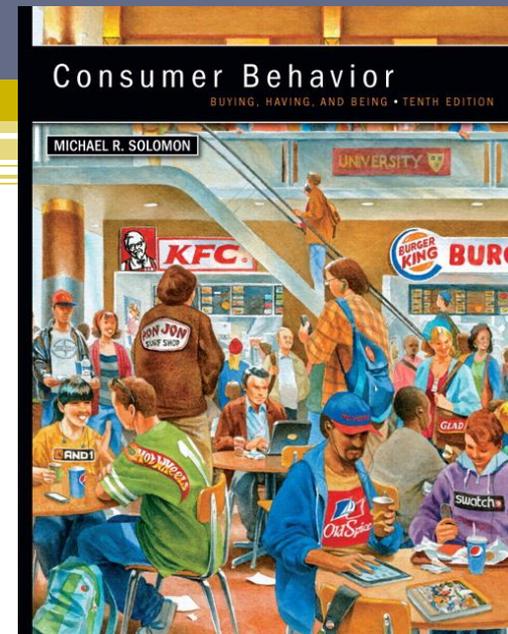


Chapter 12

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



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
- To Spend or Not to Spend, That Is the Question
 - 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.

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

- 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 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 as a whole 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?

Categories of Spenders

- Overconfident
- Status Seeker
- Smart Spender



The Overconfident Consumer

1. Neglects to think about where the money's coming from before you buy something
2. Makes large, spontaneous purchases
3. Uses credit limit as a guide for your spending
 - Wear rose-colored glasses when it comes to how they'll pay tomorrow for what they buy today.
 - They have little or no savings
 - Often overestimate future earnings based on credit limits.
 - More likely to buy big-ticket items.

Advice: Don't push your credit limit. Save for big purchases, and build up an emergency fund.

Flat Screen TV's



The Status Seeker

1. Frequently compare your belongings to those of others
2. Have to have the latest "in" thing
3. Feel bad when can't have what others have

Willing to go into debt to achieve a desired standard of living.

If their income falls, they can't ratchet back their lifestyle.

They always have to own the latest, greatest stuff,

- figure that if their neighbors have a BMW, then they deserve one, too.

The biggest problem with keeping up with the Joneses is that "people tend to compare themselves to the wrong Joneses,"

Advice: Adopt a lifestyle within your means. And if you strive for more, acquire it through savings, not debt.

The Smart Spender

1. Smart shoppers can easily differentiate between needs and wants, and mostly stick to buying what they need.
 2. Though they may splurge occasionally, they comparison shop whenever possible to get the best price.
- Smart shoppers also have their wits about them regarding the long-term effects of their purchases.
 - They don't buy if they don't know where the money will come from and it follows that they pay off their debt monthly.
 - Stockpile their extra cash in savings so they have a cushion for unexpected expenses.
 - Advice: Keep up the good work! And try to pass along your good habits to a friend.

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).



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 a good 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.

