

ETHNIC DIVERSITY AROUND THE WORLD

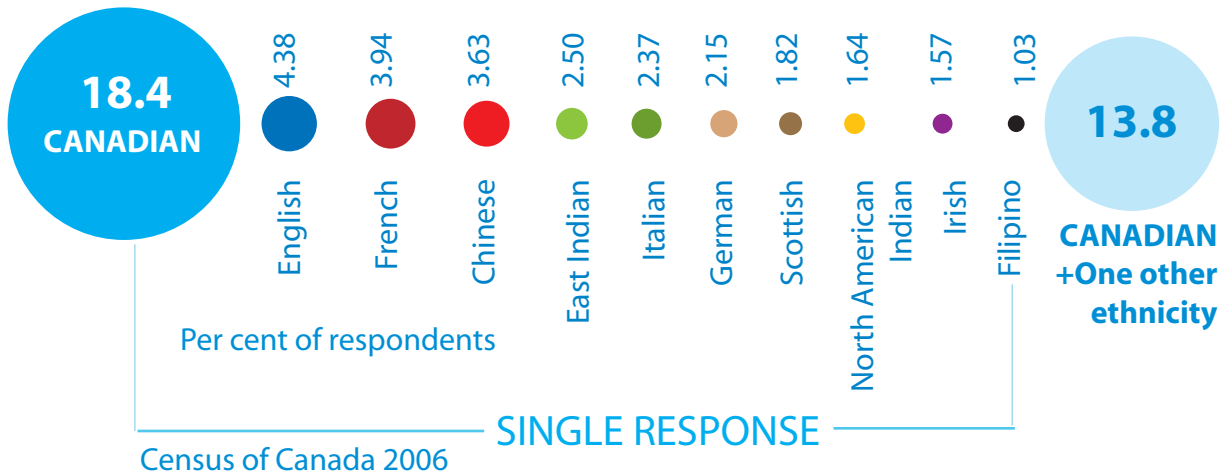
Although the ethnic potpourri is not as dramatic elsewhere, its presence is unmistakable almost anywhere in the United States. And likewise elsewhere in the world. We will examine the ethnic diversity in the US fully below, but first a brief look at two other major Western countries, Canada and the UK, as cases in point.

- Canada** Of the total population of 33.476 million in 2011, 18.4% (6.16 m) listed themselves as *Canadian*; an additional 13.8 % listed as “Canadian and other,” thus making up one-third (32.2%) of the population as being native Canadian. In effect then, fully 2/3rd of the population is of non-Canadian origin. Among the latter, the largest minorities were English and French—4.38 and 3.94% by single response but 21.03 and 15.82% by multiple response categories. Among the non-Europeans, the largest ethnic groups were Chinese (3.63 by single- and 4.3% by multiple response categories) and East Indians (2.5% by single- and 4.63% by multiple response categories).⁵ (See chart.)
- UK** In the U.K., Whites comprise the largest segment of the population (83.35%) but the ethnic minorities are significant—Asian 5.87%, Black 2.81%, and Chinese 0.82%. In recent years, ethnic minorities have grown rapidly: Since 2001, the non-white British population grew from 6.6 million to 9.1 million in 2009, equivalent to 4.1% growth per year. The largest growth among minorities was in the Chinese segment: 8.6% annually; blacks were next, with 6.2% annual growth, and Indians third, with about 5% annual increase. Of the estimated 62.3 million people in UK (2010), 9.1 million are non-white British.⁶(See chart.)
- USA** In USA, as in many other major nations in the world, minority ethnic groups are on the rise. In the 1980 census, one in five persons were of nonwhite, non-European origin; in the 1990 census, this number had gone up to one in four, and it stayed that way in the 2000 census. By 2010, that proportion had risen to 1 in 3. According to the U.S. Census 2010, there were 196.8 million Caucasians (63.7%), 42.02 million blacks or African Americans, 17.32 million Asians (5.6%), 5.22 million American Indian or Alaska Native (1.7%), and 1.225 million Native American (0.4%). (see Figure 15.1). Of the total population, 16.3% was Hispanic and 83.7% non-Hispanic. With 50.48 million strong, the Hispanics are now the largest minority (next largest, blacks, 42.02 million). This reversal

