

The Consumers of the '90s

"The worth of the state in the long run is the worth of the individuals comprising it"

John Stuart Mill

Consumer Policy Framework Secretariat

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DRAFT/ESBAUCHE

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YOU NAMED
YOUR DAUGH-
TER ZENITH,
AND YOU'RE
NAMING
YOUR SON
"GUS"??

DIFFERENT
DECADE, CATHY.
WHEN WE HAD
ZENITH WE WERE
IN THAT WHOLE
'80s OVER-
ACHIEVER
YUPPIE THING...

...BUT GUS WILL BE OUR BABY
FOR THE '90s! WHOLESOME...
DOWN TO EARTH. A RETURN TO
SIMPLE, HONEST FAMILY VALUES!

OF COURSE WE'RE RE-DOING OUR
HOME IN KNOTTY COUNTRY PINE
WITH HEIRLOOM QUILTS AND
RUSTIC HAND-THROWN POTS
FILLED WITH AZALEAS SNIPPED
FROM MOMMY'S ORGANIC GAR-
DEN WITH HER STAINLESS STEEL
SMITH AND HAWKEN GARDENING
SHEARS, GROWN IN THE RICH
SOIL FROM DADDY'S SHARPER
IMAGE COMPOST MAKER!

WHEW.
WHAT A
DEPAR-
TURE.

I JUST CAN'T
BELIEVE WE EVER
USED TO BE SO
MATERIALISTIC!



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The Consumers of the '90s

I. INTRODUCTION

The consumer of the next decade will find her/himself in a marketplace that is more intricate, more dynamic and more complex. As changes in the marketplace accelerate, the capacities, skills, and talents of individuals will have to change over the next ten years. As broad trends among the general population called "consumers" emerge, so our ability to document and understand those trends will increase. The purpose of this paper is to detail those attributes of the "consumers of the 90s" in order to better understand the problems they will face and the role of government in resolving them.

The basic concerns of consumers remain and probably always will: concerns with price, quality, availability, safety, information, and redress. The old constraints on consumer behaviour will likely remain but it is apparent that, increasingly, new ones will be imposed. What is it about the situation consumers will find themselves in that is different from where they were twenty or so years ago? As we face the next century, it is apparent that now is the time to take stock.

II. CONSUMER BEHAVIOUR IN THE TRANSACTION CYCLE

The how, what and why of consumer behaviour in the marketplace has become the subject of specialized study in the face of the social and economic change. More details of the social and economic changes faced by consumers will be given in the next sections of the paper. First, however, it is necessary to attain a better understanding of consumer behaviour in general terms. Consumer behaviour is a complex area of human behaviour and a relatively new area of study that is constantly under review. This section will describe a model of consumer decision-making, the forces, internal and external, that affect that process and synthesize the observations of today's consumers made above with the consumer decision-making process. In essence, our task is to determine how and why today's consumer consumes.

Consumer Behaviour Defined

Consumer behaviour has been defined as follows:

those acts of individuals directly involved in obtaining and using economic goods and services, including the processes that recede and determine those acts.¹

This definition should be expanded to include other units of consumer decision-making such as families. Also, the definition need not be limited to discernable "acts", since attitudes and values are part of behaviour as well. Thus, account must be taken of J.D.

Forbes' expansive definition of "consumer" which is as follows:

the consumer is no longer seen merely as a purchaser and user of goods and services for personal, family or group purposes, but is a person concerned with the various facets of society which affect him either directly or indirectly as a consumer.²

It is important to recognize that the decision-making process is made up of several stages, which in turn consist of many smaller assessments and sub-decisions. One consumer decision will affect other decisions, as individuals learn and retain information from previous experience.

The factors which affect a consumer decision are built up over a lifetime. It is thus the sum total of social and environmental influences, together with internal personal attributes and values, which can account for a particular decision. Indeed it has been recognized that:

[c]onsumer knowledge and decision-making are not a distinct body of knowledge and mode of action. Rather, they are embedded in broader patterns of economic, social, political and community participation,

¹ James Engel, Roger D. Blackwell and David T. Kollat, Consumer Behaviour, 3rd ed., (Hillsdale Ill: Dryden Press 1978), p. 1.

² J.D. Forbes, The Consumer Interest, () p. 16?

problem perception, knowledge-seeking, complaining and decision-making.³

Consumer affairs experts have recognized that it is not an easy matter to understand nor describe how and why a particular decision is made.

THE TRANSACTION CYCLE

The consumer decision-making process lies between the activities of producers or suppliers and the final outcome for the firm or the economy at large. Somewhere between that business plan or advertising strategy and the result of that activity, such as reduced sales or improved corporate image, lies the cycle of activity centred around the individual consumer. As has been noted, it is an incredibly complex decision-making process, however, numerous models have been developed by theorists to explain it.

Pre-Transaction

There is much more activity that occurs before a consumer transaction takes place than is generally apparent. The following are some of the steps involved as presented by Kindra, Laroche and Muller in their recent text, Consumer Behaviour in Canada⁴ : (see chart next page.)

Activation Stage

A consumer is in this stage when he or she "perceives a discrepancy between the present state of affairs and a desired state of affairs - and has decided to do something about it."⁵ The consumer, of course, sees the solution in the marketplace, in the form of a