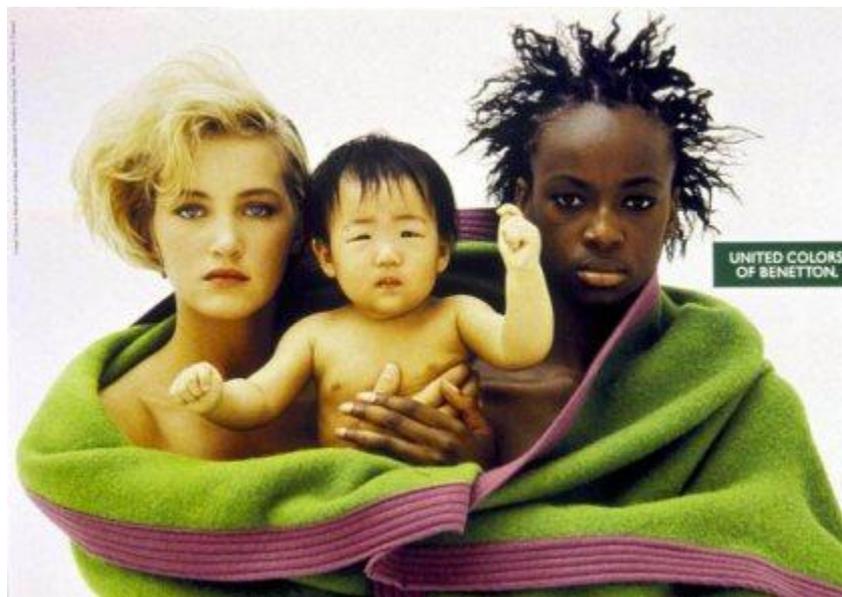


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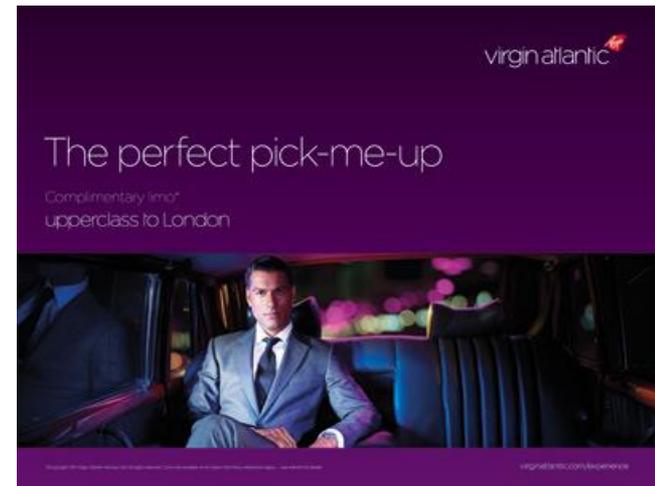
Social Class Structure



