RACE AS A BASIS FOR MARKET SEGMENTATION:
AN EXPLORATORY ANALYSIS

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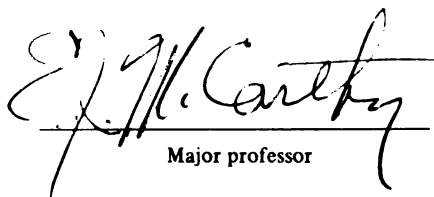1977

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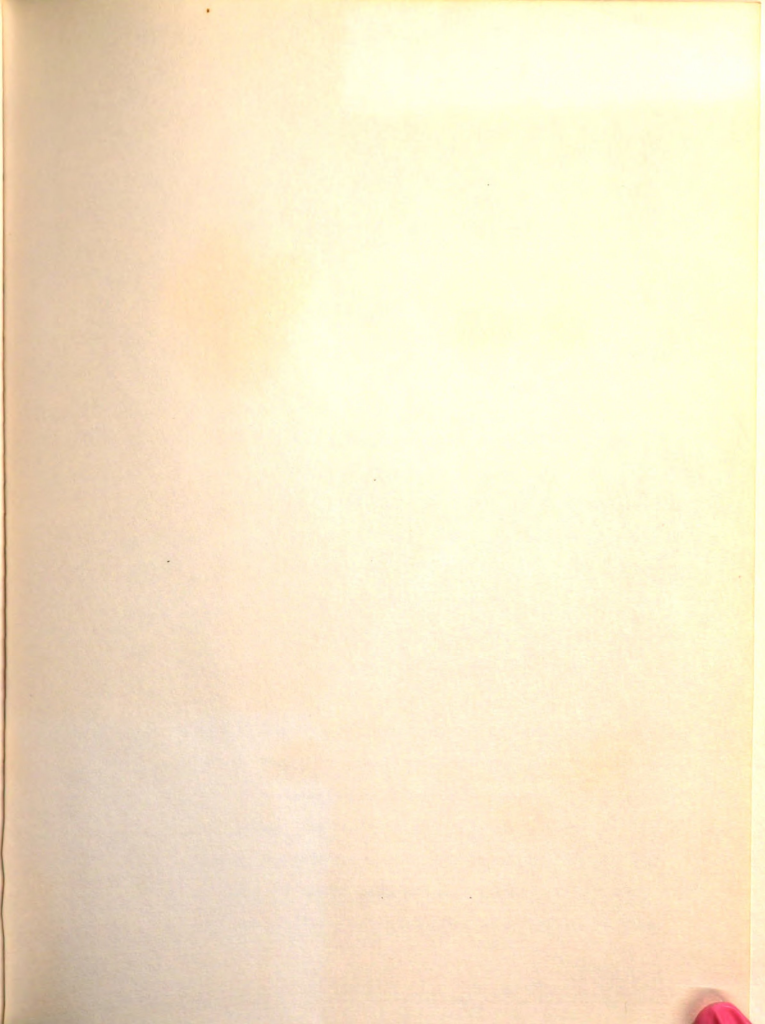
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ABSTRACT

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by

Andrew Allan Coppens

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and benefits sought.

The study focused (a) on product-choice behavior involving different types of alcoholic beverages and (b) on brand-choice behavior for two types of beverage, beer and Scotch whiskey.  The sample used in the study consisted of black and white faculty and administrators at Michigan State University and black and white residents of Lansing's Model Cities Area.  A mail questionnaire was used to obtain data from the MSU faculty and administrators, while professional interviewers were employed to conduct personal interviews with the Model Cities residents.

Based on the data that were obtained, the respondents were classified into six alternative sets of market segments.  Then, a series of two-part statistical hypothesis tests were performed, including both the chi-square test of independence of classification and Goodman and Kruskal's lambda, a measure of predictive association.  The cumulative results of the statistical hypothesis tests were used to determine the effectiveness of each of the six alternative bases for market segmentation.  To weigh all the evidence objectively, the author employed a set of decision rules which took into account the nature of the statistical hypotheses, the number of significant chi-square values, and the number of lambdas that were significantly greater than zero.

The results of the study supported the researcher's guiding hypothesis that race is not an effective basis for market segmentation. Race stood out as being clearly less effective than any of the other five alternatives for segmenting the market for alcoholic beverages.  In addition, race was less effective than all but one other alternative for segmenting the market for beer and malt liquor.  Finally, the

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segment of the study dealing with Scotch whiskey had to be abandoned
due to an inadequate number of Scotch drinkers in the sample.  Never-
theless, there was some evidence to suggest that race was not as effec-
tive as some of the other alternatives for segmenting the market for
Scotch whiskey.

RACIAL SEGMENTATION MODEL ALTERNATIVES
IN AN URBAN ENVIRONMENT

By

Andrew Allen Brogowicz

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
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This dissertation is dedicated

to my parents

whose love and encouragement

helped make this possible

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I would also like to pay special tribute to my friend and coun-
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course of this project.

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# CHAPTER I

## INTRODUCTION

### Overview of the Problem

In recent years, many marketing researchers have tended to discount the value of demographic variables as bases for market segmentation due to their typically low degree of correlation with actual consumption behavior. One notable exception to this trend has been the increased attention given to _race_ as a segmentation variable, expecially with regard to America's black population.[1] Marketing academicians and practitioners have devoted countless articles and even entire books to the topic of black consumption behavior, while trade journals have literally abounded with references to the "black travel market," the "black leisure market," the "black clothing market," and so forth. Indeed, the question "Is there really a black-consumer market?" has been debated so often in the literature that marketers might well be accused of having contributed to the identity crisis which allegedly afflicts blacks in America!

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[1]The term "black" is used exclusively in the text and tables of this study, except that the terms "black" and "Negro" are used interchangeably when quoting from other sources. The terms "Negro and other races" and "nonwhites" describe persons of all races other than white and are used whenever data for blacks alone are not available. Such data generally reflect the condition of the black population, since blacks make up about 90 percent of the population of "Negro and other races."

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Obviously, nobody is really questioning the existence of large numbers of black consumers who, in the aggregate, purchase huge amounts of goods and services each year. This would be sheer folly in a nation where some 24 million blacks account for at least 11 percent of the total population. The question many marketers are asking is whether the needs and buying behavior of black consumers are so different from those of other consumers that black consumers should be viewed as comprising a separate and distinct market segment for purposes of marketing strategy planning (i.e., for purposes of selecting target markets and developing appropriate marketing mixes).

Some historical and economic perspective may be necessary to help the reader understand why marketers have shown this growing interest in the possible existence of a black-consumer market. After all, the U.S. population is made up of many different racial and ethnic groups. Yet, one seldom encounters any reference to the "Italian-American market," the "Polish-American market," and so on and so forth. In particular, one does not hear mention of a "white-consumer market," and indeed, no competent market analyst would ever dream of lumping together all white consumers into a single market segment.

## Historical and Economic Perspective

Interest in black consumption behavior is not a very recent phenomenon in the United States. As Bauer and Cunningham (1970b, p. 7) have reported, several black-related marketing topics in vogue today were already being discussed as far back as 1931. These included:

. . . The use of Negroes to sell to Negroes, the need to display concern for the welfare of the Negro, the differential product

usage of Negroes, choice of media, the interest of Negroes in
personal-care products, and the amount of their spending power.
Nevertheless, interest in black spending habits did not really become
widespread until the past decade or so, when mounting social pressure--
together with a search for new profit opportunities--led marketers to
focus greater attention on the needs and wants of black consumers.

The mounting social pressure stemmed from the social revolution
that rocked the nation during the turbulent sixties. The civil rights
movement and the Johnson Administration's "war on poverty," together
with provocative books by writers such as Galbraith (1958), Harrington
(1963), and Caplovitz (1967), drew considerable attention to the plight
of poor and disadvantaged consumers. What really captured the atten-
tion of marketers, however, were the destructive urban riots (or "con-
sumer revolts," as some have called them) that reached their peak
during the long, hot summer of 1967. Suddenly, many marketers began to
show concern over the plight of the more visible, and perhaps more
volatile, black consumer. This concern was heightened by the growing
strength of a "Black Power" movement which advocated economic self-
sufficiency and, accordingly, boycotts of white-owned businesses.[2]

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[2]In general, however, this concern proved to be somewhat tempor-
ary in nature. As the riots subsided, the nation gradually turned its
attention away from the ghetto toward other problems which had arisen.
Some of these problems, the ecology movement for example, were regarded
as irrelevant by many blacks who feared that public concern for these
problems would divert resources away from the problems of poverty and
racism (Business Week, 14 November 1970, p. 49). They may have been
right to some extent, for according to Vernon Jordan, Executive Direc-
tor of the National Urban League, "the condition of black Americans,
once the benchmark of America's commitment to equality and justice, is
now the object of malign neglect and hostile disregard" (Jarrett, 1976;
sec. 2, p. 6). In fact, some futurists have warned of the possibility
of internal confrontations and further polarization along racial and
economic lines if large numbers of blacks continue to be frustrated in
their social and economic aspirations (Wheeler, 1974).

It would be grossly unfair, however, to suggest that the recent interest marketers have shown in the needs and wants of black consumers can be attributed solely to social pressure and coercion. Certainly, many marketers reacted with something more than just a feeling of social responsibility when Gibson (1969) pointed them toward a "$30 billion Negro market" which he said represented a comparatively untapped source of sales and profits. Today, alert marketers recognize that although the black population is composed of a disproportionate number of people who are poor, undereducated, and unemployed, its over-all purchasing power has risen substantially from a scant $1.6 billion in 1931 (<u>Sales Management</u>) to an estimated $59 billion in 1975 (<u>Adver-tising Age</u>, 14 July 1975, p. 34)[3]. In fact, according to the U.S. Department of Commerce (1975, p. 26), America's nonwhite consumers now comprise the ninth largest consumer market in the world and are expected to purchase almost $120 billion worth of goods and services in 1980.

The National Industrial Conference Board has estimated that while nonwhite consumers comprise about 11.5 percent of the U.S. popu-lation, they account for a disproportionately low 8.5 percent of total consumption expenditures (Linden, 1967). However, nonwhite expendi-tures tend to be disproportionately <u>high</u> for selected categories of goods and services. For example, Gibson (1969, p. 10) tantalized mar-keters with statistics which indicated that:

> . . . Negroes, as 11 percent of the total population in the United States, consume over 50 percent of the Scotch whisky imported into nation, consume more than 70 percent of the entire output of the

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[3]A brief demographic profile of America's black population is contained in Appendix A.

Maine sardine industry, consume more than 49 percent of all the
grape soda produced in America, spend 23 percent more for shoes
than does the majority white population, and spend up to 23 per-
cent more for food sold in supermarkets to be consumed at home.

While some have questioned the accuracy of Gibson's statistics, he did
succeed in drawing attention to a group of customers whose needs and
wants previously had not been well understood and thus had gone largely
ignored.

## Is Race an Effective Basis
## for Market Segmentation?

To say that a black-consumer market exists for purposes of
marketing strategy planning is to assume, in turn, that race is an
effective and perhaps key variable for segmenting markets. Because
this study is mainly concerned with the validity of this assumption,
it is important at the outset to define the term "market segmentation"
as it will be used in the study.

Market segmentation is the process of isolating smaller, more
homogeneous market segments within a [heterogeneous] market for
the purpose of selecting one or more target markets and developing
a unique marketing mix to satisfy the needs of each (McCarthy,
1975, p. 63).

Market segmentation is an extremely vital process, as witnessed
by a recent survey conducted by Booz, Allen, and Hamilton which indi-
cated that "where companies go astray most frequently in launching new
products is in their failure to define the markets for them (Philadel-
phia Inquirer, 6 January 1974; sec. C, p. 9). Unfortunately, market
segmentation is more of an art than a science, and markets can be seg-
mented in an almost infinite number of ways. Human behavior being com-
plex and multidimensional, any basis for segmentation is likely to
generate a set of market segments for which one can observe some

consumption differences between segments and some consumption similar-
ities within segments. However, marketing strategy planners are
interested only in segments which exhibit both a high degree of homo-
geneity of demand within segments and a high degree of heterogeneity of
demand between segments, thereby facilitating the development of
effective marketing mixes.

Returning to the issue at hand, a marketing strategy planner
must determine if black consumers tend to exhibit similar needs and
buying behavior for his firm's product-market area and whether their
needs and behavior are, in turn, differentiated from those of other,
mainly white segments. Then he must decide whether his firm is capable
of providing a need-satisfying marketing mix for this potential target
market--at a profit, of course. Also, he must consider what his firm's
competitors might be doing.

Obviously, the paramount question is whether the strategy plan-
ner can assume that race is an effective basis for market segmentation
and, therefore, that black consumers constitute a separate and distinct
market segment. In reviewing the literature pertaining to this topic,
the consensus of opinion appears to be that, yes, a black-consumer
market does exist. However, this opinion is far from unanimous.
Therefore, arguments on both sides of the issue must be given consider-
ation.

Arguments in support of a separate
black-consumer market

Gibson (1969, p. 9) cites "four reasons why the Negro market
exists":

1. forced identification of the people comprising this market

2. definable purchase patterns by this group of consumers
3. the size of this market
4. the [concentrated] location of this market within the United States

According to Gibson, every aspect of a black American's life, including his or her buying behavior, is influenced either consciously or unconsciously by an omnipresent "racial reaction" which reflects a legacy of slavery and racial discrimination. Thus he advises firms to seek to create a "favorable racial reaction" among black consumers by providing them with recognition, identification, and an invitation to buy (pp. 13-21).

Tuesday publisher and editor Leonard Evans also believes that a black-consumer market exists, but not entirely for the same reasons as Gibson. Evans argues that black and white consumers have different needs and motivations which have nothing to do with civil rights but instead can be traced to their divergent backgrounds and "completely opposite economic histories" (Media/Scope, 1967, p. 70).

Regardless of whose views are more accurate, there is a plethora of documented evidence to show that black consumption expenditure patterns frequently differ from those of white consumers. This tends to hold true even when the much lower income distribution of black families is taken into account. Although the actual cause of these differences remains very much open to debate, many marketers have interpreted these differences to mean that a black-consumer market does in fact exist. Thus, in recent years one has witnessed more and more firms trying to attract black customers through the use of advertising gimmicks such as those which black adman Thomas Burrell has labeled:

1. The Black Face Approach: Assumes that the only thing that makes blacks and whites different from each other is color.

Therefore, reaching the black consumer effectively is merely a matter of replacing the white faces in an ad with black ones.

