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"Social Class Redux: Subjective Relative Income Clarifies Role of Social Class and Privilege Groups in Understanding Consumer Behavior"

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Social Class and Privilege Groups

From its inception as a marketing concept in the 1940s (Warner, 1949), the notion of social class has been intuitively attractive to marketers. Social class is used to classify or segment consumers into groups thought to have homogenous backgrounds, and therefore, similar patterns of consumer behavior.

Social class has provided significant insight into explaining certain aspects of consumer behavior (Martineau, 1958; Coleman, 1960; Slocum and Matthews, 1970). Direct correlations between social class and the purchase of certain goods and services comprised the primary substantiation for these claims.

However, social class as an accurate predictor of consumer behavior is not without its detractors. After much intellectual activity in the 1960s and 1970s, social class has only sporadically appeared in the marketing literature in the past 10 years. A primary reason for such under-utilization may be that social class is a construct whose definition and meaning have frequently been called into question (Haug and Sussman 1971; Myers, Stanton and Haug, 1971; Myers and Mount, 1973). Further, no consensus exists in regard to the operationalization of the construct (Dominguez and Page, 1981b).

A significant stream of research was conducted in regard to the issue of "income vs. social class" by Slocum and Matthews (1970), Peters (1970), Myers, Stanton and Haug (1971), Myers and Mount (1973), Hisrich and Peters (1974), Hugstad (1981) and Schaninger (1981). In each case, the objective of the research was to examine direct correlations between stratification procedures and product-specific behaviors. While these studies contributed to the debate by highlighting product classes and categories where either social class or income were more effective in predicting specific product use, they provided only limited insight into why any particular operationalization of either social class or income predicted product use for one category, but not as well for another.
The "privilege group" concept represents a significant theoretical contribution to the study of social class in the marketing discipline. Originated by Coleman in his landmark article on "The Significance of Social Stratification in Selling," privilege groups is a concept which allows one to better understand differences in consumer behavior within the same social strata (Coleman, 1960).

Privilege groups are derived by considering the relative income of individuals within the same social strata. Those with incomes above the average for the strata are considered "overprivileged," while those with incomes below the average for the strata are considered "underprivileged." Privilege groups are shown to be helpful in explaining consumer behavior in the purchase of automobiles and televisions (Coleman, 1960).

Similar work by Peters (1970) in the area of "relative occupational class income" validated Coleman's original assertion of the usefulness of privilege groups in understanding consumer behavior in the purchasing of automobiles. Later, Klippel and Monoky (1974) built upon this work by validating the usefulness of relative occupational class income in the study of a non-durable product--coffee.

Where Social Class and Privilege Groups Fall Short

Despite their prominence in marketing theory and practice, social class and privilege groups have been inconsistent in their ability to predict consumer behavior across a wide range of product categories. Figure 1 provides a brief summary of the limitations observable in research to date on social class and privilege groups, as well as implications for future research.
Figure 1
Limitations of Previous
Social Class/Privilege Group Research

<table>
<thead>
<tr>
<th>Limitation</th>
<th>Implications for Future Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social class scales are varied. Many are out of date.</td>
<td>Investigations into social class would benefit from updated scales and a unified theoretical approach.</td>
</tr>
<tr>
<td>Social class, by itself, does a poor job of predicting consumer behavior.</td>
<td>Social class combined with income (i.e., privilege groups) is needed.</td>
</tr>
<tr>
<td>There is a need for a major theoretical effort, including clear conceptualization, hierarchical schemes, and the modeling of intervening variables.</td>
<td>Path models or linear structural equations are needed.</td>
</tr>
</tbody>
</table>

Research to date on social class and privilege groups can be characterized as a situation where the empirical work may be in need of better a priori theories. This study improves upon previous research by incorporating well-developed a priori theory and a new intervening variable—subjective relative income.

The Proposed Role of Subjective Relative Income
Privilege groups have traditionally been operationalized by examining "objective relative income." That is, the reported income for the individual or household is compared to the mean income for the relevant social strata. This research makes a contribution to the study of consumer behavior by introducing a new variable into the study of social class and privilege groups—subjective relative income. "Subjective relative income" is a measure of the consumer's self-perception of his/her own privilege status. Used in tandem with the traditional objective privilege measure, subjective relative income is shown to improve the understanding of the dynamics of privilege groups.
The Conceptual Framework of the Study

The role of subjective relative income is examined in the context of mediating feelings of financial strain and financial stress, and the consequent coping behavior of adaptive consumption.

The conceptual framework employed in this investigation does not supplant the previous work by Coleman and others. Rather, it builds upon those theories by:

1) Introducing a potentially clarifying intervening variable, thereby strengthening the conceptual framework; and

2) Improving the predictive validity of the constructs of social class and privilege groups by clarifying the relationships between income, social class, and, ultimately, specific forms of consumer behavior.

Figure 2 depicts the model of consumer behavior to be investigated.

Figure 2

[Diagram of the proposed model for subjective relative income impact on consumer behavior]
The Link Between Social Class and Financial Stress and Strain

There is a good deal of research in the social sciences which indicates a significant linkage between social class and feelings of financial stress. Weckstein (1962), in a study on welfare criteria, concluded that fulfilled aspirations are not as satisfying at lower economic levels as they are at higher ones. Similarly, Deacon and Firebaugh (1975) argue that the gap between desired and actual living standards affects lower status families more adversely than families of higher status.