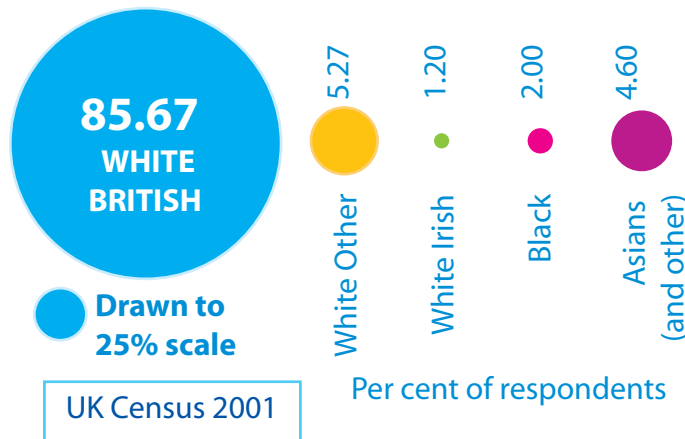


2003
The year Hispanics became the largest minority ethnic group in USA

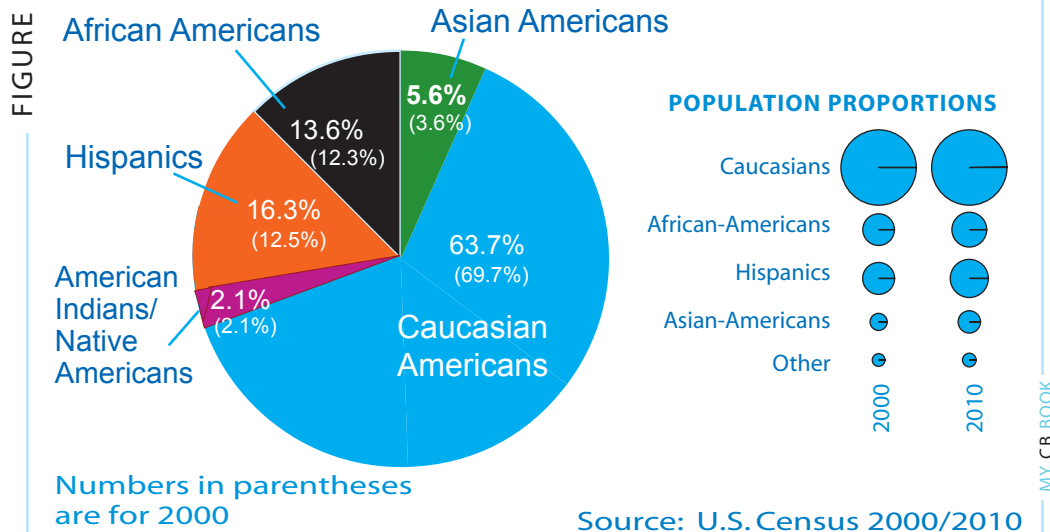
ETHNIC DIVERSITY IN CANADA



ETHNIC DIVERSITY IN THE UK



15.1 ETHNIC MAKEUP OF U.S. POPULATION 2010 (2000)



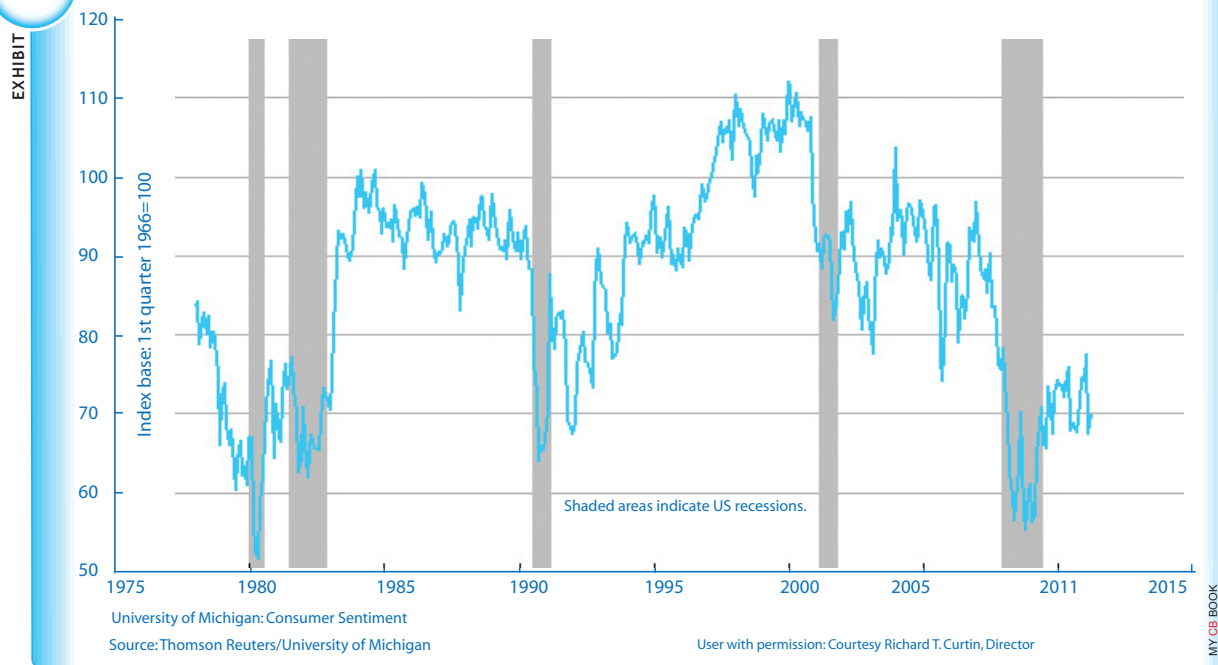
occurred in 2003, when for the first time in history, Hispanics surpassed blacks (38.8 million versus 38.3 million in that year).⁷

The ever-increasing presence of immigrants and their U.S.-born offspring is altering mainstream culture and customs. Consider some popular foods in America: bagels, pizza, hamburgers, sushi, Szechwan chicken, burritos—all are ardently consumed by Americans of all ethnic backgrounds. Today, tortilla chips are consumed in 62% of U.S. households, and salsa outsells ketchup! Given such diversity, marketers need to understand the ethnic makeup of U.S. consumers.

The marketing literature identifies four race/ethnic groups in the United States: European Americans, African-Americans, Hispanics, and Asian-Americans. The culture, values, norms, and behaviors of these four race/ethnic groups differ markedly. As noted earlier, *Hispanic* is not a race but an ethnic group. Hispanics can be black or white, but they tend to identify themselves as just Hispanics rather than blacks or whites. And when people speak of blacks or whites, they mean, usually, non-Hispanic blacks and non-Hispanic whites.

15.5

INDEX OF CONSUMER SENTIMENT



The index is computed with 1964 value used as basis (100) and has fluctuated widely with a low of 52 in 1980 to a peak of 109 in 2000 (see chart) at the height of the so called “irrational exuberance” period of the stock market boom. The index has fallen since, reaching a low of 56.4 in June 2008, 57.6 in October 2008, and 56.3 in February 2009—the lowest in the last 3 years. In recovery since then, the index rose to 75.0 in January 2012.

MONEY AND THE MIND—MONEY ATTITUDES

No, we don't mean that money itself has an attitude. But the money holder certainly does. Some money holders flaunt it; others keep it under their skin. Some see only one purpose for having money—to spend, spend, spend. Others want to see it accumulate. These diverse views show your “money attitude.” **Money attitude** refers to a consumer's view of and orientation toward money—what it means to him/her and how he/she wants to utilize it.²⁸

For the same amount of income, consumers' money attitudes determine their spending and consumption habits, yielding four consumer types:

Flaunters These are consumers who have money and want to show it. They derive pleasure in displaying their wealth, hoping to impress or arouse envy in others. They buy conspicuous items (expensive cars, luxurious clothes, diamonds, etc.) and enjoy their possessions and acquisitions more for their exhibition value than their utilitarian value.

Big-spenders These consumers are not necessarily rich; they just like to spend. Often they live beyond their means and accumulate large debt. They buy and acquire stuff not as much to impress others, but for personal enjoyment. Thus, their purchases comprise a lot of personal, inconspicuous consumption such as eating out, travel, vacationing, cosmetics, entertainment systems, and household items. They also tend to be impulse buyers.

Planners & Savers To these people, money is a means of providing for a reasonable living and assuring a secure future. They like to save and accumulate wealth for the future. They assess their purchase needs carefully, and search for value in all they buy. Unlike Big-spenders, they are avid comparison shoppers and coupon clippers, and they invest their savings for long-term wealth accumulation.

FLAUNT-ERS

BIG SPEND-ERS

PLAN-NERS & SAVERS

TIGHT-WADS

Tightwads At the other end are *tightwads*, people who are obsessive about saving as much money as possible. They avoid buying a thing, unless it was absolutely needed; and they seek no-frills, barebone versions of products at the lowest price possible. Most notably, they learn the ways of putting the things they already own to new uses or extend their useful life. There is even a journal just for this type of consumers. Check it out for some tips for tightwad living at www.tightwad.com.

THE POOR, THE RICH, AND THE MIDDLE INCOME CONSUMERS

Every society is divided into these three broad groups, and people in every society refer to themselves and to others as “poor,” “rich,” or “middle income.” There are other finer subdivisions, of course, but these three are the broad divisions most commonly used in everyday conversations. Let us look at each income group briefly.

THE POOR

Definition of Poverty If we are going to talk about poor people, then we should first define poverty. In general, **poverty** is a level of personal wealth at which a household cannot even pay for all of its basic needs, such as food, clothing, and shelter. For the U.S. population, the federal Department of Health and Human Services defines the poverty level relative to the cost of food. To do this, the department first specifies a daily market basket of foods needed to provide an adequate, nutritious diet on an “emergency” basis (i.e., when income is very low) for families of various sizes and composition. This food basket is then priced according to prevailing prices, and in turn multiplied by three because at low-income levels food represents about one-third of all expenditures. This figure defines the poverty-threshold income level. This figure for 2010 was (\$11,139 for a single person household, \$14,218 for two persons, \$17,374 for three persons, and \$22,314 for a family of four. The number of people in U.S.A. below the poverty level in 2010 was 46.2 million, representing 15.1% of the U.S. population.²⁹

46.2 million (15%)

The number of people below the poverty line in 2010 (US)

See Table 15.4 for poverty levels for selected countries of the world.

The Psychology Of Poverty

What does poverty do to the poor? Fundamentally, it changes their outlook—their view of themselves and of others. Just as affluence does for the rich.⁵ The poor see themselves as relatively deprived, powerless, cut-off from the rest of the society, and manipulated. If you peek deeper into their psyche, you are likely to find:³⁰

Insecurity—The poor feel that their jobs are unstable, that their resources are inadequate to take care of sickness or other emergencies, and that police and courts exercise excessive and unfriendly vigilance against them.

Helplessness—The poor feel they lack political muscle, and because of their low education and limited life experiences, they are subject to the whims of others.

Fatalism—The poor feel that their own destinies are not in their hands and that chance, luck, or others control their future.

Present orientation—Since they perceive a lack of personal control of future events, the poor feel they might as well enjoy life now and let the future take care of itself.

Poverty Line

1-person family	\$11,139
2-person family	\$14,218
3-person family	\$17,374
4-person family	\$22,314
(U.S. 2010)	

15.3

TABLE

POPULATION BELOW POVERTY (Selected Countries)

Chad	80	1
Nigeria	70	7
S Africa	50	26
Brazil	26	64
India	25	86
Spain	20	102
Mexico	18	108
U.K.	14	124
Russia	13	127
USA	12	131
Canada	9.4	138
China	2.8	152

Note: The poverty line is defined differently by each country. China, for example, defines it as per capita annual income of \$90; international poverty line standard is \$2 a day. The available CIA estimates are for various years (2000-2010).

Source: CIA WORLD FACT BOOK, accessed November 30, 2011.

MY CB BOOK



Although a person's social class does not change year-to-year (or even less often), it is possible for a person or a family to move in and out of a social class, such as from lower to middle class or vice versa. When a person moves to a higher social class, it is called **upward mobility**. Contrarily, movement into a lower class is called **downward mobility**.

There are two forms of social mobility: (a) across generations, when grown-up children rise above the social class of their parents or fall below it, and (b) over time, the same adult person moves into a different class.

A principal factor of cross-generational mobility is education; children of lower social class parents get a higher education and move into better paying jobs. Sometimes, of course, adult offspring of wealthy parents may experience downward mobility because, although they make good money, living on their own they can't afford the lifestyle of their wealthy parents.

Mobility within the same generation comes mainly from shifts in one's career or in business outcomes. In societies that believe in meritocracy, like Western Europe, a competent, hardworking, and motivated person can often rise in his or her career to jump more than one class. But this does not usually happen in tribal societies and underdeveloped countries. There, one's social class is determined by birth, period. These societies have what is called an **ascribed social class** system. In contrast, in much of the developed world, one can change one's social class through effort and accomplishments. These societies have an **achieved social class** system. Here, you can move up by your achievements, whether material (e.g., wealth) or otherwise (e.g., education, work success, political position, etc.), and of course, you can move down as well, by running high credit card debt, for example, or by wasting away your life.

SOCIAL MOBILITY

Some consumers achieve it downward by running high credit card debt.

STATUS DISCORD

When the four factors of social class are not congruent, a state of what we term *status discord* occurs. It takes two forms: a lack of status crystallization and being underprivileged.

STATUS CRYSTALLIZATION

Have You Got It?

Are you "status crystallized"? No, it won't make you cool, rich, or high status; but it sure will give you less cause for worry. Because social class is made up of multiple characteristics, two persons could be placed in the same class and yet have considerably different incomes, occupations, or education. When all components are in sync, the consumer is likely to experience more harmony. Sociologists refer to this phenomenon as **status crystallization**—a condition when all components of social class become consistent. When the components are out of sync, status crystallization will be missing and the consumer would experience psychological unease.

STATUS CRYSTALLIZATION

won't make you cool, rich, or high status; but it sure will give you less cause for worry.

For example, John, a chemist with a Ph. D., has a much higher education but relatively lower income than an average person with a Ph.D. degree; Larry, a self-made small business owner, has only a high school diploma but makes much more money than an average American. Each is experiencing a discrepancy between income and education. Because of higher education, John may want to live in "high culture" residential areas and consume "high culture" activities, such as the arts and theater; but, due to a restricted income, he may be unable to do so. And Larry, with high income, may want to join an exclusive country club, but because of his lack of social connections, he may not be able to. Or once a member, he may feel intimidated with the "high culture" attitudes of the more educated members. Such out-of-sync status, so to speak, can cause consumers considerable frustration in terms of their unfulfilled consumption wants.