2. The "We Got Rhythm" Approach: Assumes that, irrelevant messages and inappropriate strategy notwithstanding, blacks have an innate tendency to respond, like Pavlov's dog, to a funky beat. . . . [Therefore,] a special rhythm-and-blues version of the general market jingle will have the black consumer hustling, bumping, and boogalooing his way straight to the advertiser's product.

3. The Slang-Slinging Approach: Assumes that no matter what you say, no matter what you're talking about, just say it "cool, man" and the boss brothers and sisters will dig your rap, make the store scene, lay down some heavy bread, cop your goods and get down.

4. The Superstar Testimonial Approach: Assumes that blacks are so high on worshipping their athletes and entertainers, they will loyally emulate whatever they do or whatever they say they do (Cappo, 1975, p. 38).

While Burrell does not consider these approaches to be inherently

wrong, he believes that selling to black consumers requires greater

empathy and more comprehensive marketing strategy planning than most

firms have displayed thus far.

## Arguments against a separate
## black-consumer market

Despite empirical evidence of black-white consumption differ-

ences, not all marketers are fully convinced that a separate and dis-

tinct black-consumer market really exists. There are several reasons

for this. First, the most adament apostles of this doctrine of

racially segmented markets have been the black media, whose obvious

self-interests tend to cast a shadow of suspicion over what they

preach. Second, systematic research has been the exception rather than

the rule in studies of black buying behavior. Third, while it is true

that black-white consumption patterns tend to be different for many

products, it is likewise true that black-white consumption patterns tend to be _similar_ for many other products. Fourth, more than a few researchers believe that so-called black-white consumption differences may be due more to factors such as income or social class than to race. Fifth, as alluded to earlier, it is difficult to defend the logic of lumping together some 24 million blacks into a single homogeneous market segment while at the same time emphasizing the heterogeneity of the white population.

Perhaps the main reason some marketers remain skeptical about the existence of a black-consumer market is that they are uncertain and confused about how to effectively cultivate such a market. In part, this is because researchers have been noticeably inconsistent in describing how blacks react to various marketing efforts. For example, black consumers have been described as being high in brand loyalty, and at the same time, as extremely price-oriented. They have been said to prefer both expensive "prestige brands" and inexpensive dealer brands. Blacks have been called "trend-setters," while also being described as slow to adopt new products. They have been said to regard integrated advertising as "tokenism," but also to react favorably to the use of black models in ads. And although blacks have been described as less mobile than white shoppers, it has also been said that they frequently leave their local area to seek out higher quality goods at competitive prices.

Along with conflicting stereotypes of black buying behavior, marketers have been provided with contradictory advice concerning how to treat black consumers. Consider, for example, an article published in _Grocery Mfr._ (1967) which, on the premise that "for most national

companies, the Negro market has been disguised as part of the mass market," offered marketers the following advice:

> Negro purchasing habits are sorely misunderstood. Traditional assumptions and stereotyped approaches must be discarded in favor of a sounder approach based on market research. Few companies have reached their attainable potential in this market. Many opportunities have been overlooked (p. 50).

In this same article, however, a specialist in "ethnic marketing" cautioned that:

> . . . The most important consideration is to determine the decisive versus the nondecisive way to segment the total market. To slice into Negro and white portions may not be decisive-- regional, income, age or other factors may be better guidelines (p. 52).

And still another specialist warned that "many professional marketing men tend to overemphasize [italics mine] the differences between Negro and white markets" (p. 52).

To add to the confusion, while many reputed experts have recommended offering blacks a distinctive marketing mix, Bullock (1961a, p. 89) has called for "the creation of an 'integrated' marketing program that appeals equally to blacks and whites." Moreover, the importance of using the black media to reach potential black customers (Oladipupo, 1970) has been disputed by some admen who feel that the black media are unnecessary and less efficient for this purpose (Advertising Age, 3 April 1972; 10 April 1972). At the same time, however, Wall (1969, p. 25) has argued that while community relations has only a minor influence on immediate sales to most market segments,

> A company which advertises in Negro media, contributes to the United Negro College Fund, and employs Negroes is perceived as being concerned with the welfare of Negroes, and therefore is entitled to special concern and patronage.

A final reason for questioning (or perhaps ignoring) the

existence of a separate and distinct black-consumer market relates to the fact that the social and economic status of America's black population is an extremely sensitive and volatile issue. Apparently, many marketers fear that misguided efforts to woo black consumers could easily backfire and create an adverse reaction toward their firm and its products. In particular, they are wary of treating black consumers as a "segregated market" at a time when black Americans are striving to achieve equality in all aspects of their daily lives. This is despite Gibson's assurances that "customer-oriented programs aimed at Negro customers are not segregation in reverse but simply provide the Negro with what he wants--recognition" (1969, p. 12).

The following example concerning United Airlines suggests that some black consumers may indeed be prone to react negatively to differentiated marketing efforts. Back in the early 1970s, United attempted to zero in on the fast-growing "black travel market" by setting up "Something Special" travel information desks at several major airports. These desks were staffed by black employees and intended to provide special assistance to the relatively inexperienced black air traveler. Thousands of letters were sent out to potential black travelers informing them of this special service and urging them to take advantage of it. Apparently, many did just that, as United later reported that the "Something Special" program not only generated additional sales revenue but also enhanced the airline's rapport with blacks (Wall Street Journal, 10 August 1972, p. 1). However a number of civil rights groups, including the Urban League, apparently felt that "special" and "segregated" mean about the same thing when applied to blacks, and thus they vehemently protested that the program represented

just another disguised form of <u>racial discrimination</u> (Peters, 1972).

This example is no doubt atypical, and some might argue that the more controversial aspects of the "Something Special" program could have been anticipated and avoided. Nevertheless, United's experience does illustrate the subtle complexity of trying to woo the black consumer. Furthermore, as in the case of the so-called "black exploitation films" (Jarrett, 1974), it underscores the fact that black consumers, like their white counterparts, are not likely to respond in a uniform fashion to any particular marketing effort.

## Why the issue remains unresolved

From the preceding discussion, it should be obvious that the possible existence of a black-consumer market remains very much an unresolved issue. The primary reason for this is that black consumption behavior has not been researched in a manner which would allow one to state unequivocally whether race is or is not an effective basis for market segmentation.

Many researchers have assumed a priori that race is a relevant variable for segmenting demand among black and white consumers--without subjecting this assumption to a systematic empirical test. Thus, many studies have focused exclusively on black consumers, which not only assumes that blacks are different from whites but also fails to provide any basis for comparison. Other studies have involved <u>aggregate</u> comparisons between black and white consumer groups, ignoring any possible variations in consumption patterns within each group.

Of course, not all researchers have been oblivious to the possibility that black consumers may be quite heterogeneous in terms of

their needs and buying behavior. For instance, Barry and Harvey (1974, p. 53) have hypothesized that black consumers can be divided into four basic segments:

1. The Negro segment--strives to emulate the white middle class
2. The black segment--disregards the values of the white society and is in the process of evolving its own set of cultural standards
3. The Afro-American segment--has not only discarded white middle-class standards but may also be attempting to destroy the established standards of white supremacy
4. The recent black immigrant segment--identifies closely with the society from which it emigrated

However, only a handful of researchers have actually attempted to operationalize this concept of black consumer heterogeneity in their research designs. Those who have tried to do so have indeed found differences in consumption patterns between different groups of black consumers. But here again, the tendency has been to assume without proof that these black market segments are separate and distinct from any existing white market segments.

As the situation now stands, when confronted with the information, say, that blacks consume proportionately more "widgets" than white consumers, the marketing strategy planner must ask himself whether this statistical comparison suggests the most effective way of segmenting the market for widgets. Undoubtedly, some consumption differences would also be observed if the overall market for widgets were segmented on the basis of some characteristic other than race--such as sex, age, religion, life style, income, social class, personality, geographite location, brand loyalty, product usage rate, ad infinitum. Maybe one of these alternative bases for segmentation would provide a better explanation of variations in the demand for widgets and, consequently, would be more useful for selecting target markets and

developing marketing mixes. Perhaps the similarities in the way blacks and whites consume widgets might outweigh the differences. In fact, it is conceivable that there may be as much, or more, heterogeneity of demand among black consumers as there exists between black and white consumers! If so, race clearly would not be an effective variable for segmenting the widget market.

## Objectives and Scope of the Study

The objective of this study is to explore the effectiveness of race as a basis for market segmentation. However, for reasons discussed in the above paragraph, the study will not focus exclusively on race but will also take into consideration five alternative bases for market segmentation, each of which offers a theoretically plausible alternative explanation for empirical differences and similarities in black-white consumption patterns. The five alternative bases for market segmentation are:

1. Income
2. Social class
3. Race stratified by social class
4. Race stratified by motivation to strive
5. Benefits sought

The effectiveness of race as a segmentation variable may depend on the nature of the product-market situation. Therefore, in order to ensure that race-related differences will have a maximum chance to appear in the research data, this study will focus on alcoholic beverages, a product class for which substantial differences in black-white consumption patterns have long been reported. Of particular importance will be product-choice decisions involving the selection of one type of alcoholic beverage over another (e.g., beer vs. gin), and

brand-choice decisions for two types of alcoholic beverages--beer and Scotch whiskey. Data for the study were obtained through a survey of black and white residents of Lansing's Model Cities Neighborhood, as well as black and white members of the Michigan State University facul- ty and staff. For purposes of the study, the two subsamples will be classified as "disadvantaged consumers" and "affluent consumers," respectively.

## Organization of This Report

The introductory chapter has stressed the importance of deter- mining the effectiveness of race as a segmentation variable from the viewpoint of the marketing strategy planner. Also discussed were the objectives and scope of the study.

Chapter II ("Literature Review") presents a lengthy literature review of studies pertaining to black consumption behavior. Here, the intent is not so much to summarize everything that is known about black consumers, but rather to examine how researchers have studied black consumption behavior and what their findings imply about the effective- ness of race as a basis for market segmentation.

Chapter III ("Research Perspective") attempts to synthesize the research findings presented in Chapter II to indicate what they do and do not reveal concerning the effectiveness of race as a segmentation variable. The need for a new research perspective is discussed, taking into account the different objectives and evaluative criteria of the behaviorally oriented and decision-oriented schools of segmentation research, as well as the current "state of the art" in market segmen- tation.

Chapter IV ("Research Framework and Methodology") discusses the author's research framework and the methodology to be employed in the study. A brief statement of the problem to be researched is presented and the objectives and scope of the study are summarized. The author's guiding and research hypotheses are presented, followed by a discussion of the research design to be implemented in testing these hypotheses. The selection of the products to be studied is explained, and product-specific research and statistical hypotheses are listed. This is followed by a section on sample selection and data collection. Finally, a plan for analyzing and evaluating the data is outlined, including the use of the ISODATA cluster-analysis algorithm to identify benefit segments and the use of both the chi-square test and Goodman and Kruskal's lambda statistic as hypothesis testing procedures.

Chapter V ("Results of the Study") summarizes and discusses the author's research findings concerning the relative effectiveness of race for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

Chapter VI ("Summary, Limitations, Conclusions, and Implications for Future Research") does as its title suggests. The objectives, limitations, and results of the study are summarized. Conclusions are reached as to the effectiveness of race as a segmentation variable, and suggestions for future research are presented.

# CHAPTER II

## LITERATURE REVIEW

Although widespread interest in black consumption behavior is a fairly recent phenomenon, this interest has already manifested itself in the form of a rather substantial body of literature. This chapter will summarize and review some of the more important research findings in this area.[1] The purpose of this literature review is not so much to rehash everything that has been learned about black consumers, but rather to determine how much light these findings have shed on the essential question raised in Chapter I: Is race an effective basis for market segmentation? The reader is cautioned to bear in mind that some of the studies that will be reviewed are quite old, and thus their findings may no longer remain valid given the myriad of social, economic, and political changes blacks have experienced in recent years.

The first part of the chapter focuses on observed differences and similarities between black and white consumers in terms of (a) general expenditure patterns, (b) product usage and brand-choice behavior, and (c) store shopping behavior. The next part examines studies which seek to explain why black-white consumption differences occur and what strategic implications such differences may have for marketers.

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[1] For additional surveys of the literature, see Bauer and Cunningham (1970a), Joyce and Govoni (1971), Sexton (1972), Alexis and Smith (1973), and Sturdivant (1973).

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## Observed Differences and Similarities in
## Black-White Consumption Patterns

### General Expenditure Patterns

Comparative studies of black-white consumption patterns date back at least to Edwards' _The Southern Urban Negro as a Consumer_ (1932), an empirical study which sought to refute a number of widely held fallacies concerning black spending habits. Edwards' pioneering effort was followed by a number of other comparative studies, with those by Sterner (1943) and Friend and Kravis (1957) perhaps being the most noteworthy. While Edwards conducted his own surveys, most other studies were based on data which had been gathered through a handful of national and local surveys of personal consumption expenditures. The nationwide surveys included a 1935-36 National Resources Planning Board study of _Family Expenditures in the United States_ (1941) and a 1950 U.S. Bureau of Labor Statistics (BLS) _Study of Consumer Expenditures, Incomes, and Savings_ (1956). Local surveys included a series of BLS budget studies conducted in Washington, D.C. (Humes, 1947); Denver, Detroit, and Houston (BLS, 1948); and Memphis (Ruark and Mulcahy, 1949).

The above mentioned studies will not be reviewed here as this has already been done by others. In particular, Alexis (1962) conducted a comprehensive literature review to determine whether there was any real basis for the contention that black and white families with comparable incomes tend to allocate their income differently for various household budget items. "When all the data have been digested," he concluded, "the following major findings emerge:"

1. Total consumption expenditures of Negroes are _less_ than for comparable whites, or Negroes save more out of a given income

than do whites with the same income.[2]

2. Negro consumers spend _more_ for clothing and non-automobile transportation and less for food, housing, medical care and automobile transportation than do comparable whites.

3. There is no consistent racial difference in expenditures for either recreation and leisure or home furnishings and equipment at comparable income levels (p. 27).

Shortly after Alexis' literature review was published, new data from the 1960-61 BLS _Study of Consumer Expenditures_ (1964) became available and subsequently were analyzed by Bauer and Cunningham (1970a) and by Brimmer (1966). Bauer and Cunningham focused on consumption expenditure patterns in 1960-61, while Brimmer examined changes in expenditure patterns between 1950 and 1960-61. Both studies will be reviewed in detail, as they represent the most recent available data.[3]

In analyzing the 1960-61 consumer expenditures data, Bauer and Cunningham (1970a) utilized a built-in income control to treat the black and white populations "as though they had identical income distributions with equal numbers of persons in each income category."