In their comprehensive study on coping behavior, Pearlin and Schooler (1978) found that better educated, more affluent consumers are:

1) More likely to rely on "positive comparison" (e.g., "count your blessings," "It could be a lot worse," etc.) in dealing with money problems,

2) Better able to maintain optimistic outlooks regarding household finances, and

3) More likely to devalue the importance of monetary success.

In short, the less educated and poorer were found to be more prone to financial strain and financial stress. In addition, they tend to be less effective in coping with strain and stress through emotion-focused (indirect) means. This leaves the lower classes more prone to resort to problem-focused (direct) means of reducing strain and stress.

The aforementioned proclivity of the lower classes to utilize problem-focused means of reducing strain and stress is borne out in Fisher's (1988) study of consumer coping strategies. The study assessed the tendency of households to
utilize any of four coping strategies, all of which were forms of problem-focused coping behavior. Among the major findings of the study, Fisher concludes:

...there is a negative relationship between social class and coping—evidence that those in higher social classes do not rely on the various coping strategies to the extent that those in lower classes do. (p. 92)

The Links Between Privilege Groups. Financial Strain and Financial Stress

In his study entitled "Does Money Buy Happiness?" Easterlin (1973) found that welfare judgments are made on the basis of relative comparisons. That is, whether or not a person feels satisfied is largely dependent upon their income relative to those in their same social strata. It is the essence of this idea that Coleman (1960) asserted in his original exposition of the notion of privilege groups.

In his study, "Social Status, Status Inconsistency and Psychological Stress," Hornung (1977) concluded that incongruency leads to both "occupational" and "financial" stress. Hornung considered education and income as a two-way matrix, and broke each into three classifications of "high," "low," and "consistent" in a manner very similar to Coleman's classification scheme for privilege groups. He found that stress was highest among a subgroup of consumers referred to as experiencing "inequity-disadvantage." Characteristics of this group are those whose incomes are significantly less than others in their same social strata—the equivalent to Coleman's "underprivileged" group. This provides indirect empirical evidence of the stress caused by status incongruence, as well as the increased likely of status incongruence to be experienced by those of "underprivileged" status.
HYPOTHESES

Hypotheses are organized into two groups: 1) Hypotheses related to linkages in the proposed model, and 2) Hypotheses related to alternative models.

Hypotheses Related to the Linkages in the Model

In this section, the general flow of the hypotheses addressed will parallel the structure of the proposed model (summarized in Figure 3). In each case, the learning to date will be summarized and specific hypotheses, representing the linkages of the model, will be stated.

Figure 3

In this study, social class and privilege groups are operationalized by objective privilege. Coleman's original thinking on privilege group status
provides the basis for hypotheses regarding the relationship of objective privilege to the experience of financial strain, financial stress, and adaptive consumption.

Despite the proposed discrepancy between objective privilege and subjective relative income, the two operationalizations are still hypothesized to be positively related.

**H1:** If objective privilege increases, then subjective relative income increases.

Substantiation for this hypothesis lies in the understanding that objective privilege represents a purely objective statement of the financial situation of the household. It stands to reason that, as an individual’s income increases, his/her likelihood to feel, subjectively, that his/her financial resources are superior to others in their referent group will also increase.

The second hypothesis also derives from Coleman’s original theory that those who enjoy "overprivileged" status experience less financial strain, or, conversely, those who are "underprivileged" experience more financial strain.

**H2:** If objective privilege increases, then financial strain decreases.

This hypothesis calls for the observation of a direct effect of objective privilege on financial strain. Specific passages from Coleman (1983) which call for this hypothesis follow:

The over privileged in each social class are those with money left over (after the class-standard package of shelter, clothing and transportation has been acquired) for the forms of 'better living' that families of their class prefer. (p.274)
The underprivileged are those while, not truly poor (except, of course, in the lower class), can consider themselves in difficult straits, given what is expected from people of their status in the way of social participation and projected standard of living. (p.274)

For purposes of Hypothesis 2, the notion of "consider themselves in difficult straits" is operationalized through the variable "financial strain." The items comprising financial strain are a fairly objective reporting on the amount of discretionary income enjoyed by the household. The smaller the amount of discretionary income perceived, the more difficult the financial situation is reported to be.

The third hypothesis is concerned with the impact of age on financial strain. For purposes of this analysis, "age" is used as a proxy for "family life cycle."

**H3: As age increases, financial strain decreases.**

Primary substantiation for Hypothesis 3 is found in the work of Gurin, Veroff and Feld (1960), who found that the young worried more about financial issues than older consumers. A subsequent study by Bradburn and Caplovitz (1965) supported the Gurin study. Family lifecycle research by Stampfl (1978) and Sporakowski (1979) point to the general state of financial strain experienced by younger families, where earnings may be growing (albeit at a modest rate) but family dollar commitments to health-care and education are increasing at a faster rate.

Thus far, the impacts of the two exogenous variables (objective privilege and age) on consumers' perceptions of subjective relative income and financial
strain have been traced. Next, the important intervening role of subjective relative income is described.

In the proposed model, subjective relative income mediates the impact of objective privilege on financial strain, financial stress and adaptive consumption. It should be noted that objective privilege is also proposed to have direct effects upon financial strain and adaptive consumption.

When considering the concept of "privilege," there may be a large discrepancy between how people are objectively categorized and how they actually perceive themselves. If this is the case, then the possibility exists that previous research, which utilized only the objective operationalization of privilege, was seriously flawed.

Let us consider more explicitly how the previous research, based on objective privilege alone, may have been flawed. In previous research, where privilege status was correlated to specific purchasing behavior, the findings were inconsistent. It is possible that many of those who were categorized as "average" subjectively felt "underprivileged." Similarly, some of those consumers who were categorized as "over privileged" may have subjectively felt only "average." If these consumers behaved more according to how they perceived their privilege status rather than on their objective categorization, they would not have behaved in the theorized manner. This may have led to the mixed findings of Schaninger (1981) and Hugstad (1981).