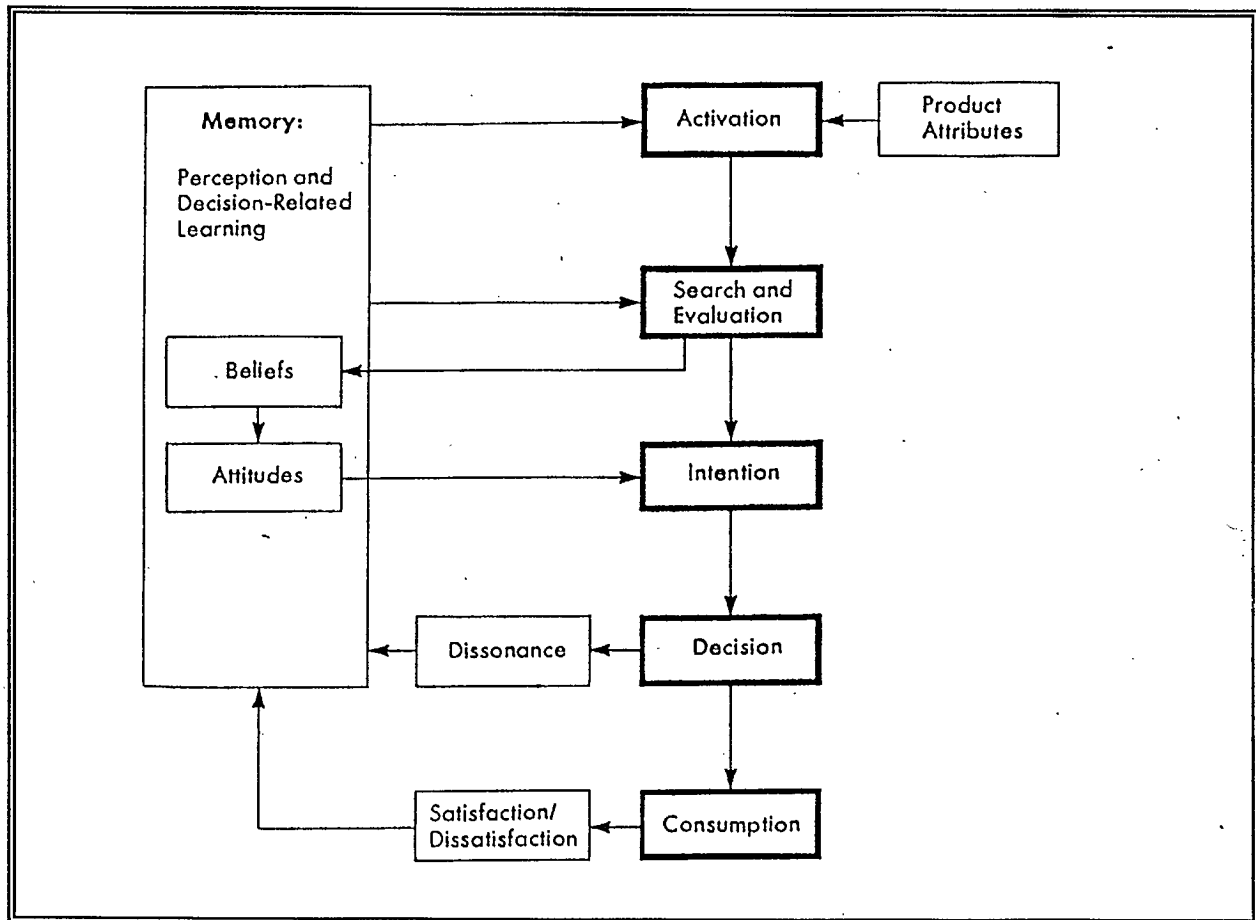
³ Drew Hyman and John Shingler, "hierarchy of Consumer Participation as a Blue Print for Segmenting Consumer Strategies" in American Council on Consumer Interests 36th Annual Conference: The Proceedings, (New Orleans: March 1990), p. 238.

⁴ Gurprit S. Kindra, Michel Laroche and Thomas Muller, Consumer Behaviour in Canada, (Scarborough: Nelson Canada 1989), see chapters 2, pp. 6-10.

⁵ Kindra, Laroche & Muller, ibid. at p. 40.

product or service maybe. When the products or services currently in his/her possession can't fulfil the desired state, the decision process is triggered. And, the consumer becomes receptive to information about that decision. The desired state of affairs is the result of the consumer's values, needs and lifestyle.

Variables Related to the Five Decisions-Process Stages of Consumer Decision Making



Engel, Kollat, Blackwell refer to this as "problem recognition" and can be triggered by external stimuli or it can result from purely internal motivations.⁶ The consumer decision-making process then becomes the process of solving the problem that has been identified.

Search and Evaluation Stage

This task or sub-process entails comparing alternatives in order to eliminate some and zero in on a particular choice. Kindra et al differentiate between internal search, which is based on past experience, and external search - "consumers attentiveness to external stimuli which have decision-making value."⁷

Although memory is not always consistent, reliable or precise, consumer behaviour is often based in it. External sources of information include family and friends, sales material, salespeople and product testing magazines and trade journals.

The search for information in order to evaluate the possibilities depends on many things. The extent of the search for information is based, first of all, on a consumer's past experiences: a good past experience with a product, for example, will shorten the search. The availability and types of information is important in this stage. The amount of information required, as well as its presentation is another factor. If the search and evaluation stage itself yields satisfaction for the consumer, this will extend the search. Of primary importance, too, is the value and cost of the search for information.⁸

Studies have shown that the consumer's own characteristics affect the search and evaluation stage. Economic and demographic attributes such as age, income, education and family life-style.

⁶ James F. Engel, Roger D. Blackwell and David T. Kollat, Consumer Behaviour, 3rd ed. (Hinsdale, Ill.: Dryden Press, 1978), p. 32.

⁷ Kindra et al, ibid., at p. 41.

⁸ Dorothy Cohen, Consumer Behaviour, (New York: Random House, 1981), p. 305-308.

This stage in the decision-making process creates or changes a consumer's attitudes or understanding of the various alternatives. It is after this stage that a consumer formulates the intention to choose the most favoured alternative.

Intention Stage

At this stage the consumer as resolve the issue of choosing among the alternatives identified. The consumer can change his intention; intention does not always lead to a decision. Consider a major purchase such as a car, which can be postponed or the services of a tour operator which can be dropped for a self-directed vacation.

The Transaction

Decision Stage

This is the most outwardly obvious part of the decision-making process since it "takes place when there is a behaviour or change in behaviour by the consumer."⁹ The consumer finalizes this stage with a transaction, whether it be a purchase, lease, rental and whether it is financed by credit card, loan, instalment plan, deposit, or deferred payment. Kindra et al also take into account a degree of dissatisfaction that a consumer feels after his decision has been made. Often consumers experience what has been termed "dissonance" where questions or doubts arise in regard to the decision taken. "Did I buy the right thing?" "Could I have made a better choice?"