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[2]This finding remains highly controversial among economists. Using the 1950 BLS data, Sawyer (1962) calculated marginal propensities to consume for blacks and whites from various sections of the country. He found that "whereas it is obvious that in no case are the marginal propensities to consume for the two races the same, statistical tests reflect that the difference between the two groups is no greater than the difference within each race" (p. 218). Thus he rejected the hypothesis that race is a factor in determining consumption patterns.

According to economists such as Galenson (1972), blacks do not save more than whites. Rather, whites _dissave_ more than blacks; that is, whites are more able and willing than blacks to fall back on financial reserves to support increasing consumption levels. Some have also suggested that whites are willing to allocate more of their income or savings for consumption because of factors such as greater job security, income mobility, and credit availability. For more on this topic, see Alexis (1962) and Alexis, Haines, and Simon (1972).

[3]Data collected in the 1972-73 BLS Consumer Expenditures Survey were scheduled to be made available late in 1976.

This was done by averaging the percentage distribution of expenditures across eight income categories for each race. The resulting profile of black-white consumption patterns, as shown in Table II-1, was consistent with Alexis' findings--with two exceptions: "Negroes in 1960-61 spent as much as whites on housing ('shelter'), and they clearly spent more on household furnishings and equipment" (p. 20).

The major differences between black and white consumption patterns are summarized in Table II-2, which shows the absolute percentage of "overspending" and "underspending" by blacks for each expenditure category, as well as the relative proportion of black/white spending.[4] As the reader can see, black and white families allocated about 6.6 percent of their income differently. Blacks spent more than whites on clothing, personal care, household furnishings, alcoholic beverages, and tobacco. Whites spent more than blacks for medical care, food, transportation, education, fuel and light, and "other." The two races spent about the same amount for housing and recreation. Bauer and Cunningham suggest that this expenditure pattern indicates that blacks tend tend to allocate a larger share of their income for "maintaining appearances" and for "immediate gratification," possibly due to their historical lack of equal opportunity in areas such as housing and education (p. 22).

Brimmer (1966) compared the 1960-61 expenditure data with expenditure data from 1950 to determine whether any major shifts in consumption patterns had occurred among black and white families. As a

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[4]Bauer and Cunningham used the terms "overspend" and "underspend" in the comparative sense; no evaluation of black spending habits was intended.

TABLE II-1. BLACK VS. WHITE DISTRIBUTION OF FAMILY EXPENDITURES
FOR CURRENT CONSUMPTION: 1960-61

(Controlled for income: $1,000-$14,999 income inclusive)[a]

| Expenditure Category | Percentage of Total Consumption Expenditures | |
|---|---|---|
| | White | Black |
| Total food expenditures . . . . . . . . . . | 25.7%[b] | 24.4% |
| Food prepared at home . . . . . . . . . | 20.7 | 20.0 |
| Food away from home . . . . . . . . . . | 5.1 | 4.4 |
| Tobacco . . . . . . . . . . . . . . . . . | 1.8 | 2.0 |
| Alcoholic beverages . . . . . . . . . . . | 1.7 | 2.3 |
| Shelter . . . . . . . . . . . . . . . . . | 16.1 | 16.1 |
| Rented dwelling . . . . . . . . . . . . | 8.5 | 11.3 |
| Owned dwelling . . . . . . . . . . . . | 7.1 | 4.7 |
| Other shelter . . . . . . . . . . . . | 0.5 | 0.1 |
| Fuel, light, refrigeration, and water . . . . | 4.8 | 4.6 |
| Household operations . . . . . . . . . . | 5.8 | 6.3 |
| House furnishings and equipment . . . . . . | 4.6 | 5.3 |
| Clothing, material, and services . . . . . . | 8.9 | 12.5 |
| Personal care . . . . . . . . . . . . . . | 2.8 | 3.8 |
| Medical care . . . . . . . . . . . . . . . | 7.1 | 4.5 |
| Recreation . . . . . . . . . . . . . . . . | 3.5 | 3.7 |
| Reading . . . . . . . . . . . . . . . . . | 1.0 | 0.9 |
| Education . . . . . . . . . . . . . . . . | 0.9 | 0.5 |
| Transportation . . . . . . . . . . . . . . | 13.1 | 11.9 |
| Automobiles . . . . . . . . . . . . . | 11.4 | 9.5 |
| Other travel and transportation . . . . . | 1.8 | 2.4 |
| Other expenditure . . . . . . . . . . . . . | 2.2 | 1.4 |
| Expenditure for current consumption . . . | 100.1% | 100.3% |
| Value items received without expenditure | 5.1 | 4.2 |
| Food . . . . . . . . . . . . . . . . . | 0.5 | 0.4 |
| Shelter . . . . . . . . . . . . . . . . | 0.5 | 2.2 |
| Other . . . . . . . . . . . . . . . . . | 4.1 | 3.6 |

SOURCE: Raymond A. Bauer and Scott M. Cunningham, Studies in the
Negro Market (Cambridge, Mass.: Marketing Science Institute, 1970),
p. 20.

[a]Income control was obtained by "averaging averages"--that is, the
percentage for each income group was weighted by 1, summed, and divided
by 8, the number of income categories. Income categories under $1,000
and over $15,000 were excluded from the analysis. Total sample size
was 8,000 families.

[b]For whites (controlled for income), 25.7 percent of the total
expenditures for current consumption was spent on food.

TABLE II-2.  SUMMARY COMPARISONS OF BLACK-WHITE EXPENDITURE DIFFERENCES
(Per Household)

| Expenditure Category | Percentage Difference Black Minus White | Proportion Black/White Expenditure |
|---|---|---|
| Clothing . . . . . . . . . . | 3.6% | 1.4 |
| Personal care . . . . . . . . | 1.0 | 1.4 |
| Household furnishings . . . . . | 0.7 | 1.2 |
| Household operations . . . . . | 0.5 | 1.1 |
| Alcoholic beverages . . . . . . | 0.5 | 1.4 |
| Tobacco . . . . . . . . . . . | 0.2 | 1.1 |
| Recreation . . . . . . . . . . | 0.1 | 1.0 |
| Total overspending | +6.6% | |
| | | |
| Shelter . . . . . . . . . . . | 0.0% | 1.0 |
| Fuel and light . . . . . . . . | -0.2 | 0.9 |
| Education . . . . . . . . . . | -0.4 | 0.6 |
| Other . . . . . . . . . . . . | -0.8 | 0.6 |
| Transportation . . . . . . . . | -1.2 | 0.9 |
| Food . . . . . . . . . . . . . | -1.3 | 0.9 |
| Medical care . . . . . . . . . | -2.6 | 0.6 |
| Total underspending | -6.6% | |

SOURCE:  Raymond A. Bauer and Scott M. Cunningham, <u>Studies in the
Negro Market</u> (Cambridge, Mass.:  Marketing Science Institute, 1970),
p. 21.

"rough measure of the income elasticity of consumption" Brimmer cal-
culated the percentage increase betwen 1950 and 1960-61 in consumer
expenditures for selective categories of goods and services in response
to each 1.00 percent increase in family income after taxes (pp. 281-82).
As shown in Table II-3, his analysis revealed that during this period
blacks tended to allocate their increased income rather selectively to
those expenditure categories for which they historically spent propor-
tionately _less_ than whites. For instance, they placed more emphasis on
education, household operation, housing, automobiles, and medical care;
while they placed less emphasis on tobacco, fuel, clothing, and alco-
holic beverages.

In Brimmer's view, "this shifting pattern of outlays by Negro
families represents a gradual conversion toward the consuming behavior
of white families" (p. 281). Thus he has predicted that:

> . . . In the future, Negro families will register the strongest
> demand in those areas associated with overall upgrading in their
> standard of living. There should be a strong market for housing
> and household operation, automobiles  and medical and personal
> care. Those areas which have traditionally received a good share
> of the Negro's patronage--tobacco, clothing, alcoholic beverages
> and food--will probably be characterized by relatively slow growth
> (p. 282).

Apparently, Brimmer feels that black-white consumption differences
will gradually fade away (1) as the income of black families continues
to rise both in absolute terms and relative to white income, (2) as
racial discrimination declines, and (3) as marketers pursue black
consumers with greater vigor.

One naturally wonders to what extent Brimmer's prediction has
come true during the past 15 years as blacks have experienced perhaps
their greatest social, political, and economic progress.  Unfortunately,

TABLE II-3. PERCENTAGE CHANGE IN SELECTED CONSUMPTION EXPENDITURES IN
RESPONSE TO PERCENTAGE CHANGE IN AFTER-TAX INCOME FOR
BLACK AND WHITE FAMILIES: 1950 AND 1960-61

| Expenditure Item | Black Families | White Families |
|---|---|---|
| 1. Education . . . . . . . . . . . . . | 4.22 | 3.06 |
| 2. Household operation . . . . . . . . . | 2.39 | 1.50 |
| 3. Housing: owned dwelling . . . . . . . | 2.25 | 2.11 |
| 4. Automobile . . . . . . . . . | 1.93 | 1.12 |
| 5. Medical care . . . . . . . . . . . . | 1.80 | 1.56 |
| 6. Housing: rented dwelling . . . . . . . | 1.74 | 1.72 |
| 7. Personal care . . . . . . . . . . | 1.66 | 1.58 |
| 8. Food away from home . . . . . . . . . | 1.02 | 0.51 |
| 9. Reading . . . . . . . . . . . . | 1.00 | 0.85 |
| 10. Tobacco . . . . . . . . . . . . | 0.91 | 0.78 |
| 11. Recreation . . . . . . . . . . . . | 0.78 | 0.56 |
| 12. Fuel, light, etc. . . . . . . . . . . | 0.73 | 1.09 |
| 13. Clothing . . . . . . . . . . . . | 0.64 | 0.54 |
| 14. Alcoholic beverages . . . . . . . . . | 0.49 | 0.75 |
| 15. Transportation (exc. auto). . . . . . . | 0.43 | 0.77 |
| 16. House furnishings . . . . . . . . . | 0.17 | 0.13 |
| 17. Food (at home) . . . . . . . . . . . | 0.12 | 0.27 |
| Total consumption . . . . . . . . | 0.80 | 0.81 |

SOURCE: Andrew F. Brimmer, "The Negro in the National Economy,"
The American Negro Reference Book, ed. by John P. Davis (Englewood
Cliffs, N.J.: Prentice-Hall, 1966), p. 281.

this question must go unanswered until results from the 1972-73 BLS Consumer Expenditures Survey become available.[5] Meanwhile, it appears that--in the aggregate--black and white consumers do in fact allocate their income differently for selected expenditure categories. And the fact remains that income parity between the two races continues to be more of a dream than a reality. As Alexis (1962, p. 27) has noted, "it is impossible to predict with any accuracy when Negroes shall be accorded all the rights and privileges which whites take for granted."

## Product Usage and Brand-Choice Behavior

The data discussed in the previous section may be too general to be of much use to businessmen who are conditioned to think and plan not in terms of aggregate expenditure patterns and broad product categories, but rather in terms of market segments and product-market shares. Fortunately, more specific cata are available (if not always reliable). This section focuses on comparative product usage and brand-choice behavior for automobiles, appliances, clothing, packaged goods, and alcoholic beverages.

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[5]The 1960-61 BLS consumer expenditures data were updated by the National Industrial Conference Board in 1966 by applying current demographic data to the 1960-61 figures and then presenting the 1966 estimates in the form of "share-of-market" percentage distributions. "This approach assumes that any change which may have occurred in total consumption expenditures for a particular product or service between the original survey and 1966 was experienced in about the same magnitude by all social and economic segments of the nation's household population" (Linden, 1967, p. 7). The Conference Board's 1966 market share estimates were in turn used by the Commerce Department to calculate estimated nonwhite consumption expenditures for 1973--on the assumption that "market shares change to slightly within a decade" (1975, p. vii). This assumption seems quite unrealistic and naive in light of all the changes blacks have experienced since 1960-61, and one wonders why the Commerce Department went to so much bother when more recent data from the 1972-73 expenditures survey had already been collected and presumably were being analyzed. The author questions the accuracy of the 1973 estimates and does not feel compelled to present them in this study.

## Automobiles

One of the most pervasive and enduring stereotypes of the black consumer is his fondness for "big, flashy, expensive cars"--Cadillacs, in particular. An editorial published in _Ebony_ magazine some twenty-five years ago suggested that:

. . . Investment in a Cadillac has its points too as a weapon in the war for racial equality. The fact is that basically a Cadillac is an instrument of aggression, a solid and substantial symbol for many a Negro that he is as good as any white man. To be able to buy the most expensive car made in American is as graphic a demonstration of that equality as can be found (1949, p. 34).

Of course, not every black American owns a Cadillac. In fact, the reader may recall from the previous section that blacks spend proportionately _less_ than whites for automobiles. The Census Bureau estimates that about 85 percent of the nation's white households, but only 57 percent of the black households, had at least one car "available" in 1970; some 37 percent of the white households had two or more cars available, compared to only 16 percent of the black households (1972b, p. 97). Further, from 1968 to 1972, expenditures for automobiles averaged $3,153 for white households and $1,646 for black households (Census Bureau, 1974, p. 110). These differences may be partially due to the fact that the black population is heavily concentrated in central cities where mass transit is usually readily available and where a number of hardship factors may act to reduce automobile ownership. However, Bennett found that nonwhite families in metropolitan New York and Chicago spend much less on automobiles than white families with similar incomes, locations, and family composition (1967, p. 849).

How about those blacks who _do_ own cars--do they, as the

stereotype suggests, drive "big, fancy, expensive cars"? Alexis (1959) conducted a detailed multivariate study of car ownership among blacks and whites based on government surveys of consumer expenditures. Controlling for income differences, he found no evidence that blacks own automobiles of higher average value, own more automobiles in the medium- and high-price classes, or are more likely to own automobiles that were purchased used. More recently, Larson and Akers both conducted studies of automobile ownership among black and white households, and although the two studies were both conducted in the same city at about the same time, they produced contradictory results.

