HOW RELEVANT ARE SOCIO-ECONOMIC-DEMOGRAPHIC FACTORS FOR THE SOUTH AFRICAN MARKETER?

In hierdie artikel ondersoek die skrywer die toepaslikheid daarvan om sosio-ekonomies-demografiese (SED) veranderlikes te gebruik as basis vir marksegmentasie in Suid-Afrika. Uit die literatuur blyk dit dat hierdie benadering sekere tekortkominge het; desondanks maak talle bemarkers steeds daarvan gebruik en dan met groot sukses. Die skrywer oorweeg die kritiek wat teen die gebruik van SED-veranderlikes gemik is en kom dan tot die gevolgtrekking dat, tot tyd-en-wyl die nuwere, akademies meer modieuse tegnieke soos psigografika empiriese geldigheid verwerf het, die Suid-Afrikaanse bemarker wys sal wees om voort te gaan om die SED-benadering te gebruik, miskien tesame met ander tegnieke, om sy mark te segmenteer.

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INTRODUCTION

Many scholars of marketing have recently criticised the universal inclination of marketers to use socio-economic-demographic (SED) variables as a basis for market segmentation. With this approach, marketing strategies can be aimed at specific market targets with little waste of effort or financial resources.

South African marketing managers are certainly no different from their overseas counterparts in this regard. Market segments in this country — especially in consumer markets — are generally defined by socio-economic-demographic parameters, and some local firms even sectionalise their marketing departments ethnically to coincide with the final customer groupings.

If this approach to designing market strategies is as common in South Africa as suggested, then its validity should be given the greatest scrutiny by marketers. This is the purpose of this paper.

One does not have to delve too deeply into the literature to find a number of writers who show misgivings, scepticism and even rank rebuttal of this segmentation approach which has been in vogue for so long.[1,2,3,4] Indeed, many suggest that there is limited evidence to show that SED factors are determinants or even correlates of consumer behaviour. The work done by Frank is only one example. Discussing his empirical research into household purchases and response to promotion, Frank states that "for the most part, socio-economic characteristics are not particularly effective bases for segmentation, either in terms of their association with household differences in average purchase rates or in response to promotion."[5]

REASONS FOR ADHERENCE

If there are now so many critics of the use of SED variables as a basis for segmentation strategy, it is fair to ask why the concept has so many adherents.

The first conceivably stems from the South African cultural influences on our thinking. Because racial groups live in different localities, have overtly different cultures, earn their living from different types of employment, etc., most marketers have an intuitive belief that these differences will surely manifest themselves in the consumer's behaviour.

Secondly, the operational characteristics of this type of segmentation undoubtedly appeal to the marketer. For instance, the marketer can collect data easily because the variables relating to these easily defined parameters are readily available, often at relatively low cost. Most often, he need not interpret the data further. And since most executives are *au fait* with the variables, the concept is relatively easy to communicate. Further, the data is generally very reliable and usable in that measurement tends to be far more precise than in say, personality tests or psychographics. However, the simplicity of data capture and ease of manipulation should certainly in no way influence us in assessing objectively the validity of the approach. In fact, some researchers would argue that its simplicity (due to its uni-dimensionality) is one of its major weaknesses. Consumer behaviour is after all believed to be a multi-dimensional and complex activity.[6,7]

MAJOR CRITICISMS

The literature suggests that four major criticisms can be levelled at the SED variable approach to market segmentation. The first criticism revolves around the belief that, in time, differences in income, in educational levels and in job status, diminish. Thus, disproportionately large middle classes have emerged and a common affluence has resulted in crystallisation of the social class structure. Hence, it is argued, the use of social classes as determinants of differences in consumer behaviour, is without foundation.

The belief that there is a breakdown of the class structure may well be true in the mass-consumption, well-developed economies of Western Europe and North America, but it is extremely doubtful that this argument holds in South Africa. The latest population census,[8] the All Media and Product Survey (AMPS) 75 report,[9] the Bureau of Market Research Studies[10] and other well-documented research papers show clearly that there are still wide ranges of distributions in the variables used as determinants of social classes.

But there are other reasons too which refute the "mass consumption — no differences" argument. For example, not only income-related characteristics fall under the umbrella of SED variables. There are others, which are less subject to changes due to environmental dynamics, such as age, race, sex, religion, etc.; that is, the ascribed or biogenic factors. As a case in point, Moore and Stevens' research suggests that age is a determinant of complex learning of advertisements and also of different attitudes towards advertising.[11] And there is general agreement that certain types of music appeal to different age groups.

