Effect of Social Media on Spending Habits among Millennials

Introduction

Financial socialization is defined as being how a person spends and understanding *why* they spend money, and many things can influence this: friends, family, work, school, church, etc. (Beutler & Dickson, 2008). The basic, fundamental socialization agents have been examined but as the world continues to improve technologically and many Millennials have now reached adulthood, little is known how social media has been an influence in their spending habits and financial socialization.

Research has examined the effect of family, workplace, and school (Shim, Barber, Card, Xiao & Serido 2010), but no research has been done to determine how much of an effect social media has had. Research exists in order to understand Millennials and their obsession with all things electronic, however most research on social media has investigated at the effects on psychological, social, and other forms of emotional wellbeing.

Generally considered to be those born in the early 1980s to the early 2000s (Strauss & Howe, 2000), Millennials are considered "financially illiterate." (Mottola, 2014). If the generation that has now reached adulthood is financially illiterate, what implication does that have for the future? Does the oversaturated media environment have an effect on financial literacy? This study hopes to determine how much the amount of social media consumed affects destructive consumer behavior.

Theoretical Framework

Cultivation theory suggests that television and media possess a small, but significant, influence on the attitudes and beliefs of society. Cultivation theory also suggests that those who absorb more television (and in our case, social media) are more likely to be influenced (Gerbner & Gross, 1986). Media has been identified one of the major agents of economic and financial socialization (Beutler & Dickson 2008). Cultivation theory thus goes well with the claim of media being a main agent of socialization.

Conformity (normative social influence) is another key factor in how social media and advertisements affect spending habits, due to the high adoption rate of digital products and social media platforms exhibited by Millennials. Although smartphones and tablets did not emerge until the later 2000s, TV is still shown to be the dominant medium that children are exposed to (TVB, 2012). Because of this, the study also looked at television viewing and video streaming habits as well.

From these theories, following hypotheses were developed:

H1. Overexposure to advertisements in social media and television will lead to destructive consumer behavior.

H2. Impulsivity will positively affect destructive consumer behavior.

H3. Subjective financial knowledge of Millennials and destructive consumer behavior would have a negative relationship.

Methodology

Sample

An internet-based survey was used in order to collect data from participants. The sample set were students and eligible faculty/staff at a mid-size university in Midwest. The survey was available from September 15, 2014 to October 15, 2014. Participants were asked to take the study with an incentive of a $100 Visa Debit gift card through a random drawing. Anyone 17 years or under and anyone older than 34 was disqualified for the purpose of study. The final sample was 410.

Variables

The destructive consumer behavior was determined as sum of five dichotomous questions; unbanked, overspending, credit card use and debt, and overdraft fee incursion.

Social Media/Media Use. Participants were asked how many social media accounts they had, how much time they spent consuming social media, television or streaming services, and if they had ever bought anything because of social media/media/other influences.

Impulsive Spending. A subset of 5 questions from a nine-question scale by Rook and Fisher (1995) was used. The responses were formed using a 5-point Likert scale and the sum of all five questions was used.

Subjective Financial Knowledge. Response to the statement "I am very knowledgeable about personal finance and budgeting.", using a 5-point Likert scale, was used.

Control variables. Age, gender, income and parental financial support were included.

Linear regression models were run to test all three hypotheses using SPSS.

Results

Table 1 shows the results of the descriptive analysis. The majority of respondents were female (65.7%), non-Hispanic White (84.7%), and single (89.5%). More than half of the respondents (67.9%) earned less than $10,000 per year with mean age of 21.5. About a quarter of the respondents had more than five social media accounts and 63.5 percent checked more than one social media account several times a day. The respondents streamed movies or watched TV 4-7 times a week and less than half said that they can give up social media for a short time.

Millennials' purchasing decisions were most strongly influenced by family or friends. On average, respondents had 1.74 credit cards. The average destructive behavior score was relatively low (0.9 out of 4), and the average impulsivity was medium (13.4 out of 25). Respondents rated their subjective financial knowledge somewhat high (3.62 out of 5).

Table 1 about here

Regression results were shown in Table 2. Model 1 tests the influence of social media and spending habits on the destructive behavior. Model 2 tests the effect of impulsivity as well as variables in model 1. Model 3 examines the impact of subjective financial knowledge in addition to the variables included in previous models.

In model 1, as respondents' tendency to buy something because of social media increases, so did the number of destructive behaviors. However, as the number of social media accounts and amount of time spent on social media increases, destructive behavior was likely to decrease. As credit card ownership increased, more destructive behaviors were reported. Compared to those without access to emergency $500, those with the funds reported less destructive behavior.

Model 2 shows that controlling for demographic and social media use, one's impulsivity had a positive relationship with the number of destructive behaviors. The more impulse respondents were, the more destructive behavior was reported.

