

# **Chapter 3: The Social and Demographic Environment**

## **Key Revision Points**

### **Social change and its effects on business organisations**

As a result of social change, we have seen many goods and services become redundant, as they no longer satisfy a population whose needs, attitudes, values and behaviour have changed.

On the other hand social change has resulted in a tremendous growth of many goods and services.

- **Social influences on behaviour**

The way an individual behaves as a consumer is a result of their unique physical and psychological make-up on the one hand, and a process of learning from experience, on the other.

An individual learns norms of behaviour from a number of sources:

- The dominant cultural values of the society in which they live.
- The social class to which they belong.
- Important reference groups, in particular the family.

### **The cultural environment**

A culture's values are expressed in a complex set of beliefs, customs and symbols which help to identify individuals as members of one particular culture rather than another.

It is common to distinguish between "core" and "secondary" cultural values.

- **Effects of culture on business organisations**

It is crucial for business organisations to fully appreciate the cultural values of a society, especially where an organisation is seeking to do business in a country that is quite different from its own.

Cultural sensitivity affects many aspects of business planning and operations, for example:

- Understanding processes of buyer behaviour.
- Distribution channel decisions are partly a reflection of cultural attitudes.
- Advertising messages do not always translate easily between different cultures.

- Methods of procuring resources can vary between cultures.

- **Cultural convergence**

There has been much recent discussion about the concept of "cultural convergence", referring to an apparent decline in differences between cultures.

Companies have been keen to pursue this possibility in order to achieve economies of scale in producing homogeneous products for global markets.

It can be argued that business organisations are not only responding to cultural convergence, they are also significant contributors to that convergence.

- **Multicultural, multi-ethnic societies**

The United Kingdom, like many Western countries, is increasingly becoming a culturally and ethnically diverse society (see Figure 3.3). Immigrants can bring with them a distinctive set of cultural and religious values and adapting to the values of the host country can be a difficult task.

A lack of understanding from members of the host country may cause some immigrants to be seen as arrogant, lazy or lacking in humour by the standards of the host culture, but they may nevertheless be perfectly normal by the standards of their home culture.

Members of ethnic minorities have contributed to the diversity of goods and services available to consumers in the host country. The opening of the UK labour market to migrants from the new EU member states of Eastern and Central Europe helped to alleviate these shortages with a supply of hard working and flexible workers. Some ethnic groups have brought vital entrepreneurial skills to the economy, often at a high cost economically and socially to the less developed countries that they have left.

- **Social class**

In most societies, divisions exist between groups of people in terms of their access to privileges and status within that society.

While some may have visions of a "classless" society which is devoid of divisions in status and privileges, the reality is that divisions exist in most societies and are likely to persist.

As the size of each class changes, so market segments, which are made up of people who are similar in some important respects, also change.

### **The family**

The family represents a further layer in the socialisation process. It is important that business organisations understand changes in family structures and values because change in this area can impact on them in a number of ways.

- **Family composition**

Changes in family composition have led firms to develop new goods and services that meet the changing needs of families, such as crèche facilities for working mothers and holidays for single parents.

- **Family roles**

There is evidence of change in the way that families operate as a unit.

There has been much debate about the fragmentation of families into "cellular households" in which family members essentially do their own activities independently of other members. This is reflected in individually consumed meals rather than family meals.

## **Reference groups**

Groups that influence individuals in this way are often referred to as reference groups. These can be one of two types:

- Primary reference groups
- Secondary reference groups

- **Primary reference groups**

These comprise people with whom an individual has direct two-way contact, including those with whom an individual works, plays football and goes to church.

- **Secondary reference groups**

These are groups with whom an individual has no direct contact, but which can nevertheless influence a person's attitudes, values, opinions and behaviour.

## **Values, attitudes and lifestyles**

Many organisations have recognised that traditional indicators of social class are of little relevance in understanding buyer behaviour. An analysis of changing attitudes, values and lifestyles is considered to be more useful:

- **Values**

Values represent an individual's core beliefs and tend to be deep-seated and relatively enduring. They tend to be learnt at an early age and passed on through generations. They form an underlying framework which guides an individual's construction of the world, and their response to events in it.

The term values should be distinguished from value. The distinction between values and

value is that an individual's value system influences the value they place on any particular object.

