# The Elgar Companion to Consumer Research and Economic Psychology

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## Household Decision Making

### Private households

Private households consist of one or more persons occupying a housing unit. Families, in contrast, are defined by the Census Bureau of the United States as groups of two or more persons, related by blood, marriage or adoption, and residing together. While households are constituted by a single person or by a group of people of the same or opposite sex who are not necessarily intimately related, families consist of more than one member — traditionally of married spouses with children. Radical transformations have led to various forms of families: in 1991, married couples living together with one or more children represented only 26 per cent of all American families (Milardo, 1991). Single-parent families, childless couples, lesbian or gay male couples with or without children have become more frequent. Studies on economic and noneconomic decisions within the private household and family most frequently focus on a dyad or a group of more than two adults and children living in the same housing unit. The terms household and family, respectively, are used here with reference to two or more closely related persons living under a common roof.





### Everyday life within private households

Economic and noneconomic decision-making processes represent day-to-day events in households. Normative models assume that decisions can be marked by a precisely definable beginning and a clearly detectable end. Decision makers move through several specific stages, such as desire, information collection and evaluation, to end the process by selecting the best alternative among those available.

Weick (1971) leaves little doubt that decision making in everyday situations deviates markedly from the images found in normative models: people in a household solve their problems when they are all still tired in the morning, or tired again in the evening after work. Decisions are embedded in everyday family life, which in turn is interlaced with a variety of different problems. These problems often do not occur in neat sequential order, but must be solved concurrently. Household members jump from one problem to the next, often without first solving the previous one.

Economic and noneconomic decisions in private households must be considered within their overall context. Decisions are not isolated actions by partners which can be plucked out of everyday events and analysed separately. The dynamics of decisions can only be adequately understood if studied within the flow of a variety of simultaneously occurring activities.

Kirchler (1989) set up a framework for analysing decision-making processes in everyday life situations: first, interaction processes among household members are conceptualized; second, various types of decisions are distinguished, and finally, processes of decision making are designated.

### A decision-making model

*Interaction principles*

Depending on the structural characteristics of the partnership, that is, the nature of the relationship and the relative dominance of the spouses, partners' mutual interaction ranges from businesslike bartering to spontaneous altruism. The interactive behaviour can be described by four principles: love, credit, exchange, and the egoism principle.

Partners in harmonious relationships act in accordance with the 'love principle' and do so regardless of whether or not one has power advantages over the other. The more harmonious a relationship:

1. the more closely interwoven will be the feelings, thoughts and actions of the two partners;
2. the more likely it will be that the results of the decision will be optimized for the mutual good instead of being a mere cost/benefit proposition;

3. the more diverse the resources will be that the partners offer to each other;
4. the more likely the partners will be to feel responsible for satisfying each other's needs; and
5. the less they will consider and make demands on the other.

The weaker the emotional tie between the spouses and the less satisfying the relationship, the more the love principle mutates into a 'credit principle'. The partners may still make an effort to do each other favours and may show consideration towards each other; however, they always wait for a response to their efforts and favours, granting the other partner long-term 'credit'.

If the quality of the relationship falls further, the interaction starts to be guided by the 'equity principle'. The partners act more and more like two business partners. Exchange theories aptly describe interactions in partnerships of average to poor quality.

If the quality of the relationship becomes poor, power differences between the partners become more important and interaction is guided by the 'egoism principle'. The person who holds the greater power in a relationship which has 'cooled off' is the one who manipulates the exchange transactions with the other to his/her own advantage. The greater that person's power becomes, the more he/she insists on getting his/her own way.

*Types of decisions*

Economic decisions — which include money management, expenditures, saving, asset management — can be described according to (i) uniqueness or frequency of repetition of a decision, (ii) costs involved, (iii) symbolic significance in society at large of the decision alternatives, and (iv) effect of the decision on one or all members of the household. For decisions that have to be made frequently, the decision makers will have cognitive scripts which automate the dynamics of decision making. If purchase decisions relate to goods that are not particularly expensive, have little social prestige and scarcely affect the members of the household, differences of opinion between the partners can be resolved without a great deal of effort. Rather than decide jointly, a spouse may take decisions out of habit, decide spontaneously, or autonomously after some reflection. The more expensive, socially prestigious and relevant a good is for all, the more likely it is that all members of the household will participate in the decision.

Decisions which involve two or more persons can be categorized according to whether or not the partners have differing opinions on the decision. Depending on the type of disagreement, one can speak of probability, value and distributional conflicts.