Larson (1968) surveyed automobile ownership patterns in Chicago and found that "the stereotyped idea that more Negroes own and drive Cadillacs and other luxury automobiles than their white counterparts was not borne out" (p. 210). This conclusion is debatable, however, because Larson's data clearly indicated that 13 percent of the black households, but only 5 percent of the white households, owned either a Cadillac, Chrysler, or Lincoln. Furthermore, although Larson concluded that "the Negro preference for automobile ownership is a function of income rather than race" (p. 210), he made no attempt to control for a $3,950 difference in median family income between blacks and whites sampled in his study. Therefore, his findings shed little light on the question of whether blacks tend to buy higher-priced cars than whites with comparable incomes.

This question was investigated by Akers (1968) who, using an income-stratified sample of Chicago car-owners, found that:

    . . . Negroes in this study tended to own higher price class auto-
    mobiles, higher priced models regardless of make, and automobiles
    with more cylinders than comparable income white families. Also,

based on multivariate-regression analysis, the race variable is more closely related to each of these three automobile characteristics than income, education, sex, age, family size, or miles driven per week. No differences between the two races were found in age of car owned, length of time owned, or new or used purchase (p. 288).

Akers also found that blacks tend to own more Cadillacs than whites with comparable income.

Finally, Bauer and Cunningham analyzed automobile ownership data from several sources and reached the following conclusions:

1. Fewer Negroes own cars than whites, even when income and living area controls are used.

2. Those Negroes who do own cars purchase proportionately more medium-priced and prestige cars than do whites, and proportionately fewer low-priced models.

3. There is mixed data on whether Negroes in central city areas are less likely to buy their cars new, but it does appear likely that they tend to purchase prestige automobiles used rather than new.

4. Negroes appear to own their automobiles for a longer period of time (1970a, pp. 156-57).

In summary, while the evidence is neither consistent nor conclusive, there is some indication that blacks do tend to own more expensive cars than whites with comparable incomes. However, perhaps more than anything else, these studies illustrate the difficulty of trying to generalize about black buying behavior. Obviously, car ownership is dependent on a multitude of factors other than race. Not every black family drives a luxury automobile, just as not every white family drives an economical compact car.

## Appliances

As one might suspect given their historically lower income distribution and more restricted housing opportunities, black families

tend to own and use fewer major appliances than white families.

Table II-4 indicates that with the exception of television sets (mainly black-and-white sets), black households possessed proportionately fewer appliances than white households in 1970. This pattern tends to hold true at all income levels, according to a 1968 study conducted in the Houston area by Stafford, Cox, and Higginbotham (see Table II-6). How-ever, there is evidence that blacks, particularly middle-class blacks, are placing greater emphasis on major appliances as their discretionary income continues to rise while racial discrimination in housing declines. As Table II-5 shows, when income differences are taken into account, black households tended to outspend white households for many big-ticket items during the 1968-72 period.

A more revealing comparison of black-white appliance usage was made by Bauer and Cunningham (1970a) who analyzed data from a 1961 Starch survey of appliance ownership and proceeded to categories appli-ances and other products as either necessitities, discretionary items, or luxuries. Necessities were defined as appliances "without which 'no American home is complete,'" and included items such as refriger-ators, stoves, radios, irons, and television sets. For all such items, it was found that both black and white ownership was close to satura-tion with very little income elasticity (p. 71).

Discretionary items were defined as products whose "existence and benefits are quite universally known, but whether or not one acquires them is considered a matter of personal preference, resources, and of judgment about the alternative demands on one's money." Of the products judged to fall within this category, white families at all income levels owned more or spent more on automobiles, washing machines,

TABLE II-4.  PERCENTAGE OF BLACK AND WHITE HOUSEHOLDS POSSESSING
            SELECTED APPLIANCES:  1970

| Appliance | Percentage | |
|---|---|---|
| | Black | White |
| Clothes dryer | 12% | 74% |
| Dishwasher | 3 | 49 |
| Home food freezer | 21 | 29 |
| Clothes washing machine: | | |
|   Available | 51 | 74 |
|     Automatic or semiautomatic | 34 | 63 |
|     Wringer or spinner | 16 | 11 |
| Television sets: | | |
|   Available | 92 | 96 |
|     One set | 69 | 67 |
|     Two or more sets | 23 | 29 |
| Air conditioning: | | |
|   Available | 18 | 39 |
|     Room units | 15 | 27 |
|     Central system | 3 | 12 |

SOURCE:  The Social and Economic Status of the Black Population in
the United States, 1971.  Current Population Reports, Series P-23,
No. 42 (Washington, D.C.:  U.S. Government Printing Office, 1972),
Table 77, p. 97.

TABLE II-5.  AVERAGE BLACK AND WHITE EXPENDITURES PER HOUSEHOLD ON CARS
AND SELECTED NEW HOUSEHOLD DURABLES:  1968-72

| Expenditure Category | Expenditures | | Black-White Ratio | Black Buying Index[a] |
|---|---|---|---|---|
| | Black | White | | |
| All items . . . . . . . | $2,654 | $4,495 | 0.59 | 98 |
| Cars, total (net)[b] . . . . . . | 1,646 | 3,153 | 0.52 | 86 |
| New (net) . . . . . . . . . . | 949 | 2,062 | 0.46 | 77 |
| Used (net) . . . . . . . . . | 697 | 1,091 | 0.64 | 107 |
| Selected appliances, total . . . | 271 | 421 | 0.64 | 107 |
| Washing machines . . . . . . | 52 | 69 | 0.75 | 125 |
| Clothes dryers . . . . . . . | 14 | 42 | 0.33 | 55 |
| Kitchen ranges . . . . . . . | 50 | 52 | 0.96 | 160 |
| Refrigerators and freezers . | 88 | 110 | 0.80 | 133 |
| Dishwashers . . . . . . . . . | 3 | 27 | 0.11 | 18 |
| Room air conditioners . . . . | 25 | 42 | 0.60 | 100 |
| Other[c] . . . . . . . . . . . | 39 | 79 | 0.49 | 82 |
| Home entertainment items, total . | 465 | 592 | 0.79 | 132 |
| Black and white TV sets . . . | 60 | 41 | 1.46 | 243 |
| Color TV sets . . . . . . . . | 112 | 180 | 0.62 | 103 |
| Radio, phonographs, and hi-fi equipment . . . . . . | 100 | 108 | 0.93 | 155 |
| Home furnishings, total . . . . . | 465 | 592 | 0.79 | 132 |
| Furniture . . . . . . . . . . | 383 | 415 | 0.92 | 153 |
| Carpets, rugs, and other floor coverings . . . . . . | 82 | 177 | 0.46 | 77 |

SOURCE:  The Social and Economic Status of the Black Population in
the United States, 1973.  Current Population Reports, Series P-23,
No. 48 (Washington, D.C.:  U.S. Government Printing Office, 1974),
table 78, p. 110.

[a]Reprinted by permission from Thayer C. Taylor, "Black Middle
Class:  Earn, Baby, Earn," Sales Management (8 July 1974), p. A-11.
The index adjusts comparative black and white spending to allow for
income differences.  During the 1968-72 period, black family income
averaged 60 percent of white family income.  Thus on a dollar-for-
dollar basis, the black-to-white spending ratio should be 0.60.  Where
the ratio is higher than 0.60, the index will be above 100, indicating
that the typical black family is actually outspending the white family
when its lower income is taken into account.

[b]Net expenditures are equal to gross expenditures less trade-in
allowances.

[c]Vacuum cleaners, blenders, mixers, and sewing machines accounted
for approximately one-third of all "other" durables reported pur-
chased.

telephones, electric clocks, still cameras, vacuum cleaners, electric mixers, electric coffee makers, electric toasters, tools worth $50 or more, electric fry pans, and wine. Meanwhile, black families owned or spent as much or more on clothes, furniture, painting or decorating, record players, beer, and liquor (p. 74-74).

Luxuries were defined as "items of a broad range of price and newness that have not established themselves as widely 'worth the price.'" Included in this category were clothes dryers, electric blankets, photographic equipment, floor polishers, movie projectors, food freezers, air conditioners, slide projectors, garbage disposals, dishwashers, outboard motors, electric can openers, boats, and color TV sets. (Obviously, many of the products seen as luxuries in 1961 might now be viewed as discretionary items or even necessities). Even at the highest income levels, less than half of the white households owned any of these items. Nevertheless, in every income category, whites were more than twice as likely as blacks to own any of the luxury goods (p. 76).

Bauer and Cunningham's analysis indicates that "as one moves from necessities, to luxuries, the relative spread between Negro and white ownership increases" (p. 79). Moreover, "Negroes with the same household income (and roughly the same per capita income) are considerably slower in acquiring such products, particularly as they are seen as luxuries" (pp. 79-80). This latter finding is partially supported by the work of Dalrymple, Robertson, and Yoshino (1971), who found that blacks were slower than whites or Japanese-Americans to adopt new food or small-appliance products but faster to adopt clothing innovations. As they pertain to appliances, these findings can

only partially be explained in terms of lower incidences of home ownership among blacks and the availability of adequate electrical and plumbing connections. For example, while black households tended to be saturated with refrigerators and owned proportionately _more_ record players than white households, whites in a given income catetory were **twice** as likely to own a toaster, vacuum cleaner, or electric coffee maker. Thus, to Bauer and Cunningham it seemed that "Negroes did not choose to spend as much of their money as whites on household gadgets of the type that are commonly assumed to increase the convenience and quality of housekeeping and cooking" (p. 75). Obviously, however, we are again dealing with complex phenomena which defy simple explanations.

## Clothing

Edwards observed in 1932 that "the Negro buys gaudy, loud merchandise, which is durable and wears well" (p. 47). Furthermore, he wears better clothing in proportion to his income than the white man" (p. 48). More recently, Kindel (1970) found that black college students were more brand conscious about shoes than white college students, although the latter were more brand conscious about suits and dress shirts. In general, Kindel found that, in comparison to their white counterparts, black students were more conscious of newer clothing styles, more likely to try out new styles, and more likely to be influenced by styles in selecting a retail store. Dalrymple, Robertson, and Yoshino (1971) have also reported that blacks are faster than either whites or Japanese-Americans to adopt clothing innovations.

While such stereotypes may not apply to all blacks, government expenditures surveys have consistently revealed that--at all income

levels--blacks tend to allocate a larger percentage of their income to clothing expenditures than do whites. The Bauer and Cunningham data reported earlier (Table II-1 on page 21) indicate that, after control-ling for income differences, black families allocate about 12.5 percent of their total consumption expenditures to clothing, while white fami-lies allocate only 8.9 percent. There is some evidence that blacks not only buy proportionately more units of clothing (perhaps due to factors such as family size, age, and occupation), but also that they often pay more for clothing--either voluntarily or due to neighborhood shopping constraints (Bragulia and Rosencranz, 1968).

Exactly why blacks allocate more of their income for clothing is a complex question which defies any simple answer.[6] One possible explanation, as suggested by Andreasen and Hodges (1976, p. 16) is that "clothing has a much stronger psychological meaning in the black community [and] this is most frequently manifested in higher interest in fashion." Newsweek (10 September 1973, p. 54) essentially echoed this line of reasoning in attempting to explain why the black male is a "clotheshorse nonpariel":

> Through their clothes, black men are celebrating their freedom, displaying their success, exercising their creativity and affirming their racial pride. And among designers and manufacturers, the fashion-conscious black man is considered a trend-setter in men's styles for all races.

Black women are also interested in fashion according to Portis (1966). However, although his research revealed that blacks at lower- and middle-income levels were somewhat more interested in fashion than their white counterparts, the overall frequency of fashion-conscious

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[7]For an in-depth discussion of this topic, see Kindel (1979) and Andreasen and Hodges (1976).

shoppers among black and white women proved to be quite similar. More-over, Portis found little indication that black women follow clothing fashions in ways different from white women. On the other hand, he observed large disparities in fashion interest among black women which in turn led to differences among them in terms of how they followed fashion and shopped for clothing. Thus Portis concluded that:

> . . . Negroes, though an important market for fashionable clothing, may not constitute a special market . . . (p. 314).
> . . . the marketer should recognize that he may be trying to reach some fashion-conscious women who happen to be Negro rather than Negro women who happen to be fashion-conscious. . . . Fashion consciousness is an attitude or need which women possess as individuals and can only be understood on an individual basis. Race is a label applied to groups, and although it provides some indication as to a particular group's social situation, it bears no necessary relation to the shopping habits or needs of individuals (p. 323).

No doubt some would disagree with Portis' conclusion. However, one well-known black fashion designer has stated that: "I resent the idea of 'black fashion.' Let's just talk about fashion" (Newsweek, 10 September 1973, p. 54). And according to the owner of the nation's largest black-owned department store, "Four years ago there was a definite black fashion look, but that's on the way out. Blacks are more interested in quality" (Business Week, 13 April 1974, p. 102). All of this can only serve to further confuse marketers as they wonder if and how to cater to the "black clothing market."

## Packaged goods

Numerous studies have been conducted to compare black-white consumption behavior for packaged goods. While only a representative handful of studies will be reviewed here, this mini-review should be sufficient to once again demonstrate the difficulty of generalizing

about black buying behavior.

Stafford, Cox, and Higginbotham (1968) sampled 211 black and 1,335 white households in the Houston area to determine if, and to what extent, black-white consumption patterns varied for five product categories--food, soft drinks, liquor, personal hygiene products, and major home appliances. Their results are summarized in Table II-6. "A major finding of this study was that, for many household products, consumption-pattern differences were small in number and magnitude" (p. 628). Further, although extensive differences were found for a number of products, the authors felt that "a substantial portion of these differences . . . were explainable more in terms of income or sociodemographic variations than by purely 'racial' influences" (p. 629). However, they could find no "economically 'rational' explanation" for certain consumption differences--such as the tendency for blacks at all income levels to consume more butter and Scotch whiskey than whites--and therefore speculated that such differences may be due to compensatory or conspicuous consumption. Taking all these factors into consideration, Stafford et al. concluded that:

> . . . From a businessman's point of view . . . A Negro market does exist, not so much identifiable by color as by patterns of consumption. Marketers who assume that product buying in Negro households is roughly a match for that in white familiar of similar economic circumstances are far from correct. A combination of societal constraints; cultural traditions; and differences in values, preferences, and psychological needs have led Negroes . . . to vary their expenditures across different products and, probably, brands compared with whites (p. 630).

However, the authors also noted that:

> . . . The indications in this study are that the Negro market is not completely homogeneous . . . there has been increasing economic and cultural stratification within the Negro community which, among other things, has led to internal consumption-pattern differences (p. 630, footnote 16).

