

## **The 4 As of materialism and their influence over credit: evidence from the Base of the Pyramid**

### **Abstract**

In this paper the influence of materialism over credit usage for low income individuals is analyzed with a different approach from previous research works. A model with four types of materialism is proposed: Annoyance, Aspiration, Achievement and Ambition, and called the 4 As of materialism. The main idea is to analyze how each type of materialism impacts attitude towards credit. The main findings are that Annoyance and Achievement are more positively related to credit use in contrast with a negative or low influence of Aspiration and Ambition respectively for credit usage. These ideas are important for decision makers in terms of understanding the drivers that motivate and influence attitudes and behaviors of consumers under different stimulus either social or personal.

Keywords: materialism, credit, debt.

### **Introduction**

Consumer behavior is influenced by several factors in the market environment including amongst others the personal situation of individuals and their profiles, marketing strategies of the companies, timing, budget constraints, beliefs, consumption attitudes and so on. It is interesting to analyze how and at what extent these factors influence people's willingness to consume and the fact that there are several types of motivators from personal as in the case of gender (Coley and Burgess 2003) to social. In addition, it has been largely analyzed the fact that the lack of liquidity or a budget constraint do not limit people when consuming, neither in the case of those with a low income or higher as concluded by Roberts and Jones (2001) and Ponchio and Aranha (2008). Furthermore, even when for some individuals' consumption can be seen as a way to reach happiness, it does not necessarily lead to the consumer well-being (Lee and Seo Youn Ahn 2016).

Belk (1984) one of the first ones to propose a scale to measure materialism, states that "materialism reflects the importance a consumer attaches to worldly possessions. At the highest levels of materialism, such possessions assume a central place in a

person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction in life".

Interestingly there are many faces of materialism and the way how it affects the behavior of individuals and their expectations is different.

This research work analyzes the factors that motivate people's attitude towards credit, by proposing four types of materialism in a scale that measures them as proposed by Richins and Dawson (1990) and Ponchio and Aranha (2008). The whole analysis consists mainly of (i) the description of four types of materialism explaining their main differences, and (ii) once the types of materialism are grouped, how they can be used to analyze their relationship and attitude towards credit usage.

As a way to extend this literature that has analyzed materialism an additional way to measure materialism is proposed as one construct by dividing it into four types with a different approach as the one in the literature as in Richins and Dawson (1992): Annoyance, Aspiration, Achievement, Ambition, which will be called the 4 As of materialism. By making use of a logit model, it will be analyzed how do they impact differently attitudes towards both credit and consumption, in addition in contrast with existent literature this analysis will focus on low income people. These type of analysis contribute to the strategic marketing literature by providing a deeper understanding of the motivations behind consumer purchases. Also, they highlight the importance of innate materialistic orientations and the way how they influence the purchase of particular products and the propensity to acquire them through debt.

## **Literature Review**

It is estimated that as many as four billion people can be considered as "base of the pyramid" BOP according to Prahalad and Hart, 2002 and tend to be mostly concentrated within Africa, Latin America, and South-East Asia (Kistruck and Beamish, 2010). The majority of the population in the BOP face an informal market ecosystem for the fulfillment of its basic social needs and earn less than US\$8 per person per day (Prahalad and Hammond, 2002; Prahalad and Lieberthal, 2003; London and Hart, 2004). Nevertheless, it does represent an estimated market worth of \$5 trillion globally (Hammond, Kramer, Katz, Tran and Walker, 2007), where consumers that belong to this group tend to be highly value-conscious (Prahalad, 2004). It is important to point out that, under a limited income, purchasing decisions become more complex and are more consciously-oriented (Chikweche, Stanton, & Fletcher, 2012), but can and do

actually spend money on goods and services other than those essential for survival (Beninger & Robson, 2015) and not only spend money on expensive goods, but also often they end up paying higher prices for goods, sometimes as much as 100 times more than other consumers not in the BOP (Prahalad & Hammond, 2002).

Being the BOP not the exception, besides their own characteristics in terms of income and their surrounding environment, there are several factors that affect both consumer's attitudes and behaviors. As part of it, the possession of goods play an important role in the self-definition of some individuals (Richins & Dawson, 1990), it does also involve practices of using, controlling, caring for, and managing objects (Watkins, Denegri-Knott and Molesworth 2016). In addition, possessions affect people lives by helping them to express elements of the self to others, increasing social contact, improving competence or effectiveness and increasing the amount of pleasure experienced in the consumer's life from product acquisition (Richins, 2011). However, some consumers have experienced a shift from a strongly built enduring attachment to a temporary and flexible relationship to possessions (Bardhi, Eckhardt and Arnould, 2012).