Status incongruency theory supports this assertion. Status incongruency has to do with whether or not the individual feels that they are at parity with others in their social strata. Malewski (1963) has posited that the incongruence of status factors simultaneously perceived by other people brings certain punishments and the elimination of that incongruence is a source of certain rewards. Easterlin (1973) found that welfare judgments are made on the basis of
relative comparisons. Hornung (1977) concluded that incongruency leads to "adaptive" or "stress-reducing" response. Finally, Lazarus and Folkman (1974) indicate that consumers may undertake problem-focused coping behaviors to manage specific demands that are appraised as taxing or exceeding their resources. Thus, there is a wealth of evidence which supports the notion that subjective relative income, as a proxy for status incongruence, may be closely linked to financial strain, financial stress, as well as with the motivation to act to reduce stress due to incongruence.

**H4:** If subjective relative income increases, then financial strain decreases.

Similar to its mediating role with respect to financial strain, subjective relative income is also hypothesized to mediate the impact of objective privilege on adaptive consumption.

Coleman (1983) refers to this behavior in the following passage:

Many of their consumer choices amount to scrimping, saving and sacrificing in order to make proper appearances....(p. 274)

By engaging in adaptive consumption, the household frees up resources to be employed in other lifestyle areas. The following hypothesis directly examines the phenomenon Coleman describes.

**H5:** If subjective relative income decreases, then adaptive consumption increases.

Hypotheses 4 and 5 speak to the role of subjective relative income in mediating the impact of objective relative income on the experience of financial strain and the engaging in adaptive consumption behaviors.
The discussion now shifts to the role of financial strain as mediating the impacts of objective privilege, subjective relative income, and age on feelings of financial stress and adaptive consumption behaviors.

The relationships between financial strain and objective privilege, subjective relative income and age have been previously described. Each is hypothesized to be inversely related to financial strain.

The relationship of financial strain to financial stress is addressed in the work of Stampfl (1978) and Sporakowski (1979). They describe the potential for financial stress as a result of expenses incurred as a household moves through the family life cycle. Similarly, Oppenheimer (1974) refers to financial strain as a result of a situation where a household's resources are inadequate to meet expenses. Oppenheimer studied the experience of financial stress as a result of financial strain, finding, among other things, that financial stress was more likely to occur among consumers with lower-status occupations than among consumers with higher-status occupations.

With respect to the proposed model, financial strain can be seen as the objective recognition that one is operating with scarce financial resources. This condition can be linked, at least theoretically, with objective privilege, which is also an objective categorization scheme according to income. On the other hand, financial stress is more of a qualitative assessment of how one feels due to a condition of status incongruency (subjective relative income) and scarce resources (financial strain).

As H6 shows, financial strain is considered a primary antecedent to financial stress.

H6: If financial strain increases, then financial stress increases.
The relationship of financial strain to adaptive consumption is addressed in the following hypothesis.

**H7:** If financial strain increases, then adaptive consumption increases.

The work of Coleman (1983) comprises the best evidence in support of H7. One can reasonably equate Coleman's notion of "difficult straits" to encompass financial strain. Additionally, one can loosely interpret Coleman's notion of "scrimping, saving and sacrificing" to encompass Fisher's notion of adaptive consumption.

Finally, in Fisher's study (1988), a positive relationship between financial strain and adaptive consumption was clearly demonstrated.

The linkage between financial stress and adaptive consumption behavior is also quite straightforward. Previous work in the area of status incongruence (Malewski, 1963; Hornung, 1977) describes how lack of congruity leads to feelings of emotional insecurity—i.e., stress. Consumers are hypothesized to engage in adaptive consumption behaviors to help alleviate this stress. This leads to H8.

**H8:** If financial stress increases, then adaptive consumption increases.

The final hypothesis related to the proposed model deals with the overriding impact of objective privilege on adaptive consumption behavior. This "main effect" of income on consumer behavior is well-documented in previous "income vs. social class" research (Slocum and Mathews, 1970; Peters, 1970; Myers, Stanton and Haug, 1971). It was also observable in Fisher's (1988)
investigation into coping behaviors. Thus, while subjective relative income and financial strain are proposed as important mediating variables in the model, the model still calls for the direct impact of objective privilege on adaptive consumption behavior. This assertion is reflected in H9.

\textbf{H9:} If objective privilege increases, then adaptive consumption decreases.

\textbf{Hypotheses Related to Alternative Models}

Subsequent to the establishment of the basic model through Hypotheses 1-9, there is much to be learned about the relative effectiveness of the two alternative operationalizations of privilege status. The hypotheses below examine this issue.

\textbf{H10:} A model incorporating subjective relative income provides a better fit than a model that does not incorporate subjective relative income (i.e., an alternative model based primarily upon objective privilege).

The rationale for H10 is that, since subjective relative income is more closely linked with attitudes and behavior, it will provide a superior fit for the data under review. In essence, the model incorporating objective privilege alone represents the current thinking on privilege groups. H10 will test the proposed subjective measure versus the current operationalization.

\textbf{H11:} A model incorporating both objective privilege and subjective relative income provides a better fit than a model incorporating only subjective relative income.
Regardless of the superiority of objective privilege or subjective relative income, H11 represents the expectation that, together, the two measures provide the most accurate fit to the data. Objective privilege captures the important notion of relative economic capability, while subjective relative income aligns itself more closely to motivation. Together, they are hypothesized to provide a powerful tool for understanding consumer behavior.