TABLE II-6. PERCENTAGE OF BLACKS AND WHITES WHO HAD RECENTLY PURCHASED OR WHO OWNED VARIOUS HOUSEHOLD PRODUCTS

| Products | Annual Family Income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than $3,000 | | $3,000-5,999 | | $6,000-7,999 | | $8,000 or more | |
| | Whites | Blacks | Whites | Blacks | Whites | Blacks | Whites | Blacks |
| Food products[a] | | | | | | | | |
| Butter | 6.6% | 23.3% | 8.0% | 31.2% | 7.7% | 26.9% | 14.1% | 45.4% |
| Margarine | 58.3 | 61.6 | 63.6 | 72.7 | 69.8 | 57.7 | 69.5 | 81.8 |
| Frozen vegetables[b] | 30.5 | 31.4 | 28.0 | 50.6 | 39.6 | 34.6 | 47.1 | 54.6 |
| Canned vegetables[c] | 20.5 | 35.6 | 35.6 | 44.5 | 37.9 | 40.4 | 40.6 | 43.2 |
| Dietary soft drinks | 7.3 | 17.4 | 11.9 | 23.4 | 20.8 | 23.1 | 25.5 | 13.6 |
| Nondietary soft drinks | 26.5 | 60.5 | 55.5 | 71.4 | 62.4 | 23.1 | 67.1 | 45.4 |
| Liquor | | | | | | | | |
| All respondents[d] | 15.2 | 26.7 | 29.7 | 39.0 | 39.3 | 46.2 | 56.5 | 54.6 |
| Scotch[e] | 3.3 | 9.3 | 4.2 | 22.1 | 7.7 | 34.6 | 19.7 | 27.3 |
| Bourbon[e] | 7.3 | 15.1 | 20.3 | 23.4 | 29.2 | 7.7 | 40.9 | 40.9 |
| Personal Hygiene Products[f] | | | | | | | | |
| Shampoo | 42.4 | 41.9 | 59.3 | 52.0 | 74.5 | 65.4 | 72.6 | 50.0 |
| Deodorant | 39.7 | 65.1 | 56.8 | 79.2 | 74.5 | 92.3 | 76.6 | 81.8 |
| Toothpaste | 48.3 | 76.7 | 75.0 | 89.6 | 86.9 | 88.5 | 89.1 | 86.4 |
| Mouthwash | 43.7 | 61.6 | 58.5 | 75.3 | 56.7 | 88.5 | 63.5 | 86.4 |
| Disinfectants | 52.3 | 69.8 | 56.4 | 80.5 | 70.1 | 61.5 | 68.6 | 86.4 |
| Home appliances[g] | | | | | | | | |
| Auto. washing machine | 47.4 | 19.8 | 57.6 | 29.9 | 78.6 | 50.0 | 85.5 | 72.7 |
| Auto. clothes dryer | 12.6 | 5.8 | 16.5 | 7.8 | 34.2 | 15.4 | 54.9 | 27.3 |
| Auto. dishwasher | 2.0 | --- | 5.5 | --- | 14.1 | 3.8 | 33.8 | --- |
| B&W television | 87.4 | 91.8 | 89.5 | 98.7 | 83.7[h] | 97.9[h] | --- | --- |
| Color television | 3.3 | 0.6 | 5.7 | 1.9 | 24.3[h] | 6.2[h] | --- | --- |
| Home ownership | | | | | | | | |
| Own home | 68.3 | 39.5 | 49.4 | 57.1 | 70.8 | 73.0 | 81.5 | 77.3 |

SOURCE: James E. Stafford, Keith K. Cox, and James B. Higginbotham, "Some Consumption Pattern Differences Between Urban Whites and Negroes," Social Science Quarterly 49 (December 1968): 626-27.

[a]Purchased within the past seven days. [b]Includes all types of frozen vegetables. [c]Includes canned corn, peas, green beans, and tomatoes. [d]Percentage to total respondents purchasing some alcoholic beverages within past 12 months. [e]Percentage of Scotch and Bourbon purchases among total respondents. [f]Purchased within past 30 days. [g]Percentage "having" in the home. [h]Last two income classes were combined because of small number of respondents.

The suggestion by Stafford et al. that blacks may prefer different brands than whites has been substantiated to some degree by several researchers. For example, Larson (1968) surveyed 210 black and 200 white households in Chicago and discovered some major variations in brand preference between black and white consumers. He found, for instance, that:

1. While Standard gasoline was the preferred brand for all Chicago households, a significantly greater percentage (52% vs. 32%) of black households preferred Standard

2. Black smokers of menthol cigarettes preferred Kool over Salem by a wide margin (54% vs. 28%), while white smokers preferred Salem over Kool (45% vs. 36%)

3. Black households preferred Colgate toothpaste over Crest by almost a 10 to 1 margin, while white households were divided almost equally between the two brands (p. 214).

In general, Larson concluded that blacks are extremely brand loyal and display more loyalty to national brands than private labels.

Larson's findings are by no means unequivocal. For example, Dalrymple, Robertson, and Yoshino (1971, p. 67) found no statistically significant differences in brand preference between black and white consumers in Los Angeles, although blacks seemed to have a higher interest in brands than Japanese-Americans. These and other findings led them to conclude that:

> . . . It may be dangerous to generalize about the impact of race on consumption behavior. Race is important, but it is by no means the only influencing variable. It appears that income, product category, and perhaps other factors have as much to do with ethnic purchase patterns as racial classification. Marketing strategists, therefore, must look beyond ethnic groupings if they expect to implement a policy of market segmentation effectively (p. 69).

Also contrary to Larson's findings, a 1964-65 Brand Rating Index study (Garfinkle, 1966) found that blacks were relatively unstable

in their brand preferences and, in fact, exhibited far less brand loyalty than the more affluent and higher-educated segments of the population. The BRI study also tended to dispel the popular notion that blacks buy higher-priced brands in search of status or prestige. On the contrary, the study indicated that blacks were less likely than other demographic groups to prefer premium-priced brands. These findings led Bauer and Cunningham (1970a, p. 88) to propose that:

> . . . Negroes are very brand aware. They use advertising and brand names for assurance of a minimum standard of quality but, in the case of packaged goods at least, not necessarily to discover "the best." Having established the acceptability of a range of brand names, they do not--as individuals--adhere particularly to any one of the brands within this range of acceptable ones, or--more precisely--they are considerably less likely than the average white to exhibit such stability of stated [brand] preferences.

The very notion that blacks prefer nationally-advertised manufacturers' brands is in itself controversial. Many marketers (the black media in particular) stress that blacks desire "advertised items --[the] same brands, same labels as they imagine the best white Americans have" (Evans, 1968, p. 530). Others argue, however, that blacks as a group are too poor to buy expensive national brands and instead buy only on a price basis. This would seem to imply that dealer brands are unusually popular among black consumers. With respect to middle- or high-income blacks, there is little information available in the literature to either prove or disprove this proposition. However, King and DeManche (1969) conducted a small-scale study of 50 low-income households, evenly divided between blacks and whites, and found that low-income blacks could name two-and-one-half times as many dealer brands as could comparable whites. Both groups could recall substantially more manufacturers' brands than dealer brands, however, and the

level of dealer-brand awareness was not statistically significant in either group. In general, the low-income families were found to buy mostly nationally-advertised brands, and only in two of twelve product/ race categories were dealer brands found in respondents' homes more frequently than manufacturers' brands. Nevertheless, 37.3 percent of the selected items observed in low-income black households were dealer brands, compared to only 24.8 percent of the low-income white households.

Overall, it is obviously very difficult to generalize about black brand-choice behavior. It appears that some blacks are high in brand awareness, some are highly brand loyal, and some are prone to buy dealer brands. In other words, the black population--like the white population--appears to be quite heterogeneous in its tastes and preferences.

Alcoholic beverages

One category of packaged goods that deserves special attention is alcoholic beverages. Marketers, with much help from the black media, have long been aware of and attempted to capitalize on the "black liquor market." According to the 1971 Liquor Handbook, "black Americans are the heaviest per capita U.S. consumers of distilled spirits and other alcoholic beverages," and therefore one of the industry's most important volume targets. This may or may not be true. According to the National Industrial Conference Board (Linden, 1967), nonwhites as 11.5 percent of the population constitute only a 10.0 percent share of the market for alcoholic beverages. However, other reports indicate that blacks account for more than 20 percent of liquor

sales in the United States (Blickstein, 1972, p. 31).

In any case, government expenditures studies indicate that, in the aggregate, blacks spend proportionately more for alcoholic beverages than do whites. After controlling for income differences, Bauer and Cunningham (see Table II-1 on page 21) estimated that black families allocate about 2.3 percent of their total consumption expenditures for alcoholic beverages, as compared to 1.7 percent for white families. According to Ebony Magazine, the typical urban black family allocates 25 percent more of its current income for alcoholic beverages than the typical urban white family (Durrell, 1967, p. 14).

Perhaps the most publicized aspect of the black consumer's alcoholic beverage consumption is his fondness for Scotch whiskey. Gibson (1969, p. 10) has reported that blacks "consume over 50 percent of the Scotch whisky imported into the nation"--a figure which has been challenged but not publically disproved. Bauer, Cunningham, and Wortzel (1965, p. 2) have presented more conservative, but still interesting estimates:

> Negroes drink at least 25% of the Scotch consumed in the United States. . . . Chicago Tribune panel data (1961) indicate that 16.8% of Negro families report buying Scotch compared with 9.4% of white families. The distributors of White Horse have found that the average Negro Scotch drinker reports drinking almost twice as many drinks of Scotch per week as the average white Scotch drinker.
> These data suggest that Negro per capita consumption of Scotch is three times as much as that consumed by whites . . .

The black consumer's disporportionate preference for Scotch exists at all income levels, according to data collected by Stafford, Cox, and Higginbotham (see Table II-6 on page 37). Other findings concerning Scotch consumption include the following:

1.  Those Negroes who see themselves as moving upward from their fathers' positions in society are most likely to . . . indicate

they regard Scotch as a "status" drink, and are most likely to report being regular Scotch drinkers.

2. Negroes are more likely than whites to report having an established brand preference, and at least as likely to specify a particular brand of Scotch when ordering a drink in bars, clubs, and restaurants.

3. Negroes, especially regular drinkers, are more likely to report that they initiated and took part in discussion about brands of Scotch (Bauer, Cunningham, and Wortzel, 1965, pp. 2-6).

Blacks are known in the liquor industry as "top-bottom" drinkers, buying premium-priced brands when they can afford to do so and lower-priced brands at other times. In general, they are said to show a strong preference for premium-priced brands (Johnson Publishing Company, 1972) because such brands provide both an assurance of quality and an index of social prestige. However, Durrell (1967) predidts that as blacks continue to upgrade themselves socially and economically, they will spend a smaller percentage of their income on alcoholic beverages; they will consume a greater variety of alcoholic beverages; and they will become more selective and inner-directed buyers, gravitating toward middle-priced brands.

## Store Shopping Behavior

Influenced by Caplovitz' provocative study <u>The Poor Pay More</u> (1967), and perhaps to a greater extent by the destructive urban riots of the mid-sixties, a host of researchers have sought to determine whether there is any truth to the idea that poor consumers pay higher prices for the goods and services they buy.[7] Their generally affirmative answer has come as no great surprise to anybody, but their

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[7]See Alexis and Simon (1967), Goodman (1968), Dixon and McLaughlin (1968, 1971), Marcus (1969), Feldman (1970-71), Sexton (1970a, 1970b), Kunreuther (1973), and Andreasen (1975).

explanation for this phenomenon has challenged the popular belief concerning why the poor pay more.

According to the available evidence, the poor pay more not because chain stores systematically charge discriminatory high prices in low-income neighborhoods, but rather because these neighborhoods are characterized by a shortage of efficient, lower-priced chain stores and a surplus of inefficient, higher-priced "mom and pop stores." Thus low-income consumers are faced with "a shopping situation that generally offers them higher prices, inferior merchandise, high-pressure selling, hidden and inflated interest charges, and a degrading shopping environment" (Sturdivant, 1968, p. 131).[8] These findings have led researchers to ask to what extent and why poor consumers actually shop in these "ghetto marketplaces." Although mixed, their answers shed additional light on the issue of race as a basis for market segmentation.

## Where blacks shop

In his study of low-income consumers in New York, Caplovitz (1967) observed that shopping mobility was a function of several factors. These factors included family income, age of household head, the extent of his education, the length of time the family has lived in New York, and race. Families with higher incomes, younger and higher-educated heads, and who had lived in New York a longer period of time tended to have wider shopping horizons. In addition, blacks and whites tended to leave their neighborhoods to shop more than Puerto Rican

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[8]For more information about the commercial structure of low-income neighborhoods, see Sturdivant (1969a); Allvine (1970); Haines, Simon, and Alexis (1971); Andreasen (1972); and Sexton (1973).

families did (p. 55).

Differences in mobility were also observed in Los Angeles by Sturdivant (1969b). He noted that blacks in Watts tended to be "trapped" by low automobile ownership and poor public transportation facilities. Meanwhile, residents of Los Angeles' Chicano community owned more automobiles, enjoyed better bus service, and lived closer to the downtown area--but nevertheless were also confined to local stores due to language and other cultural barriers.

In Pittsburgh, Gensch and Staelin (1972b) found low-income blacks to be extremely mobile when shopping for nondurable goods even though some 45 percent reported that they did not own a car. However, families without cars tended to do most of their food shopping in their own neighborhood for the sake of convenience (p. 54). Meanwhile, Goodman (1968, p. 23) found that low-income blacks in Philadelphia used local convenience stores strictly "as supplementary sources of emergency items or for frequently purchased perishables such as bread and milk."

Finally, Feldman and Star (1968) found that at all income levels under $10,000 there was no statistically significant difference between the percentage of whites and nonwhites in Chicago who sometimes travel more than 30 minutes to shop for nonfood items. For both races, the tendency to travel out of one's neighborhood to shop increased as income increased. Although lower-income whites tended to use their automobiles for nonfood shopping more often than low-income nonwhites, there was no difference in car usage for families with incomes of $5,000 or over. Lower-income blacks also tended to visit fewer shopping centers or areas than comparable whites, while there were no

statistically significant differences at higher income levels.

