Social Decline and Consumption
Emotional and Behavioural Coping Strategies of Members of the Middle Class in Cases of Financial Loss*

By Eva Wendt

This study pursues an as yet understudied question which is gaining academic as well as societal relevance due to the increasing precariousness of income- and family-biographies: What are the individual effects of decreasing financial resources and how do individuals cope with them? Drawing on insights from poverty studies and consumer behaviour research, this study adopts the empirical, problem-oriented approach of interviewing affected individuals. This method sheds light on emotional and problem-oriented coping reactions and allows identifying strategies of alternative need satisfaction. The results are then contextualised, interpreted and discussed against the background of theoretical approaches from neighbouring disciplines.

1. Research problem

Financial resources play an important role for the individual and for society, especially in consumer societies like Germany. This article pursues the question how a distinctly noticeable reduction of individual financial resources caused by social decline affects consumer behaviour.

We can speak of a noticeable reduction of financial resources when the individual experiences a relative deprivation in his/her material situation, which makes a constraint of consumption necessary — at least from an objective point of view. Such financial loss, however, does not necessarily lead to permanent poverty. This article explores how individuals react emotionally and behaviourally to reductions in freedom of consumption and choice, what coping strategies they develop and what factors influence this development.

To date, this question has been understudied although the recent financial crisis has lead to more people — increasingly from higher social strata — being confronted with ever more precarious income situations and family biographies. Simultaneously, this question is becoming ever more relevant from a societal as well as an academic point of view. For a society, financial resources decisively determine the extent to which its members can freely partake in the affluent society. According to the „Sozialstaatsgebot“ of the German Basic Constitutional Law (Article 20, para. 1) the German state is to maintain a subsistence level to ensure social participation for all strata. The questions of how to define an adequate subsistence level and what financial resources are needed to finance it, are still not decided and need further research. However, the scarcity of financial resources is also highly important from a business and marketing perspective. In times of growing competition, companies cannot afford to neglect the consumption habits of an ever growing — and increasingly more heterogeneous — group of consumers.

2. The state of current research and aim of the study

Financial resources are widely considered to be an indispensable precondition of need satisfaction in the market place and are thereby also key determinants of consumption. However, we still know very little about how consumption habits change as a reaction to reduced financial resources caused by social decline.

Academic insights about the „scarcity of financial means“ in Germany can be primarily found in the sociological „poverty studies.” Recent, dynamic poverty studies (Buhr 2001; Leibfried et al. 1995) show that the risk of having to cope with reduced financial means no longer affects only marginal groups or a fixed class of the per-
manently underprivileged (Zwick 1994, p. 11). In fact, this phenomenon extends to ever more parts of society and has reached the middle-class (Klocke/Hurrelmann 2001, p. 11; Leibfried et al. 1995, p. 9). However, financial scarcity is rarely a permanent condition but rather an episode in the individual curriculum vitae (Krause/Wagner 1997, p. 82). Thus, temporary unemployment and poverty or the short-term reduction of income occurs often while the problematic condition of long-term poverty is a relatively rare phenomenon (Buhr 2004, p. 14; Bundesregierung 2005, p. 24). Processes of individualisation and the pluralisation of lifestyles in recent years have intensified the number of factors leading to „episodes of financial scarcity“ occurring at different times in people’s lives. The most important causes of financial scarcity are: unemployment, low-income employment and the phenomenon of the so-called „working poor“, retirement as well as changing family situations: separation or divorce, taking on the role of single parent and addition to the family (in more detail see Wendt 2010, p. 40 ff.).

The few existing, US-American studies in „low-income consumer research“ [1] give us some insights into how people deal with scarce or decreasing financial resources. „Low-income consumers“ are defined as individuals whose financial resources or incomes do not allow them to purchase the necessary goods and services for an „appropriate“ or „socially acceptable“ standard of living (Hamilton/Catterall 2005, p. 627). The foci of these studies are on (1) restrictions of exchange (an imbalance of power in exchange between provider and consumer to the disadvantage of poorer consumers), (2) negative (physical and psychological) consequences for the disadvantaged and (3) emotional and behavioural coping strategies. However, these findings have only limited transferability for the problem discussed in this paper. The basic economic and societal conditions in Germany and the USA are too different. For instance, in order to prevent or reduce hunger and homelessness, the German welfare state system generally guarantees everyone the right to government aid. Thus, as a general rule in Germany, unlike the United States, the basic needs of all socially deprived are met (Klocke/Hurrelmann 2001, S. 12). Also, the American studies follow a predominately static perspective focusing on severely and thus mostly permanently – as opposed to newly – deprived consumers.

Sociological research also provides insights into how individuals cope with financial loss(es). This research mainly focuses on how a significant loss of income leads to a fundamental change in behaviour as well as its psychological and social consequences (Andreß 1999, p. 47; Hess et al. 1991). Concrete consumer behaviour is less often chosen as a central theme, however. To date, marketing studies have predominantly dealt with the consequences of significant and permanent financial deprivation. They have only marginally included sociological poverty research and its consequences for the consumer. The topic of significantly reduced financial resources therefore carries substantial potential for future research.

This study aims at exploring how members of the middle class cope with a significant (often temporary) loss of their individual financial resources. Relevant questions to be addressed in this study are for example: What are the emotional and behavioural consequences of financial loss? What are its consequences for budget allocation of the consumer? What modifications does it cause in the decision-making process of the consumer and his spending behaviour?

