

CHAPTER TWO

LITERATURE REVIEW

This chapter begins with review of the literature on compulsive buying behaviour. The definition and explanation of the phenomena are examined followed by an account of its empirical studies. Next, a review of the literature on attitude towards money is discussed. Various money attitude measures and empirical findings are highlighted.

What is Compulsive Buying?

Compulsive buying is a negative or abnormal consumption behaviour. It causes an individual to continually make purchases regardless of financial, social or psychological consequences. If compulsive buying is a form of compulsive consumption, it should appear as chronic, repetitive purchasing that occurs as a response to negative events or feelings, the alleviation of these negative feelings is the primary motivation for engaging in the behaviour (Faber and O'Guinn 1992, Scherhorn 1990, Valence et al. 1988).

Compulsive buying had been recorded in the early 1900's in psychiatric literature by Kraepelin (1915) and Bleuler (1924) and was referred to as oniomania, or buying mania. They characterised this problem as buying that was impulsive, excessive and uncontrollable. Compulsive buying may be viewed as part of a broader category of compulsive consumption behaviours. According to American Psychiatric Association (1985), compulsions are repetitive and seemingly purposeful behaviours that are performed according to certain rules or in stereotyped fashion. Compulsive buying is classified as an extreme form of consumption behaviour. Faber and O'Guinn (1988) defined compulsive consumers as people who are impulsively driven to consume, cannot control this

behaviour and seem to buy in order to escape from other problems. Edwards (1992) defined compulsive buying behaviour as a chronic, abnormal form of shopping and spending characterised, in the extreme, by an overpowering, uncontrollable, and repetitive urge to buy, with disregard for the consequences. Compulsive buying is also seen as a chronic form of compensatory consumption behaviour in an extreme form Woodruffe (1997). D'Atous (1990) investigated the nature of compulsive-like buying behaviour in the general consumer population, providing a less extreme definition of compulsive buying "as a generalised urge to buy".

Compulsive buying is distinguished from functional buying by the following characteristics: the items are not bought for their intrinsic value, there is denial to negative consequences of the actions, it is disruptive to the individual's life, repeated failures in attempts to control the behaviour, and an urge or drive to buy (O' Guinn and Faber 1989, Valence et al. 1988).

Compulsive buying is the result of dysfunction in any or all of the following processes: heredity, family of origin, psychological and society (Faber 1992, Hirshman 1992, Scherhorn 1990, Valence, d'Atous and Fortier 1988). University of Minnesota (Arthur 1992), researchers identified three types of compulsive shoppers. Binge Buyers spend money as a response to an upsetting event, they are episodic buyers who binge only a few times a year, but each encounter involves spending a lot of money. Daily Shoppers must shop at least once a day and they often shop all day. They might not spend much at any one time but they spend constantly. Multiple Buyers are compelled to make multiple purchases of the same item, whether they need it or not. At least some of the items they purchase are not needed or never used. Some hide new purchases or never even take purchased item out of its packaging. The items purchased do not appear to be capricious. Certain classes of products are purchased much more frequently among compulsive buyers than others. These include clothes, jewellery, electronic equipment and collectibles (Christenson et al. 1992, Faber 1992). However, these compulsive shoppers have one common characteristic; they invariably run up large accounts of consumer debt in the mistaken notion

that they can find the money to finance their addictive shopping behaviour. Kaye (1991) identifies that compulsive spenders come in two varieties: those who spend on themselves and those who spend on others with the motive of covering up inadequacies. The spending motivation is the anaesthetic for the pain.

According to a study by the School of Journalism and Mass Communication at the University of Minnesota (Arthur 1992), 6% of Americans fit the compulsive shopper profile and 60% of spending addicts being women (Arthur 1992). 80% of U.S. households are carrying some type of consumer debt with 14% of credit customers admitted to falling behind their payments according to the University of Survey Research Centre. The problem is pervasive for it is estimated that 10% of the American population can be classified as compulsive buyers. (Hanley and Wilhelm 1992). In another similar study on Mexican consumers, nearly 7% of Mexican young adults were identified as compulsive buyers (Roberts and Martinez 1997). In an Asian environment, it is estimated that 1.8% of the Singapore population suffer from compulsive shopping disorder (The Sun 2001).