Post-Transaction

Consumption Stage

This is last stage in the decision-process but it is not always reached, since, a consumer's intention is not always fulfilled. For example a product is not always used or a different service may be substituted for a product and service. This stage represents the

⁹ Kindra et al, ibid. at p. 46.

achievement of the desired state of affairs which was sought in the first stage. In this stage, the consumer compares goods and services to his/her original expectations. If not satisfied and the initial problem is unresolved, the consumer is likely to start over to find a better alternative. And, of course, all that has been stored in memory will affect future decisions.

Factors Affecting the Decision-Making Process: Needs, Values, Lifestyle and Product/Service Attributes

It is difficult for models to encompass all aspects of social and economic life that have an impact on the decision-making process. The challenge, for consumer behaviour theorists, has been to capture, completely and accurately, all the possibilities. All the internal workings of the individual - personality, capacities, talents, skills, needs, values, as well as all those environmental/external things must be taken into account.

Kindra et al list six external factors that affect decision-making: a consumer's *culture*; the *reference groups* to which the consumer belongs or aspires, the consumer's *social class*, the consumer's *families* of orientation and procreation, the *economic conditions* which delimit purchasing power and capacity to consume, and the *information sources* available to the consumer.¹⁰ Environmental learning produces a consumer with internalized needs and values. This produces, in turn, a pattern of activities, interests, and opinions. Thinking and behaving in a manner consistent with needs and values defines a consumer's lifestyle. A consumer's lifestyle, then, defines the product attributes that will deliver a desired state of affairs in different consumption situations.¹¹

However, internal individual influences are just as important. These include: perception, learning, motivation, personality, lifestyle and attitudes. The term perception refers to how an individual interprets sensations and learning refers to comprehension: both are complex processes. An individual's motives in consumption behaviour is important and the complexities of personality are closely bound up in the decision-making process. Lifestyle refers to the overall way in which people live and spend their money. Attitudes are

¹⁰ Kindra et al, 1989.

¹¹ Ibid.

those "learned predispositions to respond to an object or ... objects in a consistently favourable or unfavourable way."¹² Many factors, in various combinations, in varying degrees of intensity will come to bear on the decision-making process.

III. "THE TIMES, THEY ARE A' CHANGIN'"

It is interesting to consider the many changes that are taking place in the marketplace in which consumers interact. Tomorrow's social and economic conditions point to an increased potential for more, or at least different, consumer hazards than was evident twenty years ago. Increasing affluence among some, decreasing buying power among most, holds its own pitfalls. Accelerating technological advance and increasing international trade are global forces that ultimately have great impact on individual lives. Competition for consumers now drives business on a global scale. Changes in age and income distribution and in spending patterns imply new impetuses for consumer products and services. New insight into the failings of our education system, the lifestyle of the poor and the elderly, has shed light on the enormous problems of the most vulnerable consumers.

The typical consumer will, today, step into a supermarket and face some 30,000 products. Some product lines are burgeoning with variety and choice--there are over 100 types of cereals! And, as time passes, the choices keep increasing. It is estimated that 9,000 new food products are introduced into supermarkets every year.¹³ Are there really consuming needs to met by what averages out to be 24.7 new products a day? And, how is

¹² Dorothy Cohen, *op. cit.*, see footnote, p. 277.

¹³ "Food Failures", NewsNorth, June 10, 1991, p. 17.

a consumer to distinguish among the dozens of variations? After all, of these new products, it is estimated that only 5% are truly new; most are adaptations of existing products.

The driving force behind this astounding variety is change. Consumers change as the influences around them multiply and intensify and, so will their needs. Scientific and technological progress never ceases and serves to amplify the possibilities. Competitive pressures from around the world also compel innovation and diversity. And this fuels the race to get the word out.

There are numerous sources for the commotion of messages in which consumers find themselves. Newspapers, television, direct mail, radio, magazines, and billboards are some of the sources for the estimated 3,000 messages received daily. Consumers get information from every kind of promotional activity--advertising, publicity surrounding events, sales promotions such as coupons and discounts.

Consumers try to use information in five ways: to understand and evaluate products; to try to justify previous purchases; to help decide whether to buy or postpone purchase; to satisfy a need for being informed or simply to serve as a reminder to buy products that need replenishing on a regular basis.¹⁴ The objectives may be simple; the processing involved may not.

Some Facts and Figures

- In 1970, a pound of bananas cost \$0.11
- In 1990, a pound of bananas cost \$0.65

¹⁴ David L. Loudon, Albert J. Della Bitta, Consumer Behaviour, (New York: McGraw Hill Book Company, 1984), p. 415.

- In 1970, it was considered "de rigueur" to outfit an infant in a baby walker to promote early mobility and co-ordination ...
- today, the same product has been virtually banned from the marketplace--at the insistence of paediatricians who had seen numerous injuries and deaths resulting from the use of walkers.
- In 1970, the only decision to make in choosing the single model dial telephone in North America was whether to take a black one or go for beige! - Today, apart from telephones designed to look like any number of other items, including the proverbial "shoe-phone" consumers can choose from a variety of features. Dialling features include flashing signals, mute, program, clear, memo, secret, auto/store, time/day stamp, two lines. Telephones can be hooked up to answering machines, fax machines, computers and video screens. They can be programmed to forward calls, announce a waiting call, display the number of incoming calls, block the display of its own number on someone else's phone. Consumers are also offered a variety of long distance calling packaging. Choice is, today, overwhelming!
- The workforce was comprised of 38% women in 1970. Today, the representation of women in the workforce is almost 60%!
- While environmental awareness and activity began in the 1970s, that commitment among Canadians did not really translate into dollar expenditures in the marketplace. Today, there are thousands of "environmentally-friendly" products available to consumers and countless others promoted as such in response to consumer demands.
- By about 1972, the Department of Consumer and Corporate Affairs had in place the following laws in the consumer interest:
 - Weights and Measures Act
 - Consumer Packaging and Labelling Act
 - Hazardous Products Act
 - Precious Metals Marking Act
 - Textile Labelling Act
 - National Trademark and True Labelling Act
 - Gas Inspection Act
 - Electricity Inspection Act
- By 1991, the same pieces of legislation with only one addition were in place:
 - Tax Rebate Discounting Act
(the Electricity and Gas Inspection Act was enacted, amalgamating the two separate ones)

IV. THE CONSUMERS OF THE 1990s: *WHO ARE THEY?*

It would be an impossible task to attempt to identify *the* consumer of the 1990s. As demographics, values, and even purchase patterns change, it is evident that we are dealing with a very diverse group of consumers in Canada. The trends of older median age, higher levels of net immigration, larger numbers of single-parent families, significant increases in two-income families, and a decrease in family-size have been firmly established.¹⁵ The following discussion outlines these trends and others which will impact on the consumers of the 1990s.

