Final Consumers

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Chapter 8

Chapter Objectives

To show the importance and scope of consumer analysis
To define and enumerate important consumer demographics for the U.S. population and other countries
To show why consumer demographic analysis is not sufficient in planning marketing programs
To define and describe consumer lifestyles and their characteristics, examine selected lifestyles, and consider the limitations of consumer lifestyle analysis
To define and describe the final consumer's decision process and consider the limitations of consumer decision-making analysis

Consumer Analysis Is Crucial in the Diverse Global Marketplace

Consumer Analysis includes the study of:
- Who buys?
- What do they buy?
- Why do they buy?
- How do they make decisions to buy?
- When do they buy?
- Where do they buy?
- How often do they buy?

Two Types of Consumers: Final Consumers

Final consumers buy for personal, family, or household use.
- They make purchases as individuals.
- They use both disposable and discretionary income.

Two Types of Consumers: Organizational Consumers

Organizational consumers buy for:
- Use in operations
- Further production, and/or
- Resale to other consumers

Consumer Demographics:

- are objective and quantifiable population characteristics
- are easy to identify, collect, measure, and analyze
- show diversity around the globe
### Consumer Demographic Profile

By examining various demographic factors, a firm can form a consumer demographic profile.

- This is a demographic composite of a consumer group.
- Marketers can pinpoint both attractive and declining opportunities.

### Factors Determining a Consumer’s Demographic Profile

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### Population Size, Gender, and Age

- The world population is expected to rise from 6.15 billion in 2001 to 6.82 billion in 2010.
- The U.S. population is expected to rise from 283 million in 2001 to 300 million in 2010.
- Worldwide, males and females comprise equal percentages of the population. The ratio varies by region.
- The populations in industrialized nations are older than in less-developed and developing nations.

### Location, Housing, and Mobility

- During the 20th century, there was a major move of the world population to large urban areas and surrounding suburbs.
- The level of urbanization varies greatly by country.
- In many parts of the world, the majority of people own the homes in which they reside.
- The worldwide mobility of the population is high, with millions of people emigrating from one nation to another and hundreds of millions moving within their nations each year.
- Among U.S. residents, 15 to 20 percent of all people move annually—40 percent within the same county, 80 percent within the same state, and 90 percent within the same region. Only 10 percent of moves are to a new region or abroad.

### Income and Expenditures

Consumer income and expenditure patterns are valuable demographic factors when properly studied.

- **Personal income** is often stated as GDP per capita, which represents the total value of goods and services produced in a nation divided by population size.
- **The cost of living** reflects the yearly increases in prices due to inflation.
- **Disposable income** is a person’s, household’s, or family’s total after-tax income used for spending and/or savings.
- **Discretionary income** is what a person, household, or family has available to spend on luxuries, after necessities are bought.

### Occupations and Education

- The labor force in industrialized nations continues to move further toward white collar jobs and service occupations.
- In recent decades, there has been a huge increase in working women, as well as in the number of working mothers with children under five years old.
- There is a high literacy rate and educational attainment in industrialized nations, and the ‘value’ placed on achievement parallels many demographic changes.
Marital Status

Family: Two or more people living together, related by blood, marriage, or adoption

Household: One or more people living together who may or may not be related

The recent trend has been towards smaller families and households, with more people residing in nontraditional families or households.

Ethnicity/Race

- Demographically, ethnicity/race is one measure of a nation’s diversity with regard to language, country of origin, or race.
- The U.S. is comprised of people from virtually every ethnic and racial group in the world.
- Data from the recent U.S. Census reflect major changes in the composition of the population.

Limitations of Demographics

- Information may be old. A full U.S. Census is only taken every ten years, and a time lag exists before release of data.
- Data on various demographics may be unavailable in some nations, especially less-developed and developing ones.
- Summary data may be too broad and hide opportunities and risks in small markets or specialized product categories.
- Single demographics may not be useful. A demographic profile may be needed.
- The psychological or social factors influencing people are not considered.

Consumer Lifestyles

A number of social and psychological characteristics help form a final consumer’s lifestyle. They are critical for marketing decision making.

A lifestyle represents how people spend time and money.

Factors Determining a Consumer’s Social Profile

- Social Class
- Social Performance
- Reference Groups
- Time Expenditures
- Family Life Cycle
- Consumer’s Social Profile
- Opinion Leaders

Social Characteristics

- Each culture transmits socially acceptable behavior and attitudes.
- Social class separates society into divisions.
- Social performance describes how people fulfill roles.
- Reference groups influence thoughts and behavior.