3. Methodological approach and documentation of the empirical study

The objective of this study is to explore the consequences of a significant financial loss for the individual. Due to the overall weak state of research in this field, this study analyses the research question according to an explorative and thus qualitative method. Whereas quantitative methods serve to verify hypotheses, qualitative techniques are generally intended to generate new hypotheses (Flick 2007, p. 43 f.). Furthermore, qualitative methods offer some advantages in comparison to quantitative techniques. Qualitative research is more appropriate to incorporate the complexity of human behaviour (Kauf 2007, p. 45). It rather allows to identify a correct set of patterns of behaviour (Lamnek 2005, S. 384).

The most suitable instrument for the research question of this paper seems to be the problem-oriented interview (Witzel 2000). It is a discursive and dialogue-based interview giving the interviewee freedom and allowing the interviewer to conduct a detailed and goal-oriented inquiry into the interviewee’s „specific problem“ (Kurz et al. 2007, p. 465). In this kind of interview, insights are the result of a balance between inductive and deductive factors trying to combine theory-based approaches with openness (Witzel 2000).

Qualitative studies do not necessarily aim to achieve a random sample (Helfferich 2005, pp. 152; Kurz et al. 2007, p. 468; Lamnek 2005, p. 386). In cases, where the members of the target group are not registered and/or not willing to talk, researchers use a convenience sample (Weiss 1995, S. 24). Due to limited access to the relevant population, this study is based on a convenience sample. The strong financial decline or rather its individual perception by a person is the only precondition sine qua non for being included in the sample. Financial decline is defined as a noticeable reduction of individual financial resources, which is perceived by the individual as leading to a reduction of consumption opportunities.

The interviewees were recruited via newspaper ads, credit counselling, charity organisations and a Berlin-based secondary school, among other. The allowance for participating in this study was twenty Euros. Twelve of them proved open to the interview as well as suitable for the study. According to Zaltman/Higie (1993) this number is sufficient to shed light on the relevant aspects of a research question. According to Weiss (1995, p. 21) a sam-
ple is sufficient if new interviews lead to redundant information or deliver only little new insights. Since the last interviews revealed little new information, the sampling concluded with twelve subjects.

As can be seen in Tab. 1, the interviewees are middle aged men and women

- all of whom except for one hold at least a high-school degree from college-preparatory schools (Abitur)
- six of whom hold a university degree
- eight of whom raise – alone or with a partner – at least one school-age child
- all of whom had to cope with significant financial losses during or before the time of the interview (due to failed self-employment, divorce, unemployment, changed labour agreement, reduction of working hours).

The problem-oriented interviews lasted between one and a half and two hours and followed a guideline of open questioning. This guideline (see Wendt 2010, Anhang/Appendix B5, p. 59) is based on insights from available research and theoretical assumptions thus guaranteeing a focus on the most important, relevant theory aspects. The interviews were recorded and transcribed and their subsequent analysis was conducted – as advised by Flick (2007, p. 113) – following the method of a qualitative content analysis after Mayring (see Mayring 2008 for the detailed method). This method has the advantage of allowing an orientation of the evaluation along the lines of classifying the contents (Flick 2007, p. 416). Related statements were grouped together, combined and paraphrased to systematically reduce and structure the data. The qualitative content analysis focuses on topics with the aim of identifying an adequate classification system which provides a structure (Naderer 2007, p. 378). Si-
multaneously, the results are reconstructed by hypothesising and developing theoretical frameworks (Naderer 2007, p. 368). Following Witzel (1982, p. 110), the interviews were analysed according to the problem areas of the guidelines and to the issues raised by the interviewees. The comparative analysis and systematisation of subject-based results is to allow for a „cross-case generalisation“ which gives us insights into generalisable results and collective patterns of behaviour and coping strategies (Lamnek 2005, p. 528; Witzel 1982, p. 112). The presentation of the results of this study follows the thematic categorisation of the content analysis. Many of the following results are followed by remarks about which interviewee (A-L) gave a statement conforming the gained results. „Time indices“ indicate where the statement can be found in the interview transcript published on the internet (www.gabler.de, Password: Eva Wendt, Anhang/Appendix B7, p. 65 ff.). The full version of this study includes illustrative examples and original quotes supporting the coping reactions identified here (for more see Wendt 1010, p. 95 ff.). This paper can only refer to the excerpts of those interviews substantiating its findings.

According to Lamnek (2005, p. 153) internal validity is the most important effectiveness criterion for qualitative research. The „argumentative validation“ technique employed in this paper ensures internal validity. Its goal is the argumentative substantiation of the proposed interpretations (Mayring 2002, p. 145). With this in mind, this study uses a theory-based approach to interpret its results and place them into context with other existing interdisciplinary research findings. This also conveys the idea of interdisciplinary research triangulation (Janiesick 1994, p. 214 f.). At the same time, the analysis in this study focuses primarily on the manifest verbal content of the interviews. This method reduces the danger of tainting the results according to the personal opinion of the interpreter (Froschauer/Lueger 2003, p. 159).