Having set forth the hypotheses under investigation, the next section covers methodology of the study, including the operationalization of key variables and the analytic methods to be employed in evaluating the proposed models.

**METHODOLOGY**

**Overview**

The methodology of this study is presented in four segments:

1) **Data collection**,  
2) **Survey Instrument**,  
3) **Operationalization of Key Measures**, and  
4) **Analytical approach**.

**Data Collection**

The data were collected in November/December, 1986 via a mail survey fielded by Market Facts, Incorporated. A total of 820 surveys was mailed to a
subset of Market Facts' national mail panel. A total of 554 usable surveys was returned.

The study utilizes a syndicated mail panel for data collection. Thus, respondents have been pre-screened for demographic characteristics and have a certain predisposition to participate in research studies of this nature.

Another key aspect of the sample is that data is collected at the household level. Although the constructs under investigation are meaningful at both the individual and the household level, they do not have the same meanings at these two levels of analysis. For example, a household may be experiencing financial strain, but degree of strain experienced by the husband may vary from that experienced by the wife, based upon their knowledge of the strain and/or their psychological make-up. Similarly, the degree to which various individuals in a household engage in various coping strategies may vary according to their skillsets and/or psychological make-up. Further, individual efforts may complement, oppose, or proceed independently of group efforts.

A key assumption of the study is that both husband and wife are involved in family financial matters—that both are aware of the financial situation to some degree and that both engage in the various coping behaviors to one degree or another. The actual survey instrument was completed by the "person in the household who is most responsible for day-to-day finances." However, the respondent is urged to "...consult with your spouse when answering some questions. Please do this as much as possible when necessary." In this manner, it is hoped that the data provide an accurate representation of household phenomena.

The data was collected in November-December of 1986. In terms of any particular historical effects, this timing appears to be fortunate, since it lies between the economic recession of the early 1980s and the economic recession which set in during the early 1990s. Thus, respondents were filling out their
questionnaires during a relatively "normal" economic period--not a lot of economic contraction or expansion.

Survey Instrument

The questionnaire is a 12-page survey instrument, the first page consisting of a letter of introduction and explanation.

The approach used for measuring coping behaviors was to ask two general types of questions. The first type is general lifestyle patterns, operationalized by items commonly referred to as AIOs (attitudes, interests, and opinions).

The second type of questions required respondents to provide self-reports of specific behaviors representing various coping behaviors. Typically, these questions utilized aided-recall techniques. It is important to note that all of these outcome measures would fall under Dominguez and Page's concept of "associate" variables (Dominguez and Page, 1981b). Briefly, the questionnaire flow is as follows:

1) Overall Outlook
   a) Overall happiness
   b) Financial Stress (5 items)

2) Household Spending
   - 8 items related to "adaptive consumption"

3) Household Activities
   - 8 items related to "household production"

4) Spending Habits
   - 17 items related to spending habits

5) Work at Home
   - 16 items related to "household production"
6) About Your Family
   - 40 AIO items

7) Other Work
   - Questions related to "income expansion"

8) Classification Information

**Operationalizations of Key Measures**

**Exogenous Variables**

The set of hypotheses developed in the previous chapter are related to two exogenous variables: objective privilege and age. These exogenous variables are operationalized as follows:

**Objective Privilege**

The objective measure of privilege status is a ratio derived by dividing individual household income by the mean income for the strata in which the household is categorized. This operationalization does not have a precedent in the literature. However, it is conducive to the modeling technique employed in the analysis, and is true to the concept of relative income as laid out by Coleman (1960, 1983) and Peters (1970).

**Age**

Since the modeling technique employed required interval/ratio measures, age is utilized as a proxy for family life cycle. Operationalized as the age of the male head of household, it is a ratio measure.
Endogenous Variables

Two of the endogenous variables act as both dependent and independent variables; subjective relative income and financial strain. The endogenous variables are operationalized as follows:

Subjective Relative Income

Subjective relative income is derived from two items which are self-reported on a 5-pt. scale ranging from "strongly disagree" to "strongly agree." These items address how the respondent perceives his/her total household income relative to their social referent groups:

a) We make more money than most people in our social class.

b) We make more money than most of the people in our neighborhood.

This scale will be used as a continuous (interval) variable for purposes of the analysis.

Financial Strain

Financial strain is derived from two items which are self-reported on a 5-point scale ranging from "strongly disagree" to "strongly agree."
The specific items can be found below:

a) Our family never has any money left over after the bills are paid.
b) This household seems to live from paycheck to paycheck.

This scale will be used as a continuous (interval) variable for purposes of the analysis.

Financial Stress

Similar to "financial strain," "financial stress" is derived from two items which are self-reported on a 5-point scale ranging from "not at all" to "very." The question reads: "Adding up all the good and bad points about your finances, how (item) do you feel?" The items are "worried" and "frustrated." This scale will be used as a continuous (interval) variable for purposes of the analysis.

Adaptive Consumption

Adaptive consumption is operationalized by two scales: The first scale is based upon a battery of general lifestyle questions, while the second is based upon a battery of questions regarding specific behaviors. The two scales are combined utilizing equal weights to create a single, continuous interval scale for purposes of the analysis.