An additional finding of Feldman and Star was that "discount stores, with their emphasis on the 'price' aspect of the transaction, are more likely to appeal to Negro than to white shoppers" (1968, p. 224). However, Dalyrymple, Robertson, and Yoshino (1971) found that black consumers expressed a low preference for discount stores and preferred to shop at the medium- and high-prestige stores. Moreover, Cox, Stafford, and Higginbotham (1972) found that blacks were prone to shop at downtown department stores and that low-income consumers of both races were less likely to shop at discount stores. They speculated that central-city blacks might represent a separate market segment for downtown merchants, but that blacks living in the suburbs may adopt middle-class values and therefore "would not constitute a 'separate' market for suburban retailers" (p. 66).

Factors influencing store selection

It is not exactly clear which factors influence store selection among black and white shoppers. Bullock (May-June 1961, p. 102) found that blacks are most interested in price when shopping, while whites place greater emphasis on value. While Feldman and Star's findings tend to support Bullock's conclusion, King and DeManche (1969) found that store location and access to public transportation were more important than price in determining the store preferences of low-income blacks.

A study sponsored by Progressive Grocer (1969, p. 196) indicated that black food shoppers in Cleveland select stores on the basis of convenience (92 percent), friendliness (85 percent), neatness

(54 percent), trading stamps (54 percent), good selection (46 percent), meat and produce (43 percent), and <u>lastly</u>, low prices (15 percent). Likewise, Dixon and McLaughlin (1971) found that blacks, and especially Puerto Ricans, in a North Philadelphia neighborhood frequently chose to shop at smaller (not necessarily closer) grocery stores rather than at a presumably lower-priced chain supermarket. The general preference for small stores appeared to be due to behavioral factors such as shopping convenience, the availability of credit, delivery service, store atmosphere, and the presence of stores operated by and catering to Puerto Ricans.

Gensch and Staelin (1972a) investigated a black community in Pittsburgh to determine which factors influenced the residents' retail store selection. They found that convenient location, quality brands and products, prices, and service dominated other appeals such as black ownership, credit availability, where friends shop, and friendly managers. However, they noted that "black consumers do not represent a homogeneous market segment" (p. 147). Those who shopped locally stressed convenience, "buying black," and credit availability. And while only a small segment indicated strong support for black ownership, this appeal tended to be rated higher by young black families with children.

A study conducted in Indianapolis by Hills, Granbois, and Patterson (1973) found few perceptual differences between black ghetto and black suburban residents in evaluating selected ghetto and suburban food stores. The few differences that did exist were based on store atmosphere and cleanliness rather than quality or price variables. However, the authors did discover perceptual differences based on

price and quality between younger and older blacks, leading them to conclude that:

> . . . This research provides support for the premise--an increasingly accepted one--that the black market is heterogeneous. . . .
> Researchers must recognize the heterogeneity within the Negro market and focus further research on interpersonal comparisons between black consumers rather than implicitly assuming homogeneity (i.e., race is the only variable of importance). . . (p. 56).

All of the studies discussed up to this point have implicitly assumed that the store selection behavior of black and white customers is different. However, Whipple and Neidell (1971-72) studied consumer attitudes toward ten competing nonfood stores in Buffalo and found that differences in store images could be better explained by social class than by race. This finding, together with the other findings reported in this section, underscores the difficulty of generalizing about racial differences in shopping behavior.

## Explaining Observed Variations in Black-White Consumption Patterns

Although the extant literature is fraught with inconsistencies and contradictions, on balance it is clear that substantial differences do exist between the aggregate consumption patterns of black and white consumers. What is not clear is why these differences exist. To date, researchers have concerned themselves primarily with what products and brands blacks buy and with where and how they shop. Few have gone beyond "nose-counting" (Bullock, 1961a) to explore the underlying causes of differential black consumption behavior. Thus there exists a great void of knowledge concerning the attitudinal and motivational dimensions of black consumption behavior (Van Tassel, 1967).

To be sure, there is no shortage of theories seeking to explain differential black consumption behavior. Kindel (1970, pp. 123-36) has extracted seven possible explanations from the literature, adding another of his own:

1. <u>Compensatory Consumption Theory</u>: Blacks who realize that their social and occupational mobility is blocked may turn their attention, in a compensatory sense, toward consumption in search of success.

2. <u>Conspicuous Consumption Theory</u>: Blacks consume beyond their necessities so as to achieve status in their peer group .

3. <u>Upward Mobility Hypothesis</u>: Black people are striving to move up the economic and social class structures as they become more affluent.

4. <u>Relative Income Hypothesis</u>: A black person's total savings and consumption are not a function of his absolute dollar income but rather of his relative position in the income distribution to which he belongs.

5. <u>Cultural Difference Theory</u>: Cultural differences or differences from socialization processes could create differences in black and white consumption patterns.

6. <u>Motivational Difference Theory</u>: Blacks and whites may respond differently in the marketplace due to differences in motivation.

7. <u>Class-Caste Hypothesis</u>: A rigid class or caste system marked by racial lines exists in the U.S., with members of each caste characterized by a different psychology.

8. <u>Visible Difference Model</u> (proposed by Kindel): Purchasing patterns are a function of cultural factors, which in turn are determined by race; therefore, purchasing patterns are a function of or are determined by race.

Kindel's list is by no means complete, of course, and none of these alternative explanations has yet been proven to be <u>the</u> major reason why blacks and whites sometimes behave differently in the marketplace. A brief review of some of the major studies in this area should underscore the difficulty of trying to answer this complex question.

## Income

Many marketers believe that so-called black-white consumption differences are in reality more a reflection of income differences than racial effects. This line of reasoning is intuitively appealing given the large gap in median income which has historically separated black and white families (see Appendix A). Furthermore, there is research data available to at least partially support this view. For instance, Feldman and Star (1968) found statistically significant differences between whites and blacks on nine of eleven dimensions of shopping behavior. However, many of these differences disappeared after classifying the respondents according to income, and most of the remaining differences were observed between whites and blacks with incomes less than $5,000. Thus, while acknowledging that their analysis was restricted to income effects, Feldman and Star concluded that:

> . . . The similarities between white and Negro residents of central cities for many aspects of shopping behavior tend to outweigh the differences.
> The evidence does suggest tentatively that differences between the shopping behavior of the two groups tend to diminish with increasing income. The implication of this is that as Negroes better themselves economically, the differences in shopping behavior between the two groups which are now indistinct may well become negligible . . . (p. 226).

Sexton (1972) came to a similar conclusion based on his own empirical research and literature review. According to his findings:

> . . . The black market is a diverse one with at least two major segments: those consumers who are able to live a middle-class life, and those who are not because they live at a subsistence income level. Income level is the primary determinant of these segments (p. 49).

Sexton added that motivation may provide a secondary explanation of black-white consumption differences, particularly for higher-income blacks who are more likely to have higher expectations of attaining

the middle-class life. Like Feldman and Star, Sexton suggested that "as black income levels gradually rise, many of the apparent overall differences between 'black' and 'white' markets will substantially diminish" (p. 39).

At the present time, there is no conclusive evidence that income effects exceed race-related motivational effects (or vice versa) or that black-white consumption differences tend to disappear as black-white income differences diminish. However, Bauer and Cunningham's data (Tables II-1 and II-2 on pages 21 and 22, respectively), indicate that even after controlling for income differences, black and white families allocate about 6.6 percent of their income differently. Further, Stafford, Cox, and Higginbotham (Table II-6 on page 38) found several black-white consumption differences which apparently could not be explained in terms of income or other socioeconomic variables.

It has been suggested that consumption differences between black and white familiar with comparable incomes may be due to the "relative income hypothesis." This hypothesis states that a family's savings and consumption behavior are not a function of absolute income levels but rather of the family's relative position in the income distribution to which it belongs. Thus a black family with only a moderate income in terms of all U.S. families might have a fairly high income relative to other black families and therefore consume at a higher level than white families with comparable incomes. The relative income hypothesis was tested by Akers (1968) who found that it could not explain differential automobile buying behavior between black and white families with comparable incomes.

## Social Class

There has been an ongoing debate in the literature concerning the relative effectiveness of income versus social class in explaining variations in consumption behavior.[9]   Since this debate apparently has not been fully resolved, one cannot consider the possibility that so-called black-white consumption differences are really due to income differences without also considering the alternate possibility that they may really be due to social-class differences.  As previously reported, Whipple and Neidell (1971-72) found that differences in consumer attitudes toward ten competing nonfood stores in Buffalo were better explained by social class than by race.  However, they assumed in their study that blacks and whites are part of the same social-class system.  But some researchers believe that the variables typically used to measure social class are not directly applicable to America's black population, which they say has its own unique social structure.[10] In particular, because education is said to be a more important prestige criterion among blacks than it is among whites (Glenn, 1963), highly educated blacks might occupy a higher social stratum in the eyes of other blacks than do comparably education whites in the eyes of other whites.  To the author's knowledge, the possibility of separate social-class systems among black and white consumers has not been investigated by segmentation researchers.

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[9]See Martineau (1958); Mathews and Slocum (1969); Wasson (1969); Slocum and Mathews (1970); Myers, Stanton, and Haug (1971); Curtis (1972); Mathews and Slocum (1972); and Myers and Mount (1973).

[10]See Glenn (1963), Gordon (1964), Lincoln (1964), Noel (1964), Glenn and Bonjean (1969), Pinkney (1969), and Sturdivant (1973).

## Motivation

Bullock (1961a) was one of the first--and unfortunately, still one of the very few--researchers who have gone beyond simple "nose-counting" surveys to get at the underlying causes of differential black consumption behavior. He conducted interviews with 200 black and 100 white respondents in five Southern cities (Houston, Atlanta, Birmingham, Memphis and New Orleans) and also exposed them to the Minnesota Multiphasic Personality Inventory and to a Thematic Apperception Test. His findings led him to conclude that two basic needs--the need to belong and the need for security--could explain the major differences between black and white consumers with respect to credit buying, department store shopping, salesmen relationships, product attitudes, brand preference, and advertising.

While both races are motivated by a strong need to belong, Bullock observed that:

> Negroes want group identification; whites, feeling that they already have this, want group distinction.
> More specifically, Negroes want to be identified with the general American society and all its peoples, while whites want to remain generally acceptable but particularly exclusive (p. 93).

Bullock reasoned that a black person's need to belong is related to "the badge of inferiority which his communal isolation forces on him" (p. 94). He attributed the black population's conflicting self-image --to hate and love themselves at the same time--to the pressure for both races "to define all things white as 'good' and all things black as 'bad' (p. 94). Whites contribute to this love-and-hate conflict by conceding black "superiority" in areas such as athletics and

entertainment while generally considering blacks to be inferior to themselves. All of this reinforces "the Negro's firmly established conviction that goods or services offered by white institutions are, on the average, better and more trustworthy than those offered by institutions operating in his own area" (p. 96).

Bullock also found that both blacks and whites possess a strong need for security. However, "while whites worry about earning enough money to 'get ahead,' Negroes worry about getting enough money to keep what they have" (p. 97). He traced insecurity among blacks to unstable family lives which lead to subsequent male-female role confusion and tend to make blacks more suspicious, oversensitive, and convinced that people are against them or even out to injure them.

The need to belong and the need for security, Bullock suggested, are "common denominators which, if properly manipulated, will make it possible for sellers to win favor with both groups through a common program" (p. 92). In fact, he devoted a second article (1961b) to explaining how "an 'integrated' marketing program, that appeals equally to blacks and whites, . . . [is] the only effective, long-run method of reaching the Negro consumer" (1961a, p. 89).

Bullock's findings may not be valid today given the black revolution of the sixties and the current emphasis on "black pride." Also, his analysis failed to take account of socioeconomic differences in his sample, and the findings of other researchers (Karon, 1958) would lead one to question Bullock's contention that his conclusions "are generally applicable to Northern as well as Southern consumers" (1961a, p. 96). Nevertheless, Bullock did establish a promising new research direction which too few researchers have elected to pursue.

## The Black Dilemma

Bauer, Cunningham, and Wortzel (1965) also suggested that differences in motivation tend to transcend differences in income and education in determining the black consumer's attitudes and behavior in the marketplace. Claiming that blacks have accepted white middle-class values, they asserted that the purpose of the black revolution was not to overthrow the established order but rather to achieve full membership in that order. Further, because material goods play an important symbolic role in American society, blacks tend to view the acquisition of material goods as a measure of this achievement. However, blacks as a group are at a disadvantage in acquiring the goods which seem to symbolize white middle-class values. Therefore, Bauer et al. proposed that "the basic dilemma of Negroes is whether to strive against odds to attain these middle-class values (and the goods which come with them), or to give in and live without most of them" (p. 2).

Based on the above proposition, Bauer et al. hypothesized that --for goods of high symbolic value--black consumers could be categorized as "strivers" and "nonstrivers." At the time, they relied on data obtained from a survey of women's shopping practices (Rich and Portis, 1963) and a proprietary study of male Scotch whiskey buyers to test their hypothesis. Both studies indicated to the authors that although black consumers were by no means homogeneous as to involvement with products of high symbolic importance, there was in fact a clear split between black strivers and nonstrivers--as judged by factors such as social activities, shopping behavior, fashion interest among women, and brand name importance among male Scotch drinkers.

The hypothesis that the black-consumer market tends to be

self-segmenting on a dimension labeled "strivers versus nonstrivers" was further tested by Bauer and Cunningham (1970a) in 1967. This time they surveyed 200 white women and 200 black women in Baltimore and classified them first according to income and then, using their own four-question index of striving, as "strivers" or "nonstrivers." Only 39 percent of the black women fell into the striver category, as compared with 76 percent of the white women. There were no startling income differences between the strivers and the nonstrivers, although the strivers tended to be better educated.

Bauer and Cunningham hypothesized that "if the decision to strive or not to strive involved a crucial dilemma for the Negro, then this decision ought to be reflected in greater differences between striving and nonstriving whites" (p. 38). To test this hypothesis, they compared strivers and nonstrivers on 79 different variables, including fashion consciousness, reliance on national brands, preferences for a convertible over a sedan automobile, spending versus saving, future orientation, home ownership, and entertainment styles. In general, they found that the striver-versus-nonstriver dimension was more useful than income in explaining observed variances within each race. Further, there was relatively little variance between white strivers and nonstrivers, while there was considerable variance between black strivers and nonstrivers. In addition, the buying behavior and attitudes of the black strivers were similar to those of the white strivers. All of this tended to support the authors' basic hypothesis, and although their findings are not generalizable, the work of Bauer, Cunningham, and Wortzel should influence marketing researchers to devote greater attention to motivational differences and product symbolism

between _and_ within races.