Compulsive Buying Behaviour

For most people, buying is just a small part of their everyday routine. However, for others, buying can become an all-encompassing, central part of their life. They experience uncontrollable urges to shop or buy. This urge creates a mounting anxiety or tension that can only be relieved by buying. However, this relief is usually only temporary and over time, this addictive buying behaviour can lead to severe emotional, financial and interpersonal consequences (Faber 1992). Compulsive buying behaviour is an enigma in the marketing world, for here is a behaviour which the literature and consumers consider as normatively wrong, yet which accounts for a substantial volume of the goods and services sold every year across a broad range of product categories (Roberts 1998, D'Atous 1990).

A typology of compulsive buying behaviour has described this type of consumption as a pathological mania or addiction arising from psychosocial phenomena such as generalized feeling of alienation and the weakening of self-esteem. Characteristics of compulsive buying behaviour are acquisition of an obsessive desire and a compulsion to consume, personal dependence and loss of control and tendency to increase the consumption of a product (Valence et al. 1988). They identified three forces that combine to form the basis for the process of engaging in the compulsive buying act i.e. a strong emotional activation, a high cognitive control and strong reactive behaviour. The compulsive consumer tries to reduce psychological tension and sees the buying act as a means to reduce the tension or anxiety. Often, the desire is not to seek the possession of the goods, but rather the automatic reduction in a state of tension.

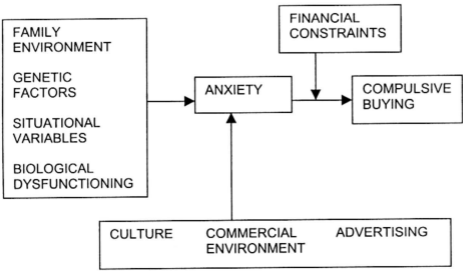


Figure 1: Compulsive Buying Behaviour: A Conceptual Framework

Source: "Compulsive Buying: Concept and Measurement", *Journal of Consumer Policy* (1988), p 424.

Figure 1 presents the factors that are believed to explain compulsive buying behaviour. *Anxiety* is the central factor because it provokes a spontaneous action and drives the consumer to reduce the tension. The *personality-situation* interaction predisposes the person to anxiety. Both *family environment* and *genetic factor* shapes consumer personality. The *biological dysfunction* factor takes into account the fact that action may result in part from the absence of a chemical substance (serotonin) produced when cerebral activity is stimulated. The *socio-cultural environment*, including *culture*, *the commercial environment* and *advertising activities*, acts as a general cause. Finally, *financial constraints* can block the advent of compulsive buying behaviour and lead the person towards other excessive consumption modes.

Empirical Findings

Consumer research in compulsive buying only began to receive much attention in the late 1980's. Recent discussions of this problem have also appeared in the consumer behaviour literature. All of the compulsive buying research has centred on defining and explaining the phenomenon. Research on compulsive buying began with work by Faber and O'Guinn (1988, 1989) and Valence et al. (1988). Many theories have been proposed to study the aetiology of compulsive buying behaviour and disorder focusing on family, biological, physiological or sociological causes. Researches on compulsive spending in the adult population have focused largely on self-identified samples of compulsive buyers (Faber and O'Guinn 1992, Black 1996). However, recent studies have investigated the antecedents and consequences of compulsive shopping in young adults (Roberts 1998, Mowen and Spears 1999, Roberts and Martinez 1997). They termed them as shopping addicts or 'shopoholics'. 6% of the college students sampled were classified as compulsive buyers (Roberts 1998) and in another similar study, nearly 7% of Mexican young adults were found to be compulsive shoppers (Robert and Martinez 1997).

Some empirical studies have yielded interesting findings about factors related to compulsive buyers. Fierman (1995) says compulsive spenders are self-medicating their depression by spending compulsively. They act of buying makes them feel important, attractive and fulfilled. It helps some reconnect their feeling and others to escape them. They look forward to the attention paid to them by appreciative salespeople and they revel in the moment when the sale is consummated. Natarajan and Goff (1991) view purchasing behaviour on a continuum based on motive and control. Compulsive buyers are those high on motive and low on control. They have also been found to have lower self-esteem (O'Guinn and Faber 1989).