The general lifestyle scale is a summated scale derived from six items which are self-reported household efforts to reduce spending. Respondents react to each of the 6 items according to a 5-pt. scale ranging from "very unlikely" to "very likely" (Cronbach alpha=.82).
The specific items comprising the general lifestyle scale can be found below:

a) Efforts to economize are not a top priority in our family. (reverse scored)

b) Our family is making a serious effort to reduce its spending.

c) We are attempting to improve our financial condition by using several different cost-cutting measures.

d) We are trying to bring our spending into line with our income.

e) We are trying to cut back on our living expenses.

f) When it comes to spending, our family is trying to scale down.

The behavior-specific scale is a summated scale derived from eight items which are self-reported household efforts to reduce spending. Respondents are asked "Is your family trying to reduce its spending on..." Respondents react to each of the 8 items according to a 5-pt. scale ranging from "no, not at all" to "yes, very much" (Cronbach alpha=.87).

The items comprising the specific behavior scale can be found below:

My family is trying to reduce its spending on....

1) Eating out

2) Entertainment

3) Clothing

4) Vacations

5) Groceries

6) Long-distance telephone calls

7) Heating home (in season)

8) Cooling home (in season)
RESULTS

Overview

The results of this study are organized into four sections:

1. Results of the confirmatory factor analysis.
2. Assessing the proposed model (H1-H9).
3. Assessing alternative models (H10-H11).
4. Discussion of results.

Confirmatory Factor Analysis

Before the proposed model could be assessed, a confirmatory factor analysis was conducted to assure the unidimensionality of three similar constructs: Subjective relative income, financial strain, and financial stress. A schematic depicting the confirmatory factor analysis can be found in Figure 4.
Figure 4

CONFIRMATORY FACTORY ANALYSIS:
SUBJECTIVE RELATIVE INCOME; FINANCIAL STRAIN;
FINANCIAL STRESS

Subjective Relative Income

Financial Strain

Financial Stress

A2  A1  B2  B1  C2  C1
We make more money than most people in our neighborhood
We make more money than most people in our social class
Our financial situation is strained
Our family never has any money left over after the bills are paid
I am frustrated about my finances
I am worried about my finances
Figure 5 displays the correlation matrix for the three constructs.

**Figure 5**

CONFIRMATORY FACTOR ANALYSIS: CORRELATION MATRIX FOR CONSTRUCTS (Maximum Likelihood)

<table>
<thead>
<tr>
<th>Subjective</th>
<th>Relative Income</th>
<th>Fin. Strain</th>
<th>Fin. Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subj. Rel. Inc.</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Strain</td>
<td>-.424</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Financial Stress</td>
<td>-.389</td>
<td>.754</td>
<td>1.00</td>
</tr>
</tbody>
</table>

The correlations confirm the hypothesized relationships. At .754, the correlation between financial strain and financial stress is quite high. The negative correlation between subjective relative income and financial strain is reasonably high, at -.424. Similarly, the negative correlation between subjective relative income and financial stress is also reasonably high (-.389).
Figure 6 shows the squared multiple correlations for the items comprising the three constructs of interest.

**Figure 6**

**CONFIRMATORY FACTOR ANALYSIS:**
**SQUARED MULTIPLE CORRELATIONS**

**Subjective Relative Income**

<table>
<thead>
<tr>
<th>Item</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>More $ Than Others in Class</td>
<td>.584</td>
</tr>
<tr>
<td>More $ Than Neighbors</td>
<td>.461</td>
</tr>
</tbody>
</table>

**Financial Strain**

<table>
<thead>
<tr>
<th>Item</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Money After Bills</td>
<td>.519</td>
</tr>
<tr>
<td>Financial Situation is Strained</td>
<td>.799</td>
</tr>
</tbody>
</table>

**Financial Stress**

<table>
<thead>
<tr>
<th>Item</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worried about Finances</td>
<td>.772</td>
</tr>
<tr>
<td>Frustrated over Finances</td>
<td>.531</td>
</tr>
</tbody>
</table>

The squared multiple correlation represents the lower bound for reliability for these measures. In each case, the squared multiple correlations represent acceptable levels of reliability.
Figure 7 displays the key measures of fit of the confirmatory factor analysis.

**Figure 7**

**CONFIRMATORY FACTOR ANALYSIS:**  
**KEY MEASURES OF GOODNESS-OF-FIT**

- Total Coefficient of Determination: .983  
- Chi Square (6 df): 4.76 (p=.575)  
- Goodness-of-fit Index: .997  
- Adjusted Goodness-of-fit Index: .980  
- Root Mean Square Residual: .016

Despite the concern about the multi-dimensionality between "financial strain" and "financial stress," the key measures of the confirmatory factor analysis indicate an extremely good model fit. A significant chi-square (p=.575) at 6 degrees of freedom, as well as the high goodness-of-fit indices, indicate that the data fit the proposed model quite well. The total coefficient of determination of .983, with a root mean square residual of only .016 indicates that the model captures most of the variation in the data.

Figure 8 displays the lambda values and corresponding t-values for the items and constructs. Lambdas close to 1.00 and t-values greater than ten normally indicate a model with an extremely good fit.
Figure 8

CONFIRMATORY FACTOR ANALYSIS:
LAMBDA VALUES/ t-VALUES

<table>
<thead>
<tr>
<th>Subj. Rel. Inc.</th>
<th>Fin. Strain</th>
<th>Fin. Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subjective Rel. Inc.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More $ Than Class</td>
<td>.821/11.950</td>
<td></td>
</tr>
<tr>
<td>More $ Than Neighbors</td>
<td>.767/11.276</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Strain</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Money After Bills</td>
<td>.934/17.212</td>
<td></td>
</tr>
<tr>
<td>Fin. Sit. is Strained</td>
<td>1.143/21.81</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Stress</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worried</td>
<td>.950/21.262</td>
<td></td>
</tr>
<tr>
<td>Frustrated</td>
<td>.942/17.342</td>
<td></td>
</tr>
</tbody>
</table>

