads to conferring of status to individuals who get into such acts [Veblen (1912)]. Economists of the present day use the term ‘Veblen Effects’ to describe the situations where consumers exhibit a willingness to pay a higher price for a good, compared to a functionally equivalent good, as the considered good will bring in status to the buyer [Bagwell and Bernheim (1996)].

Kilsheimer (1993) defines the concept as “Status consumption is defined as the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and also for the others that form his social environment”. In Marketing parlance these types of goods are referred to as ‘Status Goods’ or prestige goods, as they make an impression on others because of its symbolic value [O’Cass and Frost (2002)]. They surface through the prestige or luxury brands in highly visible categories which allows these products to overtly signal status to others [Dawson and Cavell (1986), Yang (2006)].

This concept of status goods and such prestige oriented consumption was highlighted by Hirsch (1976) under the categorization of ‘positional goods’. Frank (1985) subscribed to this theory and added that the value of
positional goods is derived from the comparison to what is owned by others. So people who engage in status consumption are driven by social comparisons and also the need to show off or signal to others [O’Cass and Frost (2002), Packard (1959), Dawson and Cavell (1986)].

Oxford University press (2007) defines conspicuous consumption as “the acquisition and display of expensive items in order as to get other’s attention on to their wealth or to suggest that one is wealthy”. The term conspicuous consumption was introduced to us by Veblen (1912) to indicate the lavish spending habits, which was typical to the ‘nouveaux riches’. Prior research has built up the links between status consumption and conspicuous consumption [Bernheim (1994), Echikson (1994), Ferstman and Weiss (1992)] which points to the fact that the above concepts, status consumption and conspicuous consumption, do have significant overlapping and they are terms which are often used to convey the same meaning [Han et al. (2008), McCracken (1988), O’Shaughnessy (1922), Han et al. (2008)].

Based on a self-completion survey conducted by O’Cass and Mc’Eween (2008) the authors measured the respondent’s status consumption tendencies and the findings indicated that status consumption and conspicuous consumption are related factors but are independent constructs. They are empirically separate, yet related, which means that each construct is unique. Mason (1981) mentioned that conspicuous consumption do include activities for inflating the ego and also ostentatious display of wealth. Actually such effect occurs because of the signaling which leads to comparisons of the possession in terms of price, quantity and quality [Bagwell and Bernheim (1996)]. So it can be more or less deduced that status consumption leads to conspicuous consumption and signaling. O’Cass and McEween (2008) suggest that status consumption is related to a consumers’ desire to gain prestige from the status laden products
and brands, while conspicuous consumption deals with public display or consumption of such products or brands.

3.14 Status Consumption and Materialism

Research work by Nunes and Jhonson (2004) indicate that in the recent past a number of status brands which were initially positioned for the ultra-rich have started to move down with a range of products, to take advantage of the increase in affluence among the middle class segment of the society. These brands were not considered accessible to the middle strata of social classes earlier and it shows that the status seeking and conspicuous consumption oriented need shown by customer groups and identified the activities undertaken by such firms to induce conspicuousness and status value in their offerings [Passariello et al. (2008), Nunes and Jhonson (2004), O’Cass and McEween (2008)].

According to O’Cass and Mc’Eween (2008), consuming conspicuously cannot happen without the presence of others, who act as observers to whom the conspicuous consumer is engaging in signaling. They concluded that consumption of status products is oriented towards displaying one’s social image to others and their study showed that there exists the influence of people who are significant to them in the consumption of these products. Similar observations have been made by Shermach (1997) and Wong and Ahuvia (1998).

Richins (1994) examined the types of possessions valued by consumers with high materialism scores and found that materialistic consumers placed higher emphasis on objects that created greater social visibility, which had higher estimated value and were coming under the classification of luxury goods. This finds support in the observations of Shroeder and Dugal (1995). Belk (1985) found that materialists tended to buy more luxury products. But
Yang (2006) points out that Belk in his conceptualization of materialism (trait theory), did look not only at consumption of status laden products but also at all kinds of material goods. But according to the measurement of materialism by Richins and Dawson (1992) status was closely linked with the component ‘possession defined success’. This according to Yang (2006) gave rise to the feelings that status consumers are a subset of materialistic consumers, who place great importance on acquisition and possession of status products.

