

Factors affecting the spending behaviour of students



Although the amount of literature is particularly large, nearly all previous studies that have addressed the factors affect the spending behaviour of the public at large instead of focusing on students at particular.

According to social learning theory, spending behaviour can be viewed as a learned behaviour often transmitted by parents and other influential individuals, and is, therefore, predominantly, one that is passed from generation to generation. Spending behaviour and their patterns have been conceived as existing along a continuum running between two poles. One pole represents the "holding on" behaviours or a preoccupation with the acquisition and hoarding of money; the other pole, the obsessive spending behaviour (Lois carrier, CFP ; David Maurice, CFP, 1998)

Obsessive spending behaviour is called compulsive spending. Compulsive spending, like substance abuse and pathological gambling, places a burden upon individuals, families and society. Compulsive spending is dissimilar, however, in that this behaviour, centered around the use of money, is an activity which is both required and condoned in our culture. Compulsive spending is a behaviour manifested by a loss of self control of chronic overspending(John B. Harrison, 1996). The act of buying makes them feel important, attractive, fulfilled. Therefore, it shows that compulsive buyers will spend a lot in order to make them feel happier. Compulsive spending is something people suffer from unknowingly. It is an addiction that rarely gets attention because few recognize the pattern in these psychological terms with its many facets(Lois carrier, CFP ; David Maurice, CFP, 1998).

Hoarders in other words can be called as under spender, which is the contrast of obsessive spenders. Under-spenders represent the most extreme condition of hoarding. They hoard, but also fiercely resist spending, even to their detriment (Lois Carrier, CFP; David Maurice, CFP, 1998). Lower-status person is profoundly different in his mode of thinking and his way of handling the world from the Middle Class individual. Where he buys and what he buys will differ not only be economics but in symbolic value (Pierre Martineau, 1958).

There are two types of spending behaviour, which include planned spending behaviour and the other one is unplanned spending behaviour. Planned spending behaviour is that consumers use a system of mental budgeting in which they allocate money to different mental accounts and try to resist further spending in that category after the budget is depleted (Klaus Wertenbroch & Ziv Carmon, 1997). To help themselves stay within overall spending limits, consumers use mental budgets to facilitate rational trade offs between competing funds as a self control device (Klaus Wertenbroch & Ziv Carmon, 1997).

The other type of is unplanned spending behaviour, which means that the shopper anticipates the occurrence of unplanned purchases in his or her overall spending expectation for at least two major reasons. First, the routine nature of grocery shopping means that a shopper is aware that in store stimuli will trigger forgotten needs (Bettman 1979; Lynch and Scull 1982). Secondly, they will have new ideas while in the store.

In a study by Schreiber as cited in Karki (2000), five criteria are listed that must be taken into consideration when studying consumer buying behaviour:

1) price consciousness 2) quality consciousness, 3) original, unusual decision, 4) planned decision and 5) non conformist decision.

2. 1 Cultural factors

2. 1. 1 Culture

Basically, culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries. (Asifo Shah, 2010)

Culture represents the behavior, beliefs and, in many cases, the way we act learned by interacting or observing other members of society. In this way much of what we do is shared behavior, passed along from one member of society to another. (Chitpan Kanhasiri, 2006)

Due to different culture context, different people will be differ with one another in their attitudes towards brands, money, and other costs of time and stress. The difference will affect one another in the willingness to purchase of the two groups. (Sarah Maxwell, 2001)

2. 1. 2 Subculture

Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Marketers can use these groups by

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segmenting the market into various small portions. For example marketers can design products according to the needs of a particular geographic group. (Asifo Shah, 2010)

In addition, subculture influences coming from religion, racial groups or nationalities each have an impact on the consumer as will their socio-economic class. (Ylva Jansson, 2010)

Sub-cultures also have shared values but this occurs within a smaller groups. For instance, sub-cultures exist where groups share similar values in terms of ethnicity, religious beliefs, geographic location, special interests and many others. (Chitpan Kanhasiri, 2006)

