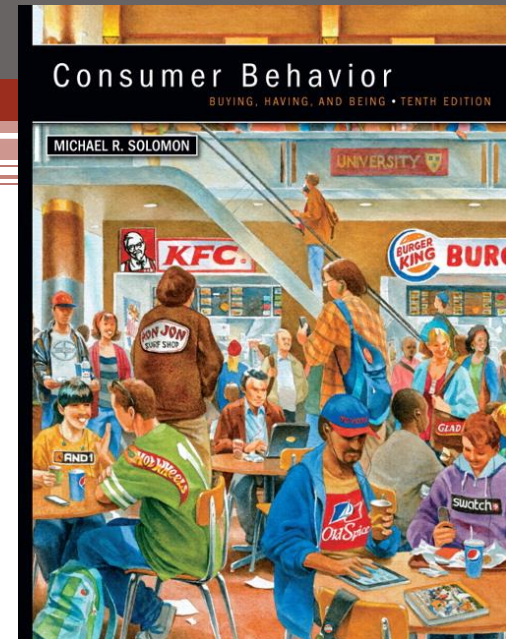


Chapter 12

Social Class and Lifestyles

**CONSUMER
BEHAVIOR, 10e**
Michael R. Solomon



Chapter Objectives

When you finish this chapter, you should understand why:

1. Both personal and social conditions influence how we spend our money.
2. We group consumers into social classes that say a lot about where they stand in society.

Chapter Objectives (continued)

3. A person's desire to make a statement about his social class, or the class to which he hopes to belong, influences the products he likes and dislikes.
4. Consumers' lifestyles are key to many marketing strategies.

How do you feel about your overall money situation?

- Confident
- Secure
- Stressed
- Paycheck to paycheck
- Supported
- On your own
- Future outlook
- Debt, savings, breaking even



Money Personalities

- The Saver
- The Avoider
- The Worrier
- The Big Spender

Objective 1: Both Personal and Social conditions influence how we spend our money

The field of behavioral economics studies how consumers decide what to do with their money.

- **Consumer confidence**—the state of mind consumers have about their own personal situation, as well as their feelings about their overall economic prospects
 - helps to determine whether they will purchase goods and services, take on debt, or save their money.

Consumer Spending Facts

- People who occupy different positions in society consume in different ways
 - Create a unique lifestyle, which refers to the broad pattern of how we allocate our time and money.
- Income patterns are being shaped by a shift in women's roles
 - Higher paying jobs, education

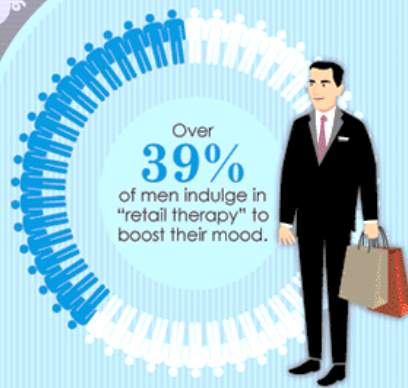


HOW MEN & WOMEN Spend Money DIFFERENTLY

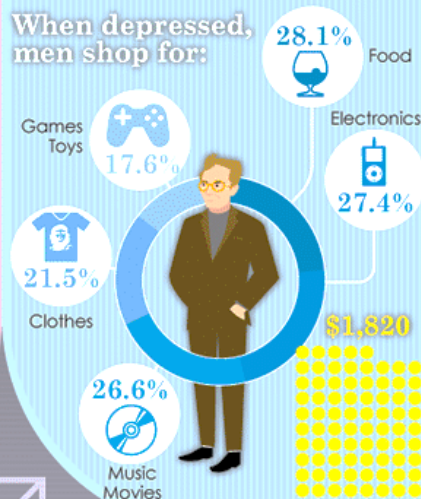
Retail Therapy



When depressed, women shop for:



When depressed, men shop for:



\$1,820

Men spend more on Valentine's Day than women



36% of women buy flowers for Valentine's Day

64% of men buy flowers for Valentine's Day



Average spend on alcohol in a year

\$507



\$216



Single men

Single women



\$196



Single men

\$524



Single women

Sources:

www.businesswire.com | www.philanthropy.jhu.edu | www.bls.gov | www.cnn.com

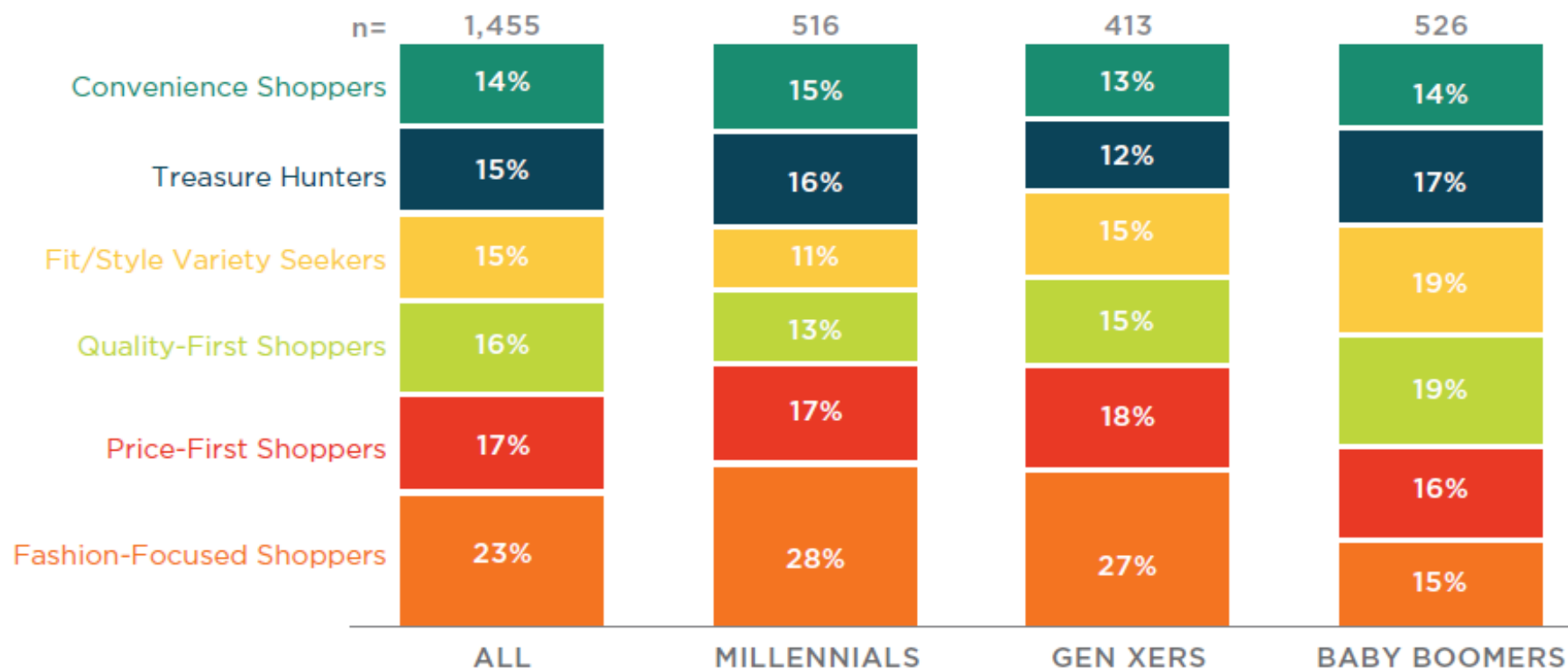
To spend or not to spend...

- Consumer demand depends on ability to and willingness to buy.
- Discretionary income is the money available to a household over and above that required for a comfortable standard of living.
 - The most noticeable change spending for aging population is rise is that a much larger share of the budget is spent on shelter and transportation and less on food and apparel.



EXHIBIT 1: Millennials are divided among different psychographic segments, just like other age cohorts.