Overseas research shows too, that racial differences are often evident in purchasing patterns.[12] Bauer, et al present evidence that U.S. Negroes are much more important markets than Whites for status liquor products.[13] Carl Larsen's wellknown consumption pattern studies and Henry Bullock's study — both done in the U.S.A. — provide thorough documentary evidence of differences between Whites and Blacks as well.[14,15] In South Africa, there is empirical evidence that Black consumers do exhibit different consumer behaviour from White purchasers in many product areas.[16,17] Examples of the religious influence on purchasing are also available. Some Jewish people buy kosher food,[18] Moslems do not normally drink alcohol and Roman Catholics still show a propensity to use contraceptives much less than the majority of the population.

At a geographic level, research undertaken by the writer[19] and others subsequently[20] shows that there is reason to believe that consumers living under differing degrees of urbanisation often exhibit different purchasing patterns in terms of such variables as brand loyalty, awareness of advertising, retail outlet loyalty, etc. In fact, this research suggests that there is a possibility that for certain product groupings, the market could be beneficially segmented using degrees of urbanisation as a basic variable.

The second major criticism levelled at the SED approach to market segmentation is aimed specifically at the inability of certain economic and sociologically based models to explain differences in consumer marketing. These models, which emanate from the disciplines of economics and sociology, and which use the same SED factors, have then been applied by marketing researchers in consumer marketing situations.[21,22]

The models used which have been developed by economists tend to be of two kinds. On the one hand, they concentrate on the effects of income on consumption manifestations, using marginal utility analysis. But, as Katona's conclusion shows, results are not always in line with what would be expected. Using such a model in his wellknown report, *The Powerful Consumer,* he suggests that willingness to purchase consumer goods does *not* bear an invariable direct relation to income; in fact, purchases of durable goods can decline in a period of high and rising incomes.[23]

On the other hand, attention may be focussed on econometric models in which the economic growth rates of a product or an industry are treated as direct functions of demographic variables associated with the population.[24] These models tend to be based on time series, and on cross-sectional analyses. However, these types of models have also been found to be inadequate when used to explain consumer behaviour.

As indicated above, the sociologist's approach based on SED variables has also met with limited success in consumer marketing. The majority of the sociologists' models have investigated consumption behaviour in relation to social class structures, the stated determinants of which have been various combinations of income, education, occupation and locational variables.[25,26] Other models have concentrated on life style behaviour[27] and the role of peer group influences on conspicuous behaviour.[28]

The result of the number of apparent "failures" by these models in economics and sociology to clearly predict consumer behaviour — or even describe it — has been that marketers have generally felt that the blame lies with the use of SED variables, rather than with the basic concepts of the models themselves. But, prior to outright rejection of this approach, we should look to see whether sociologists and economists are equally disappointed with their models. The answer is an unequivocal "No". It should be remembered that these modellers are concerned essentially with consumption behaviour whereas the marketing manager is generally more interested in consumer behaviour, i.e. the economists and sociologists believe that their models explain and predict consumption at the *product* level, whereas the student of consumer behaviour has tried to extend this approach to include the prediction of brand choice behaviour.

Also, not all the models described above were designed to provide all-embracing explanations of an activity. Extending these models to the marketing discipline where fuller explanations are required, will inevitably result in some disappointment.

We should also analyse the methodology and analytical techniques used by certain sociologists and economists. Their assumptions of linearity and monotonic relationships between income particularly (and also other SED variables) and purchasing trends, are not applicable to consumer behaviour which is complex. As an example of why it is believed that their assumptions do not hold, empirical studies are presenting increasing evidence that lower and upper income earners behave similarly in consumption terms and that middle income earners behave differently, i.e. the relationship is there, but it is non-monotonic and certainly does not coincide with the assumptions and thinking of the sociologists and economists. Indeed, discussions with retailing executives in South Africa by the author suggest, for instance, that in certain cases, low-income African males and high-income White males both tend to buy high-priced shoes. By contrast, middle-income earners show a greater propensity to buy lower-priced shoes.