4. Data based identification of useful theoretical approaches

This study identifies and interprets the reactions to financial deprivation in the context of different applicable theoretical approaches following the recommendation of Weiss (1995, p. 185 ff.). It also discusses these reactions in light of existing research results. The theory-oriented presentation of results is a common form of presenting qualitative results (Flick 2007, p. 532; Strauss/Corbin 1998, p. 250 ff.). The results of this study are specifically presented following Loflands (1974) method. According to his method, the researcher develops a conceptual framework. This framework is

- elaborated and developed in and through the report
- eventful in the sense of abundantly documented with qualitative data
- interpenetrated with the empirical material (Loftland 1974, p. 102).

A frame is a „basic structural unit onto or into which other constituents of a whole are fitted, to which they attach or with which they are integrated“ (Loftland 1974, p. 103). „Frame and qualitative materials coexist as one whole, each depending upon the other for the ‘interest’ a reader has in the frame or in the qualitative material. (...) The frame taken separately is dull because the reader has little conception of the concrete empirical reality to which the frame might refer. The ‘data’ alone are dull because the reader has no notion of what sort of social structure or process might be involved” (Loftland 1974, p. 108 f.).

In a first step, the results gained from this study were analysed, abstracted and classified in categories. During this process, it became apparent that the interviewees had reacted to the financial loss by behavioural and emotional changes. The analysis of the data suggested both the aspiration level theory (Simon 1957) and the cognitive-transactional stress theory (Lazarus/Folkman 1984) as appropriate approaches to develop a theoretical framework for the interpretation of the research results. Both approaches shall therefore be presented in a short overview.

Reduced financial resources usually necessitate constraining one’s consumption standards. Adapting the individual aspiration level therefore plays a crucial role. Among other things, the aspiration level is used to describe the decision making processes of consumers and is defined as an individually experienced standard of target achievement (Kroeber-Riel et al. 2009, p. 434). Human beings orient their behaviour according to their individual aspiration level (Simon 1959, pp. 262). The aspiration level hence also determines which available alternatives are deemed acceptable or unacceptable (Kroeber-Riel et al. 2009, p. 434). Moreover, the aspiration level determines whether consumers are content with their income and consumption situations. What influences individual well-being is the scope of the discrepancy between current and previous standards of living (Gilboa/Schmeidler 2001, p. 270). The aspiration level theory backs the assumption that the accustomed consumption level is basically equal to the aspiration level resulting from past experiences (Gilboa/Schmeidler 2001, p. 270). Based on this assumption, consumers are likely to experience the reduction of consumption opportunities caused by financial losses and the resulting negative yet necessary changes to the „acquainted“ consumption level (see Fig.1) as a „failure“. This failure is likely to cause discontent.

In addition to reduced consumption opportunities (material dimension), financial losses often result in fear of social stigmatisation (social dimension) and reduced self-worth (psychological dimension). These considerations as well as the statements of the interviewees lead one to assume that financial losses result in stress. Psychologi-
Figure 1: Consumption levels: accustomed and adapted to post-loss cal studies on stress support this conclusion. These studies state that drastic life events like a loss in income can lead to stress for the individual (Holmes/Rahe 1967). It is, however, still unknown how individuals react to stress caused by financial losses and how it affects their consumption habits. Indeed there are some studies in the consumer behaviour literature that consider how consumers cope with stress. Since they focus on other areas of consumer behaviour [2], however, it is impossible to use their results to derive hypotheses for the research problem addressed in this study. According to the transactional theory of stress (Lazarus/Folkman 1984), stress is defined as „a particular relationship between the person and the environment that is appraised by the person as (...) endangering his or her well-being“ (Lazarus/Folkman 1984, p. 19). Stress is the result of an event important for one’s well-being that presents a challenge to and burden on the individual’s coping mechanisms (resources) (Lazarus/Folkman 1984, p. 19). Stress can be defined as environmental, social or internal demands that require the individual to readjust his or her usual behaviour patterns (Thoits 1995, S. 54). The individual usually responds to stress with coping strategies. Coping is defined as „the person’s constantly changing cognitive and behavioural efforts to manage specific external and/or internal demands that are appraised as taxing or exceeding the person’s resources“ (Folkman et al. 1986, p. 993). Coping means reducing stress via changed behaviour and/or adapting one’s psychological state. When distinguishing between psychological and behavioural efforts we can identify two types of individual coping: emotion-oriented and problem-oriented coping.

Emotion-oriented or cognitive strategies aim at regulating emotional distress resulting from a disturbed subject-environment relationship (Lazarus/Folkman 1987, p. 147). Their aim is to reduce the negative, emotional impact of the situation without directly addressing the source of this negative impact (Luce/Irwin 1997, p. 36). Consequently, some forms of emotion-oriented coping aim at re-evaluating the situation instead of trying to obtain objective change. Here, the individual reinterprets an event to devalue its relevance thereby achieving reassurance (Starke 1999, p. 77). Problem-oriented coping strategies aim at actually changing the disturbed subject-environment relationship (Lazarus/Folkman 1987, p. 147). These coping strategies directly address the problem causing the negative emotion. The individual tries to solve or reduce the problem through planned action (Luce/Irwin 1997, p. 36). The individual defines the problem, thinks about alternative action, makes a cost-benefit analysis, and takes a decision on how to behave (Starke 1999, p. 78). Most individuals use both forms of coping strategies (Lazarus/Folkman 1987, p. 152).