An Aging Population

The 1960s celebrated youth, the 1980s middle age. In the 1990s, as they achieve numerical superiority, it is the elderly who will enjoy special status. Society will treat them differently, and they will behave differently. The process has already begun.¹⁶

The proportion of older consumers is increasing, and the number of younger consumers decreasing. Future projections indicate a reverse in this pattern, with the bulk of consumers in the older age bracket.¹⁷

In the future, the aging of the baby boom generation (those Canadians born between 1947 and 1966) may force us to change our definitions of "old". The next generation of elderly Canadians will be the most healthy and active the country has ever known. It is even possible that compulsory retirement will be abolished, for example, because the elderly will be held in such regard as they constitute a resource of talent, experience, and wisdom that cannot be replaced.

¹⁵ Marr, W.L. and D.J. McCready. (1989) The Effects of Demographic Structure on Expenditure Patterns in Canada. Ottawa: Institute for Research in Public Policy, p. 12

¹⁶ Gregg, A. and M. Posner. (1990) The Big Picture. Toronto: MacFarlane Walter and Ross, p. 202.

¹⁷ Statistics Canada, (1990) Population Projections for the Future.

The growing aging segment of the population will represent a huge market for specially designed products and services--such as home maintenance, food services, travel and leisure activities, extra health care, and so on. Some members of this group of individuals may have special needs related to physical restrictions and/or income constraints. Products and services will have to address the special needs of this population segment without placing the aging consumer at risk (either physically, emotionally, or financially). Particular emphasis will have to be placed on product safety/health concerns, and the special mobility problems which sometimes occur in this age group.

Another rapidly growing group will be the middle-adults who will be facing increasing pressure to save for retirement. As such, they will require special services, such as financial planning packages. Conversely, children will be a declining group. This may reduce the demand for family-oriented products such as large family-style housing, family vans and family vacation packages.

A Changing Family

The structure of the Canadian family is changing. While the 1980s altered attitudes to every major social and political institution in Canada, in the case of the Canadian family, they affected the very definition.¹⁸

At one point in time, the "typical" family consisted of two parents (of opposite sexes), one or more of their children and, on occasion, one or two grandparents. Although this model of the family was still in existence to some degree in the 1980s, it was clearly "on the wane". In Canada, the concept of "family" has become whatever living arrangement two or more people happen to arrive at.

Between 1981 and 1986, single-parent families increased by 19.6 percent from 714,005 to 853,645. Divorces created more families in which one spouse has been forced to make the decisions for two. Some individuals have created a family without the benefits of a spouse. Unattached women and men have legally adopted children, and some women have

¹⁸ Gregg and Posner, p. 134.

born children without acknowledging the biological father. The number of two-earner families has increased greatly, and the number of children per family has declined.¹⁹

The basic family unit is not only changing, it is shrinking. Many more women are working outside the home (in 1988, 57.4% of women were participating in the work force)²⁰; fewer were having babies. Those who do give birth tend to do so later in life, and they frequently return to their outside jobs after maternity leave, enrolling their infants in daycare centres or leaving them at home with babysitters.²¹

The changing Canadian family will create many new product and service demands. Products and services which convey convenience and efficiency will become extremely important in the future. The focus of marketing will have to reflect changing gender roles, and changing family structure, in order to truly target market accurately.

Governments will be faced with a group of consumers who have less and less time available to search for and process information and may, therefore, be less responsible or less successful in their role as consumers. Consumers may turn to government, more and more, to police the marketplace for wrongdoing, and in some respects, remove this responsibility from the consumer. Because of this, government policy-makers may have to explore the enhancement of their roles as information brokers and watchdogs.

The Growth of Urban Areas

Urbanization has been a persistent feature of Canada's demographic history since Confederation. The move towards the urbanization of the Canadian population has created two distinct groups of consumers: those from an urban setting and those from a rural one.²² Although Canadian mythology tends to glorify our natural heritage--the uncorrupted, largely uninhabited great outdoors--in reality, of course, the majority of Canadians have little or no

¹⁹ Marr and McCready, p. 12.

²⁰ Statistics Canada, Family Statistics data.

²¹ Gregg and Posner, p. 144.

²² Biggs, B. and R. Bollman. "Urbanization in Canada" in Canadian Social Trends, Summer 1991, pp. 23-27.

contact with that vast, rugged wilderness of forests and lakes. We are overwhelmingly, an urban society. Some 80% of the population live in just twelve cities. About 30% live in the three largest urban centres--Toronto, Montreal, and Vancouver.²³ Almost 85% of the Canadian population lives within 100 miles of the border with the United States.²⁴

What does this mean to consumers? This difference in locale may account for variations in purchasing patterns, types of retail centres used by consumers, and their level of access to information and redress. Urban versus rural differences may result in different marketplace skills that require different considerations. Technological advances are now making it possible for a variety of products and services to reach rural areas. However, access to information concerning products and services is sometimes difficult for individuals living in rural areas. This would suggest that business and government policy-makers should consider alternate methods of distributing information, so that all Canadians regardless of their geographical location have equal opportunity to access information.

Increasing Ethnic Diversity

It is clear that immigration is going to come from countries it has come from for the past twenty-five years--and from countries it never came from before. From 1905-67, 85% of all immigrants came from Europe and America; these nations now account for less than 25%. Today our immigration comes largely from Asia, Africa, the West Indies, and the Third World--the first wave of visible-minority immigration in Canadian history. Given world economic conditions and pressures, it seems inescapable that Canada will become "blacker" in the 1990s than it has ever been before.²⁵

The profile of immigrants arriving in Canada is changing. Over the coming decade the ethnic roots of the population will continue to shift from a predominantly European background to one of more diversity. There are now two streams of immigrants coming to Canada--a rapidly accelerating proportion of Third World immigrants, and a corresponding

²³ Ibid, pp. 72-74.