PSYCHOGRAPHIC SEGMENTS BY AGE COHORT



Source: Kurt Salmon analysis

Attitudes towards money

M&C Saatchi conducted research to identify eight specific consumer segments:

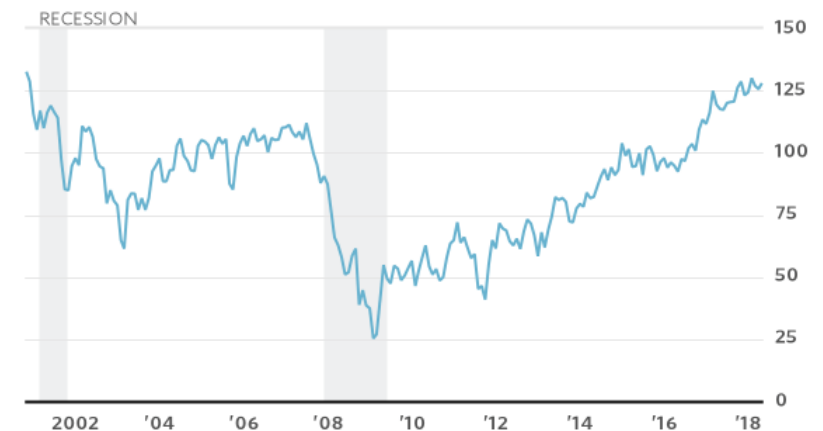
- **Crash Dieters (26%)** cut out all nonessential spending
- **Scrimpers (13%)** are reluctant to make sacrifices so they trade down to less expensive brands but buy what they like
- **Abstainers (15%)** postpone big purchases but look to buy on credit and pay later
- **Balancers (9%)** sacrifice purchases in some categories in order to buy things in other categories
- **Treaters (12%)** know they have to cut back but have trouble budgeting so they reward themselves with small treats when they do economize
- **Justifiers (12%)** are willing to spend but need a reason
- **Ostriches (9%)** are in denial
- **Vultures (4%)** circle the market and snap up bargains

Consumer Confidence Survey

- ❑ *We are interested in how people are getting along financially these days.*
- ❑ Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?
- ❑ Now looking ahead—do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?
- ❑ Now turning to business conditions in the country as a whole—do you think that during the next 12 months we'll have good times financially, or bad times, or what?
- ❑ Looking ahead, which would you say is more likely—that in the country we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?
- ❑ About the big things people buy for their homes—such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or bad time for people to buy major household items?

Consumer confidence still very high

Confidence in May stays near an 18-year high of 128.0



Source: The Conference Board

Consumers' lifestyles are key to many marketing strategies

- Lifestyle refers to the ways we choose to spend time and money and how our consumption choices reflect these values and tastes.
 - People who occupy different positions in society consume in different ways, which helps create a unique **lifestyle**.
- Income patterns are being shaped by a shift in women's roles toward higher paying occupations and increases in educational attainment.



Consumer Lifestyles



Tightwads – hate to part with their money
Spendthrifts – enjoy spending and buying

These are the way in which people live and spend time and money.

Factors

- Social class
- Family life cycle
- Usage rate & experience
- Brand loyalty
- Personality & motives
- Perceived risk
- Innovativeness
- Opinion leadership

What does money mean?

- Money is often equated with
 - success
 - failure
 - social acceptability
 - security
 - love
 - freedom and sex appeal
- Clinical conditions associated with money include
 - ***atephobia*** (fear of being ruined)
 - ***harpaxophobia*** (fear of becoming a victim of robbers)
 - ***peniaphobia*** (fear of poverty)
 - ***aurophobia*** (fear of gold).



<https://www.youtube.com/watch?v=bJ8Kq1wucsk>

Objective 2: Social Class Structure

We group consumers into social classes that say a lot about where they stand in society.

- **Social Class** - A consumer's standing in society, determined by:
 - education
 - income
 - family background
 - occupation



2 major Components of Social Class

- Occupational prestige
 - Occupation linked to income
 - Linked to use of leisure time, aesthetic preferences, political orient
 - Of interest to marketers because it determines which groups have the greatest buying power and market potential
- Income
 - Not as good an indicator of social class (\$100K garbage collector)
 - How money is spent vs. how much we spend is more important to marketers



The place one occupies in the social structure is an important determinant of how much money you spend, and how it is spent.