- 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

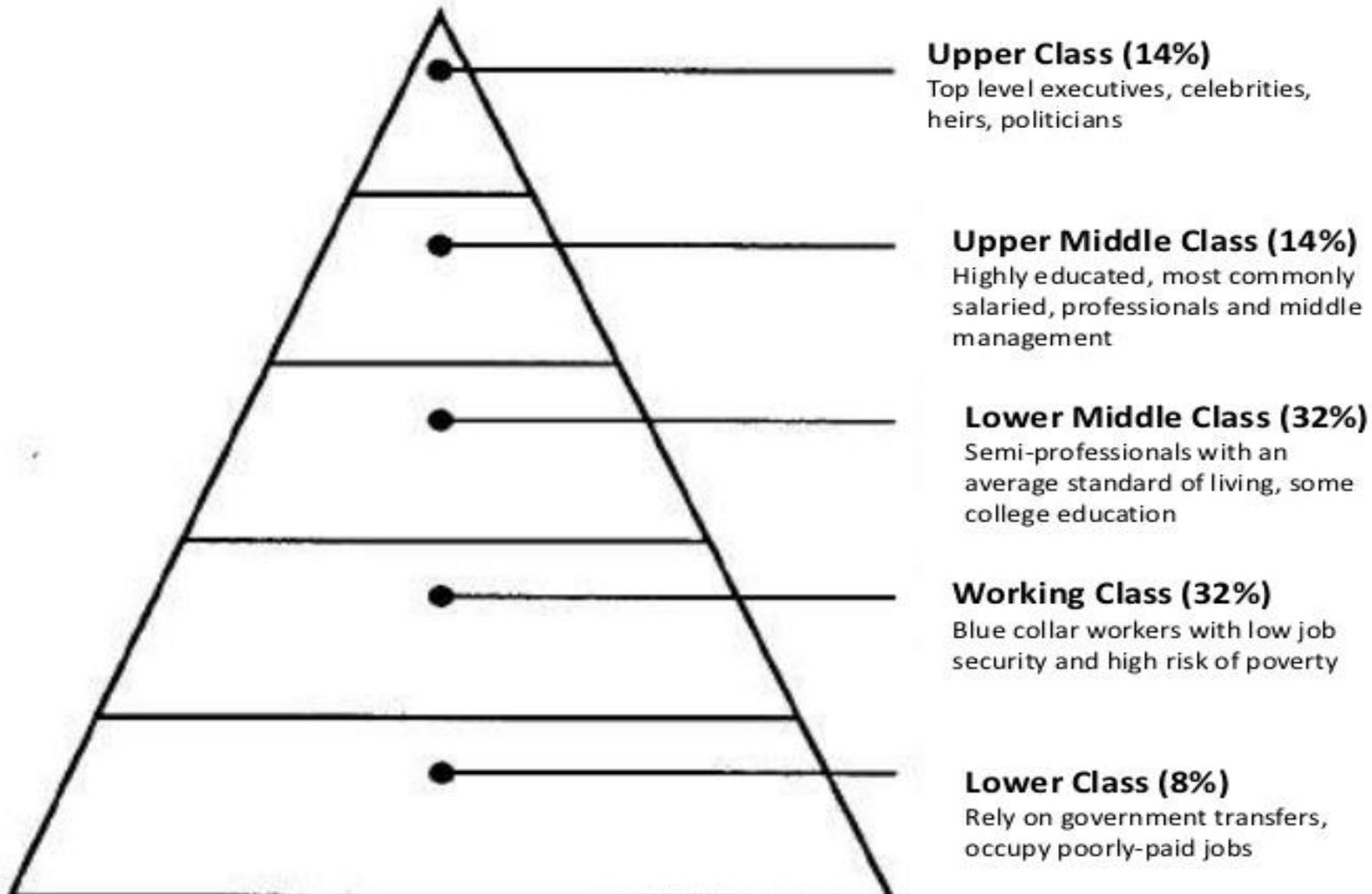
Picking a Pecking Order

- Virtually all groups make distinctions among members in terms of relative superiority, power, and access to valued resources.
 - This creates a status hierarchy where consumers prefer some goods to others.