The usefulness of product symbolism in explaining black-white consumption differences has been explored further by Sommers (1968). He essentially asked lower- and middle-class housewives of both races to describe their current and ideal selfs in terms of a long list of common household products. In general, he found that the lower-class black housewife used her perception of the middle-class black housewife's "self" and "ideal self" as the model for her "ideal self." Further, the middle-class white housewife's self appeared to be important reference point for the middle-class black housewife. Also, there was less divergence between the current and ideal self among blacks than among whites, which Sommers cautiously interpreted to indicate that black housewives may tend to have lower aspirations (i.e., a "lower need for achievement") than white households. These findings, although interesting, are extremely tentative, of course, and clearly need to be researched in considerably more depth.

## Conclusion

It should be obvious to the reader that all of the above studies were largely exploratory in nature and that it would be dangerous to generalize from their findings. Obviously, income, social class, and motivation all have something to do with black-white consumption differences, but how important a role each plays is not fully understood. Nevertheless, as Sturdivant (1973, p. 506) has observed, "one finding which appears to be consistent among these studies was that higher-income (Feldman and Star), higher-status (Bullock), middle-stratum (Sommers), and striving (Bauer, Cunningham, and Wortzel) blacks behave

increasingly like their white counterparts."

A major difficulty in trying to explain differential black consumption behavior is that environmental factors are generally neither controlled nor measured. Certainly, this must be done before one can safely reach any firm conclusions about black-white consumption differences. A study by Alexis, Haines, and Simon (1972) concluded that consumption is affected by differential environmental factors as well as cultural factors, and therefore that so-called black-white consumption differences are not necessarily caused by race per se.

Clearly, much research is needed to determine the why's of differential black consumption behavior. Unfortunately, much of the research related to black consumers in recent years has focused on peripheral topics such as advertising effects, where marketing managers and researchers often appear to be interested primarily in the impact ads with black appeals will have on their white markets and only secondarily on how such ads will affect black consumers (Alexis and Smith, 1973, p. 51).[11]

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[11]This topic is beyond the scope of this paper. In general, researchers have found that blacks are still very much underrepresented in advertising despite a noticeable increase in the number of black models appearing in ads. Research also seems to indicate that featuring blacks in ads generally has a positive effect among black consumers and no adverse effect among white consumers. For more on this general topic, see Barban and Cundiff (1964); Petrof (1968); Kassarjian (1969); Barban (1969); Cagley and Cardoza (1970); Cox (1970); Dominick and Greenberg (1970); Guest (1970); Stafford, Birdwell, and Van Tassel (1970); Gould, Sigband, and Zoerner (1970); Cohen (1970); Roeder (1970); Oladipupo (1970); Wheatley (1971); Schlinger and Plummer (1972); and Bush, Gwinner, and Solomon (1974).

## Summary

This chapter has provided a rather lengthy review of the literature pertaining to black consumption behavior in order to develop some necessary background and perspective concerning the usefulness of race as a segmentation variable. The chapter can be summed up quite succintly by stating that many fascinating, if not consistent, differences in consumption patterns have been observed between black and white consumers, but marketing researchers have a long way to go to discover the underlying causes of this differential behavior.

CHAPTER III


RESEARCH PERSPECTIVE


It ain't the things you don't know what
gets you into trouble; it's the things
you know for sure what ain't so.
                    --Negro saying


This chapter will attempt to synthesize the research findings
presented in Chapter II in order to determine what those findings reveal
concerning the effectiveness of race as a basis for market segmentation.
Various shortcomings of prior research efforts will be discussed, and
the need for a new research perspective will be proposed.  Finally, the
problem of evaluating race as a basis for market segmentation will be
related to the current "state of the art" in segmentation research.

## Race as a Segmentation Variable:
## What the Literature Reveals

In reviewing the literature, the consensus of opinion appears to
be that, yes, a black-consumer market does exist.  However, as Frank,
Massy, and Wind (1972, p. 38) have pointed out:

> . . . . In order to serve as a market segment Negroes have to
> exhibit similar buying behavior that is, in turn, differentiated
> from that of other market segments.

The evidence presented in Chapter II strongly suggests that this is
not the case.

Although the literature is fraught with inconsistencies and

contradictions, there is one point on which many researchers appear to agree: black consumers do not represent a homogeneous market segment. This finding has been emphasized by Sawyer (1962); Bauer, Cunningham, and Wortzel (1965); Portis (1966); Feldman and Star (1968); Stafford, Cox, and Higginbotham (1968); Sexton (1972); Gensch and Staelin (1972a); and Hills, Granbois, and Patterson (1973).

On the other hand, the studies reviewed in Chapter II clearly indicate that, in the aggregate, black consumption patterns frequently differ from white consumption patterns. Bauer and Cunningham (1970a, p. 20) have estimated, for example, that after controlling for income differences, black and white families allocate about 6.6 percent of their income differently. Other studies that were reviewed indicated that blacks and whites often exhibit different product usage, different brand preferences, and different store shopping behavior. But here one must ask whether these observed differences are large enough and consistent enough to warrant treating black consumers as a separate and distinct market segment.

If black families allocate 6.6 percent of their income differently than white families, then the two racial groups obviously allocate 93.4 percent of their income in a similar manner. Thus, it would seem that the similarities in black-white consumption patterns far outweigh the differences. This conclusion is supported by the findings of Sawyer (1962), Portis (1966), Feldman and Star (1968), and Whipple and Neidell (1971-72).

Furthermore, there is considerable doubt as to whether empirical black-white consumption differences are actually caused by racial effects, or rather by other factors which tend to correlate highly with

race. For example, after conducting a thorough survey of the literature, Alexis, Haines, and Simon (1972, p. 43) reached the following conclusions:

1. The research which has been done on consumption is remarkable for its lack of policy implications. This, it may be speculated, arises from the use of race as a dummy variable to cover a host of differential cultural and environmental factors which affect consumption. Policy implications could arise from research on differential consumption patterns only if the effect of environmental factors which affect consumption were explicitly measured.

2. None of the research surveyed has shown that past differential consumption patterns based on race-income effects can be used to predict consumption.

In summary, while numerous examples of black-white consumption differences have been observed: (a) the differences within each racial group are often as great as the differences between each group; (b) numerous examples of similarities in black-white consumption patterns have also been observed, and in total, the similarities appear to outweigh the differences; and (c) it has yet to be proven that race is the underlying cause of these so-called black-white consumption differences. In other words, the evidence presented in Chpater II suggests that black consumption behavior is neither homogeneous nor consistently differentiated from that of other, presumably white, market segments. Therefore, it would appear that race is not an effective basis for market segmentation.

## Is a New Research Perspective Needed?

The preceding conclusion flaunts conventional wisdom and thus cannot be treated nonchalantly. As a matter of fact, it should be viewed as only a tentative conclusion because prior efforts to research black consumption behavior have suffered so many serious shortcomings

that one has to be very cautious about trying to reach any firm con-

clusions on the basis of the evidence that is currently available.

Perhaps the most obvious shortcoming of such studies has been

the lack of reliable data to describe black consumption behavior.  As

one researcher has commented:

> . . . When research samples are drawn even by the large syndicated
> research services blacks are under represented in the sample.  To
> further compound the problem of under representation, the few
> blacks who are included are then divided into demographic or psy-
> chographic subsamples which are completely unreliable.  Unfortun-
> ately these large syndicated surveys have a lot of clout among
> the research and marketing communities and even though their data
> is somewhat incorrect it is taken as the last word on blacks . . .
> (Nixon, 31 January 1975, p. 9)

This problem of black under-representation applies not only to the

large syndicated research services but also to the many independent

researchers who have attempted to conduct comparative studies of black-

white consumption behavior.  Although some researchers have used dis-

proportionate cluster sampling to draw samples with roughly equal num-

bers of black and white subjects, they have experienced only limited

success in generating matching samples with comparable demographic

characteristics.  Furthermore,  many researchers have not made a serious

effort to obtain samples which reflect the heterogeneity of the black

population.  Some have even fallen prey to the misconception that "poor"

and "black" are synonomous terms (King, 1970).  Thus, middle-class

suburban blacks have often been associated with consumption patterns

which are more characteristic of low-income inner-city blacks.

A closely related issue involves the limited generalizability

of most studies.  There have been virtually no nationwide studies

specifically designed to investigate black consumption behavior.[1]

Instead, most studies have been limited to only one or a few isolated geographic markets, and many have been restricted even further to central-city markets or even to just a few low-income neighborhoods. Such studies often tend to reflect local idiosyncrasies more than anything else, which may account for many of the inconsistent and contradictory findings that have been reported in the literature.

In addition to sampling problems, prior research related to black consumption behavior has tended to suffer two other shortcomings of a more subtle but perhaps more crucial nature. These concern the orientation of the researcher and his a priori assumptions about how race affects consumption behavior.

<div align="center">

Behaviorally Oriented Versus
Decision-Oriented Research

</div>

Frank, Massy, and Wind (1972) have suggested that all market segmentation research can be associated with one or the other of two general schools of thought: the behaviorally oriented school and the decision-oriented school.

> The behaviorally oriented school is concerned with the identification and documentation of generalizable differences among consumer groups because these differences can lead to insights about basic processes of consumer behavior . . . (p. 11).

Of course, the behaviorally oriented school not only seeks to identify differences among consumer groups but also attempts to explain why these differences occur. Meanwhile,

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[1]A notable exception is the "Black Consumer Index," a comprehensive 18 volume research study which, according to Earl G. Graves Marketing & Research Inc., represents the largest national probability sample ever taken of black male heads of households. Unfortunately, this study is not in the public domain.

The <u>decision-oriented school</u> is also concerned with the exist-
ence of group differences in consumption and with the possibility
of predicting such differences by means of customer character-
istics. However, the focus is not so much on why such differences
occur as on <u>how</u> they can be used to improve the efficiency of the
firm's marketing program . . . (pp. 12-13).

By way of contrast, the behaviorally oriented school searches and tests

for both individual and group differences in consumption, while the

decision-oriented school <u>assumes</u> that individual differences in con-

sumption exist and tries to determine how best to group heterogeneous

individuals into relatively homogeneous segments for marketing strategy

planning purposes.

Obviously, the research efforts of these two schools frequently

overlap and support each other. They differ mostly in terms of their

objectives, and as Frank and his associates have emphasized, "this

leads to important differences in the criteria employed to judge the

quality of the research" (p. 13). Operationally, the behaviorist school

stresses <u>statistical significance</u>, while the decision-oriented school

insists on <u>predictive efficacy</u>. It is possible, of course, to satisfy

both criteria. But statistically significant relationships alone do not

indicate causality, nor do they necessarily imply that one variable

explains a large percentage of the variance observed in a second varia-

ble. Therefore, one can have statistical significance <u>without</u> pre-

dictive efficacy (or just the opposite if one is willing to accept the

inherent risks).

Returning to the studies reviewed in Chapter II, it is the

author's opinion that research pertaining to black consumption behavior

has been dominated by the behaviorally oriented school. The main

emphasis has been on looking for statistically significant relationships

between race and various aspects of consumption behavior (with more than

a few writers content to ignore the issue of statistical significance). There has been relatively little effort to go beyond the "what, where, and how's" of black consumption behavior to explain why blacks and whites sometimes behave differently in the marketplace. Furthermore, with the possible exception of research focusing on black-white advertising response, studies concerned with predictive efficacy have been extremely rare.

There is nothing inherently wrong with behaviorally oriented analyses of black consumption behavior. Indeed, such analyses can enhance our understanding of the subcultures that exist within American society and may eventually lead to richer theories of consumer behavior. However, marketers must never lose sight of the fact that the behaviorist school and the decision-oriented school have different objectives and employ different evaluative criteria. To say that a black-consumer market exists from the standpoint of the behavioral scientist should not be interpreted to mean that a black-consumer market exists from the standpoint of the marketing strategy planner. Clearly, much more research is needed to determine the predictive efficacy of race as a segmentation variable.

## A Priori Assumptions about Race

Many researchers have assumed a priori that race is an effective variable for segmenting markets without subjecting this assumption to a systematic empirical test. Thus, many studies have focused exclusively on black consumers, which not only assumes that blacks are different from whites but also fails to provide any basis for comparison. Other studies have involved aggregate comparisons between black

and white consumers, ignoring any possible variations in consumption patterns within each race. This tendency to assume a priori that race is an effective basis for market segmentation has caused many researchers to overlook the very real possibility that black consumption behavior may be quite heterogeneous, as well as the possibility that there may be a great deal of overlap between the "black-consumer market" and other, presumably white, market segments.

In certain respects, it seems almost inconceivable that anyone would expect all black consumers to be quite similar in terms of their needs, attitudes, and buying behavior. After all, there are rich and poor blacks, young and old blacks, male and female blacks, educated and uneducated blacks, white-collar and blue-collar blacks--altogether more than 24 million individuals. Nevertheless, the literature is full of references to the black-consumer market, and among marketing academicians and practitioners alike there appears to be a widespread and fundamental "inability or unwillingness to see the black consumer market as anything but monolithic" (Dillingham, 1977, p. 6). Only a handful of researchers have attempted to deal with the heterogeneity of the black population in their research designs, and those that have done so have tended to restrict their analyses to simple demographic comparisons based on income, age, sex, or place of residence. Bauer and Cunningham (1965) advanced beyond this point by segmenting the black population according to a "striver versus nonstriver" dimension. The author is aware of only one study (Gensch and Staelin, 1972a) in which multivariate analysis was used. "Such simplistic dichotomous analyses ignore both the rich diversity of black culture and, again, our substantial multivariate analytical powers" (Andreasen, 1975, p. 6).

One cannot suggest that a black-consumer market exists without also implying that a white-consumer market exists. Yet, most firms do not aim at some amorphous white-consumer market. Rather, they aim at the "youth market," at "heavy users," at "opinion leaders," at "swingers," at "brand-loyal consumers," and so on and so forth-- depending on what particular segmentation scheme a firm has adopted. Are we to believe that such segments are exclusively white, or might not there be considerable overlap between them and the so-called "black-consumer market?"

Based on the evidence presented in Chapter II, it would appear that researchers have little reason to assume a priori that race is an effective basis for market segmentation. In fact, Sturdivant (1973) may have assessed the situation quite accurately when he asked:

> . . . Whether researchers have not been guilty of focusing on a limited number of unique differences [between black and white consumers] rather than the many common characteristics that are shared with the dominant society (p. 477).