Each culture consists of smaller subcultures that include nationality, religion, and geographic regions. The subculture often reinforces the values instilled by the culture at large. For instance, children are taught in the culture, either deliberately or covertly, that youthfulness is a higher value than old age. When they enter their subculture (in this case their general neighborhood) and compare their quality of life to the quality of life in the local nursing home, the value of youthfulness is reinforced. This is a general example; I am not using it to make a statement of any kind against nursing homes. I am only making the point that Americans clearly value youthfulness. When subcultures gain power and wealth, companies customize marketing messages and campaigns to serve them. This is known as diversity marketing, and has proven to be an effective marketing strategy. Think about the consequences of a group of consumers who feel ignored by your message. They may fit your definition of a dream client, but

if your campaign ignores the subculture they identify themselves with, the message will fall on deaf ears. (Bill Tamminga, 2009)

2. 1. 3 Social Class

Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Here we should note that social class is not only determined by income but there are various other factors as well such as: wealth, education, occupation etc. (Asifo Shah, 2010)

In the theory of marketing and buyer behavior, the concept of social class is considered the basic determinant of consumption behavior. In fact, among behavioral scientists, there was a consensus that market behavior of individuals is closely related to their social class. In this context, social class was often considered more important than income in affecting buying behavior (Mirela Mihic; Gordana Culina, 2006).

When looking at numerous theoretical disputes and postulates (from the early to the contemporary ones), one might argue that the social class concept is more complete and comprehensive than the notion of income when considering their relevance in understanding and explaining consumption and buyer behavior. The reasoning behind this varies. Although social class is often associated with higher income, income still presents only one of many characteristics of social class. Individuals or families of different social classes can dispose of similar income, i. e. those in the bottom or top income group should not all be in the bottom or top social class group.

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Furthermore, income grows higher as we grow older, which has no bearing to social class changes. Also, families with one or more working members and subsequently a higher income are not automatically members of a higher social class. Much more so than income, social class is associated with values and life-styles of consumers, both of which significantly determine the consumption structure and behavior for numerous products. Finally, families in each social class can, depending on their income level, be divided into three subgroups: over-privileged, average and underprivileged. Note that the over-privileged and underprivileged families, despite the considerable difference in their purchasing power, retain the buying habits and the behavior of the segment they belong to. Despite everything that is said above, it would be irrational and wrong to deny the influence that income has over buying behavior, both on type and prices of products purchased. (Mirela Mihic; Gordana Culina, 2006).

2. 2 Social Factors

2. 2. 1 Reference Groups

Reference groups have potential in forming a person attitude or behavior. The impact of reference groups have potential in forming a person attitude or behaviour. The impact of reference groups varies across products and brands. For example if the product is visible such as dress, shoes, car and so one then the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics) (Asifo Shah, 2010)

Individual identifies with the group to the extent that he takes on many of the values, attitudes or behaviors of the group members, Families, friends, societies, civic and professional organizations. Affinity marketing is focused on the desires of consumers that belong to reference groups. Marketers get the groups to approve the product and communicate that approval to its members. The degree to which a reference group will affect a purchase decision depends on an individual's susceptibility to reference group influence and the strength of his/her involvement with the group. (Chitpan Kanhasiri, 2006)

2. 2. 2 Family

Buyer behavior is strongly influenced by the member of a family. Therefore, marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a

particular product is influenced by wife then the marketers will try to target the women in their

advertisement. Here we should note that buying roles change with change in consumer lifestyles.

(Asifo Shah, 2010)

Families go through stages; each stage creates different consumer demands: Because income families are becoming more common, the decision maker within the family unit is changing. (Chitpan Kanhasiri, 2006)

The family has been identified as one of the most influential environmental factors affecting food- and nutrition-related decisions and behaviour, operating at the levels of parent modelling and parent-child interactions. Recent changes in American family structure, intra familial decision-making, and women's work patterns have had a profound influence on the growing economic power, control, and independence of children and teenage youth, with the result that they now exert a stronger influence on family decision-making than their cohorts did in previous years. (Vivica Kraak, David L. Pelletier, 1998). Most probably, students will be easily influenced by parents.