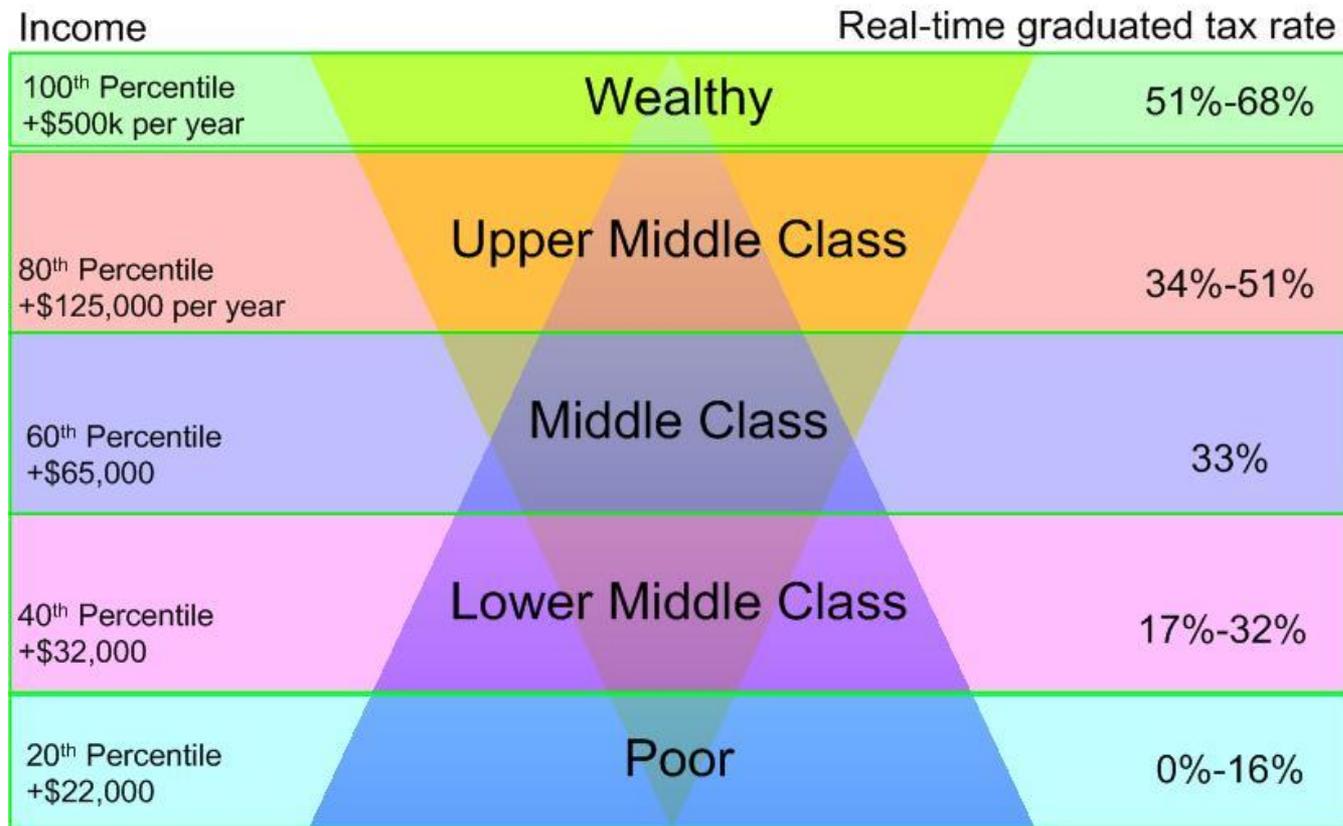
Society creates Pecking Order

- We develop a pecking order that ranks consumers in terms of their relative standing, superiority, power, and access to valued resources in society.
 - This creates a status hierarchy where consumers prefer some goods to others.
 - People try to improve their ranking by moving up in the social order whenever possible.
 - This desire to improve one's lot in life, and often to let others know that one has done so, is at the core of many marketing strategies.



November 6,
2015

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

November 6,
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Objective 3: Social Class and Consumer Behavior



- Our desire to make a statement about our social class, or the class to which they hope to belong, influences the products we like and dislike.
- It is getting more difficult to link brands or stores with a specific class.
 - Global consumers now enjoy a level of purchasing power affording them high-quality products
 - Known as the mass class consumer segment.
 - Wealthy families are proud of good deals they find at mass discount stores.



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Why wealthy shoppers are slumming it

By Robert Klara

July 11, 2014, 12:23 PM EDT

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Getting harder to link brands and stores with a specific class