²⁴ Statistics Canada, 1990.

²⁵ Ibid, p. 172.

decrease in proportion of European immigrants.²⁶ The "mature" stream from Europe (including the UK) is being displaced by the "new wave" stream from Third World countries. These Third World countries include Asia, Commonwealth Caribbean, Latin America, and Africa.²⁷

The European-born population of Canada is large and aging. It is composed largely of those who arrived as adults in the 1950s and 60s and who are now approaching retirement, and it is not being renovated by a sufficient number of new, younger arrivals to ensure its replacement. Over the next decade, this population segment will diminish and weaken the ethnic communities and cultural groups the European wave of immigration established. The focus of multiculturalism will therefore shift dramatically to the Third World groups, who by then will be larger, relatively young, while at the same time growing through new arrivals.²⁸

This shift in immigration patterns coupled with the slowing population growth of Canada suggests that the collective ethnic consumer group will be a new force in the marketplace. These new Canadians will bring with them different tastes, preferences, values, and methods of interacting in the marketplace. Product lines may have to be enlarged, in order to satisfy an expanding specialized market. The face of retailing may change somewhat, as any language barriers could mean lost sales or disgruntled customers. This trend will be especially felt in Canada's major cities: Toronto, Vancouver and Montreal, as these are the cities most affected by Third World immigration.

Governments may be faced with an increasingly large group of "vulnerable" consumers due to a language barrier. Some thought may have to be given to changing labelling requirements. Finally, and perhaps most importantly, governments must find out *how* to communicate with these consumers, as often first generation immigrants have a very

²⁶ Halli, S., Trovato, F. and S. Driedger (eds.) (1990) Ethnic Demography. Ottawa: Carleton University Press, pp. 141-159.

²⁷ Ibid.

²⁸ Ibid.

different perspective and interest than native-born Canadians in what government does, and even in responding to government.

Income and Credit

Some experts have estimated that a family must work 65 to 80 hours a week to maintain the same income that a single bread-winner could obtain from 45 hours of work in the 1970s.²⁹

While any discussion of consumers is focused on consumption, it must also discuss the means used to finance consumption. The purchasing power (real disposable income) of many consumers has declined over the 1980s, and inflation in general has outpaced wage increases. One result of this is that consumers are having to work longer to maintain the same income.

While household incomes have been maintained partly through growth in two-income families, this will not likely continue. Two-thirds of women between the ages of 20 and 64 already work; the average number of income earners per household cannot rise much further.

With sluggish income growth, wealth will play a larger role in determining spending patterns. Individuals with sizable net assets such as unmortgaged homes can devote more income to consumption and do not need to save for retirement. These people will become the sought after targets of marketers.

In addition to an increase in two-income households, consumers have coped with stagnant incomes by increasing their levels of debt. Until the end of the recession in the early 1980s consumers' disposable income, expenditures, and debt load moved in tandem. Since then, however, consumers have been increasing the amount of debt they are carrying, without disposable income increasing proportionately. In 1989, for example, Canadians owed 93 billion dollars in outstanding consumer credit and 246 billion dollars in outstanding mortgages. This amount is equal to 78% of personal disposable incomes. In 1984, the percentage was a much healthier 59%.

²⁹ Globe and Mail, January 3, 1992, p. A2.

This means that consumers are no longer willing to delay buying something until they can afford it. Canadian consumers have been relying more on credit, and are carrying high levels of debt. It is likely that this trend will continue in the future. For consumers, the increasing debt load they carry will eventually interfere with their ability to buy what they *need*. This may demonstrate the need for further information on the costs of credit, and principles of money management.

V. CHANGING CONSUMER VALUES AND ATTITUDES

As we enter the 1990s, the moral edge is eroding. We view the quality of life as increasingly threatened by crime in the streets, unsafe neighbourhoods, illegal drugs, racism, environmental degradation. The 1990s will be marked by a sober reassessment of what has gone wrong--largely in our cities, where most of us live--and a search for solutions that will change our relationship with the rest of the world.³⁰

Consumer values and attitudes determine how they behave in the marketplace--including likes and dislikes, what they buy, and where they buy it. There is evidence that a new social environment will exist in the future.

Consumers, while not imbued with the same need to keep up with the Joneses, will increasingly seek inner gratification as a goal. As such, time, not possessions, may be the luxury item most sought.³¹ Today, many Canadians measure their standard of living against a more "all encompassing" standard of success than in the past--the more complex concept called "quality of life". This includes personal health, well-being, a strong family orientation and also the realization that other people's problems--such as drugs or alcohol and even other, more geographically distant activities, such as the destruction of the rain forests--can threaten the quality of our lives and those of our families. That is why Canadians are now

³⁰ Gregg and Posner, p. 26.

³¹ "Goodbye Money Grubbers, hello homebodies" in *Marketing*, May 21, 1990, p. 11.

demanding safer products and safer cities, and demanding that government and industry consider the overall impacts of their policies.³²

Many Canadians are beginning to feel the need to feel personally in control of their own lives. There has been a growth of interest groups representing women, members of ethnic and racial minorities, the disabled and the elderly, and victims of violence demanding social justice and a voice in public decision-making.³³

Consequently, expectations of both government and business are changing. Consumers are slowly beginning to realize (or perhaps, rediscovering) their level of power in the marketplace:

[t]he most effective protests in the 1990s will take place at the cash register. The threat of product boycotts is powerful and real. Until recently, for example, Tide refused to make a phosphate-free detergent. When Loblaw's introduced one, Tide had a product on the shelves almost the next week. Corporations cannot afford to ignore this trend. People are cynical. For forty years, they've been told that detergents--and many other products--are "new" and "improved", but they don't believe it any more. What they believe is that for all practical purposes most products cost the same and are the same. As a result, more consumers will make buying decisions based on how much manufacturers donate to, say, leukaemia research, or to environmental causes--boycotting those that ignore such issues.³⁴

Essentially, consumers are looking for increased government and business involvement in programs and policies which reflect a strong commitment to preserving the environment and creating a marketplace that does not abandon the special needs of consumers. Many consumers want to take redress on their own, and may rely on governments only for directions as to where to complain. This is in keeping with our need to be in charge of our own lives. In sum, these changes in values indicate consumers' need for a change in focus by policy-makers so that when decisions are made, consideration will

³² See *Marketing*, May 21, 1990, p. 11 and *Marketing*, March 12, 1990, p. 11.