Value conflicts arise when there are fundamental differences in the goals of the partners. The decision then becomes not so much a matter of solving an





objective problem, but of what one considers to be of value. Probability conflicts centre on assessments about the actual facts and options involved in a solution. A probability assessment is necessary when the partners agree on the value and the importance of an alternative, but arrive at different preferences because they have either received different information or evaluated the information in different ways. The partners are interested in analysing the situation objectively in order to determine the best alternative. A distributional conflict occurs when a decision is a matter of distributing profit and costs.

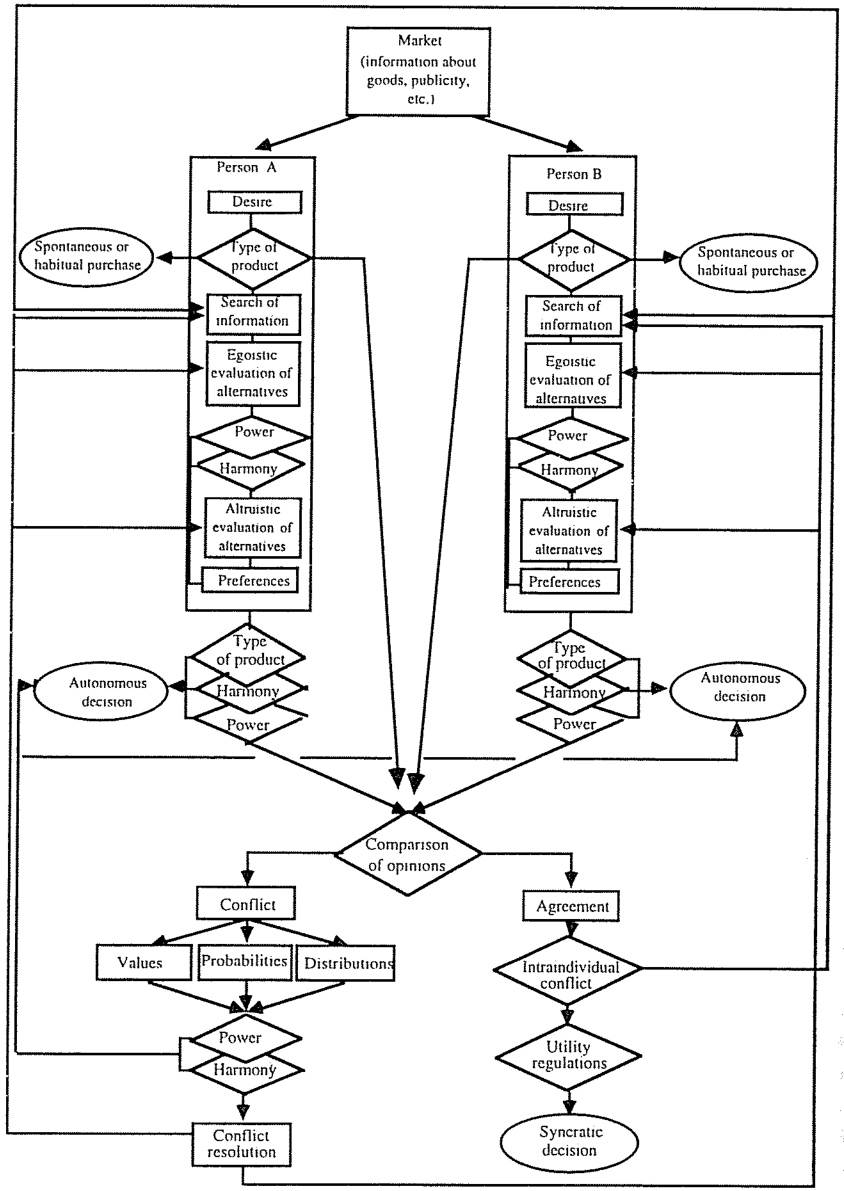
*The decision-making process*

In Figure 1, a process model of decision making is presented which refers to the purchase decisions of two adults. The model can easily be generalized to economic and noneconomic decisions and extended to a group of more than two people.

When one or more people feel certain needs, information is sought out on the goods and services available to satisfy these needs. The desire for a given good can sometimes be satisfied immediately (spontaneous purchase). In the case of frequently purchased products, a habitual purchase is made according to the cognitive programme available. If the desire arises to purchase a rarely bought good, a genuine decision-making process begins. The partner with the desire for a good can inform the other of the desire either immediately, or only after information on various product alternatives has been gathered and a preselection has been made. The active partner — the one who wants to make the purchase — can gather information about alternatives and either inform the other of his/her purchase intention or make an autonomous decision without discussing the matter with the other first. Unlike individual decisions, autonomous decisions are not made completely independently of the passive partner — the one without any particular desire to make the purchase. The active partner will assess how the good might benefit the other and try to ascertain whether the other would consent to the purchase and then consider these factors in the final decision.

