

Children: Consumer Attitudes to an Expensive Investment

Contributed by Euromonitor International
Monday, 15 December 2008

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Date published: 9 Dec 2008

In recent decades, governments in many developed countries have been staring at demographic curves like deer in the headlights. Statistics are making it increasingly clear that fewer people are willing to take on the cost and the responsibility of bringing up children. Something that should be taken for granted – “people will always have children” – German ex-Chancellor Adenauer famously said in the 1950s – has become a topic of crisis summits.

In 2008, the region with the highest proportion of the population aged 0-14 was the Middle East and Africa at 39.4% of the total population. By contrast, North America's proportion was 19.8% of the population in 2008 while in Western Europe it constituted 17.7%.

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Key trends

Why sacrifice a career?

The real cost of bringing up baby;

The child as a cherished luxury;

Celebrity children: cool accessories;

Older parents – “better parents.”

Commercial opportunities

Given that children are a shrinking commodity, those children who are born will need to be given optimum schooling and training. There are opportunities for companies to get involved in the formation of the future workforce by direct input or sponsorship;

On the plus side, women who choose not to have children are economically active and available for the labour market, adding to a more highly trained and specialised working population. They will earn and spend more in typical professional consumer segments such as convenience and take-away food, food services, clothes and footwear;

While a shrinking children's population puts downward pressure on volume sales in sectors related to children, parents often put more emphasis on quality which in turn increases value sales;

Older and one-child parents in particular spend more money and time on their children, and they are more aware of the educational content of toys and games. As an example, Poland, the country with the strongest value growth in toys and games, is among the five countries with the lowest fertility rate in Europe;

The growing numbers of “blended families” also known as “patchwork families” (family systems coming together, whether not originally planned the way they are) have more pronounced transport and communication needs. Kids from such families tend to be more mature at a younger age due to the challenges they face, turning them into savvy consumers earlier. Address these families and give them a commercial face.

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Background

In countries like France, Norway, Ireland and Sweden, childcare and state support for families is ensuring the highest fertility rates in Europe, but across the economically mature societies, birth rates have been falling for decades. Women are deciding en masse either to postpone having children, or not to have more than one child. Large families will soon be a distant memory in European countries and most of the USA. Unsurprisingly, perhaps, the fastest two-digit growth in the toys and games market is happening in emerging markets in Latin America and Asia. Attempts are being made by governments to reverse negative fertility trends: In Germany and the UK, new legislation was introduced recently to ease the financial load on parents and to offer better childcare facilities for those mothers who want to – or need to – carry on working. US President elect, Obama, pledged to increase benefits for working parents, raise the minimum wage and provide tax relief to low- and middle-income workers.

Why sacrifice a career?

A large youth population may reduce the economically active population, if mothers must work part time or not at all in order to care for their children. “Polish women have problems keeping their jobs when they are young because employers think ‘Ah, maybe she's going to be pregnant soon’, and secondly, when a woman has a child employers often think she will be a worse worker,” says Joanna Kluzik-Rostkowska, the new under-secretary for Women and the Family. German blogs are full of young couples' complaints about bullying bosses who threaten job loss if a woman gets pregnant. One blogger from New Zealand outlines her utopia: “Every woman who wants to work finds affordable nursery places, many of them with a 7a.m. to 7p.m. care option. And schools offer a care facility until 6p.m.”

The real cost of bringing up baby

Despite raising its head in ads for special savings accounts, for instance, the enormous investment involved in having a child is often not anticipated when people start a family. In the UK alone, 3.9 million children are living in poverty; in Germany this is 12% of all children. Philippa Hunt, of Save the Children UK, said: "We will need to see a significant investment in the poorest families in next year's budget to ensure that the government keeps its promise of halving child poverty by 2010 and ending it by 2020." The pressure of supporting a large family has been keenly felt this year, when prices for fuel and basic foodstuffs are increasing the cost of feeding a family. The growing global financial crisis, rising unemployment and the accompanying insecurity is eroding consumer purchasing power and inclination. Polish woman Anna's husband does not want any more children because it is too expensive. German blogs are full of stories about the impossibility of paying the rent and decently keeping a family on an average salary, often putting young couples off starting a family.