Students, like all people, learn their financial behaviour early in life. Family experiences in particular often provide the foundation for the student's financial behaviour. Parental attitudes not only directly affect the attitudes of the children about financial leaning, but also negatively impact the parents; financial behaviour with the children, Parents who provide buying activities for children aid their children's financial learning. And finally, for a sample of professional and managerial families there was a tendency for childhood experiences to affect financial behaviour into early adulthood. (Bryan Gayle Miller, 2001)

2. 3 Psychological factor

Personal psychological factors, such as self esteem, have been found to play a role in the way an individual perceives and acts in his or her world

(Lowenstein, 1994). There are two type of psychology, one type is classified as psychological pleasure and the other type is called as psychological cost,

is those things that a person dislikes. (Sony Britt, John E. Grable, Brina S. Nelson Goff and Mark White, 2009)

2. 3. 1 Brand name

Brand name has a significant effect on buyers' perceived quality, value and willingness to purchase.

Brand loyalty is the uniqueness may derive from greatest trust in the reliability of a brand or from more favourable effect when the customer use the brand. Similarly, brand loyalty leads to a greater market share when the same brand is repeatedly purchased by loyal customer. It is shown that there is a relationship among the brand trust, brand effect and brand performance outcomes with an emphasis on understanding the linking role played by brand loyalty. (Arjun Chaudhuri & Morris B. Hodgson, 2001) Therefore, the company will study the spending behaviour of the customer by looking at their loyalty of the brand.

To have brand loyalty, we need to have brand equity. Brand equity is of primary importance in establishing future sales. It suggests that a firm must meet customers' expectations, which can be considered an objective assessment of the utility of the firm's products and services. Therefore, it is important that managers uncover the level of influence of various aspects of value on future sales for different customer segments in their business so that resources can be appropriately allocated, thus maximizing value equity. (Vogel, Evanschitzky & Ramaseshan, 2008)

A study had revealed that students from different faculties will have different brand sensitivity among one another. For example, students from the school of communications were found to have significantly less brand sensitivity than students in other departments. Students in the School of Engineering and Design are interested in purchasing fashion product. Students in other departments say that they are only somewhat interested in purchasing fashion products. (A. Nur Ersun & Figen Yildigim, 2010)

2. 3. 3. Role models

Role models are regarded as a potential group of people that are able to leave impact on the consumption intentions and behaviors of individuals. Role models can directly from parents, peers, relatives and celebrities. It seems that parents and celebrities play an important role in influencing young adults spending behaviour. (Ernest Cyril de Run, Mohsin Butt & Chung Yen Nee, 2010).

Parent act as primary source to convey belief and reinforce behavior of their child.. Spending behavior is one of the most important subset of a child's learning under his parents supervision. Past studies have affirmed that the experience and attribute gained from parents in childhood reflect later shopping preferences.

Yet, due to diminishing role of parent's supervision due to rapid economic growth and migration to urban area of the country, that may possibly increase the influence of celebrities. (Ernest Cyril de Run, Mohsin Butt & Chung Yen Nee, 2010).

Celebrities are individuals who achieve a certain degree of fame across or among a section of a society. Some individuals tend to follow the footsteps of celebrities to accommodate characteristics that they are lacking in their life. (Ernest Cyril de Run, Mohsin Butt & Chung Yen Nee, 2010). Because of that, they may be influenced by their celebrities in relation with spending behavior. Past researchers have shown that athlete role models are able to influence young generation's behavioral intentions, especially positive word-of-mouth regarding the product endorsed by them. (Bush and Martin, 2000)

In most companies, they will try to understand the psychological side effects because they have a number of important implications for financial services. First, there is the benefit of increased understanding of customer behaviour, which should allow greater accuracy in modelling and prediction of spending patterns across different customer groups. This knowledge would assist in planning, pricing and the targeting of product offerings. (Grag, 2001).

2. 4 Personal factor

2. 4. 1 Lifestyle

Lifestyle refers to one's mode of living, activities and opinions regarding oneself and the environment in general. It covers issues such as how one lives, what products one buys, how one uses them and one's opinion about them. A person's lifestyle is molded by one's demographic characteristics and values.

Lifestyle is a leisure activities in which individual participate. The activities may be classified as people oriented, cultural, self improvement, community

or entertainment. In regard with the number of money spent on shopping by consumer, retailers track that different shopper groups spend different amounts of money based in demographic and lifestyle characteristic. It is stated that lifestyle will have an impact on the patronage behaviour of customers in the retail market. (Anna Ashlock Magie, 2008)

Past researcher has found out that there is a significant and positive relationship between life style and spending behaviour. They will choose to buy the product which meets their interest in terms of products and price. (Yasmin Hassan, 2010)