

Purchasing literacy of children

Ways to a competent purchase behaviour

*Gunnar Mau **

** Professor für Wirtschaftspsychologie, Privatuniversität Schloss Seeburg, Salzburg/Österreich*

Abstract

Between the age of six and eight, children begin to actively make purchase decisions. Their abilities and competences are still developing, and because they have to keep up with the demands of the market, an area of tension arises. This area has stimulated research as well as consumer protection in the past few years. Our research project "Purchasing literacy of children", carried out at the institute for marketing at the University of Siegen, is therefore dedicated to child development as a determinant for a competent behaviour as market participants. In order to make competent consumption decisions, children need appropriate skills as well as essential knowledge to master the whole purchasing process. Children should also be able to achieve their own objectives and needs, and they should be able to understand and reflect challenges as well as their own behaviour. The few findings, concerning the purchasing behaviour and the decision making processes of children, show that they slowly and gradually develop an understanding for important concepts with regard to purchasing behaviour. This contribution presents different approaches as to how we can support children in making competent purchasing decisions.

1 Children as competent consumers and customers

Not only adults, but also children and adolescents are already consumers who make purchasing decisions. Up until the 20th century these age groups were merely considered as an extended arm of their parents with regard to their role as market participants. Today, the current state of research shows: Already at an age of one, children begin to influence the purchasing decisions of their parents. Generally, children start to actively make own purchasing decision between the age of six to eight years. Often they have a remarkable budget at their disposal: Almost every child from corresponding studies in Europe and the USA received pocket money from their parents. The “kids consumer analysis 2014“ estimates the annual income from 6-13-years-old children from Germany at 1,85 billion euros in total, consisting of pocket money and small additional earnings (approx. 27,50 euros per month and per child, Egmont Media Solutions 2014). Children and adolescents are addressees of a variety of marketing messages by manufacturers and distributors not least because of their massive financial potential.

At the same time, studies show that children and adolescents belong to a sensible consumer group: So-called “Millennials”, for instance, (age group born between 1980 and 1994) have the lowest credit score of all consumers in the USA (Experian 2013). Their financial situation has constantly declined (Faw 2012), and they have a high willingness to take excessive risks in financial, or consumption decisions (Reyna 2013). This results from the development (ontogenesis) of the children: They are not born with all the competences of an adult. They have to develop all the necessary cognitive and affective abilities first (Moutsiana et al. 2014). Studies also show that this is a process which lasts up until adulthood. According to these studies, it is difficult for adolescents to evaluate their control options of risks as well as possible consequences of their own actions (Reyna 2013).

The studies from our project team show that, for example, 8-10-years-old children are very much able to evaluate possible risks of certain foods (when these contain, e.g., a lot of sugar and fat). However, if they have the choice between a supposed rather healthy alternative, children most likely act against better judgement, and choose the unfavourable alternative (Mau et al. 2012).

Between the demands of the market on the children on the one hand, and the still developing abilities and competences on the other, an area of tensions arises, which stimulated research as well as consumer protection during the last few years (Mau et al. 2014). Our research project “Purchasing literacy of children“, carried out at the institute for marketing at the University

of Siegen, is therefore dedicated to child development as a determinant for a competent behaviour as market participants.

2 Purchasing literacy of children

In order to make competent purchasing- and consumption decisions, children need relevant skills and necessary knowledge, which we summarise under the term “Purchasing literacy”:

Purchasing literacy comprises the cognitive, motivational, and social skills which help consumers to master the whole purchasing process in order to reach one’s own objectives and needs as well as to understand and reflect one’s own challenges and actions (Mau et al. 2015).

The skills that are relevant for the Purchasing literacy of children have been examined rather rarely however. Research essentially concentrates on the bonding of children to brands (van Reijmersdal et al. 2010), on the persuasive effect of advertising (Buijzen 2010) as well as the influence of the children on parental purchasing decisions (Wilson/Wood 2004).