³³ *Ibid.*

³⁴ Gregg and Posner, p. 113.

have been given to all the effects, current and future, on consumers and the environment in which we live.

VI. CONSUMER MARKETPLACE SKILLS

The skills and abilities which are required of consumers to cope with transactions in today's marketplace are formidable. Overwhelming choice and complexity in products and services, and a seemingly unending stream of information to influence that choice, have seriously undermined consumers' capacity to manage day-to-day economic life. The basic requirements for some degree of "consumer proficiency"³⁵ have been affected by recently documented trends in illiteracy and education.

Consumer Proficiency Defined

"Consumer proficiency" is a term coined and interpreted by one scholar as being composed of four components.³⁶ It includes: (i) independence or self-reliance in marketplace decision making; (ii) how well informed about a decision area a person might be; (iii) propensity to search for and use several information sources and (iv) propensity to advise and influence others.

Practically speaking, this translates into the following four questions: to what extent does a consumer go into the marketplace making his/her own decisions? what is the consumer's general knowledge about a particular expenditure area (ie. food, clothing, housing, transportation etc)? what sources and how many sources of information are consulted before a decision is made? how does one consumer's experience translate into broader marketplace change? The greater any, or all, of these tendencies, the greater is the

³⁵ Hyman, D., "The Hierarchy of Consumer Participation as a Blueprint for Segmenting Consumer Strategies" in 36th Annual Conference of the American Council on Consumer Interests Proceedings, Carsky, M. ed. (New Orleans, Louisiana: 1990) p. 233.

³⁶ Hyman, D. "The Hierarchy of Consumer Participation: A Model of Knowledge and Proficiency in Decision-making" (1990) p. 241-247.

consumer proficiency. Hyman and other scholars have used various methods to measure these tendencies, however, that is beyond the scope of this paper.

Component Skills of Consumer Proficiency

The following activities are part of the life cycle of any marketplace transaction: resource (financial) management; information search and use; product assessment; product use and complaint handling. Each activity is composed of many skills.

Financial management would involve the following skills--from the very simple to the very complex: understanding currency, simple budgeting, balancing chequing accounts, managing savings and loans, understanding credit, completing income tax returns, estate planning.³⁷ Information search and use would entail such skills as label reading, (product name, volume and price; product ingredients, nutritional labelling), assessing advertising, consumer report reading, consulting family, friends and other consumers and dealing with sales people.

Product assessment might involve skills such as personal needs assessment and demand, price-quality analysis, comparative shopping, product try-outs, reading, understanding and comparing warranties, guarantees and contract terms and negotiating skills. These skills will be applied to products from food to appliances to housing to motor vehicles. These skills would be applied differently to services. As products change, consumers will need to upgrade their knowledge of products.

In product use, consumers need to compare their needs to product performance, assess product safety, evaluate product characteristics and determine whether or not a re-purchase will be in order. Services would require some similar skills: more...

Obtaining redress for an injury or injustice when a product or service is defective or deficient is a necessary component in the total transaction cycle. It entails many skills. First, a consumer must be able to discern that there has been a shortfall; then be able to

³⁷ See Stampfl, Ronald W., "The Consumer Life Cycle" (1978) Journal of Consumer Affairs, Winter, p. 14-15.

articulate a complaint to the proper party. Complaint resolution may also mean having negotiating skills.

All of the above skills will contribute to a consumer's overall capacity to make good marketplace decisions that will be personally satisfying.

The Missing Foundation Skills

Recent studies have revealed astounding gaps in the literacy skills of Canadians. How current rates of illiteracy are related to the education system is also the subject of much study. But one thing is clear: the foundational literacy and numeracy skills, which underlie all marketplace skills necessary to be effective consumers, are sorely lacking. The following highlights some recent findings.

Statistics Canada published the results of its study on literacy, "Survey of Literacy Skills Used in Daily Activities", in May 1990.³⁸ The study, commissioned by the National Literacy Secretariat, used the following definition of literacy:

the information processing skills necessary to use the printed material commonly encountered at work, at home and in the community.³⁹

Researchers started from the premise that functional literacy skills do not fall neatly into categories, but rather form a continuum. Points on the continuum represent different levels of literacy. For the purposes of the study, four points or levels were identified as needing special attention. These four points are described below.

³⁸ Statistics Canada, "Survey of Literacy Skills Used in Daily Activities", (Ottawa: May 1990).

³⁹ Ibid., see "Survey Overview", at p. 1.

**Percentage distribution of Canadians aged 16-69
by reading skills level⁴⁰**

Level one	cannot read written material encountered in daily life	6.6%
Level two	can find familiar words in simple text and thus use printed materials for limited purposes only.	9.4%
Level three	comfortable with simple reading tasks in familiar context but unable to cope with complex reading assignments - cannot process the components of the message	22.1%
Level four	completely literate - able to use written material to acquire new knowledge	61.9%

****** *Note that 2% of Canadians who participated in the study did not take the test because they had "no skills" in either official language. They are included in level one.*

The Survey results showed significant links between age, income, immigration, education and reading ability. Illiterates tend to have lower incomes, a higher incidence of being on social welfare, high and continuing unemployment levels, poor health, a shorter life expectancy, plus more disabilities and a greater likelihood of ending up in jail.

Impact on Consumers

Consumers with low literacy or language skills may experience enormous difficulties in the marketplace. Problems for consumers may arise in such areas as reading product labels, understanding money transactions, understanding product information, or taking recourse when products or services fail to live up to expectations. This will, in the end,

⁴⁰ *Ibid.*, see Stan Jones, "Guide to Literacy Levels on the Survey of Literacy Skills Used in Daily Activities", pp. 2 and 7.

affect decision-making enormously--for sound decisions are based on understanding available information.

