The Bi-Directional Effects of Consumption and Well-Being; an Empirical Examination

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Consumers are motivated to consume hedonic goods for experiential enjoyment, and people’s short-lived emotions influence their buying intention. The purpose of this paper is to establish a theoretical model to investigate the relationship between consumers’ chronic well-being and their consumption of hedonic products. We propose that consumption of hedonic products is a cause as well as a consequence of well-being. Using 6 years’ data from a large national panel survey, the results suggest that leisure consumption contributes to well-being, while consumption on hedonic durables does not. Additionally, well-being fosters consumption on both hedonic products but only for meeting consumers’ intrinsic goals.

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EXTENDED ABSTRACT

The present study seeks to investigate how much people have to spend in order to achieve happiness; and how much happy people are more likely to spend. The concept of life satisfaction occupies a central place in marketing theory, and the model has been successfully applied to Quality-of-Life (QOL) issues (Day 1987; Lee, et al. 2002; Leelakulthanit, Day, and Walters 1991). However, individuals’ actual consumption has not been linked to well-being issues and fully investigated in consumer behavior.

The theoretical foundation of the present study is the integration of subjective well-being (SWB) bottom-up and top-down theories. Bottom-up theories propose that “SWB is caused by the (summation of) pleasurable and unpleasurable moments and experiences, and a happy individual is happy simply because he or she experiences many happy moments” (Brief et al. 1993:646). This suggests that an individual’s level of overall happiness is primarily predicted by his or her objective life circumstances such as the consumption behavior in this context (Feist et al. 1995). Top-down theories, by contrast, assume “there is a global propensity to experience things in a positive way, and this propensity influences the momentary interactions an individual has with the world. In other words, a person enjoys pleasures because he or she is happy” (Diener 1984:565). From this perspective, a person’s overall well-being is the cause rather than consequence of his or her experience of specific phenomena such as specific consumption experiences (Feist et al. 1995; Headey, Veenhoven, and Wearing 1991). That is, we argue there is a bi-directional causality between SWB and consumption on hedonic products. In the present study, we look at two consumption categories, that of leisure consumption and durable consumption. This is because the increases of the consumption on these two categories are the highest for the past 4 decades in the UK (Porritt 2003), and they are important to consumers in modern life.

Data for this study are from the British Household Panel Survey wave 10-15 which were collected in late 2001-early 2002 for wave 10, in late 2002-early 2003 for wave 11, and so on. The observations for these 6 waves are over 50,000. Methodologically, panel data is the way of establishing the directional causality, which is the key aspect of the present study (Graham, Eggers, and Sukhtankar 2004). In the present study, subjective well-being is measured with the inverse of the ‘caseness score’ form of the multi-item scale GHQ12, ranging from 0 to 12. It is widely recognized to be a reliable measure of psychological well-being (Argyle 1987). Leisure consumption includes a) consumption on leisure activities, entertainment and hobbies; b) consumption on eating out. Variables a) and b) are ordinal in nature and ranging from 0, 1 (under £10) until 12 (over £160). Consumption on hedonic durables is measured with consumers’ annual expenditure on each and aggregate of the 7 household hedonic electronics in the past year. Control variables include gender, age, age2, marital status, household size, number of children and pre school children, education, vocational qualification, job status and the partner’s job status, property ownership, health status, household net wealth, household annual income, and region in accordance with existing literature on consumption (Ameriks and Leahy 2002; Oropesa 1995). Random-effects ordered probit estimations and panel fixed effects estimations are employed to test the directional causations. Stata 10 is used for the data analysis in this study.

Our ordered probit estimations reveal that compared to spend nothing on leisure per month, leisure consumption at all other categories significantly affect a consumer’s well-being. For example, the increase of leisure consumption from under £10 to over £160 per month weakly decreases the probability of being less happy, but strongly increases the probability of being in the highest well-being level (by 7.25% on average). However, consumption on hedonic durables does not affect well-being. These results seem to indicate that rather than deriving satisfaction from consumption activities as suggested in existing theories, only spending on experiential hedonic products correlate with being active and social contribute to well-being.

For the other causal direction, our ordered probit estimations suggest compared to well-being at reference level 0, well-being at levels over 3 all report highly significant effects on leisure consumption. For example, when well-being increases from level 1 to 12, people are 5.63% less likely to spend nothing per month on leisure, while they are 1.53% more likely to spend £50-£59 per month. The estimates for the effects of SWB on eating out and aggregate leisure consumption reveal qualitatively similar results. Additionally, we also find that when an individual’s SWB increases from 0 to 12, the weighted average leisure consumption increased by approximately 20%. Our findings indicate compared to unhappy consumers, happy consumers enjoy more and are more likely to spend on hedonic products, but they do not tend to spend too much or buy very expensive ones. The findings seem to indicate that happy consumers spend on hedonic products primarily for meeting intrinsic goals such as intrinsic fun, regulating emotions (consumption on hedonic durables), social connectedness, and physical health (leisure consumption) which can be at no-cost or low-cost, rather than for extrinsic goals such as social comparison, material symbols, and identity seeking which are much more expensive, and they do not prefer expensive indulgent hedonic products.

Theoretically, this research extends well-being research into the consumer behavior area, and supplements the consumer literature that short-lived emotions influence consumers’ temporal buying intention such as self-gifting, impulse buying, and compulsive buying and reaction to marketing stimuli. We suggest chronic well-being has potential impacts on consumers’ general consumption behavior, especially on hedonic products, and the consumption it leads to is primarily goal pursuit and oriented. One implication for marketers of hedonic products is that happy consumers could be their target audience. Consumers can also use the results to guide their consumption behavior to improve their long-term happiness and quality of life.

REFERENCES:


