

Roy Morgan
— Research —

Roy Morgan Research Pty. Ltd.

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Buyer Behaviour in Marketing Practice

September 11, 1996

- Lecture Seven -

Australian Society,

Lifestyle and Psychographics

- Prepared by -

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EMERGING SOCIAL ISSUES

Australians will face an increasingly complex social environment that changes both the level of demand for its products and services, and the climate of support for those products and services. The most significant changes to be considered include:

Women in the workforce

More women entering the workforce earlier, for longer periods of time and for greater number of hours per week directing pressure towards investment in child care, 24-hour support services, leisure facilities, flexible working conditions and equality of outcomes in employment. Women will emerge as integrative, situational leaders and have much more effective power in community decisions.

Changing role of marriage

- increased participation of women in the workforce;
- increased de facto marriages;
- increased divorce;
- remarriage breakdowns and separation;
- later age marriage;
- delay of first birth;
- fewer children and voluntary childlessness.

Redefinition of the family

- There is a redefinition of the family occurring in the western world. With women feeling they can earn their own livings, the financial necessity of marriage has also diminished.
- The result of this transformation in the reasons we start families, is leading to a very different family appearing in the 1990s - the family of the 1990s will continue to grow smaller, and there will be an increasing percentage of non-traditional types of families.

Shifting image of beauty

- At a time when women supposedly have more freedom than ever before - many are still prisoners in their own bodies. This will result in an increasing requirement for information, discussions re diet, surgery, health, natural remedies and human genetics mapping.

Global Communication

The young in all societies will increasingly link into global forms of communication and identify increasingly with sensate Western values and cultural traditions. This will increase the gap between the older, dominant decision makers and the younger, impatient workforce.

Internationalisation

Internationalisation of fashion, food preferences and leisure pursuits, including tourism, will force a greater diversity of products and services, and a shift from multi-domestic trading patterns to transnational franchise relationships in retail provision.

Information Demands

The demand for better and quicker information access to supply insights based upon more global, more integrated, more relevant, more reliable and more timely source of comprehensible data will frame a total shift in the use of intellectual property.

Asia Pacific

The Asia-Pacific growth rate will determine the core preferences in trade, travel and tourism flows across borders and communities.

Australia is middle aging

- The end of the youth culture in the western world. The wave change and its influence will bring point to some dramatic shapes. The fastest growing age group is 45-54 years. The 1990s will be about the middle aging of the western nations.
- Australia is middle aging - 1 in 10 are over the age of 65 years. The 24s and under will have shrunk from 4 in 10 to 2½ in 10 by the year 2030. By 2020 the aged will be the “post war baby boomers”.
- **Time is increasingly valuable.** The middle aging nation will value time almost above all. Those in their middle ages will have substantial amounts of discretionary money but will not have substantial amounts of time - they will trade one for the other.
- **Quality** - They will want quality in everything from TV to bank service.
- **Security** - There will be more concern for security - investments become less risky and savings become more important. Personal comfort will be placed as a priority.
- **Health** - Their focus will be longevity and to prolong youth. They will spend more on health both for prevention and cure. Fitness will become middle aged by decreasing its impact. Nutrition consciousness will grow. There will be less drastic dieting and more concern for healthy eating. There will be a growing market for splurge food. There will be more attention to labels, freshness, ingredients. There will be greater call for natural foods and an insatiable appetite for convenience.

The middle class is smaller

- Polarisation of wealth: the middle class is shrinking and migrating toward income extremes, and it will continue to do so for the rest of the decade. The former mass market that was located in the centre is shrinking.

-
- Diminishing middle class/growing class of 'working poor' (25% of Australians receive a benefit or pension, 50% of Australian households receive less than \$50,000 pa, the disposable income of households earning \$40,000 or less is less than those living on a benefit, with no access to public housing or a health card).

Increased social disruption, alienation, conflict and violent crime

The social disruption arising from long-term unemployment will lead to more social alienation. If there is second generation of permanent unemployment then alienation can become complete. Los Angeles riot phenomena - this was symptomatic of alienation and frustration of a large group of permanently unemployed, unskilled workers. The soccer riots in the north of England provide the same message.

- Civil unrest will increase and more conflict and violent crime cannot be ruled out.
- Issues of security become higher priority, and requirement for social, relationships and communications without leaving home.

Privatisation

The blurring between public and private accountability and privatisation/corporatisation as well as having ethical and equity considerations raise other issues, ie, marketing, evaluation of cost benefit and value for money for products and services which were previously commodities.

Technology

- Telecommuting - to home or satellite premises made increasingly possible by optic fibre networks. This represents the third revolution - the telegraph, the telephone and now telecommuting.
- All the features of the home of the future - big screen, high definition TV, videophones, shopping and banking from home, interactive educational programs, distance learning capacity and access to electronic video and DC libraries can be used for cost efficient telecommuting.

-
- Smart cards - Microchip capable of carrying up to 20, A4 pages of typed information, on a plastic card, ie, passport details, documents, financial transactions, medical history details, etc.
 - Telecommunications and inter-organisational networks. Shift to inter-country and intra-country telecommunication and the ability to share data. This will create greater flow of social issues and information will flow across national boundaries.
 - Smart highways will offer intelligent traffic control, by warning drivers via car computers and/or using flexible roadside signage. Farmers will use sensor and computing technologies to pursue high-technology agriculture that will rely on systems to monitor and advise on soil and crop conditions, provide access to weather forecasts, offer farmers instant insights into market prices for products anywhere in the world plus information on products and services in the market/.
 - The impact of “virtual reality” as a sensing technology - the use of computer graphics to stimulate convincingly real or fantasy environments.

Consumer and Marketing Issues

An increasing market and customer focus.

Consumers in Australia will become more isolated, regionalised, more fragmented, more individualistic, more demanding, more informed, more stress, more discriminating. In a nutshell, harder to get.

The consumer is becoming perceptive in distinguishing between and among brands and he/she likes having many high-quality brands to choose from. There will be increased competition to uphold brand image on a retail level. The focus will be on preventing the competing brands from becoming so indistinct that the brand is reduced to a commodity, primarily on the basis of price.

Australian shopping habits have changed. Today’s savvy consumer puts bargain prices, nutritional and environmental concerns, and other priorities ahead of old-fashioned brand loyalty. Brand loyalty however, is strongest among older consumers. Higher income people also tend to be more brand loyal and the bottom end of the market is becoming less brand loyal.

With a general mistrust of organisations and products, there is an opportunity for trusted brands.

The function of a brand is changing. Time-scarce, dual-income households use brand names to function as time savers. Older and more educated consumers rely on their own abilities to evaluate products more than they do on brand cues. Secondary shoppers (teens) reach for well-known, familiar, advertised brands. Brand names function as a means of reducing risk in minority population (especially social risk). The upper income end of the market wants brands to function as time-savers rather than risk-reducers.

- Australian made - Australians are unwilling to compromise on price and quality for the sake of buying Australian made. Young people are less convinced about buying Australian made.
- Excessive choice - hard to figure out value for money equation;
- companies offering *clever solutions* will succeed.

Roy Morgan 20 Years Values Study

The Roy Morgan 20 Years Values Study (Whitlam-Hawke-Keating) is a major study of how Australians think and feel about a broad range of issues.

The Australian Social Barometer was initially undertaken by Probe Pty Ltd in 1973/74 and updated by the Roy Morgan Research Centre late in 1977. The Social Barometer is designed to present an in-depth analysis of the long term stability (and the changes) in Australian values. As such, it provides a unique measure of the pattern of expectations from the end of the Whitlam Government to the end of the Keating Government.

The 1996 Values Study/Social Barometer introduces the first Sociographic™ profile of Australia's social, political and commercial expectations. This is based on the MindSets™ framework and the Roy Morgan Values Segments*© developed in conjunction with Colin Benjamin of the Horizons Network.

It covers a multitude of issues including:

- satisfaction with Government actions and institutions
- political and social issues
- religion
- women's issues
- technology
- health
- environmental issues
- economic issues

This twenty-year study enables us to understand:

- what's changed and what hasn't?
- trends - can we distinguish between fads and real movements?
- why do we feel like everything has changed?
- an international perspective - how does Australia fit within the bigger global picture?

Preliminary examination of the data from this study indicates values haven't changed!

- Lifestyles change;
- Products change;
- The language changes;
- The particular needs and applications change;
- Fashions change;
- Hairstyles change;
- Means of transport and communications change.

But values don't, or they haven't in the last 20 years.

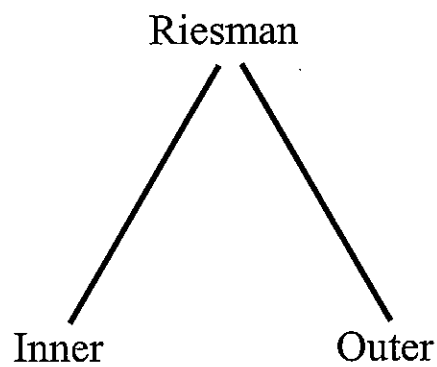
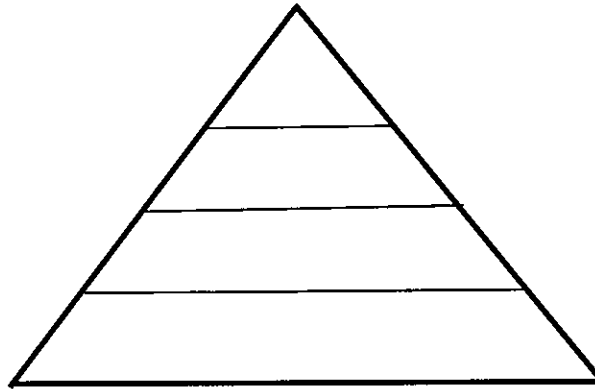
The twenty-year study allows us to explore why we all think and feel that values have changed. Using cohort analysis, we see that we (as individuals) have changed. This study allows an analysis of cohorts, ie, have 20-25 year olds always felt "x", but by the time they are 30-35 they feel "y", and by the age of 40-45 "z". What about "baby boomers", etc, etc?

Because values don't change, values segmentation and mindsets are valuable.

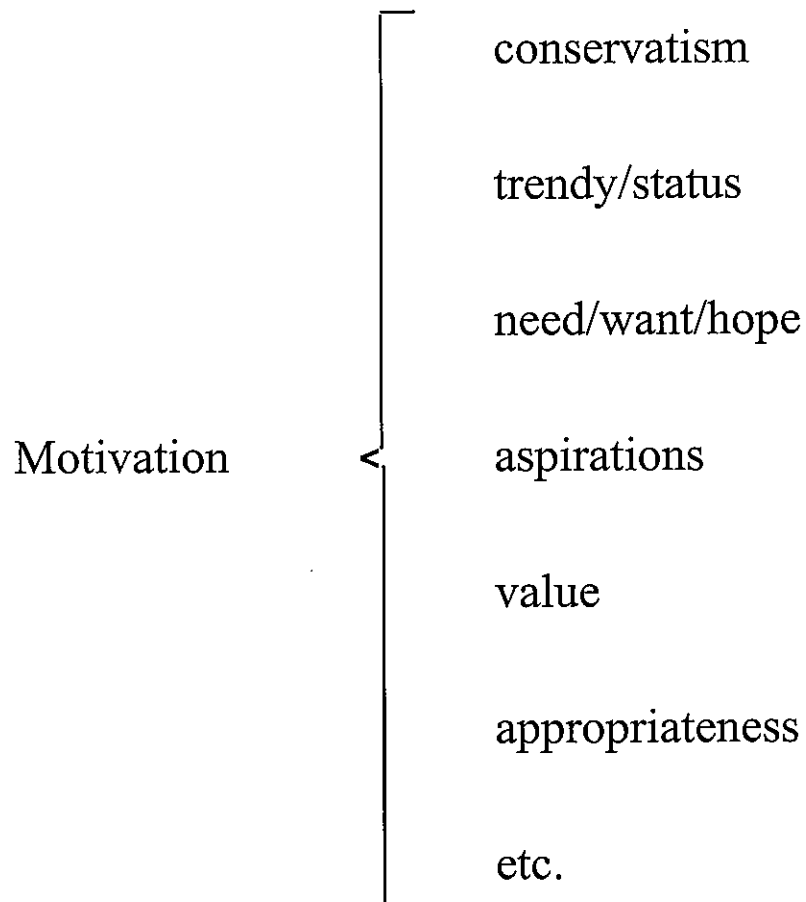
It is important at this stage to differentiate psychographics, VALS, and Values Segmentation.

Introducing Values Segmentation

Maslow - hierarchy of needs



Psychographics



Values Segments

6 Dimensions

- Individualism - collectivism
- Quality
- Price
- Life satisfaction
- Progressive/traditional
- Innovation

These dimensions

- (a) help us understand
- (b) represent degrees of freedom in marketing -
ways to change status quo

The Roy Morgan Single Source Database

A nation-wide survey of consumers' behaviour

and

A powerful Values Segmentation

and

A single source multimedia database

and

Spatial/geographical mapping

The 5 P's

- People
- Product
- Place
- Price
- Promotion

1. People

- Identify prospects, customers and non-prospects
- Establish the current market state
- Track trends in usage over time
- Better understand know prospects “turn-ons” and provide better targets for testing reactions to communications

2. Product

- Establish the preferred product benefits:
 - physical or real
 - emotional or perceived

- Find new product opportunities:
 - brand extension
 - product extension
 - category extension
 - product or opportunity gaps
 - cross product linkages

3. Product

The locational power of Morgan Target Mapping (MTM) assists with:

- branch location/evaluation
- direct marketing
- sales area analysis and sales rep information

4. Price

- Values Segments can provide price indications for new products,

or

- Indicate whether price variations are more promotionally effective than other elements in the marketing mix.

5. Promotion

Roy Morgan Values Segments*, and the Integrated Database help you to:

- know where to reach your prospects
 - most cost efficiently
 - by title or program
- know what to say to motivate and encourage “ACTION”
- devise more effective creative appeals
- confirm product positioning, and
- assist your media buying

*The Roy Morgan Values Segments designed in conjunction with Colin Benjamin of The Horizons Network.

The Values - Life Domain Map

Values segmentation and mindsets provide an enduring framework within which to understand the things that change, why they change and what it means.

Roy Morgan Research, in conjunction with Colin Benjamin of the Horizon Network, have developed the concept of mapping values against the more changing expressions of values within various domains of life.

This Values - Life Domain Map, maps values, beliefs, attitudes, perspectives, in key life domains and on core issues against Values Segments.

The Values - Life Domain Map in all its richness enables you to talk to people about today's and tomorrow's issues, products and services using everlasting values. It ensures you communicate with your customers (and target customers) in a way which resonates with their values.

Total Marketing Instrument

The Values - Life Domain Map in conjunction with the Roy Morgan Single Source data linking values, products, services and multimedia, and Access Panel is a powerful marketing weapon.

This extremely powerful instrument is one with which to:

- think strategically about your business and your customers, yesterday, today and into the future;
- affect change in your desired direction using well-conceived product, service and marketing strategies which are based on fundamental human values;
- communicate with your target market, confident in the knowledge that the content, language and media you use will resonate with their values.

Discover your edge

Roy Morgan Values Segments*

*Developed in conjunction with Colin Benjamin of The Horizons Network

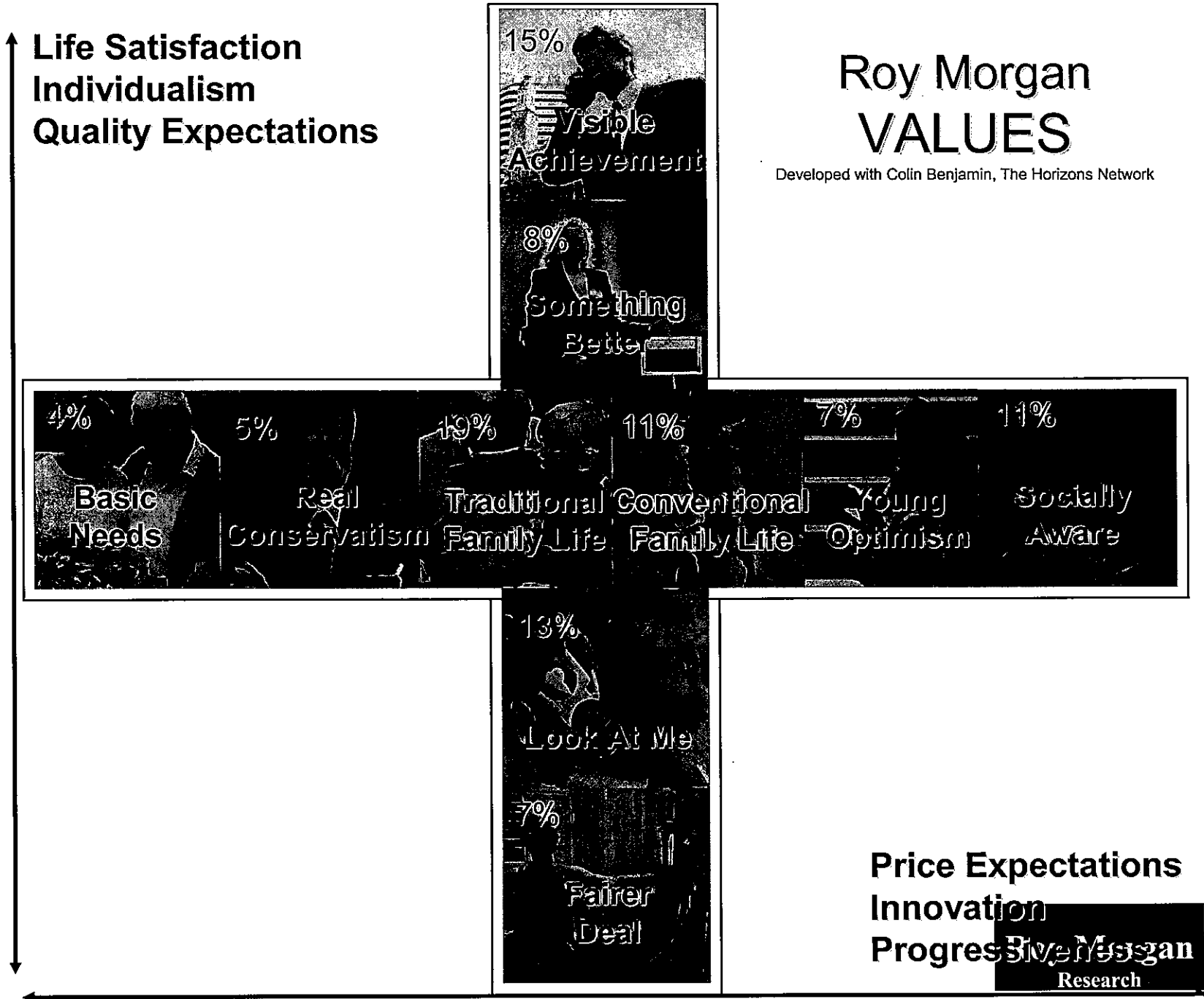
Countries participated

- Argentina
- Australia
- Bolivia
- Greece
- Hungary
- India
- Ireland
- Japan
- Korea
- Latvia
- Mexico
- Netherlands
- New Zealand
- Nigeria
- Philippines
- Romania
- South Africa
- Turkey
- Ukraine
- United Kingdom

- Do you generally feel you get a raw deal out of life?
- How would you describe your own general viewpoint with regard to social issues and social trends?
- Should the smoking of marijuana be made legal or remain illegal?
- Do you think religion should be taught once a week in government schools?

- Do you agree or disagree that women should stay at home and leave running the country to men?
- Which one goal is most important to you?
- What is your attitude to what is new?

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Roy Morgan VALUES

Developed with Colin Benjamin, The Horizons Network

Life Satisfaction
Individualism
Quality Expectations

Price Expectations
Innovation
Progressive
Roy Morgan
Research

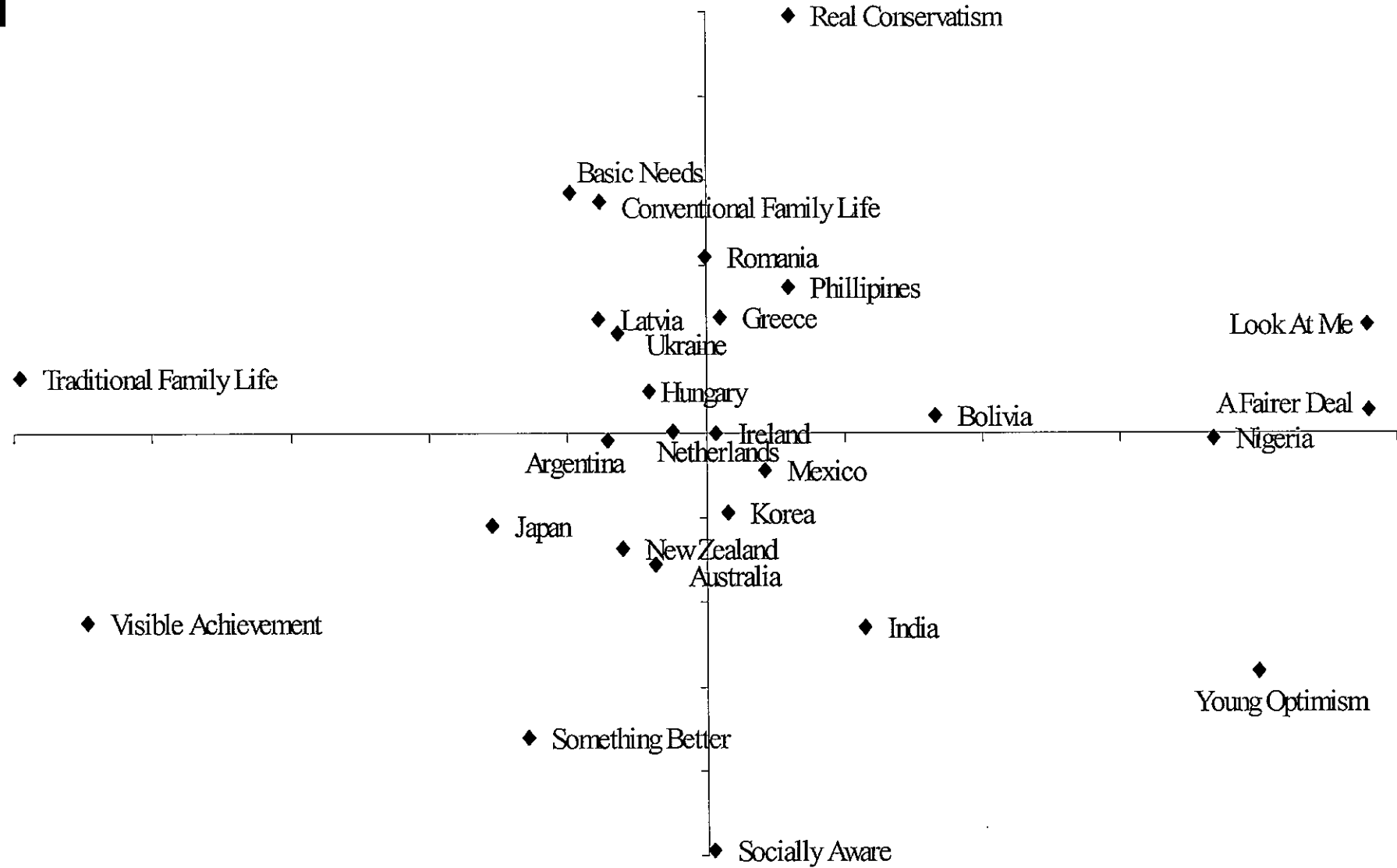
International Values Segmentation Study using The Roy Morgan Values Segments*

	Argentina	Australia	Bolivia	Greece	Hungary	India	Ireland	Japan	Korea	Latvia	Mexico	Netherland:	Nigeria	New Zealand	Philippines	Romania	Ukraine
Basic Needs	3	4	4	5	9	*	6	1	4	4	2	8	2	4	7	5	15
A Fairer Deal	1	7	12	5	8	13	5	4	7	6	4	9	26	6	13	7	10
Traditional Family Life	20	19	8	17	17	10	18	25	9	24	9	19	3	21	11	24	16
Conventional Family Life	20	11	21	23	18	16	16	12	25	25	28	13	14	15	27	25	19
Look At Me	12	13	22	14	13	9	18	9	13	11	16	11	24	11	9	18	10
Something Better	7	8	6	5	9	9	4	7	10	5	9	10	4	10	2	4	8
Real Conservatism	6	5	5	11	6	4	3	3	1	8	4	6	4	2	10	9	5
Young Optimism	8	7	9	6	2	14	8	5	9	2	9	7	17	6	7	1	1
Visible Achievement	19	15	7	10	13	9	17	29	17	13	13	14	3	15	11	5	14
Socially Aware	4	11	6	4	5	16	5	5	5	2	6	3	3	10	3	2	2
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

**Developed in conjunction with Colin Benjamin of The Horizons Network

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Roy Morgan Values Segments*



*Developed in Conjunction With Colin Benjamin of The Horizons Network

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Gallup understands the differences
that make a difference globally

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Research

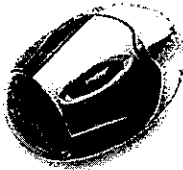
Licensed product

Vs

Proof statement

Understanding Roy Morgan VALUES* SEGMENTATION

Dr Colin Benjamin FAICD

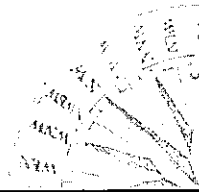


Exploring the CHANGING DIMENSIONS IN MARKET BEHAVIOURS that offer an explanation of the differences that make the difference in digging for the gold that lies in the mind of the market.

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*Developed in conjunction with Colin Benjamin from The Horizon Network

What are “values”?

- Values are patterns of learned response to changing ways of enjoying life and choosing products and services
- Values are the enduring drivers of change and choice that are unconscious drivers of preferred and desired futures
- Values help identify the meaning that lies behind common patterns of choice and offer an explanation of the significance of observed differences in people’s needs, wants, hopes and expectations.



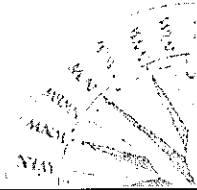
How do segments work?

- **The first and most important driver of change and choice is our personal sense of identity.**

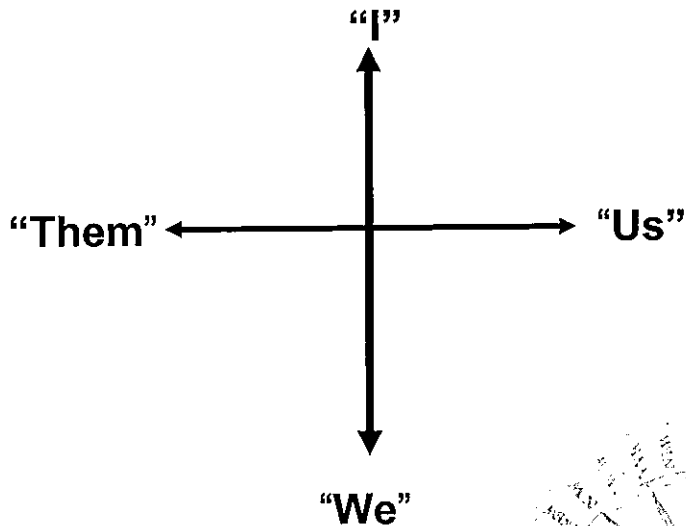
Who I am and how am "I" special?
Who are we and how are "we" different –what makes us, "us" and them, "them"?

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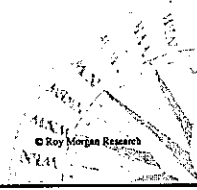


The primary dimensions



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The next dimensions?

- The second set of drivers of change and choice is our preferences for "More of Same" or "Something Different" and our cultural priorities for "traditional" patterns of behaviour as against "progressive" patterns.

How I feel about new and different products and services.
How WE are attracted or not attracted by new things and ideas.



The secondary dimensions

"Traditional"

"Attracted to new ideas"

"I"

"Them"

"Us"

"We"

"Cautious about new things"

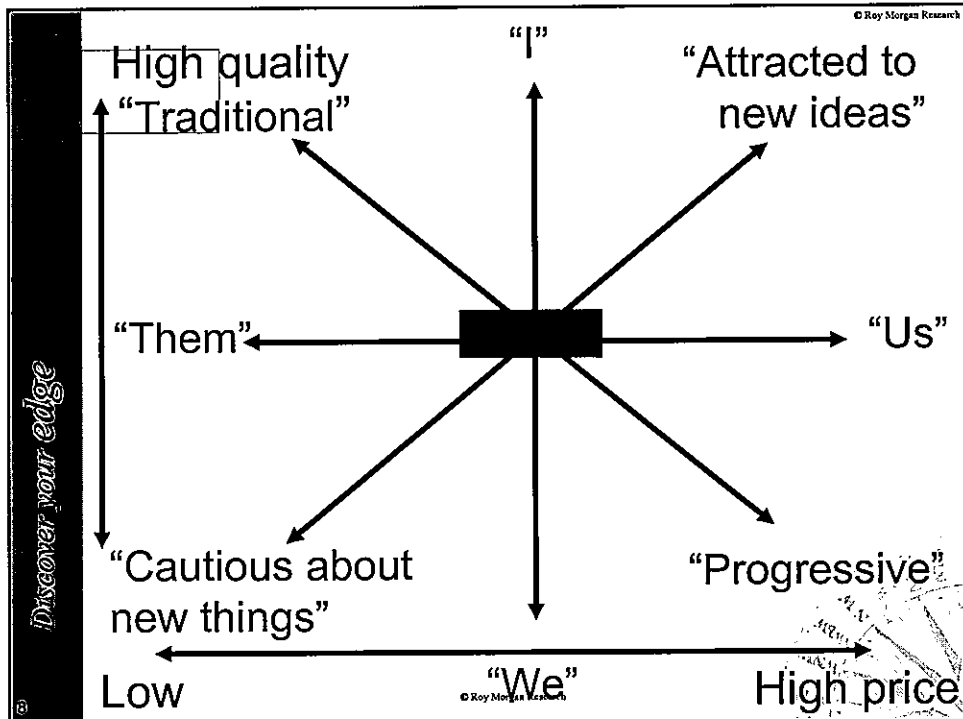
"Progressive"



The tertiary dimensions

- The third set of drivers of change and choice is our built in pattern of expectations about value for money, trading off issues of quality and price.
- Is it worth the price being asked?
- Does the quality justify the cost?

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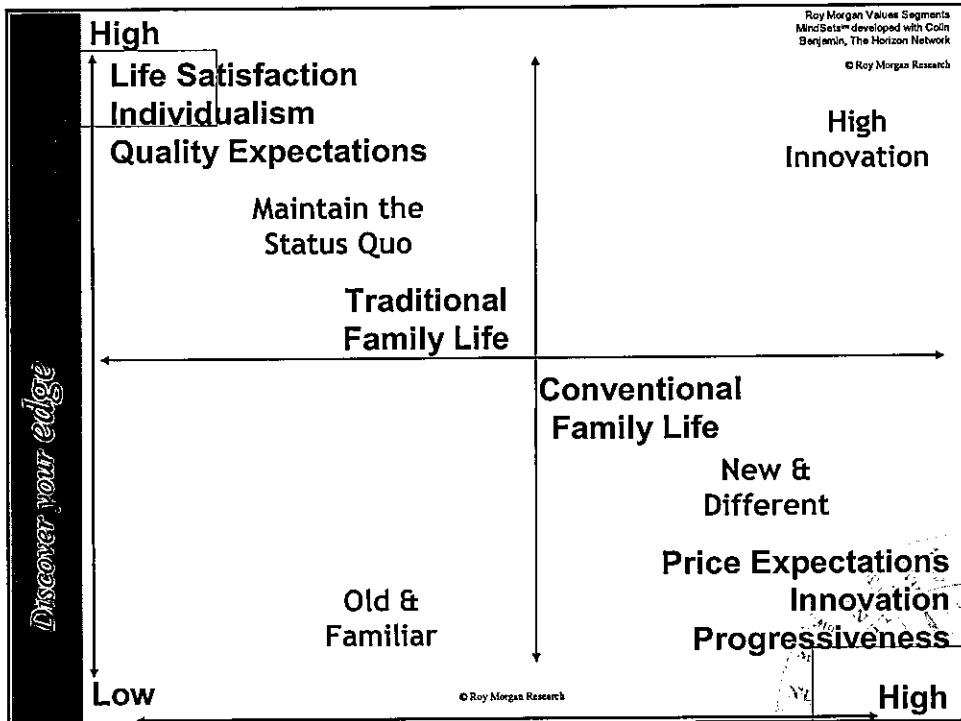


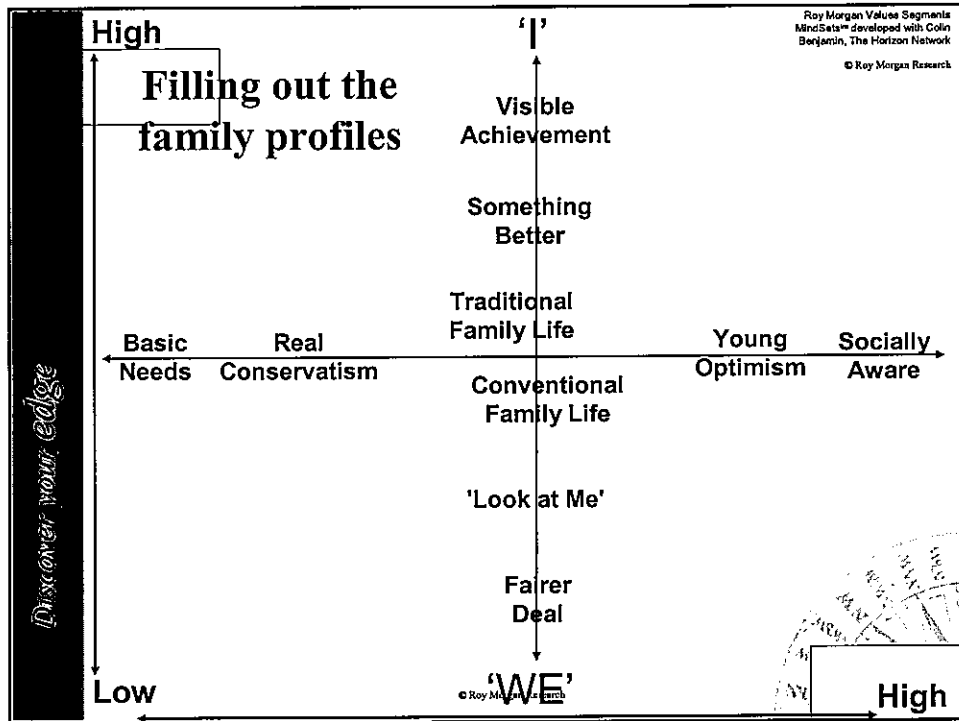
Bringing it all together

- The Roy Morgan Values* Segments bring these three sets of dimensions together by focusing upon the choices that are made in households to create a familiar market space
- Are we **FAMILY** or am I acting alone?
- How does this impact on my family ?

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*Developed in conjunction with Colin Benjamin from The Horizon Network





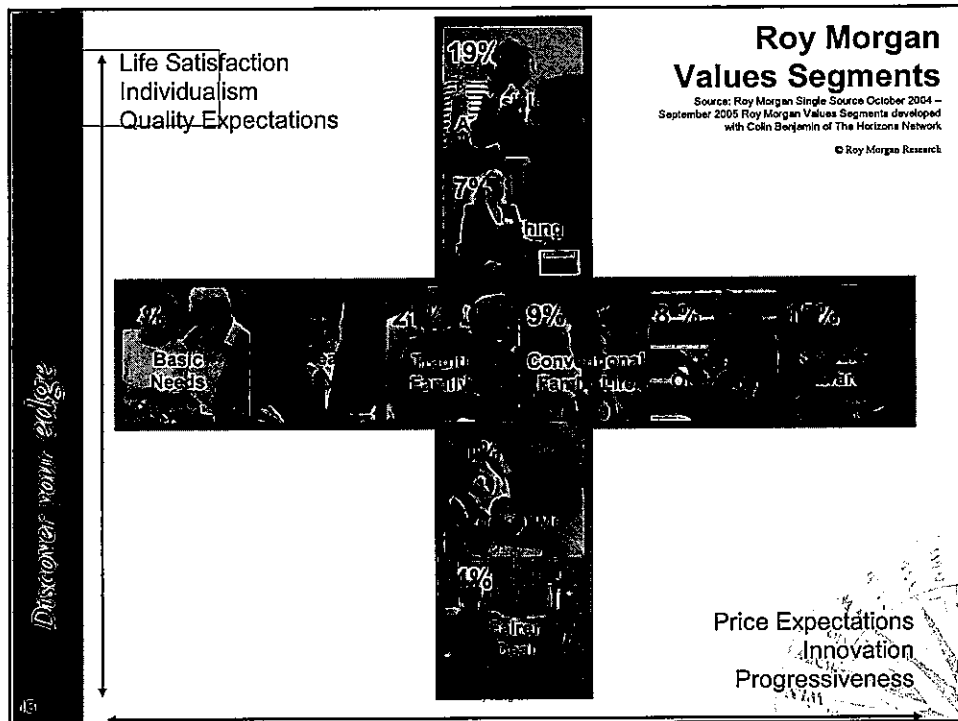
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Competitive Advantage

- Roy Morgan Values Segments © * combine these dimensions to deliver a precise understanding of customer mindsets, preferences and priorities
- The combination of segments reflect similar values to ensure that communication and marketing strategies reflect the relationships between these different family segments as we can see in the Values* video clips.

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*Developed in conjunction with Colin Benjamin from The Horizon Network

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Applications

- Values Segments* have been used to
 - * improve distribution channels
 - * focus communication strategies
 - * design new media vehicles
 - * develop cross-border markets
 - * increase customer satisfaction

- Profiles that simplify and combine the segments can be established to build long term brand identity

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Discontent: some edge



Basic Needs

of the population aged 14+

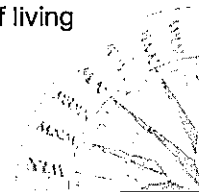
- 68% aged 65 years and over
- 75% Primary or less than Form 4 Education
- 90% Shop Down Market, 75% Light Spenders
- 63% Overweight or obese 88% "Traditionals"
- 96% "FG" Socio-Economic Status (SES)

Psychographic elements driving change and choice

- Order, security and self respect
- Strong community focus and participation in local activities
- Sense of happiness and wisdom that generates acceptance of life situation
- Financial pressures lead to concern with the costs of living

**VERY CAREFUL AND
PRICE CONSCIOUS**

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Discontent: some edge



A Fairer Deal

of the population aged 14+

- 61% under the age of 34 years
- 56% live in rental accommodation
- 93% have only one or two people in the house
- 63% are not employed in the workforce
- 54% "FG" Socio Economic Status (SES)

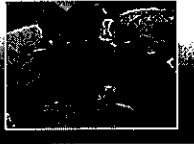
Psychographic elements driving change and choice

- Pessimistic, cynical, insecure and struggling financially
- "Everyone else gets all the fun and I miss out"
- Life is pretty tough leading to anger, disillusionment and frustration
- Hostility toward authority and pleasure in being able to get back at society

WE GET A RAW DEAL IN LIFE

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Traditional Family Life

of the population aged 14+
 65% aged 50-64 years
 66% own their own home,
 61% not employed, 75% "Traditionals"
 68% are overweight or obese

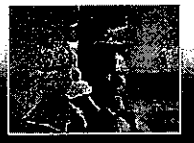
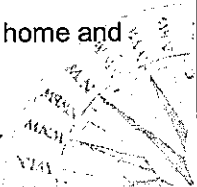
Psychographic elements driving change and choice

- Strong family focus, traditional roles, values and structure
- Empty nesters or living with an extended family
- Getting the family to visit them, or better still, going to stay with them
- Old and familiar lifestyles including gardening and home maintenance
- Don't seek activity or excitement from their lifestyle – home and gardening

STAYING IN TOUCH WITH THE WHOLE FAMILY

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Conventional Family Life

of the population aged 14+
 71% aged 35-49 years
 53% are employed as full time workers
 56% shop in the Mid-market stores

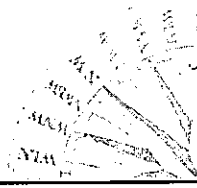
Psychographic elements driving change and choice

- Giving children the opportunities they deserve
- Do it yourself to reduce costs and for financial security
- Consistency, reliability, predictability and security
- Preoccupied with providing a safe, warm family environment
- Work incentive is to provide for a better family lifestyle

MY FAMILY MEANS
EVERYTHING TO ME

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Look at Me

of the population aged 14+
 94% are aged between 14 to 24 years
 53% live in households of 3-4 people
 52% are measured as having acceptable weight

Psychographic elements driving change and choice

- Young, active, unsophisticated, hedonistic, self centred
- Peer driven seeking freedom away from the family
- Living for now and looking for fun and excitement
- Jobs not career, wages not a salary, but good pay is important
- Pushing out the boundaries, "All my friends are doing it"

PARENTS WILL NEVER UNDERSTAND ME

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Something Better

of the population aged 14+
 47 % 35-49 yrs and 46% 50-64 yrs
 77% are paying off their homes
 90% have 3 or more persons in the household

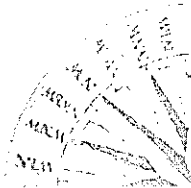
Psychographic elements driving change and choice

- Competitive, individualistic, ambitious, never satisfied
- External focus of control - compare themselves to others
- See themselves as more progressive and display their successes
- Strongly object to government intervention in the lives of individuals

**EGO DRIVEN FOCUS ON GETTING
 A BIGGER, BETTER DEAL**

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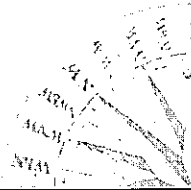
Real Conservatism

of the population aged 14+
59% Male 41% female
90% aged over 50 years
70% shop in mid-market stores

Psychographic elements driving change and choice

- Asset rich and income poor, heavy investors and collectors
- Moral and ethical in an 'old world' sense - "it used to be better when"
- Monarchists and supporters of the establishment
- Disciplined, ordered, predictable, security conscious
- Private school network with 'old school tie' values

**CONSERVATIVE, CAUTIOUS AND
RESISTANT TO INNOVATION**



Discovered in the 1990s



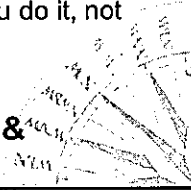
Young Optimism

of the population aged 14+
49% aged 14-24% 32% aged 25-34 years
48% work fulltime. 49% in rented accommodation

Psychographic elements driving change and choice

- Seeking to improve their prospects in life to fulfil a lifetime ambition
- Want a respected place in society with style, image and recognition
- Forward thinking, experience-hungry technocrats and young professionals
- Idealistic, career opportunists with a desire to travel to see the world
- Look more at the process than the outcome - how you do it, not what you do

**OPTIMISTIC, OPPORTUNISTIC &
OUTDOOR ORIENTED**



Discovered in the 1990s



Visible Achievement

of the population aged 14+
57% in households of only one or two people
49% "AB" Socio-Economic Status (SES)
57% are big spenders

Psychographic elements driving change and choice

- Confident, competent and productive visible success stories
- Seek recognition of personal achievement and the value of hard work
- Family life is important with high expectations for children and the family
- Work for financial reward, job stimulation, power of the position
- Maintain traditional values about home, work and society

**FIND THE 'WIN/WIN' OR ELSE IT'S
GOING TO BE I WIN - YOU LOSE**

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Discover your edge



Socially Aware

of the population aged 14+
55% are classified as "NEO"s
90% are "AB" Socio Economic Status (SES)

Psychographic elements driving change and choice

- Trend setters, socially responsible, idealistic and natural politicians
- Belong to pressure groups and enjoy persuading others to their opinion
- Must have the latest & greatest toys in their search for information and new things

**CREATIVE, INNOVATIVE,
INFORMATION VACUUM CLEANERS**

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