The third major criticism of the approach is probably the most powerful. A wide-ranging list of empirical marketing studies shows that socio-economic-demographic variables are really weak as predicters of consumer behaviour. These studies, which have generally concentrated on household consumer goods, have suggested that the variables in question have not explained differences in such manifestations of consumer behaviour as brand loyalty, evoked set, deal proneness, etc.[29,30]

Even though conceptual studies may suggest that SED variables have the potential to explain, describe and predict consumer behaviour, the fact of the matter is that marketing managers will be relatively unimpressed by theoretical treatises alone. If real life (i.e. empirical) studies do not confirm the validity of an approach, then they will discard it and search for concepts which the field studies suggest are useful as predicters.

However, there are certain points which should be considered before the findings of the empirical studies are extended to influence our views about the role of SED variables in consumer behaviour generally.

For instance, the majority of studies have concerned themselves with a limited number of products, viz. grocery products. It seems unwise to extend these findings to the purchase of any other product or product group, which may involve very different buying behaviour. Clearly, decision-making involved in the purchase of a house or a motorcar is not likely to take on the same characteristics as that of buying a box of household detergent.

Secondly, the statistical techniques in the general research methodology adopted in many of these studies should again come under some scrutiny. A number of researchers[31,32] suggest that, for segmentation purposes, the marketing manager is interested in group differences in terms of purchasing characteristics rather than in individual differences. Therefore, the linear correlation analysis generally used for such studies seems out of place, since the objective function of linear correlation analysis is to explain individual differences when a representative number of persons is investigated. A further weakness inherent in the use of linear correlation analysis, which is the cluster technique most often used in these studies to isolate differences, concerns its assumptions of linearity and additivity on the relationship amongst variables. Many studies suggest that these assumptions are hypothetical at best, refutable in many instances.[33,24]

Finally, the notorious weaknesses in scaling of variables must influence correlations between SED variables and the behavioural variables. It is quite likely, for instance, that if we adjust the range (and therefore number) of intervals in the income variable, we may get an entirely different correlation with a static criterion variable such as brand loyalty. Anyway, evidence in the literature suggests that many of the measures used to scale behavioural variables are psychometrically simplistic and we may need to use more sophisticated indices as measure of SED variables.[35]

The final reason for the tentative movement away from using SED variables is based on the relative desire for novelty, for presenting something new. Researchers are always encouraged to look beyond the existing explanations of a particular phenomenon. It is not surprising therefore, that they make many attempts — often inconsistent — to predict and explain that particular phenomenon in the literature. This desire for "newness", for publishing something different, will inevitably present arguments to refute an existing theory, if only to back up another, incompatible one.

Unfortunately, the current "fads" in segmentation studies, e.g. psychographics, life style, attitude research, personality profiles, etc. have not really put forward significantly better results than many research studies using SED variables. Villani's conclusions with regard to television viewing in the U.S.A. affirms this belief. She found that personality variables and psychographic variables explained less of the apparent variance in television viewing than demographic variables.[36]

Again, as in the case of attempts to explain consumer behaviour with SED variables, this does not necessarily mean that the concepts are totally without foundation. In fact, much of the logic used by writers propounding this approach is quite attractive.[37] However, problems of measurement are very real as even Wells, a wellknown proponent of psychographics, admits. He says, "it may well be that some of the failures to find useful relationships between psychographics and consumer behaviour have been due to instability in the measurements themselves."

CONCLUSIONS

None of the criticisms of the SED approach to explaining buyer behaviour have in themselves refuted the concept as this article has attempted to show. Further, there is not enough evidence at this stage that any other approach is significantly more attractive to the marketer. Clearly then, the attractiveness of the SED techniques suggests that the marketer will be using them for some time to come. In South Africa, this will always be reinforced by the local marketers' intuition that it should be an applicable method of segmenting the market; by the availability of data; and by the number of studies already undertaken locally which have provided the bases of successful marketing campaigns.

However, while so much research suggests that the marketer cannot (and should not) reject SED variables as a basis of describing consumer behaviour, it is also clear that the approach on its own is insufficient either because it does have some conceptual shortfalls or because our measurement techniques are inadequate. The marketer is therefore in a dilemma as to what he should do. There is considerable logic behind a number of available approaches and it may be advantageous to take a more global view and to choose carefully which variables to use under certain circumstances. In some situations, an integrated approach, incorporating demographic, personality and psychographic variables may be applicable. In others, the choice might be with demographic variables alone.

Whichever way the South African marketer approaches his analysis of consumer behaviour, the evidence surrounding the concept and the attractiveness of the approach suggests that he would be unwise to completely and unequivocally disregard segmentation using socio-economic-demographic variables.

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