5. Results

5.1. Financial loss as a source of stress

During the analysis of the interview transcripts, it became apparent that the majority of the interviewees’ behaviour patterns after the financial loss could be classified as emotional and behavioural responses in line with the transactional theory of stress (Lazarus/Folkman 1984). Therefore, the transactional theory of stress was used as a global framework for the interpretation and classification of the gained results. The interpretation of the results of this study particularly follows the sets of coping strategies identified by Pearlin/Schooler (1978) and Folkman et al. (1986).[3] Particularly, some of the interviewees’ emotional responses correspond closely to the typical emotional coping strategies projected by the stress theory. The stress theory does not directly describe coping mechanisms linked to the aspiration level, however it lends itself to an interpretation in the sense of projected „re-evaluation“. This current study now identifies behaviour patterns that do not directly correspond to those described in the general stress theory. These patterns, though, fall under the more general category of problem-oriented coping. As mentioned above, the aspiration level also plays a crucial role in coping with financial losses.
Consequently, this study employs a combination of the aspiration level theory and the transactional stress theory to classify the coping strategies of the participating consumers (see Fig. 2). These strategies are presented in the following paragraphs.

5.2. Emotional coping

The interviewees displayed emotion-oriented coping strategies seeking to „reinterpret“ their situation. This approach enables them to preserve their self-worth or to cognitively neutralise the stress-inducing situation in terms of what Pearlin/Schooler (1978, p. 6) call „control of meaning“. Typical measures of this cognitive restructuring are: compensation and selective ignorance, prioritising non-material goals and positive comparisons.

In this study, compensation means that non-material aspects of self-affirmation and self-presentation come to the fore. Examples show that individuals are able to „compensate“ even significant financial losses and their threatening consequences for self-worth by highlighting success in other areas of life (family, profession, intellect, personality) (e. g. Person: D, 1:11:36–7; J, 00:52:50–6; H, 00:23:05–6; K, 02:18:22–7). We can explain or interpret this phenomenon with the self-affirmation theory (Steele 1988). These dimensions of self to which the subject pays attention constitute an individual’s feeling of self-worth (self-affirmation). The individual can compensate the deficient aspects of depriving comparisons by shifting to other levels of important aspects of self (Wiswede 2007, p. 97).

Furthermore, the interviewees exhibit forms of selective ignorance. The individual tries to shift his or her attention to the positive aspects of a situation in an attempt to ignore the negative aspects or to attribute less weight to them (Pearlin/Schooler 1978, p. 6). For example, in this study the seriousness of friendships and preparing child-

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ren for the „real“ world are cited as a „valuable“ aspect of the experience of financial loss (e.g. Person: B, 01:58:43–4; K, 00:57:24–1). Becoming aware of and prioritising non-material life goals (Pearlin/Schooler 1978, p. 7) are closely related to the phenomenon of selective ignorance. Material wealth is considered as unimportant as possible. One interviewee reported she would rather accept material constraint than give up her professional freedom and self-fulfilment (Person D, 00:11:11–7).

Another general strategy aimed at preserving self-worth is to deliberately draw positive social comparisons (Pearlin/Schooler 1978). These seek to „valorise the self“ in accordance with the theory of social comparison (Festinger 1954). The dissatisfaction with their own situation is reduced by judging their own conditions to be less severe – or no more severe – than those faced by significant others (Pearlin/Schooler 1978, p. 6). The interviewees of this study seek to achieve self-validation through 1. comparisons with equally deprived people (e.g. Person: B, 00:16:53–7; C, 01:00:47–0; H,02:01:19–0), 2. comparisons with people who are worse off („social downward comparison“) (e. g. Person: E, 00:33:48–3; C, 00:36:50–9; B, 00:16:53–7) or through 3. distancing oneself from others in a comparable situation via devaluing their character traits and competence (Person: C, 00:44:27–7; G, 01:23:57–7). The statements of the interviewees lead us to conclude that the tendency or ability to engage in social downward comparison with those who are worse off financially increases with social and physical proximity (professional, direct neighbourhood) (e. g. Person K, 00:31:11–6). Some cases of distancing oneself are achieved by actively devaluing the competence or character traits of others. Individuals thereby increase their psychological distance to others and thus construct a form of self-validating downward comparison.

The individual seeks to maintain a sense of self-worth while simultaneously reducing the discontent caused by the limited ability to consume. This reduction can be achieved – as the interviewees illustrate – by reducing one’s consumption-oriented aspiration level or by accepting a temporary divergence from the accustomed aspiration level. This response is not directly described by the transactional stress theory. Nonetheless, it can plausibly be interpreted as a special form of the „control of meaning“ predicted by the stress theory. The identified diminution of the aspiration level manifests itself for example in questioning one’s individual lifestyle and the individual importance of consumption (Person: B, 02:10:19–1; K, 01:24:04–9). Frequently, a changed perception of whether certain goods are necessary (Person K, 00:31:11–6) and a strong frugality in terms of when needs have to be met (Person: L, 01:18:33–2; K, 00:31:11–6) accompanies this phenomenon. An apparently occurring adaptation to material decline also plays an important role here (Person K, 00:31:11–6). The adaptation level theory interprets this approach as accommodating one’s aspiration level via adaptation (Helson 1964). In some cases the individual maintains his or her aspirations but is willing to forgo satisfaction temporarily in the sense of deferred need satisfaction (e. g. Person: A, 00:43:27–5; D, 00:11:11–7; F, 01:37:02–8; I, 00:46:48–3). Following the motto „If not today, then tomorrow“ the individual attempts to „console“ her- or himself about the currently lacking ability of need satisfaction by anticipating a better future. This tendency to delay need satisfaction is possibly due to the interviewees’ belonging to the middle class which is usually future-oriented and has a tendency or rather an ability to delay need satisfaction (Moschis 1994, p. 69).