Lastly, controlling demographic variables, social media use, and impulsivity, one's subjective financial knowledge had a negative relationship with the destructive behavior. As one unit of knowledge increased, the number of destructive behavior decreased.

Table 2 about here

Discussion

Overall, the results confirmed the three hypotheses. Millennials were not destructive consumers in this study, and the effect of social media was surprising. It seemed that the *more* social media accounts and *more* time spent on social media lead to *less* destructive behaviors, while people who had less accounts and who spent less amounts of time had more destructive behaviors. The results did prove, however, that if Millennials bought something because of social media influence, the more likely they were to be destructive.

One major limitation, however, was that the majority of respondents were 19-21 years old. The Credit CARD Act of 2009 made it much more difficult for persons under 21 years of age to gain access to credit cards – this legislation may have eschewed the results. The results did show that credit card ownership did affect destructive behaviors, but if older Millennials were surveyed, the results could be very different and further research is needed. Many older Millennials came of age during the recession of 2008, which could have had a huge impact on their spending habits and overall behaviors. The implications for those coming into adulthood exhibiting destructive consumer behaviors could be detrimental to the economy as a whole.

The results, however, contradict some studies on younger Millennials. It was noticed that Millennials who received financial assistance from their parents were more likely to exhibit destructive consumer behaviors. This may be in part to the status of the Millennials surveyed – younger college students. Those who had access to emergency funds, however, were less likely to exhibit these behaviors. Millennials who reported having strong financial knowledge and skills proved to be less destructive – which may be contradicting some studies that previously said Millennials were financially illiterate (Mottola, 2014). More research is needed, however, particularly on older Millennials and perhaps with a more multicultural sample set.

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Table 1. Descriptive Results

Variables	*Freq*	*Percent (%)*	*Mean*	*St.D.*
Age			21.64	3.98
Gender				
Male	141	34.3		
Female	270	65.7		
Ethnicity				
Hispanic	10	2.4		
Non-Hispanic	401	97.6		
Race				
American Indian or Alaskan Native	10	2.4		
Asian	24	5.8		
Black or African American	8	1.9		
White	348	84.7		
Two or more races	13	3.2		
Other	8	1.9		
Marital status				
Single	368	89.5		
Married	38	9.2		
Divorced	5	1.2		
Approximate income				
<$10,000	279	67.9		
$10,001+	132	32.1		
Social Media/Media Use				
How many social media accounts do you have?				
1	51	12.1		
2	84	19.9		
3	92	21.8		
4	88	20.9		
5+	107	25.4		
Spending Habits				
Access to $500 in case of emergency?	367	88.6		
Bought something because of family/friend			3.25	.93
Bought something because of social media			2.23	.99
Bought something because of television advertisement			2.08	.85
Bought something because of website advertisement			1.89	.87
Amount of time spent watching TV/streaming video			2.46	1.19
Check social media several times a day			3.40	1.47
Credit card ownership			1.74	.96
Destructive behavior (sum of over drafting, unbanked, overspending, maxing out credit cards)			.92	.98
Living without social media			2.09	.91
Parental financial assistance			3.18	1.18
Sum of impulsive purchasing scale			13.40	4.16
Subjective financial knowledge			3.62	.95

Table 2. Regression Analyses

	Model 1		*Model 2*		*Model 3*	
	Beta	*Significance*	*Beta*	*Significance*	*Beta*	*Significance*
Age	**.150**	.048	**.180**	.016	**.156**	.035
Bought something because of family/friend	-.045	.368	-.044	.366	-.046	.340
Bought something because of social media	**.132**	.027	.113	.052	**.137**	.019
Bought something because of television ad	.053	.317	.051	.320	.040	.432
Bought something because of website ad	-.002	.969	-.037	.495	-.028	.608
Credit card ownership	**.176**	.001	**.156**	.004	**.155**	.004
Number of social media accounts	**-.144**	.013	**-.142**	.012	**-.149**	.008
Amount of time watching television/streaming video	-.016	.741	-.018	.708	-.020	.676
Amount of time spent on social media	**-.183**	.001	**-.139**	.011	**-.141**	.009
Checking more than one social media account, >once a day	-.031	.576	-.039	.463	-.032	.540
Living without social media	.024	.633	.015	.767	.005	.916
Emergency fund (parents, friends, savings)	**-.140**	.004	**-.130**	.006	**-.116**	.013
Financial assistance from parents	**.118**	.028	.097	.063	.079	.128
Gender (female/male)	.020	.697	-.011	.829	-.015	.754
Marital status (single)	.110	.075	.106	.079	.076	.205
Race (White)	-.069	.175	-.064	.198	-.072	.140
Low income (<$10,000)	-.073	.237	-.047	.432	-.060	.312
Sum of impulsive purchasing scale			**.236**	.000	**.206**	.000
Subjective financial knowledge					**-.147**	.002
R Squared	.184		.229		.248	

Dependent variable: Destructive Consumer Behavior