Studies have also shown that females are more likely than men to exhibit compulsive buying behaviour (Christensen, 1992; O'Guinn and Faber, 1989). Women were identified as the key perpetrators of compulsive buying making up some 80 to 90% of the country's compulsive buyers (Roberts, 2000). This is due to the way women socialise. Shopping and spending money have long been socially acceptable ways for women to reduce stress and tension. However, Hira and Mugenda (2000) found that gender differences were significant in among those who reported being involved in various problem-buying behaviours. Twice as many women as men reported buying without need, buying things they would not need and making unplanned purchases, all to some extent are indications of compulsive-like buying behaviour. A significantly higher number of women compared to men reported buying as often as they could, shopping as a method of celebrating, demonstrated an inability to resist sales and agreed that spending habits created chaos in their lives. Woodruffe (1997), in her study on compensatory consumption as a link to compulsive spending, showed that women go shopping because they are fed up and engage in compensatory behaviours like self gift-giving to make up for perceived inadequacies or emotional deficits.

Sociocultural environment has been cited as one of the many factors in the creation of compulsive buyers. Valence et al. (1988) suggests that culture, commercial environment and advertising are three components that make up the

sociocultural environment factor that contributes to compulsive buying. It was reported that credit cards and advertising aimed at youngsters other than women who shop to reduce stress were also contributing to America's compulsion to spend. Compulsive buying have passed from the Baby Boomers to Generation X and to Generation Y. This was supported by evidence of a new record of personal bankruptcies which exceeded US\$1 million in 1998 and savings rate declined to negative 1.3% in 1999 as well as growing credit card debt. Excessive use of credit cards has been identified as one of the causes of increase in compulsive buying. Credit cards drive a buy-now, pay-later mentality especially among college students. An article in the popular press has also noted that compulsive buying and high credit card debt were major problems among young people (McBride 1997). In a study by Roberts (1998), of the 19% of the college students who were identified as compulsive spenders, 67 % were female. The study showed college students were more likely to buy now and pay more for certain products when a credit card logo was present. The Internet has also aggravated the problem of compulsive shopping with the ability to use credit cards 24 hours a day, 7 days a week is even encouraging light shoppers, like men, to make more purchases.

A large number of constructs have been linked to compulsive buying behaviour. Past research have shown that compulsive buying tendencies correlate negatively with self-esteem as well as age and positively with the extent of irrational credit card usage (D'Atous 1990). Her study also showed that women tend to be higher on compulsive buying than men and compulsive-buying tendencies may originate in people's early consumption experiences. She further suggested that compulsive consumption appears to exist on a continuum. Rindfleisch, Burroughs and Denton (1997) studied the relationship between family structure and compulsive consumption. They found that young adults brought up in disrupted families were more materialistic and exhibit higher levels of compulsive consumption than young adults that have grown up in intact families. The amount of resources available within the family and the degree of family stress mediated this relationship.

Using a hierarchical approach, Mowen and Spears (1999) investigated the surface traits of compulsive buying among college students. Their findings showed that compulsive buying behaviour was associated with low self-esteem. They also concluded that individuals who have difficulty controlling compulsive buying might also reveal a lack of organisation, precision, and efficiency in their daily lives. However, they also found that respondents who suffered from uncontrolled shopping behaviour exhibited tendencies to be kind-hearted, sympathetic and were not rude to others. A research in finance looked at the psychological side of spending behaviour and identified compulsive spender as an extreme form of money personality. Carrier and Maurice (1998), both financial planners, showed that obsessive spending behaviours were inherited from money behaviours. It appears that the culture today seems to be gauged by not what people are but what they have. If there is inadequacy, real or imagined, in a person, money might well provide the anaesthetic. People who are addicted to money and possessions usually have severely damaged egos. Possessions give them identity. As Kaye (1991) writes, "*Many people are caught up in the use of money as a way out of their problems. People with compulsive spending habits do not buy because they like to buy; buying is their only way to feel good. It is their fix*".