5.3. Problem-oriented coping

Problem-oriented or behavioural coping plays a more important role than emotional coping for the interviewees of this study. Unlike with emotional coping strategies, individuals seek to actually improve the objective situation via rational actions. In contrast to the emotional responses hitherto discussed, none of the following concrete behavioural strategies is directly described by the stress theory. Nonetheless, these strategies can plausibly be interpreted as those of problem-oriented coping (for the definition see chapter 4). All the identified strategies are more or less manifestations of what Folkman et al. (1986, p. 995) discuss as „planful problem-solving“. „Planful problem-solving describes deliberate problem-focused efforts to alter the situation (...) coupled with an analytic approach to solving the problem“ (Folkman et al. 1986, p. 955). What matters to the interviewees of this study is satisfying their consumer needs without exceeding their now reduced budget. Consumers plan their budgets with more detail, they prioritise, change their decision making behaviour and develop different strategies to cut down on spending.

In analysing the interviewees’ financial management, this study shows that financial scarcity – for example due to job loss – leads to a reduction of the consumption budget. The budget reduction entails restrictions in consumption. However, this study also proves that financial losses need not affect (at least not directly) the consumption budget in its entirety. Different factors such as support from peers, falling back on reserve funds, reducing the saving rate, liquidating assets, borrowing, alternative sources of income, etc. can compensate part of the loss (see Fig. 3).

Some of the interviewees reported using such means of compensation, but primarily tried to adapt to their changed financial situation. Regardless of the extent of possible compensation a noticeable loss of resources normally results in a reduction of the consumption budget.

The reduction of the consumption budget has consequences for budget planning: Accepting the necessity of some belt tightening, the interviewees see their new situation as a cause to deal with their budgets. Although almost all of the interviewed households have some sort of budget planning, their complexity and the rigor with
which they implement changes varies significantly. While one household would question all areas of consumption (e.g. Person B, 00:16:53–7), others would implement budget limits for certain areas (e.g. Person D, 00:31:09–7). Others again simply try to make it to the end of the month (e.g. Person J, 00:27:02–3).

The individual prioritisation of the interviewees supports an insight from past studies (e.g. Harker/Lister 2001) – families give expenses for their children the highest priority. However, unlike studies from Hamilton/Catterall (2006a) for example, this study cannot find evidence supporting the thesis that deprived households spend money on their children only for status symbols such as brand name clothing. Most important for the interviewees of this study are expenses in education (tuition, private music lessons, etc.) (e.g. Person A, 00:28:54–9; G, 00:27:20–8; H, 01:25:07–9). Given the relatively high education level of the interviewees, this phenomenon leads our attention to socio-demographic factors.

There is one insight resulting from this study which is surprising against the background of past studies: The interviewees reported few or no attempts to maintain conspicuous consumption to conceal their financial decline from their peers. On the contrary, half of the interviewees moved into smaller apartments and two gave up their cars thereby signalling a willingness to reduce spending on traditional status consumption. Antithetical to popular belief, a reduction in income does not lead to a desire to maintain or even extend a facade of consumption. The interviewees did not pretend to keep up a regular level of consumption in order to try to protect their self image or the image they project to others. However, some plausible hypotheses can be drawn from this lacking relevance in conspicuous consumption. These hypotheses should be considered in future research regarding consumer behaviour. The fact that conspicuous consumption is not a relevant behavioural factor for the individual may have different explanations. Some possible explanations are:

- the heterogeneity of resources in the close social circle
- the social structure of the immediate residential environment
- the general decrease of visibility of financial scarcity and thus reduction of the risk of social stigmatisation
- the increasing loss of importance of status symbols
- the experienced duration of the scarcity period
- the degree to which self-esteem is based on material goods.

One phenomenon often discussed in consumer behaviour studies is that of „keeping up with the Joneses“: It is the demonstrative consumption as a response to social comparison with peers. As this study shows this response cannot occur when a majority of relevant peers have lower or widely diverging financial resources – as was the case in this study. Thus consumers do not have a consistent „consumption standard“ on which to base their own aspiration levels. This aspect of peer influences is to date understudied in consumer behaviour studies.

A differentiated analysis of spending behaviour also yields interesting insights into budget allocation and its determinants: Financial losses lead a household to change its expense structure. Of course, individuals or households choose to identify individual saving potentials according to their personal characteristics and sociodemographic criteria (such as size and composition of a household as well as life stage). Beyond that, other factors influence budget allocation. When an individual has to reorganise his everyday life, his expenses „automatically“ change. In the case of losing one’s job, for example, the new life situation necessitates 1) new expenses (e.g. application expenses), 2) an increase in certain existing expenses (energy costs rise as the unemployed spends more time at home), 3) a reduction of other expenses (e.g. the business lunch at a restaurant). The individual affected by financial loss cannot immediately change certain fixed costs. For instance, obligations from prior contracts, costs for covering basic needs like food and shelter, initially remain relatively stable. Thus, the proportion of these fixed costs automatically increases relative to the rest of expenditures.