"Having children will cost more than you can possibly imagine," warns Philippa Gee from independent financial adviser (IFA) Torquil Clark. "Financially, it is like moving house, where if you have a budget, you need to at least double it and provide a fairly hefty contingency fund as well." British newspaper, The Guardian, reported a 2007 survey for Family Circle magazine, according to which the day-to-day costs of bringing up a child creep up from the day they are born amounting to a total of £43,000 by the time they reach 18. The survey found that parents have to spend £27 a week on keeping them nourished, £7 on clothing, £12 on entertainment and food outside the home, as well as £4 on pocket money. The most expensive children in the UK are 16-year-olds, costing their parents an average of £64 a week. Apart from the sheer maintenance cost, modern children - tweens and teenagers particularly - have become consumers in their own right, many of them disposing of sizeable savings and pocket money originating in their parents' pay packets via pester power. Many parents compensate for feelings of guilt about their long working hours by splashing out on their offspring. The luckier ones also have two or more sets of doting grandparents to keep them living in the brand style they have become accustomed to.

A child as a cherished luxury

But a drop in fertility can also be caused by the opposite: once there is greater financial security, families become smaller. A representative example for this is offered by the northern Italian province of Sudtirol. The last time its fertility rate stood at 2.1 children (the rate needed to keep the population in balance) was in 1975, before Sudtirol experienced its economic boom that made it into one of Italy's richest provinces. Now the rate is 1.56, and the average age for first births has risen from 29 in 1990 to 31.5 in 2006, and is lowered by the younger birth age averages of immigrant women. This age shift is occurring across Europe: In 1984, Austrian women had their first child at the average age of 24.1, by 2005, this had risen to 27. In Spain, the average age is now 29.2; in Sweden 28.7. In Germany, one in four pregnant women is over 35 years of age. In Ireland, although its fertility rate remains one of the highest in Europe (due to the ban on abortions, the strong "if waning" influence of the Catholic Church and the influx of immigrants), the availability of contraception has had a downward impact on family size, and an increasing number of new couples are cohabiting, rather than marrying.

Celebrity children: cool accessories

Glam parents from Brangelina (Brad Pitt and Angelina Jolie) to the Beckhams, dress their kids to celebrity perfection as to them it is not only about matching your handbags and shoes now, but the children too. This same tendency is acknowledged and imitated by many who also coordinate with their kids, whether it is for shopping or an evening do. Even children can become an acquisition. Adoption has become more common and globally accepted after recent adoptions by A-listers, although not all consumers remain convinced. In an article on an Australian website www.news.com.au, entitled 'Celebrity Adoption', one consumer claims that "the latest sport of buying children has come to repulse me. As Madonna fashionably wanders around with baby David Banda strapped to her back I have flashbacks to Paris Hilton stepping out with her miniature dog exclaiming 'that's hot'."

Older parents, better parents

For both sexes, the benefits of postponing kids are greater financial security and established careers. Time magazine report that the number of women 35 or over who are giving birth for the first time quadrupled in The Eighties, and increased further since. Says Susan Fillin-Yeh, 45, an art historian at Yale and mother of a nine-year-old daughter: "At this stage I'm not battling to find out who I am. I'm a better parent now than I would have been." Also, at this stage, families tend to be financially more secure than earlier on and able to offer their offspring a better education. In traditional family-dominated countries like Italy or Poland, among European countries with the lowest fertility rates, women are discovering there is life outside the family. "Women are becoming more and more demanding. They want to get a job and career first so they're not dependent on their husband later," says 34-year-old Anna Jurczak. "Twenty years ago you had to get married young but in our generation, my friends and I, first of all we want to find a good job and then we can find someone we can love."

Outlook

A more surprising, but not less valid angle on this topic comes from the British Medical Journal which calls on GPs to encourage the view that bigger families are as environmentally dubious as owning a patio heater or driving a gas-guzzler. Couples should consider having no more than two children to help reduce the environmental impact of the rising global population.

For those children that are going to produce future generations' pensions, governments will have to assume increasing economic responsibility. All forecasts indicate that the economically stronger segments of society will produce fewer children, while those who do have children may not be able to offer them the necessary skills and support to qualify them for a successful working life. Public investment needs to ensure that all children have access to healthy nutrition and good schooling in order to enable them to fulfil their societal role. With a shrinking demographic, highly developed Western societies cannot afford to tolerate problems like illiteracy and widespread poverty acting as a brake on their economies. In order to encourage more professional mothers to have children, companies need to re-think their policies on childcare, or engage in lobbying governments to improve facilities.

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