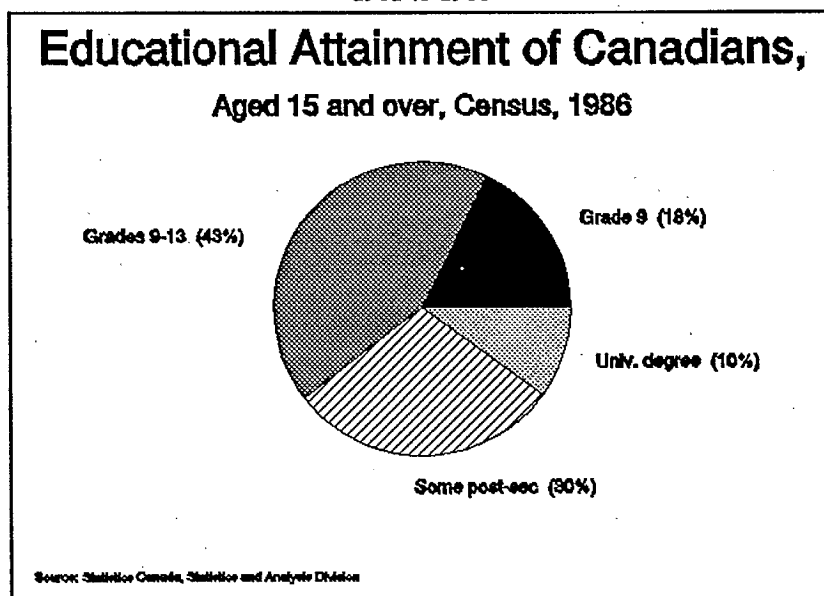
Today's marketplace complexity only amplifies these difficulties. For example, the amount of information contained on a product label, producers ingenuity in information-provision, advertising that purports to be but is not necessarily informative, bilingual or multilingual instructions, intricate instructions for technological products, legal or technical jargon in contracts, warranties and guarantees, extravagant or ambiguous claims for new products or revamped old products,--all are today's marketplace realities.

Literacy is crucial to consumers ability to interpret and understand the information that is available.

Education

As indicated above, grade nine is considered the literacy boundary. Yet, Statistics Canada indicates that in 1986, 18% of Canadians 15 years and older had less than grade 9 (see chart). In other words, almost one in five Canadians has less than nine years of basic education. They could be classified as functionally illiterate.

Canadians' Educational Attainment
1981 to 1986

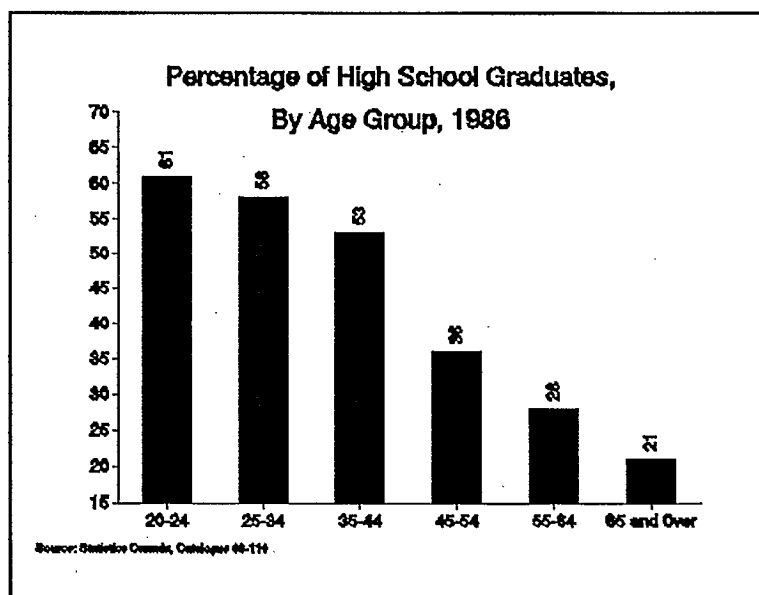


The Most Vulnerable

Ontario's Ministry of Education reported that, in 1987, one out of three students drops out of high school before completing grade twelve. The drop out rate is higher in the basic stream (79 percent) than it is in the academic stream (12 percent). The school system is failing those students who will likely be the most vulnerable to technological change. And, they are also less likely to obtain or be able to obtain additional training or education.

Educational Attainment and Age

Although 44% of Canadians over 15 years old were secondary school graduates, the proportion of people with a secondary school diploma varied greatly among different age groups. It was the lowest among the elderly. Only one if five Canadians over 65 were secondary school graduates. In comparison, 56% of Canadians aged 25-44 had obtained a high school diploma while 32% of those 45-64 had graduated.⁴¹



⁴¹ Statistics Canada, Canadian Social Trends, Summer 1990, p. 33.

Educational Attainment and Spending Power

Secondary school completion is key to labour force activity and eventual income. For example, high school graduates aged 25-44 had a labour force participation rate of 88%, while non-graduates had a rate of 79%. Furthermore, the unemployment rate for high school graduates aged 25-44 was 7%, compared to 12% for non-graduates. The average income from employment for full time full-year workers in this age group was \$29,600 with a high school diploma, whereas for those without high school matriculation, it was \$23,400. High school graduates are more likely to be employed and employed at better paying jobs. This affects their consumption capacity.

VII. THE CONSUMER LIFE CYCLE AND CONSUMER EXPENDITURE PATTERNS

Beyond demographics and values are many different facets to consumers. For example, how do consumers spend their money? How will that differ in the 1990s? With such a diverse set of consumers in Canada, it is difficult to make broad generalizations. The use of a model may simplify this task.

All consumers can be seen to share something in common with other consumers in the same stage of the consumer life cycle. The consumer life cycle can be separated into distinct stages, based on the consumer's age and point in the life cycle. For the sake of simplicity, the consumer life cycle has been divided here into four main stages: that of youth (corresponding to roughly birth to 18 years of age) young adulthood (ages 19-30), middle adulthood (ages 31-50) and mature adulthood (ages 50 +).

In each stage of the life cycle, a consumer has different wants and/or needs, different resources, different knowledge levels, and different skills. For example, not all consumers have the same income, and not all consumers can read. The different levels of marketplace skills possessed by consumers has already been discussed. This section examines, on an aggregate level, the expenditure patterns of consumers in different stages of the consumer life cycle. No attempt has been made to control for individual circumstances such as marketplace skills or income. However, this section demonstrates the different products

purchased by consumers at different times in their lives, and how expenditures may change in the future.