Another important point that is being addressed in this work besides the consumer behavior due to materialism, the attitudes towards credit use and therefore debt is analyzed.

On this regard, for example event when credit card debt carries a relatively high interest rate in short-term, installment debt allows consumers to borrow a specific amount and repay through a specified number of payments (Kim, Wilmarth and Choi, 2016). The access and use of these type of credit is influenced by socio-demographic (age, education) and economic factors (income) as pointed out by Wang, Lu and Malhotra (2011). Most of the time the credit is considered as the ideal alternative for purchases that were not previously budgeted (Erasmus & Mathunjwa, 2011). However, another driver of purchases is the advertisement, which pushes consumers towards a non-cautious spending, leading to a high dependence on credit to achieve what might be considered as important life goals (Richins, 2011).

Finally, materialism in the literature has been analyzed from different perspectives such as an orientation that emphasizes possessions and money for personal happiness and social progress (Moschis and Churchill, 1978), an orientation that views material goods and money as highly important for personal happiness and social progress (Richins & Dawson, 1990), a devotion to desires and material needs and a negation of spiritual concerns and a life-style based on material interests (Fournier and Richins, 1991; Richins and Dawson, 1992), the importance a consumer

attaches to worldly possessions (Belk, 1984), the importance attributed to the possession and acquisition of material goods when it comes to achieving life's objectives (Richins and Dawson, 1992), or more than normal desire for physical goods (Grougiou and Moschis, 2015).

## **Methodology**

As previously mentioned it has been analyzed how materialism in all of its types transforms and influence people's behavior and attitudes toward debt or credit usage. The analysis proposed in this paper therefore, looks for an explanation that relates credit use, together with materialism with a different classification and socioeconomic profile, in the case of low income individuals.

## **Data collection**

In order to analyze these hypotheses of the use of financial resources from a credit, an interview was conducted in low income areas of Guadalajara, Mexico, with questions that could help to understand the consumption patterns and interests of respondents together with their attitudes toward consumption, based on particular characteristics of their socioeconomic profile mainly, like years of study, age and income. A total of 380 people was interviewed but 10 of them were not taken into account in the final sample due to a lack of information. 195 (52.7%) of the respondents were male and 175 (47.3%) female. The ages were between 18 and 61 years old with a range between 10-25 years old (29.73%), 26-36 y.o. (39.46%) and 37+ (30.81%); the years of study were in the range of 0 to 16 distributed in the following way: 0-6 (14.32%), 7-9 (53.51%), 10-12 (28.11%) and 13-16 (4.05%). And with a monthly income per household between MX\$0 and MX\$12999 approximately (at an Exchange rate of MX\$20 for US\$=1), where 40.81% had a monthly household income of \$0-\$4999, 40.81% \$5000-\$7499 and the remaining \$7500-\$12999.

## **Materialism and its four types**

As previously mentioned materialism does heavily influence and matter for consumption. Whether it relates to personal and cultural values Richins and Dawson (1990), credit overuse and the belief of life transformations Richins (2011), or the existence of credit for consumption, a sociodemographic profile and consumer habits Ponchio and Aranha (2008).

Motivated by these previous works, and using a different approach as the one described below, four types of materialism are proposed in this work and classified as:

Annoyance (A1): when people feels upset with the fact that they cannot afford to pay for things for their families or things they like.

Aspiration (A2): when there is a degree of admiration for the possessions of others, mainly those considered as luxurious.

Achievement (A3): when acquiring or buying, provides individuals with a certain level of satisfaction.

Ambition (A4): when the possession of goods mostly luxurious are considered as success in life.

A total of nine questions to analyze attitudes toward consumption were included in the questionnaire of the interviews and in accordance to four types of materialism mentioned above, each one was classified.

In Table 1, some descriptive statistical results of the materialism classification are presented in a scale measured in a range from 1- totally disagree to 5- totally agree, and NA not answered.

Table 1. Statistical results for the materialism scale

Item	Description <sup>a,b</sup>	1	2	3	4	5	NA	Median	Mean	SD
1	It bothers me that I can't afford to buy my family all the things they like (A1)	4.74%	5.53%	19.21%	26.32%	44.21%	0.00%	4	4	1.33
2	I admire people who own expensive homes, cars, and clothes (A2)	7.63%	10.53%	25.26%	23.68%	32.89%	0.00%	4	3.64	1.25
3	My life would be better if I owned many of the things I don't have (A3)	6.84%	15.00%	26.05%	33.68%	18.42%	0.00%	4	3.42	1.15
4	Buying things give me a lot of pleasure (A3)	9.21%	14.74%	26.32%	41.58%	8.16%	0.00%	3	3.25	1.1
5	I'd be much happier if I could afford to buy more things (A3)	9.74%	18.68%	24.21%	40.79%	6.58%	0.00%	3	3.16	1.11
6	I like to own things that impress people (A2)	11.84%	19.21%	32.37%	27.89%	8.68%	0.00%	3	3.02	1.38
7	I like a lot of luxury in my life (A4)	11.32%	23.95%	35.26%	18.95%	10.53%	0.00%	3	2.93	1.4
8	It bothers me that I can't afford to buy all the things I like (A1)	6.05%	10.53%	32.63%	34.47%	16.32%	0.00%	4	3.44	1.07
9	Some of the most important achievements in life include acquiring material possessions (A4)	8.16%	17.11%	27.63%	33.95%	12.63%	0.00%	3	3.09	1.05

