



Empirical regularities in average price paid across different types of households

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ABSTRACT

This research examines the relationship between the average price paid by a household for consumer packaged goods and different types of households. Using panel data that consists of approximately 17,000 households per year, we examine 24 consumer packaged goods categories across 6 years (2005–2010) to understand the way in which average purchasing price varies across five key household types or stages, and to highlight generalizability. We find systematic patterns with respect to average price paid as households pass through key household stages. The changes follow an S-shape pattern across multiple product categories. The average purchasing price declines as households move from the pre-family stage to the young family stage, increases at the older family and post-family stages, and then decreases slightly at the single elderly stage. Overall, the most significant change is from the pre-family stage to the young family stage, followed by the change from the older family stage to the post-family stage. The differences hold across multiple years. The effects, however, are larger for nonfood than for food categories. Our results suggest that in order to broaden the brand customer base, brand managers need to have a product portfolio that includes both low and high price variants as well as presence across different distribution channels to satisfy the need of different types of households.

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CHINESE ABSTRACT

本研究考察了家庭对民生消费用品的支付平均价格和家庭生活周期不同阶段之间的关系。使用包含每年约17,000个家庭的面板数据，我们检测了6年（2005 - 2010年）中24种民生消费品的类别，以了解家庭生活周期中平均采购价格变化的方式，并突出概括性规律。我们发现，当家庭经历不同生活周期的阶段时，平均支付价格存在相应的系统性模式。在多种产品类别中，这一变化都遵循了S形曲线。平均购买价格随家庭从形成阶段转向年轻家庭阶段而降低，在老年家庭和空巢阶段增加，然后在老年独居阶段略有下降。总体而言，最显著的变化是从家庭形成阶段到年轻家庭阶段，其次是从老年家庭阶段转变到空巢阶段。这种差异规律在各个年代都有所体现。然而，这种效应在非食品类别中比食品类别中更大。我们的研究结果表明，为了扩大品牌客户群，品牌经理需要有一个包括低价格变动和高价格变动的产品组合，以及不同的分销渠道，以满足不同阶段的家庭生活周期的需要。

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1. Introduction

The use of a family life cycle model and different stages of household to understand consumers' consumption, spending and investment patterns is long standing (Bauer and Auer-Srnka, 2012). The life cycle concept and household stages in marketing proposes that the needs and wants of families change over a period of time, as do the patterns of decision-making as families move

from one stage of a life cycle to another (Lawson, 1988). Understanding household stages and its relationship to consumers' choice of categories, brands and the amount of money spent can assist marketers in their marketing plans and strategies. Families or households within a particular stage of life are more homogeneous in terms of their behavior, choices and attitude than families in other stages of the life cycle. Although there has been research exhibiting the relationship between stages of life cycle and consumer behavior (e.g. Schaninger and Danko, 1993; Schaninger and Lee, 2002), the focus has been mainly on updating the life cycle model and on examining the stages in relation to consumption rather than actual spending.

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The present research examines empirical patterns in purchasing price paid for different categories by consumers at different stages of the household. That is, the research aims to explore whether or not consumers pay different prices at different household stages and the extent to which there is a consistent pattern across various product categories over multiple years. [Uncles and Wright \(2004\)](#) highlight the importance of empirical generalization and the ways in which understanding regular patterns forms the foundation of advancements in theory and knowledge. This research contributes by addressing the appeal for more empirical regularities in marketing ([Uncles et al., 1995](#); [Uncles and Wright, 2004](#)). Managerially, the research helps practitioners in terms of portfolio management. For example, if price paid is not different across different household types, it is less effective to have a portfolio with a mixture of low and high prices. On the contrary, if price paid is different, then a more effective portfolio strategy is to have a wider range of products with different levels of price to satisfy the needs of different household types in order to broaden the customer base. The research also helps practitioners in term of channel management. For example if price paid is different across household stages or types, brand managers can design different price product and make them available through different marketing channels which appeal to different household types in order to increase customer reach.

The next section provides a literature review that covers a brief history of research on household life cycle in the marketing literature. This leads to the research questions and the presentation of the method. Finally, the findings are presented along with a discussion that highlights the implications as well as possible directions for future research.

2. Literature review

This section begins with the earliest research in marketing that used the concept of life cycle and the discussion continues to recent work in the field. This is to provide an overview of the way in which the concept has evolved. The purpose of providing an overview is to highlight two important points. Firstly, given the complexity of possible human life cycle and household stages, the study of household stages in consumer behavior and empirical generalization studies is an evolving one and therefore requires ongoing investigation. Secondly, grouping consumers into different stages and understanding their behavior has significant marketing implications (which are highlighted in the later sections) and is therefore a worthy approach.