Although value systems tend to be deeply ingrained, they have a tendency to change through an individual's life cycle.

- **Attitudes**

Attitudes should be distinguished from the behaviour that may be manifested in a particular life-style. An individual may have an attitude about a subject, but keep their thoughts to themselves, possibly in fear of the consequences if behaviour does not conform to generally accepted norms.

It is important for businesses to study changes in social attitudes, because these will most likely eventually be translated into changes in buying behaviour.

- **Life-styles**

Life-style analysis seeks to identify groups within the population based on distinctive patterns of behaviour.

This type of analysis can be very subjective and quantification of numbers in each category within a population at best can only be achieved through a small sample survey.

## **Identifying and measuring social groups**

The aim of any system of social classification is to provide a measure that encapsulates differences between individuals in terms of their type of occupation, income level, educational background and attitudes to life, among other factors. There are three theoretical approaches to measuring social groupings:

- By self-measurement
- By objective approaches
- By asking third parties

- **IPA Classification system**

It uses an individual's occupation as a basis for classification, on the basis that occupation is closely associated with many aspects of a person's attitudes and behaviour.

- **Classification used for the UK Census**

The data sets used by many organisations import data collected by the UK's Census of Population. Since 1921, government statisticians have divided the population into six classes, based simply on their occupation.

- **Geodemographic classification systems**

An alternative approach which is being adopted by many businesses is to redefine the idea of class by basing it on where an individual lives. A lot of research has shown a correlation between where a person lives and their buying behaviour.

A widely used classification system is ACORN.  
Another widely used system is MOSAIC

- **Lifestyle bases of classification**

One widely used method is to base classification on an individual's stage in the family lifecycle. The research company Mintel, for example, has for some time used family life cycle in its analysis of markets.

Many research companies have developed much more subjective bases for defining lifestyle groups which rely on a verbal description of the groups.

Because of their subjectivity, there is a wide variety of life-style segmentation models which tend to reflect the needs of the companies that created them.

## **Demography**

Demography is the study of populations in terms of their size and characteristics. Among the topics of interest to demographers are the age structure of a country, the geographic distribution of its population, the balance between male and females and the likely future size of the population and its characteristics.

- **The importance of demographic analysis to business organisations**

Reasons why business organisations should study changing demographic structures:

- On the demand side, demography helps to predict the size of the market that a product is likely to face.
- Demographic trends have supply side implications.
- Implications for public sector services.
- Demographic change can influence the nature of family life and communities.

- **Global population changes**

There is still considerable debate about future world population levels, with many predictions being revised downwards.

- **Changes in UK population level**

The fluctuation in the rate of population growth can be attributed to three main factors: the birth rate, the death rate; and the difference between inward and outward migration

## **The birth rate**

Since the Second World War, the birth rate has shown a number of distinct cyclical tendencies. The immediate post-war years are associated with a "baby boom", followed by a steady decrease in the number of births until 1956. Following this, the rate rose again until the mid 1960s during a second, but lesser, baby boom. The birth rate then fell until the mid 1970s, rising again in recent years.

- **The death rate**

In contrast to the volatility of the birth rate during the post-war period, the death rate has been relatively stable and has played a relatively small part in changing the total population level.

- **Migration**

While migration has had only a marginal effect upon the UK total population level, it has had a more significant effect on the population structure. Many immigrants have come from different cultural backgrounds and pose new opportunities and problems for segmenting markets.

- **The age structure of the population**

There has been a more noted change in the composition of particular age groups. The changes that have affected the size of a number of young and elderly age segments over time are illustrated in **Figure 11.5**.

- **Household structure**

The role of women in household structures has been changing, with a rising proportion having some form of employment (59 per cent in 1997). Along with this has been the emergence of a large segment of career-minded women who are cash rich but time poor. This has created new opportunities for labour-saving consumer durables in the home and for convenience foods. It has also resulted in women becoming important target markets for products that were previously considered to be male preserves, such as new cars.

- **Geographical distribution of population**

**Regional distribution** : Movement between the regions tends to be a very gradual process. In an average year, about 10 per cent of the population will change address, but only about one-eighth of these will move to another region.

**Urban concentration**: Another trend has been a shift in the proportion of the population living in urban areas.

