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From Savers to Spenders: How Children Became a Consumer Market

By James U. McNeal

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There was a time - in fact, only 30 or 40 years ago - when children were not spoken of as spenders or customers but as savers and future consumers. Sure, they bought penny candy and an occasional soft drink, but retailers did not think of them as customers per se. They were more often perceived as "Mrs. Bohuslov's kids" who just happened to buy something while they were in the store. Children had money, but it was for saving, not spending. They were always saving up for something, according to them, but they never actually seemed to buy very much. They would, for example, save up for a football or bicycle, or even a college education, but usually these items and almost anything else they saved up for were bought by their parents or perhaps their grandparents.

Children received allowances then perhaps as frequently as they do today. Their allowances were relatively smaller, however, and parents usually dictated the amount or percent that could be spent - and this also was often small. Parents would justify this strict guidance with such sayings as, "a penny saved is a penny earned," and "save for a rainy day."

The youngest population segment that was of concern to retailers was the teens. Accounting for teens' expenditures by marketers did not begin to take place seriously until the late 1950s. In general, teens were viewed as tomorrow's consumers, whereas younger children were characterized only as future consumers.

All that changed with a phenomenon that we still talk about and write about, the baby boom. When World War II ended, families started having babies as if they were making up for all the lost war years. By 1950 the under-five population was 16,163,000 - an unheard of 60 percent increase in 10 years! As these baby boomers reached ages five to 12, their small amount of spending became very noticeable because of their substantially increased numbers. Moreover, these were prosperous years, and the amount that each child spent also increased; we do not know by how much because no one kept track. It was not considered important.

Three Markets in One

But, today, children are viewed as a viable market by many manufacturers and retailers. Saturday morning television, with its $100 million of child-focused advertising, is a moving monument to this new market.

Potentially, children constitute the most lucrative market there is for many businesses because the youngsters are actually three markets in one:

They are a current market that spends $4.2 billion a year of their own money on their own desires. In this sense children are viewed as having needs, having money to spend on items that satisfy their needs, and having a willingness to spend money. Entire industries - such as producers of candy, gum, frozen desserts, soft drinks, toys, comic books, records and cassettes - treat children as a current market. At the retail level, such outlets as video game parlors, movie houses and convenience stores also treat children as a ready market.

Children are a future market for most goods and services. Manufacturers and retailers respond to them as future consumers to be cultivated now. Thus, department stores have special promotions for children - a sci-fi Saturday, for example - to build store awareness for the day when they begin to buy their own clothes.

Children also constitute a market of influentials who cause many billions of dollars of purchases among their parents. Probably best known of these marketers are cereal firms that intensively advertise to children on Saturday morning television and directly or indirectly encourage the children to persuade their parents to buy certain brands of cereal. In the spring of 1986, General Mills introduced a new presweetened cereal to children. Julie Franz wrote in Advertising Age, "General Mills promised grocery store buyers that 95 percent of all children ages two through 11 will see the Circus Fun TV spot an average of 107 times during the cereal's first year."

Parents Prepare Children

Today's typical young consumers have several sources of funds, can spend their money on objects of their choice and are encouraged by their parents to become economically responsible as soon as possible. Most parents regard the notion of their children as consumers as a natural role to be assumed. The idea of parent-blessed mini-consumers appears to be a post-World War II phenomenon.

Theoretically, children do not require money because the products and services that they may purchase are ordinarily provided by parents. Then how is it that by age six or seven children have money to spend and are spending it? Several social forces produce this activity, but ultimately the parents determine it through their desire to please their children and their desire to prepare their children. We usually pamper our children from day one by giving to them an unending range of things obtained from the marketplace. As soon as they develop some money awareness, probably around age four or five, we begin giving them money in a desire to please them more, so that they may independently obtain some of the things we have been giving them.

"While many parents can summon up childhood memories
of Keds, decoder rings and Mouseketeer ears, nowadays

increasingly sophisticated merchandise is being pitched at
much younger children, with far more advertising."
U.S. News & World Report

Parents strongly desire to prepare their children for adulthood or at least for self-sufficiency. This may be a carryover from our 19th Century agrarian society, but in any case this desire takes the form of providing skills to the youngsters so that they may cope without the assistance of parents. Being a consumer is one of these skills.

It seems clear, then, that children are turned into consumers at a very early age in our society through the desires and encouragement of parents, who also provide the youngsters with the necessary financial support. The net result of this is that the children become a relatively big market segment for such items as sweets, snacks, soft drinks and toys as they pursue self-gratification and self-sufficiency. But, should children really be referred to as a market? According to the best-selling principles of marketing textbooks, the following four requirements must be met in order for a group to be considered a market:

- The people must need the product. That is, if children are referred to as a market for candy, for example, there must be a definable need for this product by this group.
- Individuals in the group must have the authority to buy the specific product. This requirement addresses the concept of the child being permitted by social custom or by those in charge to buy things.
- The people in the group must have the ability to purchase the products. This, of course, refers to the child having money and having control of it.
- The people in the aggregate must be willing to use their buying power. This means that having money is not enough; there must be a willingness to part with it.