There are hardly any findings concerning purchasing behaviour and the decision-making processes of children. A few papers show that the skills of children and adolescents are still developing, and that they therefore do not have the same mental resources as adults (John 2008). Three developmental stages of the mental skills of children are often used in this context:

- Children up until the age of seven years are located in the stage “limited processors”. At this stage, the information processing capacity is on a basal level. Only single attributes of the information are captured, and processed by means of limited cognitive strategies. Children at this developmental level have difficulties to take the perspective of their counterpart during communication (Flavell 1999).
- Seven to eleven-years-old children are “cued processors”. Their information processing is more complex, but bound to cues and guidelines. They know strategies for using information in purchase decision processes. However, they are not always able to retrieve these strategies in every situation.
- From the age of 12 onwards, children reach the stage of “strategic processors”. They already have various strategies with regard to information procurement and security at their disposal, which they often make use of.

The few findings that exist often concentrate on the developmental process of children with regard to their knowledge on concepts, which are associated with behaviour that is relevant for purchasing. They show that children gradually develop an understanding for important purchase behaviour-relevant concepts. Children at the age of three years already understand that owning an object is related to specific rights and obligations (Dittmar 1992). At approximately 5 years, children understand that uttering a wish does not automatically imply a possession. Only at the age of 12 the abstract transfer of rights of possessions, e.g., through selling or gifting seems to be comprehensible for a lot of children (Cram/Ng 1989).

This contribution is supposed to point out three important sources of acquisition of competencies of children and adolescents, which have already attracted attention in the research field of Purchasing literacy: This is in particular the mediation of competences through knowledge acquisition, through role models, and by means of self-regulation-strategies.

2.1 Purchasing literacy through knowledge transfer

An extended consumer education is often recommended as starting point in order to enhance the Purchasing literacy of children. The subframe plan of elementary schools in the area of personal and social education (Rhineland-Palatinate) intends on teaching how to evaluate costs and benefits of pupils' wishes and needs. Personal, aesthetical, social, ecological, and economical conditions are also integrated in this process. The aim is to help pupils in becoming reflected consumers who act according to their financial possibilities. Children therefore acquire concepts which are related to purchasing- and consumption decisions. These are especially concepts of ownership, prices, an understanding of numbers and mathematical skills, money and income, market and exchange, market institutions and choice, but also the perception of the effect and intention of advertising (Webley 2005).

The basic idea behind this kind of competence mediation is that children make better decisions as informed consumers. In this way they are able to reduce unintentional, negative effects on their purchase decision. The question is whether informed children are actually able to make competent purchase decisions.

Especially research on the advertising impact on children provides indications to answer this question. Already at preschool age, children are able to identify advertising on TV (McAlister/Cornwell 2009). Only in the course of their development, children understand the content and intension of ads. The results of many studies show that knowledge concerning the intention (persuasive knowledge) of advertising can reduce unintended, negative aspects of

advertising (Panic/Cauberghé/De Pelsmacker 2013). However, this knowledge does not protect all children equally. When children are distracted, or emotionally strongly moved by adverts, they are, in turn, less critical towards the content of the advert. These children probably have no capacity left in order to critically question the advert (Sweller/Van Merriënboer/Paas 1998). The knowledge about the intentions might lose its influence under these circumstances (Verhellen et al. 2014, Waiguny/Nelson/Terlutter 2014). Similar results can be discovered in observing children in their choice of food. Even if children are well informed with regard to positive and negative aspects of specific foods, they often act against their better judgement (Bower/Sandall 2002). Therefore, simple, decentralised elements of a product such as, for instance, comic characters on the packaging, or the presence of a peer friend, are able to influence the consumption decision of the child (Ogba/Johnson 2010).

Information can help children to support them in making competent decisions, but only if they are motivated in a purchasing situation, and only if they have the opportunity as well as the ability to apply this knowledge. If children are distracted during a decision, or if they have no chance to elaborate, they will most probably act against their better judgement. This picture also emerges during other occasions, e.g., during the influence of indications on health risks: Although children understand the warnings, and although their knowledge concerning the risks rises, popular brands (Mau et al. 2012), or strongly positive emotions (Effertz/Teichert/Franke 2014) can be responsible for children to ignore the warnings. They therefore show a behaviour which does not correspond with their knowledge.

Furthermore, abstract knowledge is governed by concrete knowledge: The information mediated in mathematics, for instance percentage calculation, do not have an influence on the children's handling of percentages in purchase situations at first (Boland/Connell/Erickson 2012). The more concretely adapted the mediated knowledge is to the particular decision-situation, the more likely the children are able to implement the knowledge in their actions.

