When Are Frugal Consumers Not Frugal? It Depends on Who They Are With

Seung Hwan Lee, Colorado State University, USA

Despite previous research showing that frugal consumers are generally resistant to social influences, findings from four studies reveal that when frugal individuals consume with high-spending networks, they spend more than those that consume with low-spending networks. In addition, these effects occur only in strong-tie networks and for publicly consumed products.

[to cite]:


[url]:

http://www.acrwebsite.org/volumes/1011512/volumes/v40/NA-40

[copyright notice]:

This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyight.com/.
EXTENDED ABSTRACT

When are frugal consumers not frugal? Increasing recognition by marketing researchers to understand non-consumption has sparked an interest in exploring the spending habits of frugal consumers (Bardhi and Arnould 2005; Lastovicka et al. 1999; Rick, Cryder, and Loewenstein 2008). By definition, frugality is a “unidimensional consumer lifestyle trait characterized by the degree to which consumers are both restrained in acquiring and in resourcefully using economic goods and services to achieve long-term goals” (Lastovicka et al. 1999, p. 88). It is the extent to which individuals exhibit self-restraint in their consumption behavior (Kasser 2005).

For the most part, literature on frugality has primarily focused on individual characteristics and behavior, ignoring the impact of individuals’ network (and/or reference group) on their frugal behavior. Given that consumers are often influenced by how others will judge and perceive them (Calder and Burnkrant 1977), individuals’ personal networks should play an influential role in one’s frugal identity. Personal networks can also act as reference groups for consumers. Reference groups are important because it can be an influential force in establishing social norms (Fisher and Ackerman 1998). The normative pressures that the group exerts result in high levels of influence over a variety of individuals’ decision (Feldman 1984). A major source of influence comes from consumers’ belief about how others will perceive their decisions (Calder and Brunkrant 1977).

However, previous research suggests that frugality may be an exception; it is a trait that is considered not to be influenced by social factors. Lastovicka et al. (1999) suggest that frugal consumers are more independent than the average consumer, and thus they are less swayed by their interpersonal network. Since frugal consumers are disciplined in their spending, they are better able to withstand the social pressures to be engaged in money-spending activities (Lastovicka et al. 1999). However, this research will suggest that under certain conditions, the frugality trait is malleable to social influences, especially when they are consuming with individuals from high-spending networks. More importantly, frugality may be a relative trait, rather than a constant trait as people presumed it to be. Four studies were conducted to explore this inquiry.

Study 1 was a two-way between subjects design with two measured factors, average spending of their personal network (ASPN) and frugality (scale from Lastovicka et al. 1999) (n=110). High (low) ASPN indicates high (low) spending networks. Individuals were asked to list a close group of friends whom they see on a regular basis. Then participants rated each of their friends on three seven-point bipolar items (Save Money / Spend Money, Thrifty / Spendthrift, Economical / Splurge). To calculate the degree of spending by their personal network, we averaged the scores of these three items (α = .89) for each person and then averaged the scores of friends listed (participant’s social network) to get the ASPN index. Next, participants were asked to choose an ideal meal that they would have in their outing with their friends (the friends that they listed). The results show a significant interaction between individual’s frugality and ASPN, β = -.25, t = -2.76, p < .01, f² = .07. Simple slopes test confirmed that the effect of frugality on the amount ordered was significant for those in the low ASPN groups (one SD below the mean of ASPN), b = -.41, t = -2.81, p <.01 and non-significant for those in the high ASPN groups (one SD above the mean), b = .12, t = .02, ns.

This study was replicated in a field setting using an actual social network (n=42). Instead of asking individuals to list their friends, network analysis was used to determine people’s social network. The dependent variable for this study was average monthly spending (not including rent, groceries, and bills). Consistent with study 1’s findings, there was a significant interaction between frugality and ASPN, β = -.30, t = 2.03, p <.05, f² = .11. Simple slopes test confirmed that the effects of frugality on monthly spending was significant for those in low SN groups (one SD below the mean), b = -.51, t = -2.50, p <.05, and non-significant for those in high SN groups (one SD above the mean), b = 7.80, t = .34, ns. More importantly, this study also revealed that frugal individuals in high spending networks have an inaccurate perception of their own level of frugality. Specifically, frugal individuals perceived that they were frugal, although they were not perceived to be frugal by their friends. This perhaps can explain why frugal individuals in high spending networks were willing to spend, because relatively, they may have perceived that they were spending less than their peers, thus believing that they were frugal.

The results from study 3 show that the effects of prior studies are limited to strong-tie networks, thus, introducing a boundary condition. When frugal individuals are consuming with high spending acquaintances (weak-tie ASPN), they behave according to their trait. However, when frugal individuals are consuming with high spending friends (strong-tie ASPN), they spent nearly as much as those who were non-frugal.

In conclusion, findings from four studies (two experimental, two field-based studies) reveal that when frugal individuals consume with high spending networks, they spend more than those that consume with low spending networks (Study 1). These results are replicated in a field study, but also show that frugal consumers in high spending networks were not perceived to be frugal, even though they believed themselves to be frugal (Study 2). Next, the results demonstrate that these effects occur only in strong-tie networks (as opposed to weak-tie networks), introducing a boundary condition (Study 3). Finally, these effects apply only to publicly consumed products and not privately consumed products (Study 4).

REFERENCES