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



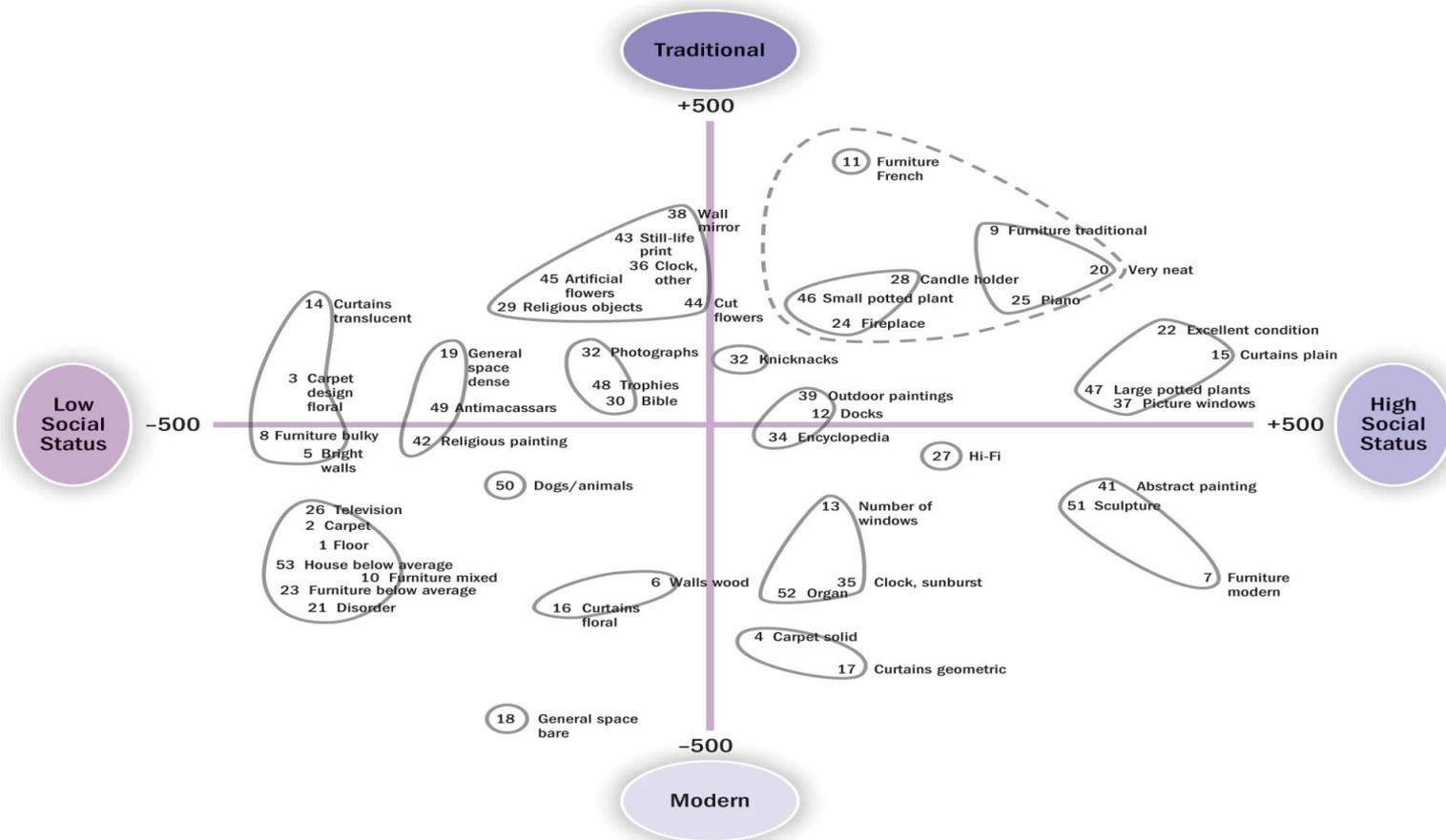
Macy's Furniture



Restoration Hardware

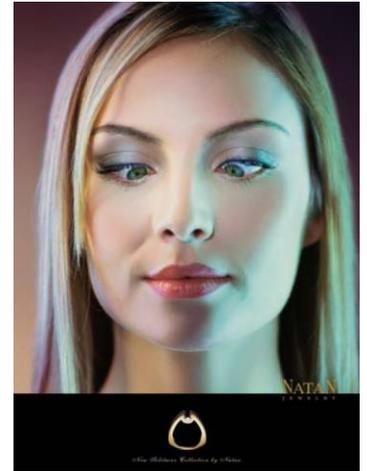


Living Room Clusters and Social Class



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.



Imitations 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.
- **Abranding** – 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.

Objective 4: Lifestyles: Who We Are, What We Do.

- Consumers' lifestyles are key to many marketing strategies.
 - Cruise in the winter
 - Hamptons in the summer
 - Shovel snow in the winter
 - Buy coffee every morning
 - McDonalds for lunch
 - Shop at Whole Foods
- A consumer's lifestyle refers to the ways she chooses to spend time and money and how her consumption choices reflect these values and tastes.



Lifestyle Research

- Lifestyle research is useful to track societal consumption preferences and to position specific products and services to different segments.
 - Marketers segment based on lifestyle differences; they often group consumers in terms of their AIOs (activities, interests, and opinions).
 - Psychographics

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.