The lambdas approaching or slightly exceeding 1, as well as the extremely high t-values, provide the final evidence that the measurement model for the three key endogenous variables (subjective privilege, financial strain and financial stress) has been optimized.
Assessing the Proposed Model

Having established the unidimensionality of three key measures, the next step is to assess the fit of the proposed model. A schematic of the model is reprised in Figure 9:

**Figure 9**

Hypotheses 1 through 9 address the key linkages of the model. The initial step in the assessment of the model is the examination of the goodness-of-fit measures. These are summarized in Figure 10.
Figure 10

PROPOSED MODEL
KEY MEASURES OF GOODNESS-OF-FIT

<table>
<thead>
<tr>
<th>Measure</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coeff. of Determination for Structural Equation</td>
<td>.265</td>
</tr>
<tr>
<td>Chi-square at 27 degrees of freedom</td>
<td>25.62</td>
</tr>
<tr>
<td>p</td>
<td>.540</td>
</tr>
<tr>
<td>Goodness-of-fit Index</td>
<td>.989</td>
</tr>
<tr>
<td>Adjusted Goodness-of-fit Index</td>
<td>.978</td>
</tr>
<tr>
<td>Root Mean Square Residual</td>
<td>.262</td>
</tr>
</tbody>
</table>

The chi-square for the model is highly significant ($p = .54$). The goodness-of-fit indices are also extremely high. Taken collectively, these measures indicate that the proposed model is viable.

Next, the specific standardized path coefficients representing the linkages of the model are examined. Of interest is the direction and strength of these linkages relative to specific hypotheses set forth in the derivation of the model. These coefficients are summarized in Figure 11.
Examination of the standardized residuals for the model shows no residuals of any significance, except that between the scale for specific adaptive consumption behaviors and the item "I'm worried about my finances." In this case, the 3.33 standardized residual violates the 2.58 guideline generally employed to establish a good model (Joreskog and Sorbom, 1989).

Next, attention turns to the specific hypotheses inherent in the various linkages of the proposed model. These hypotheses are overlaid on the model framework in Figure 12.
Relationships With Objective Privilege (H1, H2, and H9)

At .455, the strong positive relationship between objective privilege and subjective relative income supports H1. The hypothesized negative relationship between objective privilege and financial strain is also supported. However, the relationship is weak: -.164. Similarly, the negative relationship between objective privilege and adaptive consumption is confirmed, albeit it weakly (-.090). It is felt that subjective relative income mediates the impact of objective privilege on the latter two variables. This phenomenon will be discussed at greater length in the Discussion section.
The Impact of Age on Financial Strain (H3)

It was hypothesized that, as age increases, financial strain would decrease. This negative relationship is supported by the -.132 coefficient observed in the model. However, as was discussed earlier when considering the simple correlations within the model, the weak relationship is somewhat surprising. One possible explanation for this weak relationship is that age is impacting financial strain indirectly through both the objective privilege variable and the subjective relative income variable.

The Impacts of Subjective Relative Income (H4, H5)

As hypothesized, a moderately strong negative relationship is observed between subjective relative income and financial strain (-.341). A less strong negative relationship can be seen between subjective relative income and adaptive consumption (-.201). One explanation is that financial strain mediates the impact of subjective privilege on adaptive consumption.

The Impacts of Financial Strain and Financial Stress (H6, H7, and H8)

As hypothesized, there is a strong positive relationship between financial strain and financial stress (.756). This relationship is probably at least slightly overstated due to the lack of unidimensionality between these two constructs observed in the confirmatory factor analysis.

The positive relationship hypothesized between financial strain and adaptive consumption is seen (.353). Similarly, a positive relationship is observed between financial stress and adaptive consumption (.299). The similar levels of
positive linkages between financial strain and financial stress on adaptive consumption are continued evidence of the mediating role of these variables as objective privilege and subjective relative income indirectly impact adaptive consumption.

Assessing Alternative Models

Hypotheses 10 and 11 test the relative effectiveness of alternatives to the proposed model. In order to assess these hypotheses, two alternative versions of the proposed model were run. The first was a model in which the subjective relative income variable was dropped from the model, thereby making it a model based primarily on the objective operationalization of privilege. This model is referred to as the "O-Model." A schematic depicting the O-Model can be found in Figure 13.

Conversely, another model was run whereby the objective privilege variable was removed, leaving the model to operate on the basis of the subjective relative income. This model is termed the "S-Model." A schematic depicting the S-model can be found in Figure 14 immediately following Figure 13.
THE MODEL WITH
SUBJECTIVE RELATIVE INCOME
REMOVED: "O-MODEL"

Figure 13

Objective Privilege

(-)

Age

(-)

Financial Strain

(+) (-)

(+) (+)

Adaptive Consumption

Financial Stress
THE MODEL WITH OBJECTIVE PRIVILEGE REMOVED: "S-MODEL"
Figure 15 summarizes the key measures of fit for the Proposed Model, the O-Model and the S-Model.