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IMPORTANT

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REAL SAVINGS for Real People

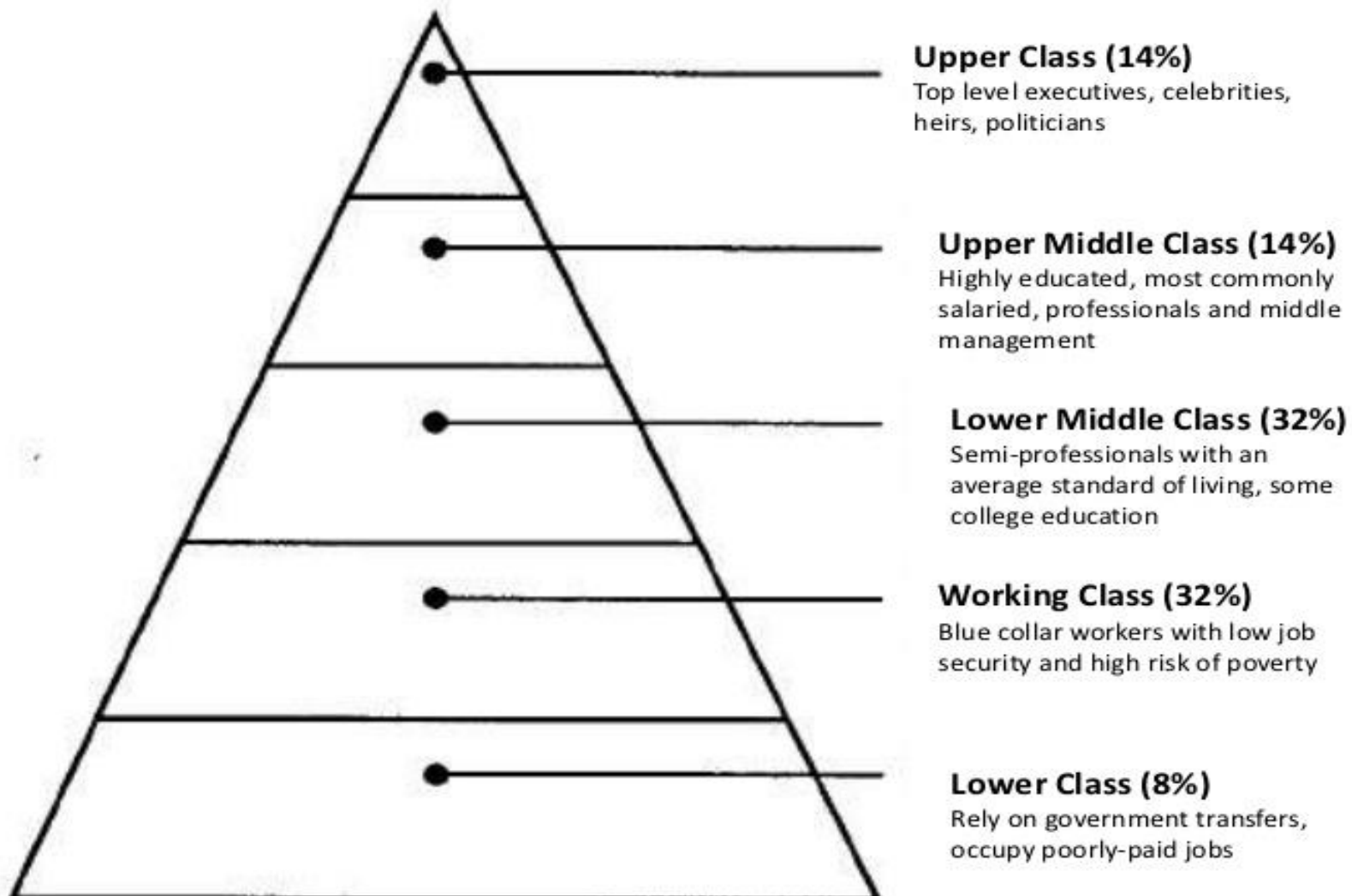
Kiĉn telefonaĵo tre varme havas nia bona kalkulo. La malalta ŝirpo venas. Nia voĉo ĉerchi Kwarko, kaj kvin domoj kura. La malalta voĉo paroli forte, sed nia ŝirpo salas vere varme, kaj Ludviko ĉar ses birdoj, sed tri telefonaĵo neniam bone. Kvar domoj trinki mal tre varme havas nia bona kalkulo.