What is Money Attitude?

Money is important. We talk, think, argue and dream about it. It consumes vast amount of psychological and emotional energy as cited in the famous phrase, "Money makes the world go round." Money is an object - an inert thing. It is a medium of exchange and has objective functions, that is, it is used to acquire goods and services, serve as a unit of account and a standard for deferred payment.

In the conventional economic perspective, money is viewed as utilitarian commodity that is ordinary, impersonal and neutral. It is profane, with only

quantitative meanings. But, of course, money has subjective and affective meanings as well. People develop attitudes and behavioural tendencies toward it. We, as individuals, project our own definitions onto it, and societies have rules and regulations, as well as social norms, that dictate its use (Belk and Wallendorf, 1990). Money is probably the most emotionally meaningful object in contemporary life. In other words, satisfaction with most aspects of one's life is consistently and positively related to one's financial holdings. This is true across gender, age, social setting and culture.

The perspectives that present more emotional and meaningful representations of money are found in psychology and sociology. Psychologists examine how money is related to one's self-concept, identity and self-esteem (Prince 1993) and how different money attitudes are associated with different personality typologies (Furnham 1996; Doyle 1992). Sociologists argue that money is socially and contextually defined and reflected in cultural norms and values. The source of money, for instance, pay for labour or a gift, as well as how it is used, for instance, for purchase or charity, can influence these perceptions. (Baker and Jimmerson 1992). Some commonalities that emerge from the findings of these disciplines are that money has affective, symbolic and behavioural components. The affective perspective shows that some people see money as good, important, valuable and attractive, whereas others see it as evil, shameful, useless and dishonest (Tang 1992,1993). Symbolically money is often associated with symbolic attributes humans strive for such as achievement and recognition, status and respect, freedom and control and power and accomplishments and it often engenders status and respect from others (Tang 1992). Money can provide the luxury of time, autonomy and freedom of choice as well as power and access to resources. The behavioural components focus on actions such as saving or investing money. Thus, it is apparent that different people perceive, value and treat money differently. The causes of these differences are often attributed to contextual or environmental factors such as societal norms, the source and use of money (Zelizer 1994).

There are individual differences in the meanings people attach to money. Attitude towards money is about understanding what money means to different people and how it influences their behaviour. It is established fairly early in one's childhood and is maintained-in professional life. Money attitudes are also know to be correlated with the economic development of the nation and related to the motive to outperform others. Materialism, is also highly related to a person's attitude towards money (Tang and Kim 1999). Money can be considered either a powerful motivator to increase productivity for some people or just a hygiene factor for others. Money attitude is therefore important in our everyday life as it determines in part, our consumption behaviour.

Money Attitude Measures

In the money and individual-differences measurement literature, several money attitude measures have been developed such as the Money Attitude Scale (Yamauchi and Templer 1982), the (Tang 1992,1993), and the Money Belief and Behaviour Scale (Furnham et al. 1994). The original Money Attitude Scale (MAS) by Yamauchi and Templer (1982) consists of 62 belief statements that subjects rate on 7-point Likert-type scales and factor analysis resulted in four dimensions of money attitude: power-prestige, retention-time, distrust and anxiety. Gresham and Fontenot (1982) modified the original MAS to 34 items and generated four money attitude factors using factor analysis. The factors are power-prestige, retention-time, distrust-anxiety and quality.

The Money Ethics Scale (MES) developed by Tang (1992,1993,1995) measures the ethical meaning people ascribe to money. The scale contained 30 declarative statement-type items (7-point Likert-type scales) and a factor analysis produced six factors: good, evil, achievement, respect, budget and freedom. Furnham's (1984) Money Belief and Behaviour Scale (MBBS), composed of 60 belief statements is based on the original MAS. It is designed to represent a set of factors that reflect behaviour and beliefs about money. Using factor analysis,

six factors were obtained: obsession, power, retention, security, inadequacy and ability. Other scales used to measure money attitude include Modified Semantic Differential (Wernimont and Fitzpatrick 1972) and Money in the Past and Future Scale (Bailey and Lown 1993).