[Wells and Gubar \(1966\)](#)'s research was the primary research on household life cycle stages in marketing literature. They advocated that it is a useful variable to understand and predict consumer behavior. [Landon and Locander \(1978\)](#) later examined the relationship between stages of family life and leisure activities and found that there is a distinct pattern in terms of choice of recreational activity and its frequency for each stage. They concluded that family life cycle is a promising variable for research in the area of leisure and recreation. [Murphy and Staples \(1979\)](#) and [Gilly and Enis \(1982\)](#) highlighted that when a family progresses from one stage to another, there appear to be differences in lifestyle and financial situations which consequently lead to an alteration of purchase behavior. This research accepts this proposition and examines the extent to which purchase behavior, in terms of price paid for a product category, varies as a family moves from one stage to another.

In the 1990s, [Wilkes \(1995\)](#) expanded the works by [Murphy and Staples \(1979\)](#) and [Gilly and Enis \(1982\)](#) to examine expenditure patterns across household life cycle stages. The research found different patterns across different product categories. For example, apparel followed a reverse U-shape spending pattern, whereas no such pattern appeared in the case of travel, insurance, appliances,

etc. For these product categories, spending rises across different stages. The study supported the use of household life cycle as a valuable approach to the analysis of consumer spending. The study also suggested that resources and demand are reallocated as the household stage changes. This implies that the decision regarding choice of product category and price at which the product category should be bought also gets reconsidered and altered. [Putler et al. \(2007\)](#) conducted a similar study to examine the household life cycle concept as a predictive tool compared to other socio-economic or demographic variables. They found that household life cycle is a better tool to understand spending patterns within a category. The findings from [Wilkes \(1995\)](#) and [Putler et al. \(2007\)](#) show that consumer spending for various product categories can be predicted by the household life cycle stages. These findings build a promising case for investigation on patterns related to average price paid for category purchase as there is a logical connection between spending (the key variable in these studies) and the price at which consumer chooses to purchase a product. Therefore, the patterns related to price paid are worth examining to develop a comprehensive understanding of household behavior at different household stages.

Research work across decades have highlighted the need for further research that includes key variables that are associated with spending such as category characteristics, socio-economic variables, life transition and so on. The price at which any product category is purchased is one such variable that needs further study. It is an important variable from both consumers as well as marketers perspective. From the consumer's perspective it is important as purchasing price is known to have a direct influence on consumer decision-making ([Estelami and Maeyer, 2004](#)), choice of brands and household budget. From marketer's perspective, it is an important variable that could assist product managers and marketers in strategy formulation. Understanding regularities in price paid across different stages or types of households can help develop competitive strategies in relation to diversification and product portfolio management. The present study focuses on this important and understudied variable.

[Yap and Kapitan \(2017\)](#) recently examined transition in life (i.e. events such as parenthood) and how they relate to individual consumption. The focus of their research was life events and not stages of the life cycle and their research approach was an integrative literature review, and they emphasized the need for empirical research in this area. We intend to address calls for such research through this paper.

Irrespective of the specific model, the concept of household life cycle has been used to understand behavior and patterns in a wide variety of categories such as financial services ([Lansing and Kish, 1957](#)), financial assets ([Tin, 2000](#)), service performance ([Nance and White, 2009](#)), consumer spending ([Arndt, 1979](#)), telephone usage ([Ellis, 1975](#)), entertainment ([Hisrich and Peters, 1974](#)), housing consumption ([McLeod and Ellis, 1982](#)), leisure ([Landon and Locander, 1978](#)), general and specific durable goods and services ([Du and Kamakura, 2006](#); [Putler et al., 2007](#); [Wilkes, 1995](#)), technology ([Brown et al., 2006](#)) food consumption patterns ([Neulinger and Simon, 2011](#)), and fast moving consumer goods ([Bogomolova and Grudinina, 2011](#); [Trinh et al., 2014](#)). This list of works demonstrates a wide acceptance of the household life cycle concept as a determinant of consumer behavior research. Some of the recent research works are explained in greater detail in the following section highlighting the key findings and the way in which they are related to the current study.

[Nance and White \(2009\)](#) used the family life cycle model with a particular focus on age and found that it affects consumption patterns and consumer attitudes in relation to service performance. They found that the expectation of fair treatment and service quality increases with the age of the members in family life. The current study uses 'age' as one of the key variables in composing the stages

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