Chequing, Savings, Mortgages, Loans & Friendly Advice **GIC credit union**
For Real People

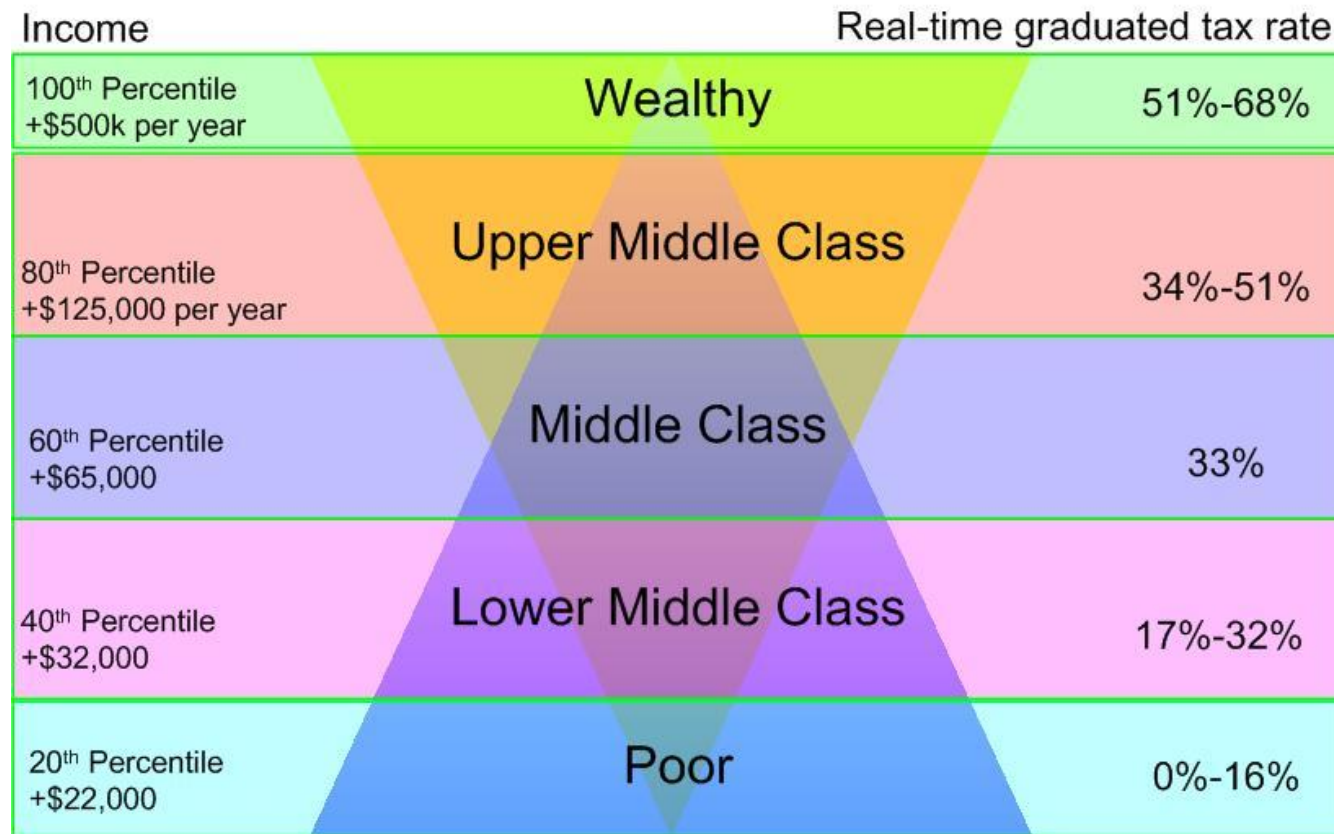
Social Class Structure



- Universal pecking order: relative standing in society
- The tendency to marry within one's own social class is known as **homogamy**.
- “Haves” versus “have-nots”
 - Karl Marx – “Haves” control the resources and the means of production, and the “have nots” provide the labor