Youth

The youth stage of the consumer life cycle encompasses childhood and adolescence. Because of their young age, consumers in this age group are often overlooked as being consumers in their own right. To say that a child is not a functioning consumer is not accurate. From a very early age, children take part in the selection and purchase of toys, candy, games and clothing and influence food choices and leisure activities. In order to function as consumers, children must learn to choose from many alternatives, must learn to understand the transactional sequence, and how to order their wants. As they grow older the bundle of goods youth select from and purchase increases. With the increased number of women in the work force, many children are becoming more autonomous, and have more responsibility in choosing, and purchasing their own clothing, bicycles, records/tapes, and personal care products. By the time they reach adolescence, youths are performing simple consumer information gathering and price/quality analysis, simple comparison shopping; they have mastered the currency system, and have some knowledge of the safe usage of products.

Will consumer expenditure patterns change for the youth of the 1990s? It is not likely. Although young consumers have more disposable income than ever before, the kind of goods they buy will probably not change. Major expenditures for the youth segment of the population consist of clothing and leisure and recreation goods and services. Whether it is the 1990s version of the current Nintendo trend, or a newer, more high tech type of running shoe, young consumers will typically buy the same type of goods in the coming decade.

Young Adult

Young adulthood encompasses the early single and newly married stages of the life cycle. Consumers in this stage are between the ages of 19 and 30. Usually, this is the time in a consumer's life when he/she makes purchases which are related to setting up a home

away from the parental unit. Expenditures during this stage are usually consumer durables such as a car, household furnishings, and a home. During this stage of a consumer's life, most consumer expenditures are devoted to shelter, be it rented or owned, and transportation.

Will consumer expenditures change for the young adults of the 1990s? The rising cost of shelter may prevent many young adults from buying a home. The trend toward delayed child birth may change the order of purchases for some consumers. Many "middle class" young couples will delay child bearing until middle adulthood in order to devote young adulthood to setting up a career, accumulating consumer durables, and possibly buying a home. Because many young adult couples will be dual-income earners, it can be anticipated that there will be a much greater demand for services in the 1990s. Fast food, pre-prepared foods, and day-care, are just a few examples of the types of services which may be in demand.

Middle Adult

The middle adult stage of the consumer life cycle encompasses mature singlehood, all stages of the married / "full nest" period. This corresponds roughly to the age group of approximately 31 to 50 years of age. Typically, this is the stage of the consumer life cycle devoted to expenses related to rearing a family. A home may have been purchased by this point, and expenses related to paying off the home, taxes, and child care are apt to take up the bulk of the consumer's discretionary income. Any savings at this point in the life cycle would probably be put toward financial planning for retirement and depending on the income of the consumer, the university education of the children. For those "mature singles", expenditures for those in the middle to upper income brackets will concentrate primarily in the area of tasteful home furnishings, appliances, a house/condominium, and savings for retirement. For those consumers in the lower income bracket, spending will continue to be concentrated in the areas of shelter, and transportation.

Currently a huge bulge in the population pyramid, as this group ages, the demand for "family" related purchases such as large automobiles and special family vacation packages will dwindle in the future.

Mature Adult

As the population ages, the mature adult stage of the consumer life cycle will rise in significance to business and government alike. Early in the new century, those over fifty years of age will make up one-third of the population, and will control more than 40 % of the vote. While people over 50 controlled half of all discretionary income late in the 1980s this will rise to two thirds by the year 2012.

This mature adult stage can be divided into three distinct periods: the new mature (aged 51-64), the early mature (aged 65-74) and the late mature (aged 75 +).

1. **New Mature:** by the end of this century, people in this age group will number 4.6 million in Canada. Marketers have targeted the more affluent middle and upper income earners of this age bracket as the consumers who will buy home furnishings, travel, dine out, like lots of entertainment and require extensive financial services. Lower income consumers in this age group will continue to concentrate expenditures on basic necessities, with any savings going toward retirement.
2. **Early Mature:** by the year 2000, people in this stage will number 2.1 million. The middle to upper income early mature Canadian will be concerned with "life facilitation" and "life enhancement", according to social research consultants. Although this group will still be interested in the goods and services that the new matures pursue, there may be more of an emphasis on health care and associated products in this stage. For lower income consumers, the focus will be on health care and related needs.
3. **Late Mature:** in the year 2000, Canadians in this age group will number 1.7 million. These will be the group of Mature adults who have the lowest discretionary income. Most people in this group will be women. Health and nutrition needs will be of greatest importance to this group.

Banks and financial institutions, health services, travel agencies, educational institutions and real-estate companies should all pay attention to the mature market, because they have a lot to gain from it.

There will also be a market for clothing designs appropriate for seniors, and easily digestible food products in smaller portions. The demand for devices that make life easier will increase. There will probably be a boom in home-renovation supplies and services, home leisure products and home appliances. Products related to non-contact sports, such as golf supplies and clothing, should be popular with the middle and upper income seniors. Automobile manufacturers are likely to change their emphasis during the next decade. Comfort will no doubt be the overriding consideration, although safety and appearance will run close behind.

VII. CONCLUSION

Some general observations about the consumers of the 90s, which are important to government decision-making, can be summarized as follows:

- the **nature of consumers** as a collective group reflects economic, demographic and attitudinal changes - the consumer is aging, experiencing reduced spending power, coping with literacy problems, composed of more diverse ethnic origins, and living in new and different family structures and lifestyles. **Expenditure patterns** differ for components groups;
- the **consumer's individual capabilities** affect proficiency in the marketplace and are based on such factors as literacy and other skills, attitudes and values;
- the consumer of the 90s is said to be the most knowledgeable, affluent and informed in history, yet there are still groups of consumers which, for reasons of apathy, time, poverty, cultural preference, stage in life cycle or level of development, are considered to be **vulnerable** to the cumulative forces in the marketplace.

For government, these observations have the following implications:

- A. Due to the **constant and rapid state of change** in the marketplace, there is a need for continual assessment of the nature of consumers and business, and the effects of new economic and social forces;

- B. As external economic and social forces become more complex, government must strive to understand the link between these larger forces and the individual;
- C. Consumers need to be **empowered** to make wise choices and be **responsible** for the consequences of their actions, however, government must remain **vigilant** in some areas, especially regarding the most vulnerable consumers.