Although consumers adopt different saving strategies, all tend to reduce fixed costs. They achieve this reduction in different ways. Fixed costs can be 1) eliminated (canceling contracts), 2) reduced (moving into a cheaper apartment, cost-oriented renegotiations of contracts) or 3) transferred from fixed costs into variable costs. (e.g. changing to a prepaid phone contract, buying newspapers only occasionally instead of having a subscription). Consumers generally know the amount of fixed costs (e.g. rent and insurance). They become even more aware of them during financial crises. Since these costs are more tangible (e.g. Person A 00:52:32–4), consumers tend to reduce them.

Apart from the already discussed altered behaviour, the interviewees also signalled an increasing rationalisation of their purchase decision behaviour and a price sensitivity across different products (e.g. Person: A, 00:04:58–8; F, 00:29:33–9). Interestingly, a stronger cog-
1. Reducing the purchase frequency and amount

2. Buying cheaper yet almost identical products
   - Changing to a cheaper brand (brand change)
   - Changing to a cheaper supplier (change of supplier)
   - Benefiting from measures of price differentiation initiated by the supplier (person-, time-, space- or bulk-related reductions of price)
   - Reductions in price as a result of negotiations with the supplier

3. Buying cheaper, qualitatively or functionally inferior products
   - Changing to a cheaper or lesser product
   - Buying used goods

4. Replacing with an alternative, cheaper product of the same core function

5. Alternatives outside the market place
   - self-made services
   - consuming without acquiring ownership
   - help, donations in kind and money from social networks
   - free offers of the private and civic infrastructure (market and state)

This study identifies and categorises important determinants of saving strategies in concrete consumption areas (see Fig. 5). It is supposed that there is a multitude of saving options that are generally imaginable (A-I). The number of these saving options is externally determined by alternative means of need satisfaction inside and outside the market place. If a specific product domain is considered, not all of these alternatives are always available. In Fig. 5, the unavailability (or generally the reduction) of alternatives is visualised by the crossed options.

In this context, outside the market means that consumers choose means of need satisfaction formerly acquired in the market place and substitute them with things for which they need not pay. Among these alternatives are self-made services. Almost all interviewees chose to cut their own hair instead of going to the hairdresser for example. Another saving option is „consumption without acquiring ownership“. Here, consumers temporarily acquire the right to use a certain good. Although they pay a certain amount for it, this is usually much lower than the cost of buying and acquiring owner’s rights. Examples are lending books instead of buying them (used by many interviewees) or renting a car when needed (e.g. Person L, 00:13:24–5). Social networks also play an important role in need satisfaction outside the market place. They offer free exchange of children’s clothes for example (Person: B, 01:27:14–2; F 00:51:37–2). Above that, a circle of friends and peers as well as one’s family regularly offer support in the form of donations in kind and money or by helping with repairing devices (e.g. Person B, 01:57:05–2). Thus, expenses can be avoided or reduced. Beyond that, private and civic infrastructures like free cultural events or free, public services (such as public swimming pools) are important (e.g. Person C, 00:19:06–3). This infrastructural offer can vary depending on city and region.
Alternatives inside the market place are usually more common and also more relevant in terms of behaviour than alternatives of need satisfaction outside the market place. The number of cheaper substitutes depends on the differentiated availability of goods in a certain product area. Depending on the need, switching to a cheaper brand (e.g. from manufacturer’s brand to private brand) and/or to a cheaper provider (e.g. from supermarket to discount store, from retail store to internet shop) is often possible. Further savings can be achieved by benefiting from measures of price differentiation initiated by the supplier. Such are person-, time-, space- or bulk-related reductions of price. In some areas, consumers can try to negotiate with the supplier, thus reducing the price. Consumers can sometimes also buy products that are of lesser quality or have fewer benefits (smaller scope of benefits). In some areas, consumers can benefit from reduced services that focus on the core function (e.g. focus on the core function of ‘transport’ with low-cost airlines), for which they have to pay less. In other areas, the market place offers cheaper, differing product alternatives that still serve just the same core utility. For example instead of going to a live concert, consumers can watch a live broadcast via the internet.

The described alternatives inside and outside the market place offer an objective set of alternatives in a specific product domain, the „available set“, that is available for every consumer. However, the consumer decides on the basis of his – normally smaller – „awareness set“ that is determined by the individual knowledge of the consumer about these cheaper alternatives. The concrete choice for one or more of the remaining saving strategies from the awareness set is – as the study shows – further influenced, respectively reduced, by different consumer- and product-related aspects as well as the non-monetary transaction costs of the saving strategy.

Let’s have a look at the characteristics of the consumer that this study identifies as relevant. Consumers decide whether certain alternatives are deemed viable on the basis of their values and attitudes (Person: K, 00:41:11–8; L, 00:17:12–5). An ecologically minded person, for example, would not consider air travel as an alternative to taking the train (Person A, 00:24:00–7). The statements of the interviewees invite the conclusion that product involvement, which means „a person’s perceived relevance of the object“ (Zaichkowsky 1985, p. 342), also decisively determines whether people opt to save in a given product area (Person: D, 1:15:41–1; I, 00:46:48–3) or not. The higher the product involvement the higher is the product-related aspiration level as well and the less likely is the number of acceptable alternatives. This reduces the likelihood of choosing cheaper alternatives. At a closer look, consumers value certain dimensions of a product more than others. In the end it is not only the product involvement in general but also the importance of specific product dimensions that influence the choice of a saving strategy. For example, person C would generally be willing to move into a smaller apartment to redu-
ce costs, while moving to an inferior neighbourhood would not be an option (Person C, 00:51:01–1). A sense of shame is often an effect of financial decline. It can generally affect consumption and cause consumers not to pursue certain options such as price negotiations (Person K, 01:44:50–3) or accepting support from friends (Person D, 0:43:57–8).