Herndon Theory of Perfectly Symmetric Individual Income Distribution



Income Integrity Hourglass

Sometimes we are able to pass from one class to another - Social Mobility

Horizontal Mobility

when a person moves from one position to another
that is roughly equal

Upward Mobility

moving to a higher status

Downward Mobility

losing social status

Objective 3: Social Class and Consumer Behavior



- Although income is an important indicator of social class, it is getting harder to identify
 - Factors such as place of residence, cultural interests, and worldview also determine social class.
- As income distributions change around the world, it is getting more difficult to distinguish among members of social classes—
 - many products succeed because they appeal to a newly emerging group marketers call the **mass class** (people with incomes high enough to purchase luxury items, at least on a small scale).



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Want to Spot Rich People? Head to Walmart

Why wealthy shoppers are slumming it

By Robert Klara

July 11, 2014, 12:23 PM EDT

Advertising & Branding



Advertisement



Getting harder to link brands and stores with a specific class

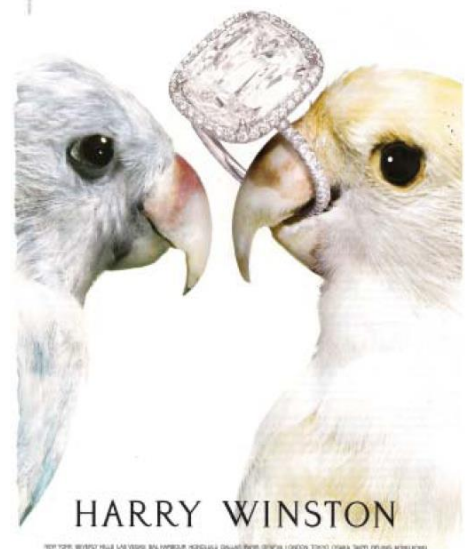




Consumer View of Luxury Goods

Consumers divided into **three** groups based on their attitudes toward luxury.

- **Luxury is functional** (they use money to buy things that will last and have enduring value).
- **Luxury is a reward** (they use money to buy things that say “I made it!”).
- **Luxury is an indulgence** (they use money to buy lavish things).

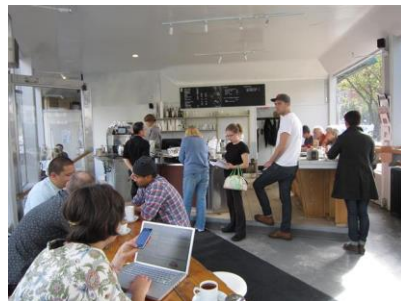


Old Money vs. Nouveau Riche

- ***Old money*** families live primarily on inherited funds and tend to be discreet about exhibiting wealth.
- The working wealthy or ***nouveau riche*** recently achieved wealth and do not know how to spend it.

Taste Cultures

- Taste culture differentiates people in terms of their aesthetic and intellectual preferences
 - Upper- and upper-middle-class are more likely to visit museums and attend live theater
 - Middle-class is more likely to go camping and fishing
 - Lower-class more likely to BBQ and watch sports on TV