As we look closely at each of these requirements, children appear to be a bona fide market. It is true that one might question the first requirement, need for the product, in terms of bubble gum or candy. It is also true that a child doesn't need this product to sustain life, however, needs are not only for being but also for becoming, socially and personally.

In the case of children, it might be appropriate to add a fifth requirement, that individuals in the group must have knowledge and understanding of the marketplace. It is one thing to have money and the willingness to spend it; it is quite another to understand how, where and when to spend it and what to spend it on.

There are no indications that the nation's parents are going to do anything to reduce the consumption efforts of their children. In fact, parents in general seem more determined than ever that their children will become consumers at an early age or, more fundamentally, become adult at an earlier age. Kids are marching toward adulthood at a much brisker pace than they used to and are wanting more mature things to go with this accelerated growth.

Casting children as consumers is not done without recognizing that there are many ethical, economic and social questions concerning this position. If children are in fact a market for various goods and services, does this mean we should consider them as adults to a greater extent than we do? Alternately, from the standpoint of the consumer role, are children miniconsumers? Should we use a child model or an adult model to explain their consumer behavior? And, what about children's ability to understand fully the advertising messages and their intent? More specifically, some questions that parents might keep in mind when considering their children as little customers are as follows:

- Are parents aware that giving their children money to spend gives the children market power? While the money that one child receives is insignificant, the combined amount for all children causes children to have buying power and to be recognized as a market.
- Do parents really need to give their children money, particularly during preschool years? The parents meet the children's needs already and do it better than the children can.

Are parents cognizant of retailers' feelings about children being given money to spend and being encouraged to spend it? Regardless of what motives the parents have for giving their children money, by virtue of giving it to them they set in motion certain activities at the retail level, such as stocking and displaying goods. Yet parents may not know the viewpoint of retailers.

Are parents giving their children money, encouraging them to spend it, but relying principally on schools to teach the children appropriate consumer behavior? There is not much evidence that parents deliberately teach their children consumer behavior, yet they encourage them to be consumers.

If parents insist on their children being consumers by giving them money and encouraging them to spend it, are they also giving approval to marketers to court their children as potential customers? We hear a lot of condemnation of marketers, particularly advertisers, for pursuing children as consumers, but from a business standpoint, it would be more surprising if they did not.

Although children as consumers have become a normal part of our socio-economic fabric, parents are creating many problems for themselves, for their children and for marketers by giving their children money and the encouragement to spend it. It certainly places a heavy responsibility on all three parties. There are no formal ground rules for children as consumers except the rules that apply to adults. Therefore, parents must be concerned with teaching their children consumer knowledge and skills, while marketers must be concerned with interacting properly with children in what is mainly an adult setting.

Many parents, on the other hand, seem to view children's consumer wants as being practically nonexistent if it were not for ads. Advertising, according to many parents, teaches children materialism, which is to want things for the sake of having them, not because they satisfy a variety of needs. Consumer protectionists, who are usually parents themselves, also tend to fault marketing for creating wants among children. While they speak of materialism, they more often protest about children wanting things they don't need as a result of perceived heavy-handed efforts by marketers, mainly through advertising.

Being a consumer in our nation is a right. Being a marketer is a privilege. It is the marketer that must be licensed, not the consumer. Children have a right to be consumers in spite of some inadequacies - their limited abilities, their limited knowledge, and their clumsiness. If business chooses children as a target market, whether current, future or influential, it assumes the responsibility in general for acknowledging their inabilities.

The plain fact of the matter is that something needs to be done to improve the marketing-child consumer connection. A strong relationship is a good thing for marketers - it means sales and profits now, and even greater sales and profits in the future. It is a good thing for children - it provides enormous input to their consumer socialization process as well as current satisfaction from products and their purchase of them. But no one should forget that children, particularly those under eight, are vulnerable to commercial abuses. Marketers have been shown to be abusive to children far too many times for their good will to be assumed.

Footnotes:

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How Marketers Target Kids

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> Kids represent an important demographic to marketers because in addition to their own purchasing power (which is considerable) they influence their parents' buying decisions and are the adult consumers of the future.