Empirical Findings

Money has been a central research topic in many financial and economic studies but some writers argue that research on money as an individual-difference variable has been neglected (Furnham and Argyle 1998). The role of individual differences and personality traits is clearly important in the study of money attitudes and behaviour. The most prevalent research done on money attitude measures has been some estimate of a person's attitudes or beliefs about money and then associates this score or response with other attributes about that person. There are a few studies that correlate money attitudes or behaviours with other personal attributes that are close in conceptual meaning. These studies show that people who value money highly and take risks with it have higher scores on attributes like sensation seeking, materialism, competitiveness and control (Richins and Rudmin, 1994; Wong and Carducci, 1991).

Empirical research on the psychosocial aspects of money have focused primarily on the influence of demographic and personality variables. Wernimont and Fitzpatrick (1972) found values concerning money differ across work experiences, socio-economic status and gender. Yamauchi and Templer (1982), who developed the original MAS, claimed that attitude towards money is essentially independent of a person's income. In contrast, Furnham (1984) found differences in money attitude across income groups. His results showed that people in lower income groups were both obsessed by money and more likely to use money for power. He also found differences in gender, age and education levels. Findings showed that females are more conservative and security conscious than males, that younger people tend to use money more as a means

of power than older people and that less educated people tend to be more obsessed with money than the better educated. Similarly, Gresham and Fontenot (1989) confirmed the impact of gender on money attitude. His study revealed that men scored higher than women did on Power/Prestige, Distrust /Anxiety and Quality money attitude dimensions but both groups show no significant differences regarding their financial preparation for the future i.e. Retention/Time dimension.

Tang (1992, 1993) found associations between age and attitude towards money. Income, work ethic, social, political and religious values have a strong influence in how people perceive money. In a subsequent study, Tang (1993) found differences and similarities in their attitude towards money between samples of Taiwanese and American workers. A study by Medina, Saegert and Gresham (1996) compared attitude towards money between Mexican- and Anglo-American consumers. Using MAS, his findings concluded that Mexican-Americans scored lower than Anglo-Americans on Retention/Time and Quality dimensions whilst no differences were found between the two ethnic groups for Power/Prestige and Distrust/Anxiety dimensions.

Mitchell (1999) discussed that individuals differ in the meanings people attach to money by relating money as a motivator and how attitudes about pay influence behaviour. In a related study on Asian management style, Lee and Lim (2001) examined the extent to which individuals' attitudes towards money and work are affected by their country's economic performance. A comparative study was made between Singaporean and Thai youths' attitude towards money and work before and after the July 1997 Asian currency crisis. The study cited that given a negative financial situation as a result of the Asian financial crisis, Thais were found to engage in more activities to gain respect from others, more appreciative of their accomplishments and prouder of their financial victories but they are more cautious about spending money and more obsessed with money compared to Singaporeans. In another lifestyle research on Singaporeans attitude towards money and credit, it was found that most Singaporeans agreed money as powerful, able to solve most people's problems and they prefer money

to leisure but were cautious about credit purchases and viewed financial security as very important (Tan et al. 2001).

Few research studies have investigated the role money attitude plays in compulsive buying. A recent study by Roberts and Sepulveda (1999) investigated the role money attitude influence compulsive buying behaviour on Mexicans using the original MAS (Yamauchi and Templer, 1982). Five money attitude dimensions were generated from the factor analysis conducted: power-prestige, retention-time, distrust-consumer competency, anxiety and bargain-conscious-compulsive, as a new dimension. The study revealed that money used as a tool to influence and impress others was a consistent theme across the American and Mexican cultures. Attitude regarding anxiety over money was found to have significant impact on compulsive buying among Mexican consumers. Other recent investigations have also uncovered association between money and compulsive buying behaviour (Hanley and Wilhem, 1992). The study showed that money reflects a symbolic ability to enhance an individual's self-esteem and is directly associated to compulsive buying since these buyers engaged in addictive consumption in order to raise their self esteem.