If the good is not bought on impulse, as a habitual purchase or as the result of an autonomous decision, a decision-making process between the partners begins. After one or both partners have collected information on possible alternatives and assessed them to determine how suitable each would be to meet the need at hand, the degree of satisfaction with the alternatives is estimated and a choice is made. The partners may differ in their interests and in the amount of information they have, so that disagreement arises.

Within disagreement situations, there are always two goals existing side by side. It can be assumed, on the one hand, that individuals want to satisfy their egoistic needs and on the other, that they do not want the relationship to suffer as a result.




*Source*: Based on Kirchler (1989: 14).

*Figure 1: Descriptive model of purchase decisions within private households*





The more satisfied the partners are with their relationship, the more likely their interaction processes will be guided by the love principle and that each will weight the other's anticipated satisfaction with the product as equally important to or more important than his/her own satisfaction. In credit or exchange relationships, weight is given either to one's own satisfaction or to that of the partner, depending on whether the partner is owed something or owes something. In egoistic relationships, only one's own satisfaction is considered.

For partners to know what each other's preferences are, they have to discuss the matter. In arduous, sometimes stubborn, discussions an attempt is made to influence the divergent viewpoints of the other side and thus arrive at a joint decision. The influence tactics for swaying another's preferences vary according to whether the conflict involves an assessment of probabilities, value issues, or the distribution of amenities. They can entail objective or normative techniques, attempting to persuade the partner through promises or intimidating the partner through threats. Kirchler (1993) identified 18 influence tactics (Table 1). Spouses were found to use different tactics depending on the type of conflict and the quality of their relationship.

Tactics are applied to influence the other. Influence, spouses' roles and determinants in economic decisions have been the main focus of marketing and consumer research on household issues (Engel, Blackwell and Miniard, 1995). A brief review on roles and sources of influence is presented in this section.

If the partners manage to resolve the conflict and reach agreement, the decision-making process is still not over. First a check is made to see if the purchase of a good is in any way asymmetrical in terms of the utility it brings. If one partner benefits substantially more from the purchase than the other, 'utility debts' are created. For example, if one partner wishes to buy an expensive article of clothing, he/she will seek the consent of the other partner. If the choice of the one partner coincides with the taste of the other and the latter agrees to the purchase, the purchase is made. Although both partners have opted for the same article in the range of clothing offered, the partner who will wear the article has still incurred utility debts in making the purchase. The next time the other partner desires to make a purchase, he/she can expect to receive the other's consent, depending of course on the internal rules regarding overall utility differences within the relationship.

Once agreement has been reached on the utility debts, nothing more stands in the way of a final decision and the decision-making process is over, except for the post-purchase phase.

**Marital roles**

Which partner has most say in economic decisions and how does influence vary with product categories? What are the determinants of influence? These questions have been addressed most frequently by marketing scholars who have asked spouses who in the household initiates a decision, who collects information about alternatives, who takes the final decisions, and who uses a certain good. As concerns purchase decisions, it is reasonably established that spouses' roles differ considerably among decision topics, decision stages and relationship characteristics.

*Table 1: Influence tactics*

*Persuasion tactics*
1. Positive emotion (manipulation, humour)
2. Negative emotion (threats, cynicism, ridicule)
3. Helplessness (acting helpless or ill, crying)
4. Aggression (constraints, hurt, violence)
5. Rewards (offering services)
6. Punishments (withdrawing resources)
7. Insisting (insisting, discussing until the other yields)
8. Leaving the scene (resigning, yielding, leaving the scene)
9. Overt information (talking openly about one's interest)
10. Distorted information (lying)
11. Indirect coalition (reminding the other of children's needs)
12. Direct coalition (talking in the presence of others)

*Conflict avoiding tactics*
13. Deciding autonomously (taking a decision without talking to the partner)
14. Deciding according to roles (deciding autonomously according to role segregation)
15. Yielding according to roles (the partner decides according to role segregation)

*Bargaining*
16. Tradeoffs (bookkeeping, reminding others of past favours)
17. Integrative bargaining (searching for an optimal solution which satisfies both partners)

*Reasoned argumentation*
18. Reason (talking in an emotionally neutral and objective way, logical argumentation)





Empirical studies dispel some of the conventional wisdom that views the world of supermarket purchase as women's domain. Husbands are aware of many brands in many product categories and are also involved in actual purchasing, although wives clearly predominate. Purchases of food, cleaning products and kitchenware were found to be wife-dominated. The husband's influence is greater with technically complex items (for example, cars, television and VCRs) and joint decisions are most likely if expensive, socially visible goods are at stake, such as vacations, housing or children's education (Davis, 1976; Engel et al., 1995).