UNDERPRIVILEGED AND OVERPRIVILEGED

One reason for a lack of status crystallization can be the income diversity within the same occupation and education groups. A recent M.B.A. graduate could earn, for example, anywhere from \$50,000 to \$150,000, depending upon his or her alma mater and employer. The median income of a recent MBA in America is about \$75,000.³⁷ Those earning substantially below the median income feel **underprivileged**; those earning substantially above the median are **overprivileged**. Both groups have to strive to keep up the appearance of the social class defined by their education and occupation—namely, “a young executive with an MBA.” The underprivileged struggle to keep up with the Joneses—buying homes, home furnishings, cars, and leisure activities that show the tastes of their fellow executives. At the other end, the overprivileged curb their desires to indulge in super-luxury for fear that they would be envied by their peers and be perceived as flaunting their disproportionate wealth. This is true for people of all occupations: engineers, doctors, businesspersons, entrepreneurs, professors, blue-collar workers, white-collar workers, etc.

What the overprivileged do is buy better things that would not be vividly conspicuous. For example, home furnishings, home appliances, better quality and prestigious brand clothing that does not look super-luxurious, higher level models of the same car (e.g., a loaded Toyota Camry or Nissan *Altima* rather than say a more basic Toyota Corolla or Nissan Maxima), or cars that are expensive but do not have the reputation of affluence (e.g., a Lexus or Acura rather than a Mercedes or Jaguar). And they would trade in their cars more often for a newer model. They would also be the first to buy new gadgets for the home that would not be conspicuous (e.g., Roomba, plasma TV, etc.).

The underprivileged, on the other hand, seek the same quality and prestige products as most people of their class, but they seek them at sale prices. Income hard-pressed professionals, for example, do not divert their clothes shopping trips to K-Mart or Wal-Mart; rather they still seek brand name clothing, but at discount stores like T.J. Maxx. They patronize department stores like Macy’s or Bloomingdale’s, but prefer to buy their clothing when on sale or at end-of-season clearance.

**S A V V Y
MARKETER**

From Class to Mass—Pushing the Class Boundaries

There is a new market these days. Consider Starbucks. It sells plain coffee for \$1.25 to \$1.50. (You can get plain—though not identical—coffee for 75 cents at a convenience store). And then, there is a mouthful delicious menu of such coffee-latte drinks as White Chocolate Mocha, Tazo® Chai Latte, and Iced Caramel Macchiato that sell for 3 to 5 dollars. Why would consumers spend this kind of money? Simply because, these days, a considerable segment of middle-class consumers want some prestige. So they are buying an 8oz. bottle of Bath & Body Works lotion for \$9, roughly three times more expensive than a run-of-the-mill brand; an \$8 lunch at Panera Bread instead of a \$4 lunch at one of the burger chains; and a \$35,000 BMW instead of a \$24,000 Honda.³⁸ This class of products—a sweet spot between the conventional middle market and the conventional luxury market—is known as the *masstige* (also called ‘new luxury’) products.

Until recently, the conventional middle class consumers patronized such stores as Sears and J. C. Penney. The luxury stores like Neimen Marcus and Lord & Taylor were largely out of reach. The new masstige stores for trendy middle class are Pottery Barn and William Sonoma. Discount retailer Target caters to, it is said, two different clientele: traditional middle and lower middle class consumers who buy its “regular” wares; and the distinction and aesthetics seeking middle class consumers, for whom Target offers home furnishings by such designers as Philippe Starck, clothing by designers Mossimo Giannulli and Marc Ecko, and cosmetics by Sonia Kashuk. In September 2011, it launched fashion diva Missoni’s signature “zigzag design” clothing collection. In 2011, H&M stores introduced Karl Lagerfeld designed affordable street wear, and in February 2012, this high couture designer brought his masstige “Fashion Kollection” to online-only store Net-a-Porter.

MASSTIGE

They buy \$8 lunch at Panera Bread instead of a \$4 lunch at one of the burger chains