2.2 Purchasing literacy through role models

Besides declarative knowledge, we also discuss the influence of role models with regard to competent purchasing- and consumption behaviour. Especially parents and peers (social reference population) are important sources for the Purchasing literacy of adolescents (Pettersson/Olsson/Fjellström 2004). Particularly younger children are influenced by their parents because parents exemplify certain consumption- and purchasing behaviours. Children then adapt these behaviours and gear their behaviour towards this pattern in a significant degree

(Weible 2013). Parents are, for example, one of the most determining factors in the socialisation of their children's eating behaviour (Salvy/Pliner 2010). Furthermore, parents influence the Purchasing literacy of their children by practicing competent purchasing decisions together. They can practice, e.g., how to reconsider different alternatives prior to the purchase decision, and how to remember the acquired knowledge, or how to use alternative sources of information. In this way, the motivation to elaborate the purchasing decision can be enhanced even in situations in which information normally does not play a prominent role (Gaumer/Arnone 2009). The mediated competences thus reflect the Purchasing literacy of the parents.

Later, often from the first year of schooling onwards, the influence by the peers is increasing. They usually support group-conformal behaviour. Therefore, they set standards how purchasing behaviour is supposed to look like (Chaplin/John 2010). These standards do not always have to be suitable for children to realise their own goals and needs. In fact, they acquire prototypical and partially destructive, or unintended behaviour (Büttner/Florack/Serfas 2014). However, it has been shown that the competences, mediated by their parents in their early years, are able to prevent this behaviour.

2.3 Purchasing literacy through self-regulation skills

Another option to support children in making competent purchasing decisions is to protect the target pursuit from being interrupted and disrupted by environmental stimuli through the help of automatisms and self-regulation-mechanisms. When children are confronted with certain stimuli during decision-making situations, which contradict their own goals (e.g. a chocolate bar is presented at the fruit shelf even though the child wants to buy an apple), automatisms and control skills are able to support children in pursuing their original goal (e.g. the purchase of an apple). Here, especially three techniques in practicing such self-regulation-mechanisms are being discussed (Wieber et al. 2011):

1. Setting goals,
2. Learning through imitation and repeated self-control,
3. Practicing of if-then-plans (implementation intentions, Gollwitzer 1999).

On item 1: Establishing goals can already help in pursuing the children's goals. The knowledge about a goal alone can direct the attention of the children towards the goal pursuit. As a result, they perceive less distracting stimuli.

On item 2: However, the goal pursuit can still be interrupted during concrete situations (in our example by means of the placed chocolate bar at the fruit shelf). To maintain self-control in

cases like this, and to pursuit the original goal, practiced mechanisms are required. Büttner/Florack/Serfas (2014) refer to the role of the parents in this context. Children therefore acquire self-control-mechanisms by observing their parents in practicing self-control themselves, and by being encouraged by their parents to independently practice self-control.

On item 3: Finally, studies show that if-then-plans are helpful in pursuing previously defined goals. This especially applies when the goal pursuit is interrupted by highly attractive distractions. The nature of these plans is the practice of specific, concrete situations (if-part) to which the children have to react with a previously determined, and fixed behavioural response (then-part). Such a plan could sound as follows: „Whenever I pass the fruit shelf and see a chocolate bar, I buy an apple.“ These if-plans are especially successful when the if-then-connection is automatically practiced by the children. However, these mechanisms can only support children showing a concrete reaction to a specific situation. A cognitive evaluation from an educational point of view is not possible in this context. However, if-then-plans are also successful in situations in which children do not have the opportunity for elaborating the purchase decision (Wieber et al. 2011).

3 Conclusion

Already at a young age, children make and influence purchase decisions. They are recognised in their role as market participants, and therefore addressed by companies. In order to support their interests and to pursuit their goals, children need specific skills as well as knowledge which, in combination, form their Purchasing literacy.

This contribution shows that only the informed consumer is able to make competent purchase- and consumption decisions. The mediation of knowledge, which is tailored to the cognitive skills and corresponding age level of the children as well as to the concrete (purchase) decision situation, enhances the chance that they will be able to pursuit their own goals. Moreover, the children will also be able to act as competent participants on the market.