One of the most important sources of influence is gender norms. Societal norms prescribe which decisions a spouse should make: in the past, the husband was accorded legitimate power to make decisions concerning extrafamilial matters and working life, whereas the wife was supposed to govern household activities and childrearing. Changing societal norms in Western industrialized countries have led to a more symmetrical or egalitarian role structure which might result in higher interdependence rather than autonomy of the spouses in decision situations.

Besides societal norms, explanations of influence have been derived from relative resource contributions theory. Blood and Wolfe (1960) suggested that the spouse who contributes most to the common budget exercises the greatest power in economic decisions. This suggestion has stimulated extensive research both supporting and contradicting the theory. In the 1950s and 1960s, relative resource contributions were frequently found to determine spouses' influence. Today this seems no longer to be the case: the main determinants of influence are partners' interest in the decision outcome and knowledge. Evidence indicating that a spouse's relative preference intensity for a good and relative expertise make the strongest contributions to relative influence comes from Corfman (1985) and Kirchler (1989). Recently, also, decision history has been addressed as an explanation for influence. Obtaining one's own way can be conceived to be a highly appreciated outcome accredited by the submissive spouse to the other. Winning a decision not only leads to a valuable outcome, namely the fulfilment of a purchase desire, but also may be thought of as a highly attractive resource in itself. Having one's way in decisions is an intangible resource which needs to be balanced between the partners. According to reciprocity rules, the partner who had the say in the past decision or who took the highest profit has accumulated debt and needs to pay back to the other by yielding to the other's desire in a later decision.

ERICH KIRCHLER

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## Household Life Cycle

Individuals and families undergo certain life status changes, for example, marriage, dissolution of marriage, death of spouse, birth of first child, that often significantly alter relationships. Historically referred to as the family life cycle, this concept has been guided mainly by the developmental perspective in both the sociological and consumer behaviour literature. These transitions are thought to be associated with distinctive changes in expenditures for goods and services. For example, newly married couples with no children have been reported to be particularly likely to purchase cars and sensible furniture; arrival of a child, especially the first child, is said to stimulate purchases of washing machines, dryers, plus the assortment of baby-orientated products.

In their pioneering work, Wells and Gubar (1966) proposed that most households pass through an expected and orderly progression of stages: bachelor, newly married couples, newly married couples with dependent children, older married couples with dependent children, older married couples with no dependent children at home, and solitary survivors. However, this traditional conceptualization has been criticized for being overly reliant on the developmental approach and for being estranged from contemporary societal makeup. Regarding the first point, the 'normal' progression from single to married to married with children is seen as neither normal nor desirable by a substantial number of people who opt instead for alternative household arrangements, spending long periods — sometimes their entire lives — as singles



or as couples in either opposite sex or same sex relationships without formal marital status. With respect to the second criticism, the traditional life-cycle model fails to incorporate the significant effects on family composition of recent demographic shifts. For example, the delay of time at first marriage in the US and other developed countries has increased the amount of time that both men and women spend in the single stage. High divorce rates in many industrialized nations similarly have prolonged the time spent in some type of singles household, thus directing attention to nontraditional categories not recognized in the traditional life-cycle model. Moreover, changing marital status in industrial societies creates pressure for a household life cycle model that accommodates recycling as families are created through marriage, dissolved through divorce, and recreated through remarriage. These and other reservations about traditional life cycle models prompted Murphy and Staples (1979) to propose the 'modernized' life cycle model shown in Figure 1. This revised model accounts for a higher number of people than did the traditional model and more appropriately reflects changing demographic trends.

The shift away from a strongly developmental approach has also prompted calls for a more appropriate name and the concept is now more commonly referred to as the household life cycle. Whether the concept involves 'stages' (implying a type of flow) or categories is also a subject of debate. The term 'stage' is adopted here for discussion purposes only.

The principal question of interest from a consumer behaviour perspective is whether purchasing behaviour in the household can be systematically related to specified transitions in family situations, even after considering the effects of other potentially influencing variables such as income. Work by Modigliani and Brumberg (1954) sought to relate expenditures to a life cycle of income which incorporates current income as well as longer-term considerations of wealth. Lansing and Morgan (1955) documented changes in the use of credit over the life cycle.

Efforts to confirm that systematic changes in expenditures can be linked to the household life cycle are greatly facilitated through the use of large data sets not typically found in academic research. As a consequence, studies of this concept are often restricted to small samples, investigate only a few products or services, and/or focus on individual stages or categories of the life cycle. These limitations notwithstanding, there is empirical support for the notion that household spending is significantly influenced by the transitions embodied in the household life cycle. For example, housing consumption decisions have been found to be especially influenced by two stages: the formation of families through marriage and the entry of children into school. Until recently, the most comprehensive research in this area was Wells and Gubar's identification of four groups of products for which life cycle discriminated better than age. The