- Opinion leaders affect others through face-to-face contact.
- Family life cycles describe evolutionary life stages, which often use joint decision making.
- The household life cycle includes family and nonfamily units.
- Time expenditures refer to the activities in which a person participates and the time allocated to them.
Social Characteristics Are Shaped By:

- **Culture**: A group that shares distinctive heritage and beliefs
- **Social Class**: Which reflects a “status hierarchy”
- **Reference Groups**: Which influences person’s thoughts and actions.

Opinion Leaders Are Influential within Reference Groups.

- Opinion leaders influence others with advice and information.
- They can act as “change agents” because they are trusted and interact in a face-to-face manner.
- They influence many purchase decisions over a narrow product range, and may be perceived as more believable than company-sponsored ads.

Traditional Family Life Cycle

- Bachelor
- Married
- Full Nest: 1, 2, 3
- Empty Nest: 1, 2
- Sole Survivor: 1, 2

Factors Determining a Consumer’s Psychological Characteristics

- Personality
- Attitudes or Opinions
- Class Consciousness
- Motivation
- Perceived Risk
- Importance of Purchase
- Innovativeness
- Consumer’s Psychological Profile

Psychological Characteristics

- **Personality**: The sum total of an individual’s traits making him or her unique.
- **Attitudes or Opinions**: Positive or negative feelings about goods or services.
- **Class Consciousness**: The extent to which social status is desired/pursued.
- **Motivation**: The driving force impelling a person toward or away from an action.
- **Perceived Risk**: The level of uncertainty a consumer believes exists as to the outcome of a purchase decision.
- **Innovativeness**: Refers to a person’s willingness to try new things.
- The importance of a purchase affects the time and effort a person spends shopping for a product—and the money allotted.

Types of Perceived Risk

There are six types of perceived risk:

1. **Functional**: The risk that a product will not perform adequately.
2. **Physical**: The risk that a product will be harmful.
3. **Financial**: The risk that a product will not be worth its cost.
4. **Social**: The risk that a product will cause embarrassment.
5. **Psychological**: The risk that one’s ego will be bruised.
6. **Time**: The risk that the time spent making a purchase will be wasted if the product does not perform as expected.
Selected Consumer Lifestyles

- **Family Values**: Emphasizes marriage, children, education, family car, togetherness entertainment, and home-oriented products.
- **Voluntary Simplicity**: Based on ecological awareness and self-reliance.
- **Getting By**: A frugal lifestyle dictated by limited resources.
- **The “Me” Generation**: Focuses on self-fulfillment and self-expression.
- **Blurring Gender Roles**: Involves undertaking nontraditional roles.
- **Poverty of Time**: Occurs when dual careers and a quest for financial security mean less free time.
- **Component Lifestyle**: Attitudes and behavior dependent on situation more than on lifestyle.

The Final Consumer's Decision Process

The process consists of these steps:

- **Stimulus**: A cue can be social, commercial, noncommercial, or a physical drive.
- **Problem Awareness**: There is a recognition of a shortage or an unfulfilled need.
- **Information Search**: The consumer gathers data about alternatives and their characteristics.
- **Evaluation of Alternatives**: Alternatives are weighed and the most desired product is selected.
- **Purchase Act**: This is an exchange of money, a promise to pay, or support in return for ownership of a good or a service.
- **Post-Purchase Behavior**: This comprises further purchases and/or re-evaluation. Sometimes, cognitive dissonance (doubt) occurs.

Types of Decision Processes

- **Extended**: Each step is fully used.
- **Limited**: Each step is used, but not as intensely.
- **Routine**: Consumer buys out of habit and skips steps in process.
- **Low Involvement Purchasing**: This occurs when a consumer minimizes the time and effort expended in situations the consumer feels unimportant.
- **Brand Loyalty**: This is the consistent repurchase of and preference toward a particular brand. It can occur for simple items such as gasoline and for complex items such as autos.

Chapter Summary

- This chapter describes the importance and scope of consumer analysis.
- It defines and enumerates important consumer demographics for the U.S. population and other countries.
- It indicates why consumer demographic analysis is not sufficient in planning marketing programs.
- It defines and describes consumer lifestyles and their characteristics, examines selected lifestyles, and considers the limitations of consumer lifestyle analysis.
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