Despite all the knowledge, children are not always able to make elaborate decisions, especially in concrete purchasing situations. In cases like this, acquired self-regulation-techniques such as simple if-then-rules support particularly young children. Our studies show that restrictions and if-then-rules equally help children to resist weak buying impulses at supermarkets. However, the stronger the impulse (e.g. through corresponding marketing stimuli), the more likely the child will exceed the restriction. In this case, if-then-rules outclass restrictions (Mau et al. 2016).

Finally, we often detect in our research team that the mediation of a Purchasing literacy begins with the parents. They exemplify consumption-and purchasing decisions and convey how to make competent decisions, and they mediate the necessary skills. Therefore, a first step to support children is to inform parents and teachers about specific deficits in the Purchasing literacy with regard to the developmental stages of their children as well as to sensitise them to the importance of this current problem.

References

- Boland, W. A./Connell, P. M./Erickson, L.-M. (2012): Children's response to sales promotions and their impact on purchase behavior. In: *Journal of Consumer Psychology*, 22 (2), 272–279.
- Bower, J. A./Sandall, L. (2002): Children as consumers – snacking behaviour in primary school children. In: *Int J Consum Stud*, 26 (1), 15–26.
- Buijzen, M./Van Reijmersdal, E. A./Owen, L. H. (2010): Introducing the PCMC Model: An Investigative Framework for Young People's Processing of Commercialized Media Content. In: *Communication Theory*, 20 (4), 427–450.
- Büttner, O. B./Florack, A./Serfas, B. S. (2014): A Dual-Step and Dual-Process Model of Advertising Effects: Implications for Reducing the Negative Impact of Advertising on Children's Consumption Behaviour. In: *Journal of Consumer Policy*, 37 (2), 161-182.
- Chaplin, L. N./John, D. (2010): Interpersonal influences on adolescent materialism: A new look at the role of parents and peers. In: *J Consum Psychol*, 20 (2), 176–184.
- Cram, F./Ng, S. H. (1989): Children's endorsement of ownership attributes. In: *J Econ Psychol*, 10 (1), 63–75.
- Dittmar, H. (1992). *The social psychology of material possessions: To have is to be*, Hemel Hempstead.
- Effertz, T./Teichert, T./Franke, N. (2014): Adolescents' assessments of unhealthy food advertisements. In: *Journal of Consumer Policy*, 37 (2), 279-299.
- Egmont Media Solutions (2014). *Kids Verbraucher Analyse*, Berlin.
- Experian (2013): Experian's state of credit report finds Millennials struggling the most with debt management [Pressemitteilung vom 20.11.2013]. URL: <http://press.experian.com/United-States/Press-Release/experians-state-of-credit-report-finds-millennials-struggling-the-most-with-debt-management.aspx?&p=1> (Zugriff am 22.06.2015).
- Faw, L. (2012): Why Millennials are spending more than they earn, and parents are footing the bill. In: *Forbes* (May 18th, 2012).