It was Wong (1997) who quelled this deviation in thinking. She asserted that materialism and status consumption are closely linked. She brought out her inference that the ‘envy’ factor in Ger and Belk’s scale (1990) and ‘success’ factor in Richins and Dawson’s scale (1992) are significantly correlated. Theorizing on this, she explains that any consumer envies visible but expensive products because only a few have them. In the mainstream capitalist culture, success is seen through the visible demonstration or ownership of luxury goods.

Eastman et al. (1997) explored the linkage between materialism and status consumption in the USA, Mexico and China and using Richins and Dawson’s materialism scale and Kilsheimer’s status consumption scale noticed that in the United States status consumption was significantly correlated with all the three factors (happiness, centrality and success) of Richins and Dawson’s scale and with the overall materialism score. Highest correlation was noticed in the ‘possession defined success’ factor. Similar observations were found from their studies in China and Mexico.

Eastman et al. (1999) replicated the exercise to test their findings about the link between materialism and status consumption using their status consumption scale, with 253 American business students. They observed significant correlation existing between status consumption and materialism.
Kim (1998) tested 588 South Korean adolescents and Wan-Jusoh et al. (1999) studied sample of 239 students and validated the finding that materialism and status consumption are highly correlated factors. With such strong evidences we can confidently assert that materialism leads to status consumption.

3.15 Summary of the Literature Reviewed on Status Consumption

The concept status consumption has evolved from Veblen’s (1912) ‘Veblen Effect’. Hirsch (1976) categorized goods on the basis of the social status they impart to the few who own them and termed them as positional goods. Positional goods are items that are scarce, expensive and derive their value from the fact that they are not owned by many. Positional goods lose their value and the satisfaction derived from them if more people start owning them.

Packard (1959) observed that people often consumed status products to demonstrate a superior level of status both to themselves and to their friends. Study by Dawson and Cavell (1986) supported this theory. Kilsheimer (1993) defined status consumption as the motivational process through which individuals strive to improve their social standing through the conspicuous consumption of those products that confer on them status. As status consumption is to gain status in the eyes of others, it is natural that people who engage in status consumption would be highly oriented to social comparison and also be driven by the need to show off or signal to others [O’cass and Frost (2002)].

Bernheim (1994), Echikson (1994) and Ferstman and Weiss (1992) were of the opinion that status consumption and conspicuous consumption are concepts which have significant overlap and are terms which are used to convey almost the same meaning. However studies by O’Cass and McEween
(2008) indicated that status consumption and conspicuous consumption are related terms but are independent constructs. This means that one who is seeking status value is distinctive from the one who is seeking conspicuous value. According to O’Cass and McEween (2008) status consumption is more related to a consumer's desire to gain prestige from the status laden products while conspicuous consumption is related to the public display or consumption of such products.

High linkage has been established between materialism and acquisition and ownership of status products [Richins (1994), Shroeder and Dugal (1995)]. Studies conducted across many nations by Eastman et al. (1997), Kim (1998), Wan-Jusoh et al. (1999) have come to the conclusion that status consumption is highly correlated to ‘possession defined success’ factor of materialism. The studies by Eastman et al. (1997) provide us with enough factual evidences to prove that prevalence of a culture of high status consumption in any society is an external indicator of the existence of materialism.
Part II

PRIMARY RESEARCH

The following chapters are pertinent to the study taken up to test the various hypotheses formulated as an outcome of the literature review undertaken. These chapters discuss in detail the primary research process such as the methodology adopted, the analysis of the data collected, the results and major observations or findings. Discussions on the findings and major outcomes, limitations of the study and directions for future research are also included in this part of the thesis.