According to the 2008 *YTV Kids and Tweens Report*, kids influence:

- Breakfast choices (97% of the time) and lunch choices (95% of the time).
- Where to go for casual family meals (98% of the time) (with 34% of kids always having a say on the choice of casual restaurant).
- Clothing purchases (95% of the time).
- Software purchases (76% of the time) and computer purchases (60% of the time).
- Family entertainment choices (98% of the time) and family trips and excursions (94% of the time). [1]

As a result, industry spending on advertising to children has exploded over the past two decades. In the United States alone, companies spent over $17 billion doing this in 2009 – more than double what was spent in 1992.

Parents today are willing to buy more for their kids because trends such as smaller family size, dual incomes and postponing having children until later in life mean that families have more disposable income. As well, guilt can play a role in spending decisions as time-stressed parents substitute material goods for time spent with their kids.

Here are some of the strategies marketers employ to target children and teens:

Pester power

"We're relying on the kid to pester the mom to buy the product, rather than going straight to the mom."
Barbara A. Martino, Advertising Executive

Today's kids have more autonomy and decision-making power within the family than in previous generations, so it follows that kids are vocal about what they want their parents to buy. "Pester power" refers to children's ability to nag their parents into purchasing items they may not otherwise buy. Marketing to children is all about creating pester power, because advertisers know what a powerful force it can be.

According to the marketing industry book *Kidfluence*, pestering or nagging can be divided into two categories—"persistence" and "importance." Persistence nagging (a plea, that is repeated over and over again) is not as effective as the more sophisticated "importance nagging." This latter method appeals to parents' desire to provide the best for their children, and plays on any guilt they may have about not having enough time for their kids.

The marriage of psychology and marketing

To effectively market to children, advertisers need to know what makes kids tick. With the help of well-paid researchers and psychologists, advertisers now have access to in-depth knowledge about children's developmental, emotional and social needs at different ages. Using research that analyzes children's behaviour, fantasy lives, artwork, even their dreams, companies are able to craft sophisticated marketing strategies to reach young people. For example, in the late 1990s the advertising firm Saatchi and Saatchi hired cultural anthropologists to study children engaging with digital technology at home in order to figure out how best to engage them with brands and products. [2]

The issue of using child psychologists to help marketers target kids gained widespread public attention in 1999, when a group of U.S. mental health professionals issued a public letter to the American Psychological Association (APA) urging them to declare the practice unethical. Although the APA did not outright ban psychologists from engaging in this practice, as a result, the recommendations of their final report in 2004 included that the APA "undertake efforts to help psychologists weigh the potential ethical challenges involved in professional efforts to more effectively advertise to children, particularly those children who are too young to comprehend the persuasive intent of television commercials." [3]

Building brand name loyalty

Canadian author Naomi Klein tracked the birth of "brand" marketing in her 2000 book *No Logo*. According to Klein, the mid-1980s saw the birth of a new kind of corporation—Nike, Calvin Klein, Tommy Hilfiger, to name a few—which changed their primary corporate focus from producing products to creating an image for their brand name. By moving their manufacturing operations to countries with cheap labour, they freed up money to create their powerful marketing messages. It has been a tremendously profitable formula, and has led to the creation of some of the most wealthy and powerful multi-national corporations the world has seen.

Marketers plant the seeds of brand recognition in very young children, in the hopes that the seeds will grow into lifetime relationships. According to the Center for a New American Dream, babies as young as six months of age can form mental images of corporate logos and mascots. Brand loyalties can be established as early as age two, and by the time children head off to school most can recognize hundreds of brand logos.

While fast food, toy and clothing companies have been cultivating brand recognition in children for years, adult-oriented businesses such as banks and automakers are now getting in on the act.

Magazines such as *Time*, *Sports Illustrated, Vogue* and *People* have all launched kid and teen editions—which boast ads for adult related products such as minivans, hotels and airlines.

Buzz or street marketing

The challenge for marketers is to cut through the intense advertising clutter in young people's lives. Many companies are using "buzz marketing"—a new twist on the tried-and-true "word of mouth" method. The idea is to find the coolest kids in a community and have them use or wear your product in order to create a buzz around it. Buzz, or "street marketing," as it's also called, can help a company to successfully connect with the savvy and elusive teen market by using trendsetters to give their products "cool" status.

Buzz marketing is particularly well-suited to the Internet, where young people in particular use social networking platforms to spread the word about music, clothes and other products. It should come as no surprise that the **top ten viral marketing campaigns(http://www.branded3.com/blogs/the-top-10-viral-marketing-campaigns-of-all-time/)** (as of 2008) relied heavily on YouTube, Hotmail and Facebook to reach hundreds of millions of viewers—and this was *before* Twitter became a mainstay of social media. For example, when Burger King re-launched its 'Subservient Chicken' TV commercial online in 2004, it attracted 15 million hits within the first five days and more than 450 million hits over the next few years. [4]

Commercialization in education

School used to be a place where children were protected from the advertising and consumer messages that permeated their world—but not any more. Budget shortfalls are forcing school boards to allow corporations access to students in exchange for badly needed cash, computers and educational materials.