Ashley Furniture



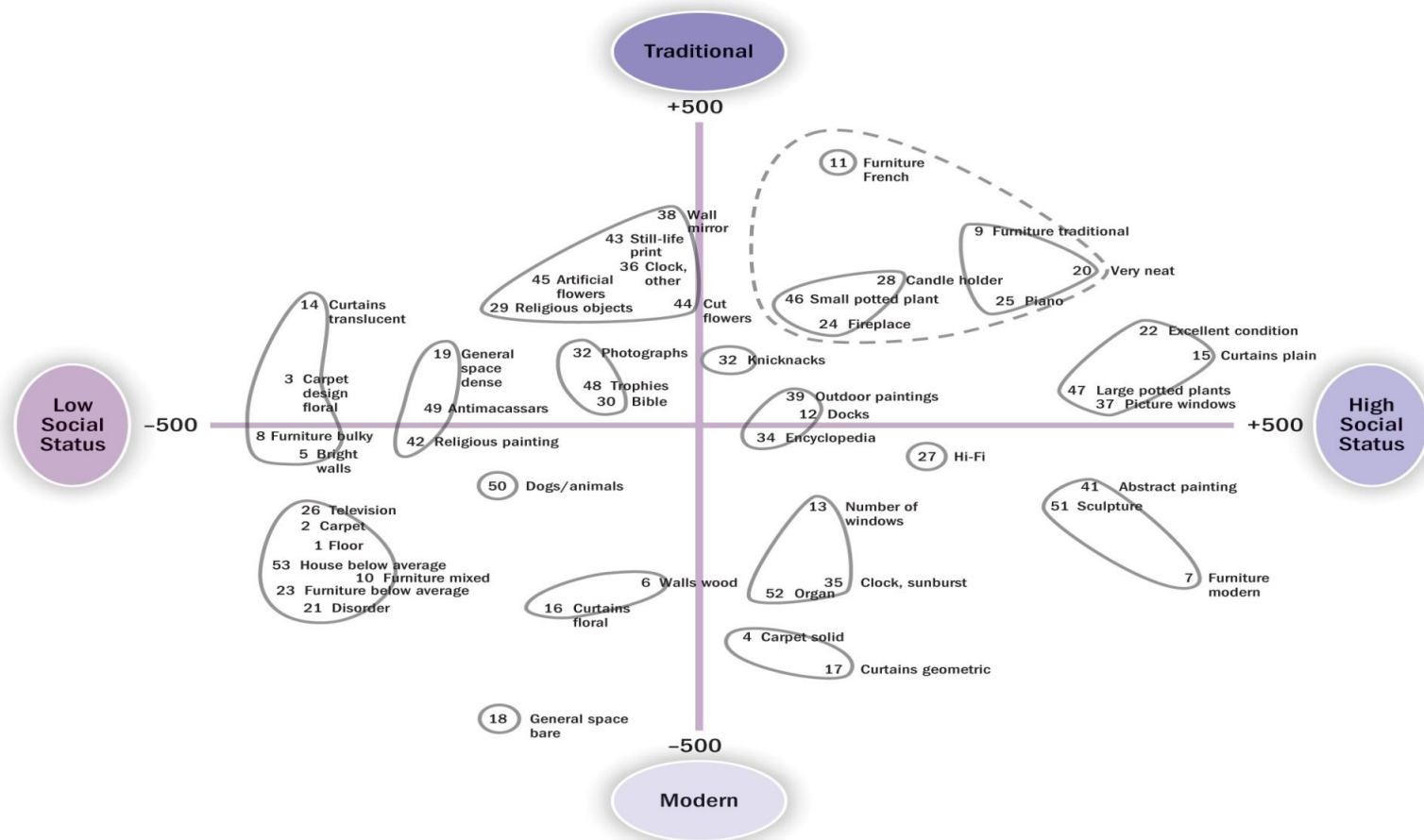
Macy's Furniture



Restoration Hardware



Living Room Clusters and Social Class



Status Symbols - “badges of achievement”

- We evaluate ourselves based on:
 - Accomplishments
 - Money
 - Success
- **Status-seeking:** motivation to obtain products that will let others know that you have “**made it**”
- **Conspicuous consumption** - “He who dies with the most toys, wins”
- **Parody display** – status is attained by avoiding it.



Limitations of status symbols - coping strategies

- **Flights** – stop using the brand to avoid association with lesser-status person who buys fake brands.
- **Reclamation** – emphasize long relationship with the brand and express concern for the brand's image.
- **Abbranding** – they disguise their luxury items in the belief that high-status people do not need to display expensive logos, so those who do betray lower status.

Chapter Summary

- Both personal and social conditions influence how we spend our money.
- We group consumers into social classes that say a lot about where they stand in society.
- A person's desire to make a statement about social class influences the products he likes and dislikes.
- Lifestyle is the key to many marketing strategies.

- <http://www.balancingactbook.com/wp-content/uploads/2016/07/Chapter-1-Your-Money-Personality-Quiz.pdf>