**Figure 15**

**SUMMARY OF KEY MEASURES OF GOODNESS-OF-FIT: PROPOSED MODEL, O-MODEL, S-MODEL**

<table>
<thead>
<tr>
<th></th>
<th>PROPOSED</th>
<th>O-MODEL</th>
<th>S-MODEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>25.62</td>
<td>19.32</td>
<td>25.66</td>
</tr>
<tr>
<td>p (df)</td>
<td>.540 (27)</td>
<td>.200 (15)</td>
<td>.220 (21)</td>
</tr>
<tr>
<td>GFI</td>
<td>.989</td>
<td>.990</td>
<td>.989</td>
</tr>
<tr>
<td>AGFI</td>
<td>.978</td>
<td>.977</td>
<td>.976</td>
</tr>
</tbody>
</table>

Examination of the standardized residuals for the O-Model and S-Model show no real problems, with the exception of the high residual seen between specific adaptive consumption behaviors and the item "I'm worried about my finances" (3.23 and 3.52, respectively). This is the same problem residual observed in the proposed model.

Charts depicting the path coefficients for these models can be found in Figures 16 and 17, respectively. Of interest in these charts is the relationships observable between objective privilege, subjective relative income and financial strain and adaptive consumption. In each case, we see larger coefficients than are observable in the proposed model, as these alternative models attempt to compensate for their relative lack of explanatory power. In most other respects, the path coefficients are similar to those observable in the proposed model.
PATH COEFFICIENTS FOR THE MODEL WITH SUBJECTIVE RELATIVE INCOME REMOVED "O-MODEL"
In regard to H10, which examines the relative utility of O-Model vs. S-Model, it is difficult to name a clear winner.

Keeping in mind that the alternative models are intended to provide a superior fit to the proposed model, it is apparent that the alternatives do not outperform the proposed model in terms of chi-square or goodness-of-fit indices. Thus, one is inclined to accept H11, which states that the proposed model would provide a better fit than either of these two alternative models premised on either objective privilege or subjective privilege acting alone.
Discussion

Overall, the goodness-of-fit measures for the basic model show the model to be viable.

The relative strengths of the linkages in the basic model suggest a predominant path of causality which runs from objective privilege, through subjective privilege and financial strain to financial stress and adaptive consumption.

This path is supported by the theory underlying this investigation, and makes a good case for the usefulness of the subjective relative income variable. Subjective relative income clarifies the model by bridging traditional privilege group theory (operationalized by objective privilege) with key outcome measures (financial strain, financial stress, and adaptive consumption behavior) by virtue of an operationalization of status incongruency (subjective relative income). This is precisely the consumer behavior model suggested by Coleman (1960) in his original work regarding privilege groups. Later, in the discussion of alternative models, the superiority of the model incorporating both objective privilege and subjective relative income will be discussed.

A summary of the hypotheses in regard to the basic model and their findings can be found in Figure 18. Each hypothesis is described as being either "strongly supported," "weakly supported," or "not supported." A very brief summary of the evidence is then given.
## FIGURE 18
SUMMARY OF HYPOTHESES AND FINDINGS:
PROPOSED MODEL

<table>
<thead>
<tr>
<th>HYPOTHESIS</th>
<th>FINDING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1</strong>: If objective privilege increases, then subjective relative income also increases.</td>
<td><strong>Strongly supported</strong>: Standardized structural coefficient of .455.</td>
</tr>
<tr>
<td><strong>H2</strong>: If objective privilege increases, then financial strain decreases.</td>
<td><strong>Weakly supported</strong>: Negative relationship seen, although standardized structural coefficient is only -.164.</td>
</tr>
<tr>
<td><strong>H3</strong>: As age increases, financial strain decreases.</td>
<td><strong>Weakly supported</strong>: Negative relationship seen, although the standardized structural coefficient is only -.132.</td>
</tr>
<tr>
<td><strong>H4</strong>: If subjective relative income increases, then financial strain decreases.</td>
<td><strong>Strongly supported</strong>: Standardized structural coefficient of -.341.</td>
</tr>
<tr>
<td><strong>H5</strong>: If subjective relative income decreases, then adaptive consumption increases.</td>
<td><strong>Weakly supported</strong>: Negative relationship seen, although the standardized structural coefficient is only -.201.</td>
</tr>
<tr>
<td><strong>H6</strong>: If financial strain increases, then financial stress increases.</td>
<td><strong>Strongly supported</strong>: Standardized structural coefficient of .756.</td>
</tr>
<tr>
<td><strong>H7</strong>: If financial strain increases, then adaptive consumption increases.</td>
<td><strong>Strongly supported</strong>: Standardized structural coefficient of .353.</td>
</tr>
<tr>
<td><strong>H8</strong>: If financial stress increases, then adaptive consumption increases.</td>
<td><strong>Strongly supported</strong>: Standardized structural coefficient of .299.</td>
</tr>
<tr>
<td><strong>H9</strong>: If objective privilege increases, then adaptive consumption decreases.</td>
<td><strong>Weakly supported</strong>: Negative relationship seen, although standardized structural coefficient is only -.090.</td>
</tr>
</tbody>
</table>
The role of age (as a proxy for life-stage) was relatively insignificant. The potential rationale for the minor role of age is that the age spectrum in the study was not very broad to begin with. On an ongoing basis, the sample was quite homogenous with respect to age. Had the study been conducted among a more diverse sample with respect to age, a more expanded role of age might have been observed. Another potential explanation for the relatively weak role of age is that age may be acting indirectly through the objective privilege variable or the subjective relative income variable.

The single strongest linkage in the model was seen between financial strain and financial stress. This linkage can be discounted somewhat by virtue of the fact that these two constructs are, conceptually, very similar. However, the confirmatory factor analysis which preceded the modeling effort did establish their uni-dimensionality.

Figure 19 summarizes the hypotheses regarding alternative models.