Corporations realize the power of the school environment for promoting their name and products. A school setting delivers a captive youth audience and implies the endorsement of teachers and the educational system. Marketers are eagerly exploiting this medium in a number of ways, including:

- Sponsored educational materials: for example, a Kraft "healthy eating" kit to teach about Canada's Food Guide (using Kraft products); or forestry company Canfor's primary lesson plans that make its business focus seem like environmental management rather than logging.
- Supplying schools with technology in exchange for high company visibility.
- Exclusive deals with fast food or soft drink companies to offer their products in a school or district.
- Advertising posted in classrooms, school buses, on computers, etc. in exchange for funds.
- Contests and incentive programs: for example, the Pizza Hut reading incentives program *Book It!* in which children receive certificates for free pizza if they achieve a monthly reading goal; or Campbell's *Labels for Education* project, in which Campbell provides educational resources for schools in exchange for soup labels collected by students.
- Sponsoring school events: The Canadian company ShowBiz brings moveable video dance parties into schools to showcase various sponsors' products.

In addition, companies are also recognizing the advantages of developing positive brand associations through facilitating school field trips. In the U.S., the highly successful company Field Trip Factory delivers children to companies for "real-world lessons on everything from nutrition to health care." For example, students may visit a car dealership to learn about car safety. This is seen as a win-win situation by many educators and retailers because it lets children have hands-on experiences outside their classrooms, while building positive associations between companies, students and their parents and teachers. [5]

The Internet

The Internet is an extremely desirable medium for marketers wanting to target children:

- It's part of youth culture. This generation of young people is growing up with the Internet as a daily and routine part of their lives.

- Parents generally do not understand the extent to which kids are being marketed to online.
- Kids are often online alone, without parental supervision.
- Unlike broadcasting media, which have codes regarding advertising to kids, the Internet is unregulated.
- Sophisticated technologies make it easy to collect information from young people for marketing research, and to target individual children with personalized advertising.
- By creating engaging, interactive environments based on products and brand names, companies can build brand loyalties from an early age.

The main ways that companies market to young people online include:

- Relationship building through ads that attempt to connect with consumers by building personal relationships between them and the brand.
- Viral ads that are designed to be passed along to friends.
- Behavioural targeting, where ads are sent to individuals based on personal information that has been posted or collected.
- Endorsements by online “influencers” who are paid to recommend a product in what looks like a genuine way.

For more information on how marketers are targeting kids online, check out the **Online Marketing** section.

Marketing adult entertainment to kids

In 2008, an estimated 17 million children watched the Superbowl with their families. Alongside the football, they also watched a number of highly creative and engaging ads for beer and alcohol.

The marketing of adult entertainment to children has been, and continues to be, an ongoing issue between government regulators and various media industries. In a report released in 2000, the U.S. Federal Trade Commission (FTC) took movie, music and video games industries to task for routinely marketing violent entertainment to young children. Subsequent reports since then have shown that although advances have been made – particularly within the video game industry – there are still many outstanding concerns relating to the frequency that adult-oriented entertainment is marketed to children and the ease with which many under-age youth are able to access adult-rated games, movies and music. [6] Specific areas where the FTC is calling on entertainment media to improve on include restricting the marketing of mature-rated products to children, clearly and prominently disclosing rating information and restricting children’s access to mature-rated products at retail. [7]

In its latest, 2009 report, the FTC particularly noted the challenges presented by emerging technologies in facilitating easy access by children to adult-rated entertainment.

The real challenge is that promotion of adult-oriented entertainment does not necessarily fall within the parameters outlined by regulatory agencies such as the FTC. For example, Nickelodeon’s 2011 Kids Choice Awards were hosted by hip-hop artist Snoop Dog, who, in addition to producing music that is not rated for children, is also a spokesperson for the fruity alcoholic beverage, Blast. Alcohol companies also use social networking platforms like Facebook to humanize their brands and make it easy for customers to ‘connect’ with their products.

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[1] Poulton, Terry. “ ‘Kidfulence’ on family spending strong: YTV Report.” *Media in Canada.* February 22, 2008.
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[4] Inc.Com. http://www.inc.com/ss/7-successful-viral-marketing-campaigns#6
[5] ABC News. More Companies Market Directly to Kids. http://abcnews.go.com/WNT/story?id=130347&page=1#.T6PQ_NnNkYK
[6] Federal Trade Commission (2009). FTC Renews Call to Entertainment Industry to Curb Marketing of Violent Entertainment to Children. http://www.narm.com/PDF/FTCReport_1209.pdf
[7] Ibid.

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