Consumer decisions in the present are also partly influenced by past consumer habits. Decisions prior to the financial loss can affect current consumption explicitly in the sense of a 'lock-in' or implicitly. One example of an explicit tie would be the contract with a gym and its continued payment obligation. An example of an implicit, voluntary tie can be the past consumer habits (see brand loyalty of interviewee L, 00:42:59–2). The nature of this tie determines if and when a cheaper alternative can be realised.

Individuals cannot access some saving options because of restrictions. For example, scarce financial resources can hinder people from benefitting from volume discounts. Due to a lack of resources, for instance the consumer may only be able to buy monthly tickets for the public transport instead of an annual ticket, which is cheaper for the period of one year (e.g. Person C, 00:09:20–1).

Besides consumer-related aspects, characteristics of the product also affect the choice of the saving strategy. In this study, aspects influencing the saving strategy were the risk associated with buying a product, motives for buying a product and the designated use of a product.

Most interviewees considered changing to a cheaper brand (usually a private brand) in the area of fast moving consumer goods (FMCG), probably because of the low perceived purchase risk. The lower the perceived buying risk the more likely it is that consumers will try the cheaper product. Product quality determines whether consumers will choose the cheaper alternative again or even switch permanently (e.g. Person C, 01:12:54–4). The interviewees of this study deemed cheaper products as acceptable or even equivalent to the more expensive products (e.g. Person D, 0:29:32–3; K, 01:58:11–2). Thus, switching to a cheaper alternative constituted a behavioural option even when income rose again (e.g. Person H, 01:50:39–0).

This study also suggests that the primary use of a product determines whether consumers opt for a specific saving strategy. For example, consumers usually reduce or avoid products of a primarily hedonistic use (like vacations, restaurant visits, going out in general) (Person L, 00:13:24–5). If a utilitarian use is at stake consumers try to continue buying a product but acquire it more cost effectively. In the case of symbolic use, for example with clothes, changing to non-brand suppliers is normally not considered as an alternative.

The product category (consumer items vs. consumer durables) also determines what saving strategies consumers choose. If consumer durables such as clothes and furniture were already available in the household during the period of scarcity, almost all interviewees tried to avoid purchasing such new products (e.g. Person A, 00:07:40–8; H, 01:38:16; C, 00:12:10–4). The saving strategy of (temporarily) forgoing consumption leads to an extended and intensified use of the already available goods. They are used as long as possible (and also repaired) (Person: B, 00:36:18–5; C, 00:38:01–8). Consumers delay new acquisitions and only buy replacements (glasses, Person C 00:12:10–4). However, some new acquisitions cannot be delayed. Adults can forego buying clothes for an extended period of time while children need new clothes relatively frequent as they grow out of their old clothes (Person H, 01:21:36–2). Thus, a consumer’s ability to forego consumer goods depends on 1) the existing household equipment (number of consumer goods), 2) their quality (affecting their deterioration) and 3) the cycles of replacement needs.

Beyond that, non-monetary transaction costs influence the choice between different saving options. When more, comparable options of need satisfaction are available, the one with the lowest ‘costs’, i.e. with the least effort is most likely to be chosen. Non-monetary costs implying potential barriers for saving strategies could be: 1) effort to bridge spatial distance, 2) temporal effort, and 3) cognitive effort. For example, cheaper stores might not be chosen because of greater spatial distance (Person: C, 01:07:57–7; I, 00:15:26–6). The search for cheaper alternatives also often demands temporal effort possibly meaning time for information seeking, for getting to a cheaper provider or the time it takes to produce products in manual labour (Person: B, 00:43:08–7; C, 01:18:11–4). Furthermore, the information search is often accompanied by a cognitive effort. If consumers decide to hold on to consumption of specific brands but only buy them when they are available on sale, then that entails continuous sifting through advertisements. If consumers are unwilling or unable to do so, they will probably opt for a cognitively less demanding alternative and decide in favour of a cheaper brand if it is available.

6. Conclusion

6.1. Implications

The insights gained in this study are of interest for commercial businesses, consumer protection as well as for social policies.

Financially deprived consumers are particularly important for commercial businesses because their number is constantly rising in today’s market. Simultaneously, the individual financial deprivation of these consumers is only temporary in nature in most cases. Businesses can and should take these relevant current market conditions into account. This work delivers concrete implications for strategic marketing planning. As this study illustrates, severe financial loss can affect individuals’ decision
making in terms of products and brands. For example, the financially deprived consumers in this study show a strong willingness to change to cheaper products and brands especially those with low purchase risk in case of financial loss. Consumers often judge the tested products to be functionally and qualitatively equivalent to the more expensive brands and thus interchangeable. In this case, switching to the cheaper brand does constitute a long-term behavioural option. This entails a great challenge especially for manufacturer’s brand producers of so-called low-involvement products. However, the purchase risk is only one aspect to be considered. Businesses need to investigate different factors that can influence the decision between cheaper alternatives of need satisfaction (see Fig. 5) in a concrete product area to develop a more targeted positioning in the market.