**FIGURE 19**

**SUMMARY OF HYPOTHESES AND FINDINGS:**

**ALTERNATIVE MODELS**

<table>
<thead>
<tr>
<th>HYPOTHESIS</th>
<th>FINDING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H10:</strong> A model incorporating subjective relative income provides a better fit than a model that does not incorporate subjective relative income (i.e., an alternative model based primarily upon objective privilege).</td>
<td><strong>Weakly supported:</strong> According to key measures of goodness-of-fit, the models are technically equal. Preference is given to S-Model on basis of better fit with theory.</td>
</tr>
<tr>
<td><strong>H11:</strong> A model incorporating both objective privilege and subjective relative income provides a better fit than a model incorporating only subjective relative income.</td>
<td><strong>Strongly supported:</strong> Goodness-of-fit measures are clearly superior for model incorporating both variables. Fit with theory is better as well.</td>
</tr>
</tbody>
</table>
It is difficult to determine the superiority of the two alternative models. The S-model, representing the ability of the model to run on subjective relative income without objective privilege, appears to perform at parity with the O-model, which utilizes objective privilege without subjective relative income. While the O-model represents traditional privilege group theory, the S-model represents the potential to run the model purely on the basis of status incongruency (that is, without considering social class and privilege groups at all).

Both models produced non-significant chi-squares, indicating good model fit. The similar performances of the models is not entirely surprising, since a high degree of correlation between objective privilege and subjective relative income is observed in the proposed model.

To a degree, the good model fit of the S-model is ensured by the confirmatory factor analysis conducted prior to running the model. The fit of the O-model is best explained by the aforementioned high degree of correlation of objective privilege with subjective relative income, their similarity in a theoretical sense, and the overwhelming impact of income (as part of the objective privilege variable) on variables such as financial strain, financial stress, and adaptive consumption behavior observed in previous investigations (Fisher, 1988).

It is somewhat surprising that the S-model performs as well as it does, without any social class or income variable operating in the model. This speaks to the equally important role of status incongruency as a motivator of behavior.

As hypothesized, the joint effect of both objective privilege and subjective relative income is superior to either acting alone in the model. Jointly, these variables capture the "relative income effect" hypothesized by classic privilege group theory along with the "status incongruency effect" largely ignored until now.
IMPLICATIONS FOR MARKETING

This study contributes to the field of marketing by introducing a new construct—subjective relative income—into the examination of social class and privilege groups. Subjective relative income, used as a proxy for status incongruency, is shown to be a key variable in consumer behavior models linking traditional privilege status with such outcome measures as financial strain, financial stress and adaptive consumption behavior.

*Subjective relative income captures an affective component of consumer behavior which is felt to be more closely linked to consumer action than traditional privilege measures. Used in tandem with traditional measures of privilege, subjective relative income may improve the ability to predict certain consumer behaviors on the basis of privilege group status.*

An enhanced ability to predict consumer behavior utilizing privilege group status would provide a useful segmentation tool for marketers. Even though segmentation was the original benefit provided by Coleman's initial research, privilege group theory as an antecedent to such segmentation has largely been abandoned in the past twenty years due to an inability to consistently predict and explain product usage or consumption.

This study makes a contribution to the understanding of consumer behavior by introducing an *affective component* (subjective relative income) to an area previously dominated by demographic variables (social class and income). This subjective component was originally theorized by Weber, but was forgotten in the operationalization of the social class and privilege group constructs.

By adding an affective component to the model, this study was able to establish parallel paths of both objective and subjective components in establishing a model for consumer behavior. Objective privilege is seen as being
related more to an assessment of financial strain, as both variables are relatively objective. On the other hand, subjective relative income is seen as being closely related to financial stress, as both are more affective in nature. In this study, the combination of both subjective and objective components is shown to be superior to utilizing either approach in isolation in modeling adaptive consumption.

The approach toward and assessment of relative income utilized in this study could also be applied to other consumer background variables, such as age, ethnicity, nationality or even gender. In today's increasingly pluralistic society, operationalizing these variables in a straightforward, objective manner may lead to a less than optimal understanding of the consumer. Not all old people "feel old." Not all Hispanics identify to the same degree with their Hispanic heritage. Not all men feel the same way about their masculinity. An astute researcher may be able to combine these objective measures with more subjective measures of self-perception to obtain more insight into consumer behavior and segment the market in a more precise manner.

In addition, a better understanding of the joint implications of both objective and subjective measures of the same construct would assist the marketer in more tactical areas such as developing the appeal of advertising or understanding consumer receptivity to price and price promotions.

Status incongruence as a motivator of consumer behavior may also be a concept which will prove useful to marketers in the coming years. With incomes polarizing and the middle class shrinking, with all of the population growth in the U.S. coming primarily from ethnic groups, with the rise of nationalism and pride in cultural roots, consumers will be faced with more and more status incongruence. As they continue to cope with such pluralism in their daily lives, marketers must strive to understand the impacts of such diversity on consumer behavior.
Similarly, as consumers attempt to adjust to job layoffs and the tough economic environment of the new millennium, marketers should take notice of the role of consumer coping behavior and and/or related forms of lifestyle adaptation such as the adaptive consumption variable utilized in this study.

On an application level, the operationalization of subjective relative income and objective privilege are relatively simple and easy to include into any future studies where privilege group status may play a role in the analysis. Thus, not only has this study introduced a new variable which may improve the predictive power of the privilege group construct, but the implementation of this useful consumer behavior variable is relatively straightforward and concise.

Finally, from an analytic standpoint, this study successfully generates a linear structural relations model linking social class and privilege group status with adaptive consumption behavior. This approach is in keeping with the prescriptions of Dominguez and Page (1981a, 1981b).
BIBLIOGRAPHY