- Flavell, J. H. (1999): Cognitive development: Children's knowledge about the mind. In: Annual review of psychology, 50 (1), 21–45.
- Gaumer, C. J./Arnone, C. (2009): Grocery store observation: parent-child interaction in family purchases. In: Journal of Food Products Marketing, 16 (1), 1–18.
- Gollwitzer, P. M. (1999): Implementation intentions: strong effects of simple plans. In: Am Psychol, 54 (7), 493–503.
- John, D. R. (2008): Stages of consumer socialization: The development of consumer knowledge skills and values from childhood to adolescence. In: Haugtvedt, C. P./Herr, P. M./Kardes, F. R. (Eds.): Handbook of consumer psychology, New York, 221–245.
- Mau, G./Schramm-Klein, H./Reisch, L. (2014): Consumer Socialization, Buying Decisions and Consumer Behavior in Children: Introduction to the Special Issue. In: Journal of Consumer Policy, 37 (2), 155-160.
- Mau, G./Schuhen, M./Schramm-Klein, H./Schürkmann, S./Steinmann, S. (2015): Treffen informierte Kinder kompetentere Kaufentscheidungen? Kaufkompetenz von Kindern und Ansatzpunkte für den Verbraucherschutz. In: Bala, C./Müller, K. (Eds.): Aschenputtel und Otto Normalverbraucher: Beiträge zur Verbraucherforschung: Leitbilder, Informationen, Konsum und Demokratie, Essen.
- Mau, G./Steffen, C./Schramm-Klein, H./Steinmann, S. (2012): The Impact of Health Warnings on Children's Consumption Decisions. In: Eisend, M./Langner, T./Okazaki, S. (Eds.): Advances in Advertising Research, Vol. 3, 93–103.
- Mau, G./Steinmann, S./Münker, M./Schramm-Klein, H./Schuhen, M. (2016): What Helps Children Resist Distracting Marketing Stimuli? The Impact Of Implementation Intentions And Restrictions On Choice And Arousal. In: Advances in Advertising Research.
- McAlister, A. R./Cornwell, T. B. (2009): Preschool children's persuasion knowledge: The contribution of theory of mind. In: Journal of Public Policy & Marketing, 28 (2), 175–185.
- Moutsiana, C./Garrett, N./Clarke, R. C./Lotto, R. B./Blakemore, S.-J./Sharot, T. (2013): Human development of the ability to learn from bad news. In: Proceedings of the National Academy of Sciences, 110 (41), 16396–16401.
- Ogba, I.-E./Johnson, R. (2010): How packaging affects the product preferences of children and the buyer behaviour of their parents in the food industry. In: Young Consumers: Insight and Ideas for Responsible Marketers, 11 (1), 77–89.
- Panic, K./Cauberghe, V./De Pelsmacker, P. (2013): Comparing TV Ads and Advergaming Targeting Children: The Impact of Persuasion Knowledge on Behavioral Responses. In: J Advert, 42 (2-3), 264–273.
- Pettersson, A./Olsson, U./Fjellström, C. (2004): Family life in grocery stores – a study of interaction between adults and children. In: Int J Consum Stud, 28 (4), 317–328.
- Reyna, V. F. (2013): Good and bad news on the adolescent brain. In: Nature 503 (November), 48–49.
- Salvy, S.-J./Pliner, P. P. (2010): Social Influences on Eating in Children and Adults. In: Laurette, D./Antoine, B./Alain, D./Adam, D./Jordan, L./Philip, J./Rickey, Y. Y. (Eds.): Obesity Prevention, San Diego, 617–627.
- Sweller, J./Van Merriënboer, J. J./Paas, F. G. (1998): Cognitive architecture and instructional design. In: Educational psychology review, 10 (3), 251–296.

- Van Reijmersdal, E. A./Jansz, J./Peters, O./van Noort, G. v. (2010): The effects of interactive brand placements in online games on children's cognitive, affective, and conative brand responses. In: *Comput Human Behav*, 26 (6), 1787–1794.
- Verhellen, Y./Oates, C./De Pelsmacker, P./Dens, N. (2014): Children's Responses to Traditional Versus Hybrid Advertising Formats: the Moderating Role of Persuasion Knowledge. In: *Journal of Consumer Policy*, 37 (2), 235-255.
- Waiguny, M. K. J./Nelson, M. R./Terlutter, R. (2014): The Relationship of Persuasion Knowledge, Identification of Commercial Intent and Persuasion Outcomes in Advergimes – the Role of Media Context and Presence. In: *Journal of Consumer Policy*, 37 (2), 257-277.
- Webley, P. (2005): Children's understanding of economics. In: Barrett, M./Buchanan-Barrow, E. (Eds.): *Children's understanding of society*, Hove, 43–67.
- Weible, D. (2013): Gender-driven Food Choice: Explaining the Differing Food Preferences of Boys and Girls. In: *Journal of Consumer Policy*, 36 (4), 403–423.
- Wieber, F./von Suchodoletz, A./Heikamp, T./Trommsdorff, G./Gollwitzer, P. M. (2011): If-then planning helps school-aged children to ignore attractive distractions. In: *Social Psychology*, 42 (1), 39–47.
- Wilson, G./Wood, K. (2004): The influence of children on parental purchases during supermarket shopping. In: *International Journal Consumer Studies*, 28 (4), 329–336.