This study also suggests concrete implications for product policies. It can be generally assumed that – as is the case with the interviewees here – in the case of financial decline the core value of a product becomes the most important buying decision criterion. Related to this thought, the willingness to spend on additional benefits (e.g. aesthetics) decreases. For example, consumers choose cheaper paperback editions instead of aesthetically more appealing hardcover books to satisfy their core need to read. Businesses can focus on such core needs by offering ‘basic’ and cheaper product alternatives (service bundles).

The needs of the financially deprived can also be considered in price policies. The experienced or anticipated financial loss due to uncertain employment – as with the interviewees here – can lead consumers to adapt their consumption. The identified need and/or willingness to reduce or keep the continual obligations low (fixed costs) is sure to increase. The question how fixed costs can be kept low from the start or can be quickly reduced in case of financial loss is likely to determine purchasing decision behaviour especially when concluding a contract. Businesses could account for this development in their terms and price policies by offering more flexible contract options. Following options might win new customers:

- Granting extraordinary cancellation of term contracts in case of unemployment
  Customers who live in uncertain economic conditions become viable if their fears of continual and irreducible costs are mitigated.

- Granting the temporary suspension of payment obligations in case of long-term contracts (life insurance, etc.)
  This allows businesses to attract new customers and hold existing ones whose purchasing power may only be temporarily weakened.

- Granting choices in contractual price conditions
  Consumers would have the choice to pay for individual services (e.g. one admission to the gym) instead of having to cope with monthly or annual fixed costs (such as base fees for mobile phone contracts). This would allow consumers to better control their expenses and temporarily reduce them when needed. Thus, consumers could transform fixed costs into variable ones.

Furthermore, this study can be used to develop measures in consumer protection. A financial decline can lead to serious financial scarcity and finally to (over-)indebtedness. To avoid such consequences, many call for – often already realised – preventative guidance and education programs (Korczak 1997, p. 54). These measures aim to increase competence in budget planning and could benefit from the insights of this study. This study also suggests that consumer demands adapt to current, financial situations relatively quickly as long as a minimum level is maintained. Measures in consumer protection could ease this ‘process of adaption’ by aiming at lowering the aspiration level of the affected consumers thus influencing their attitude towards consumption and ownership. Oftentimes, low-income households display a tendency to engage in social, upward comparison. This study suggests that changing the standard of social comparison and/or directing the affected individuals’ attention to achievements or goals in other non-material life areas may also be promising strategies. Furthermore, individuals could be encouraged to strengthen their self-control and accept delayed gratification. Coping with financial losses also requires knowledge about certain options of behaviour. Thus, information and educational campaigns could call attention to the fact that there are other options available for consumers that allow a cheaper need satisfaction.

From a political perspective these insights are also interesting, especially in the context of the currently debated – adequacy of an assessment base for federal transfer payments. For example, this study highlights the difference in basic needs between adults and children (see 4.3). In analysing the necessity of acquiring new consumer goods, we need household-specific data about the existing household equipment and its quality as well as person- and product-related cycles of replacement need. Moreover, it has to be considered that the individual saving potential varies depending on the gravity of the financial situation and the amount of expenses for basic need satisfaction (and other fixed expenses) that can be severely reduced by the consumer.

6.2. Limitations and outlook

This paragraph deals with the limitations of this study and with the prospects for future research. Due to a lack of financial and personal resources, I coded my data alone. Thus, I was not able to test for intercoder reliability. Although it is not the aim of qualitative research (Lamnek 2005, p. 384), this study allows for a limited generalisation. To allow generalisation, it is necessary to consider the composition of samples carefully. The homoge-
nous educational background of the interviewees (see 3.1.), and their self-selection by voluntary participation in this study might affect the transferability of its insights. The self-selection, for instance, carries the risk of tainting the sample as to predominantly include individuals who are able to cope successfully with their grave financial situation. Despite these limitations, the gained results from this study are probably transferable to other groups of people.

The insights into the consumption behaviour of financially deprived people and their consumption behaviour gained in this study do not exhaust the overall research potential in this field. Further research might focus on the differentiating factors influencing coping mechanisms. The interviewees’ emphasis on education in this study suggests for example that prioritisation is likely to be influenced by social strata. It would also be interesting to study consumer preferences and behaviour change over time. A related approach could analyse procedural aspects of consumer behaviour – an effort only marginally possible in qualitative studies. For such an analysis, a longitudinal survey of income, consumption and expense data in individual households, preferably in short intervals would be necessary. To date, such data do not exist for Germany. In light of increasing income mobi-
ty, financial declines are but one aspect. Financial (re-)ascension is an equally important topic for marketing research.

Notes


[2] Mathur et al. (2006) use stress theory in their work but the concrete relationship between stress and consumer behavior is only marginally discussed. Luce (1998) focuses in her study on consumer deciding between different (product)alternatives with different highly valued attributes. Avoiding the attribute trade-off is interpreted as a form of emotion-oriented coping with the stress evoked by the decision problem. Yu/Baumgartner (2004) analyse the coping strategies consumers use to manage particular stressful purchase-related experiences (i.e. anger about the service provider, product-related feelings of disappointment, regret and worry).

[3] These coping strategies are very similar to the ones Duhachek (2005) integrates in his „non-specific“ model of consumer cop-
ing.

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