Dimensions: A1, Annoyance; A2, Aspiration; A3, Achievement; A4, Ambition.

<sup>a</sup>Based on Ponchio and Aranha (2008).

<sup>b</sup>In Spanish, the questions are in the same order: Me molesta que no puedo comprarle a mi familia las cosas que me gustan; Admiro a personas que poseen casas, autos y ropa cara; Mi vida sería mejor si tuviera muchas de las cosas que no tengo; Comprar cosas me da mucho placer; Sería mucho más feliz si pudiera comprar más cosas; Me gusta tener cosas que impresionan a la gente; Me gusta mucho el lujo en mi vida; Me molesta que no puedo comprarme todas las cosas que me gustan; Algunos de los logros más importantes de mi vida incluyen la adquisición de posesiones materiales.

As can be seen from the table above, most of the people interviewed tend to agree more, event above the average on each one of the statements regarding each materialism classification.

## **Materialism types, credit usage and consumption**

When it comes to analyze human behavior it is important to distinguish between positive and negative emotions and the associations, expectations, processes, and so on, related to them and what can be considered or interpreted as wellbeing either social or personal. Sometimes, they promote and are correlated with different attitudes towards purchasing behaviors and credit usage.

In this research work Annoyance and Achievement due to their nature and fundamentals are associated with negative emotions related to a socially recognized status. Therefore, the following hypothesis is proposed:

*Hypothesis 1. Annoyance and Achievement due to their nature have a higher impact on credit usage.*

In contrast, Aspiration and Ambition due to their nature, focus and fundamentals can be more related to a positive emotion that has to do more with the person than Annoyance and Achievement. Therefore, the following hypothesis is proposed:

*Hypothesis 2. Aspiration and Ambition have a lower impact on credit usage.*

## **The Model and its results**

The analysis proposed in this work looks for an explanation that relates, credit use, materialism and the socioeconomic profile. In order to do so, the following model is analyzed:

Logit (Credit) = f (socioeconomic variables, type of materialism)

The results are shown in the Table 2 below and as can be seen from regression 1, Annoyance and Achievement do influence more the use of credit in contrast with Aspiration which is negatively related to credit usage or Ambition which influence cannot be determined since it is non-significant. Interestingly, those emotions more socially oriented since they need more recognition and belonging and therefore might be considered as more urgent, they are more related to credit usage in contrast with either Aspiration or Ambition where the person himself rather than his social recognition might be considered as more important making the use of credit or the attitude towards debt have a lower priority.

When socioeconomic variables are added into the analysis, as in regression 2, it is interesting to see that even when they are non-significant household income and the level of education influence positively the use of credit in comparison with those individual that are older or women that are negatively related to the use of credits.

Table 2. Credit use and the four A's type of materialism: Regression Analysis

	Regression 1		Regression 2	
	Coefficient	z-Score	Coefficient	z-Score
A1	.221191	.0261*	.194887	.0529
A2	-.209467	.0384*	-.14451	.1837
A3	.2417*	.0146*	.26104	.0097**
A4	.072348	.3963	.069697	.4272
Household income			.084576	.422
Age			-.030759	.7273
Education			.005925	.7945
Gender			-.44	.0019**

\*p<.05

\*\*p<.01

As mentioned previously in spite of the fact that the relationship between attitudes towards debt and materialism has been analyzed, this work presents a different approach not only due to a different classification but also due to the fact that the sample is based on low income individuals.

## Conclusions

When it comes to design campaigns in how consumers must to be targeted by looking at their attitude towards materialism under the classification presented in this research work one of the main findings is that Annoyance and Achievement are more related to credit use in comparison with Aspiration and Ambition which present either the opposite or a low influence. It is important to remember that our sample consists of low income individuals, and that at this socioeconomic level, social recognition is an important component of human behavior in general or consumer behavior in particular and for that reason consumption or product acquisition through credits is so popular and the attitudes toward debt are different from those from other income groups. In such a way that anger or showing success transform or influence people's behavior.

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