## Research Implications

The preceding comments were not meant to imply that researchers should ignore race for purposes of market segmentation. What they were meant to imply is that marketing researchers and decision-makers should not assume a priori that race is a key variable for segmenting markets simply because other studies have shown that, in the aggregate, black consumption patterns tend to differ from white consumption pat- terns. There are many possible ways to segment a market. Human behavior being complex and multidimensional, any basis for market segmentation is likely to generate a set of segments for which one can observe some consumption differences between segments. Thus, if a

researcher goes out looking for black-white consumption differences, he is indeed likely to find some. In the process, however, his a priori assumptions about race may cause him to overlook other cross-sectional views of the market that may be more useful for purposes of marketing strategy planning. Therefore, in the very least, rather than relying solely on race as a basis for market segmentation, researchers should give consideration to alternative segmentation variables which might explain more variance in consumption behavior and allow for more accurate predictions than race.

In a broader sense, researchers must pay heed to the possibility that market segments may not be all-black or all-white, but that there may be segments consisting of both black and white consumers who happen to share similar needs, attitudes, and buying behavior. This writer knows of only one study (Whipple and Neidell, 1971-72) in which the researcher first attempted to identify homogeneous market segments and then examined their racial composition, and in that study social class was judged to be a more effective segmentation variable than race.

As Frank, Massy, and Wind (1972) have emphasized, "segmentation should be viewed as a process of aggregation rather than disaggregation"--the subtle difference being one of "building up a viable segmentation strategy rather than tearing a market apart to find one" (p. 203). A priori racial segmentation is indicative of a "tearing a market apart to find one" research perspective. What is needed is a new research perspective which focuses more on aggregating individual consumers with relatively homogeneous needs and buying behavior into viable market segments. Perhaps the ideal way to accomplish this would

be to refrain from making any a priori assumptions about the nature

and composition of different market segments and to rely instead on some

"natural classification" technique (i.e., numerical taxonomic proce-

dure) as a means of identifying homogeneous market segments. This

point will be elaborated on further in the following section, as we

attempt to relate the uncertain effectiveness of race as a segmentation

variable to the current "state of the art" in market segmentation.

## In Search of an Alternative to
### A Priori Racial Segmentation

One reason for studying black consumption behavior, according

to Bauer and Cunningham (1970b, p. 12), is to "hone our competence in

the much propounded doctrine of market segmentation." Reading between

the lines, they apparently feel that marketers have a long way to go

in successfully implementing what appears to be an extremely powerful

concept. Their assessment of the situation may be quite accurate.

## The Concept of Market Segmentation

The concept of "market segmentation" has gained almost univer-

sal acceptance among marketing academicians and practitioners since

being formally introduced into the literature by Wendell Smith in 1956.

In his now classic article, Smith contrasted segmentation with "product

differentiation" which he said is concerned with "the bending of

demand to the will of supply."

> Segmentation is based upon developments on the demand side of
> the market and represents a rational and more precise adjustment
> of product and marketing effort to consumer or user requirements.
> In the language of the economist, segmentation is disaggregative
> in its effects and tends to bring about recognition of several
> demand schedules where only one was recognized before (p. 32).

Smith went on to define segmentation as a "merchandising strategy":

> Market segmentation . . . consists of viewing a heterogeneous
> market . . . as a number of smaller homogeneous markets in response
> to differing product preferences among important market segments.
> It is attributable to the desires of consumers or users for more
> precise satisfaction of their varying wants. . . . Market segmen-
> tation is essentially a merchandising strategy, merchandising
> being used here in its technical sense as representing the adjust-
> ment of market offerings to consumer or user requirements (p. 33).

The strategic implication of market segmentation is that it may be more

profitable for a firm to attempt to satisfy some people very well, than

to attempt to satisfy most people fairly well.

> While successful product differentiation will result in giving the
> marketer a horizontal share of a broad and generalized market,
> equally successful application of the strategy of market segmen-
> tation tends to produce depth of market position in the segments
> that are effectively defined and penetrated (Smith, p. 32).

The basic ideas expressed by Smith were implicit in the writings

and actions of many early marketers. In fact, the concept of market

segmentation might have become popularized long before the 1950s were

it not for a lack of discretionary buying power during the Depression

years and subsequent goods shortages during and after World War II,

both of which postponed the eventual transition from a seller's market

to a buyer's market. Interestingly, many economists still tend to

view market segmentation not as a more precise adjustment of market

offerings to heterogeneous consumer needs, but rather as an imperfec-

tion in the structure of markets which leads to price discrimination on

the part of profit-maximizing firms. Thus they see segmentation as

having undesirable social consequences rather than increasing consumer

satisfaction.[2]

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[2]For a more detailed discussion of the microeconomic model of
price discrimination, see Frank, Massy, and Wind (1972, pp. 177-84).

## Application of the Concept

Given the avalanche of studies which Smith's pioneering work

subsequently inspired, some may find it surprising that Bauer and Cun-

ningham, among others, apparently still see a need for marketers to

hone their competence in market segmentation. But the fact is that all

too often the published results of segmentation studies have been either

discouraging, inconclusive, or suggestive of shrewd ex post facto

analysis.[3] Reynolds (1965) has even gone so far as to suggest that

much of what passes for segmentation is really an application of what

he calls the "variety strategy": offering a variety of acceptable

products to the same general market in recognition of consumer brand-

switching tendencies.

According to Engle, Fiorillo, and Cayley (1972, pp. 2-3), the

concept of market segmentation is based on three propositions:

1. that consumers are different
2. that consumer differences are related to differences in market demand
3. that segments of consumers can be isolated within the overall market

While these propositions may seem simple and straightforward, several

key questions arise when one attempts to operationalize them. First,

given that consumers differ along many dimensions, which dimensions

are most relevant for segmentation? Second, since it is a difficult

enough task to estimate aggregate demand, let alone demand for several

market segments, how can it be shown that consumer differences are in

fact causally related to differences in market demand? Third, a

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[3]For a comprehensive review of segmentation research studies
and related problems, see Frank (1968); Bieda and Kassarjian (1969);
Michman (1971); Frank, Massy, and Wind (1972); Engel, Fiorillo, and
Cayley (1972); Blattberg and Sen (1974); and Dhalla and Mahatoo (1976).

marketer can treat all customers as unique individuals; he can treat all customers alike; or he can isolate any number of segments in between these two extremes. Therefore, to what degree should markets be segmented, and should these segments be mutually exclusive or is some degree of overlap allowable? Finally, how can one judge whether a set of segments will actually prove useful for purposes of marketing strategy planning?[4] Despite two decades of segmentation research, such questions have yet to be fully resolved in operational terms. There are no magic formulas that are guaranteed to work in all situations, and the application of new computer-based multivariate statistical techniques has tended to underscore rather than minimize the importance of managerial intuition, judgment, and experience.

## Different approaches to segmentation

Historically, researchers have followed two general approaches to market segmentation--"people-oriented" and "product-oriented" (Plummer, 1974, p. 34). The people-oriented approach employs various general characteristics of individual consumers as alternative bases for segmenting markets. Demographics provided perhaps the earliest people-oriented bases for segmentation and are still frequently used for this purpose, along with other characteristics such as geographic location, social class, personality traits, opinion leadership, innovativeness, and media habits. Researchers following this approach essentially attempt to relate such general characteristics to some

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[4]Different writers have proposed a variety of different criteria for evaluating market segments. See Engel, Fiorillo, and Cayley (1972, pp. 7-8); Frank (1968, pp. 42-43); Kotler (1972, pp. 167-68); McCarthy (1975, pp. 113-14); and Wilkie (1971, p. 12).

univariate measure of buying behavior, such as average purchase rate, usage rate (e.g., heavy user vs. light user), brand loyalty, or private-brand proneness. This is typically done through the use of multiple-regression analysis or a search procedure such as AID (Automatic Interaction Detector) or MCA (Multiple Classification Analysis). Regardless of which technique is used, the univariate measure of buying behavior serves as a proxy variable for demand and the objective is to isolate into segments those individuals who appear to display the most buying potential for a particular product market.

The product-oriented approach is the newer of the two approaches and lacks the established research tradition of the people-oriented approach. In fact, the product-oriented approach has been dominated by practitioners until very recently. Consequently, studies published in support of this approach have tended to be long on description and short on empirical data. Researchers following this approach essentially employ various product-specific dimensions as bases for segmentation on the assumption that such dimensions are more directly related to buying behavior than general customer characteristics and therefore should be more useful for predicting product- and brand-choice behavior. Dimensions commonly used include the benefits customers expect a product to provide, customer perceptions of competitive brands in terms of specific attributes, brand preference, intention to buy, usage occasions, or some measurement of actual buying behavior. Data collected along these dimensions are used to identify market segments through the application of multivariate statistical techniques such as factor analysis, cluster analysis, multiple discriminant analysis, or

nonmetric multidimensional scaling.[5] Results are generally used to "position" new brands or to reposition established brands so that they will appeal strongly to selected target markets.

A third approach to segmentation that has become popular during the last decade is known alternatively as "life-style research" or "psychographics." Life-style segmentation overlaps with both the people-oriented and product-oriented approaches. "The basic premise of life style research is that the more you know and understand about your customers the more effectively you can communicate and market to them" (Plummer, 1974, p. 33). Researchers following this approach generally ask consumers to respond to a long list of questions concerning their activities, interests, and opinions (AID). These questions may be either very general, product-specific, or both. The AID items are generally either cross-tabulated or factor analyzed and then correlated with various measures of product usage, brand preference, or media exposure to identify market segments. Detailed psychographic profiles of each market segment are prepared using both demographic data and the AID items (Wells and Tigert, 1971).

An important distinction between the people-oriented, product-oriented, and life-style approaches segmentation concerns the manner in which the appropriate bases for segmentation are determined. Under the people-oriented approach, the market is tentatively segmented before the data are collected and analyzed on the basis of the researcher's a priori assumptions about the nature of the market. The

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[5]For specific examples of how these techniques have been applied to segmentation research, see Engel, Fiorillo, and Cayley (1972). The design and methodology of segmentation research is discussed at length in Frank, Massy, and Wind (1972, pp. 116-69).

data are then used to test the researcher's assumptions and hypotheses about similarities and differences in buying behavior among the various market segments. In other words, the objective is really to verify the existence of preconceived market segments and to learn more about these segments for purposes of marketing strategy planning. With both the product-oriented and lifestyle approaches, however, the researcher usually refrains from making any a priori assumptions about the nature of the product market. Instead, he looks for natural groupings within his data and examines these empirically derived groupings to determine whether they represent meaningful market segments. Provided that the product market is not defined too narrowly, this "natural classification" approach to segmentation allows for a more open-minded market analysis than the a priori approach because the researcher is not blinded by his "hunches" or the findings of past research studies. On the other hand, results may be more difficult to interpret, and there is always a danger that the entire study may turn into a nonproductive "fishing expedition."

## Evaluating the different approaches

Which approach to market segmentation is likely to be most effective? Unfortunately, there is no simple answer to this question. Each approach has its strengths and shortcomings, and no single approach is likely to be appropriate for all situations. Furthermore, the results of published segmentation studies have not been especially encouraging.

Results have been particularly discouraging for studies following the life-style and people-oriented approaches. Wells and Tigert

(1971) have pointed out, for example, that:

> When expressed as product-moment correlations, the relationships between AID items and products or media are low--often around .2 and seldom higher than .3 or .4 (p. 34).

Moreover, Frank (1968) has found that:

> Household, demographic, socioeconomic, and personality characteristics appear to have, at best, a relatively low degree of association with total household purchases of any particular grocery product (p. 49).

This finding led Frank to conclude that "for the most part socioeconomic characteristics are not particularly effective bases for segmentation" (p. 53). His research also indicated that purchasing characteristics such as brand loyalty and total consumption (i.e., heavy user versus light user) are likewise of doubtful usefulness as bases for segmentation.

Such inferences have been questioned, however, notably by Bass, Tigert, and Lonsdale (1968) who:

> . . . Agree that multiple regression involving socioeconomic variables and quantities purchased by individual households of grocery products results in a low proportion of explained variance, [but] . . . disagree with the conclusion that socioeconomic variables do not provide measurements that can be effectively applied in a strategy of market segmentation (p. 265).

The crux of their argument is that while regression analysis uses the individual as the unit of analysis, market segmentation strategies are based on group behavior rather than individual behavior; therefore, grouped data should be the unit of analysis.

> The fact that the $R^2$ values are low implies only that the variance within segments is great, not necessarily that the differences in mean values between segments are not significant (p. 267).
> . . . Differences in mean usage rates among segments is sufficient condition for the development of a strategy of market segmentation (p. 290).

This argument would seem to imply that even though black

consumption behavior is not homogeneous, black consumers still might comprise a separate and distinct market segment. However, there is a serious flaw in this line of reasoning: the notion that even though "the variance within segments is great . . . differences in mean usage rates among segments is sufficient condition for the development of a strategy of market segmentation." This runs contrary to the following commonly accepted criterion for evaluating market segments:

> The people within a particular market segment should be as homogeneous as possible with respect to their needs and preferences, and their likely responses to the marketing mix variables (McCarthy, 1975, p. 113).

Indeed, where a large amount of variance exists within a particular segment, a firm could end up directing all its efforts toward a fictitious "average consumer" who spends no real dollars in the marketplace. Certainly, consumers within that segment could not be expected to respond in a similar manner to a given marketing mix. Therefore, while differences in demand between segments is a necessary condition for segmentation, it clearly is not a sufficient condition: there must also be similarities in demand within segments. To date, the life-style and people-oriented approaches have not demonstrated an ability to segment markets in such a way that there exists reasonable homogeneity of demand within segments and reasonable heterogeneity of demand between segments.

In contrast to the life-style and people-oriented approaches, the product-oriented approach is said to have proven quite effective for segmenting markets by those who have followed this approach. However, since the product-oriented approach has been used primarily by marketing practitioners working with proprietary data, relatively little empirical evidence has been published to support this claim. In

fact, only a handful of practitioners, such as Yankelovich (1964), Haley (1968), and Johnson (1971), have gone so far as to reveal their general analytical frameworks. Meanwhile, those academicians who have followed the product-oriented approach have generally been more concerned with refining models and techniques than with obtaining representative sample data and generating action-oriented results.

A notable exception is Wilkie (1971) who used data from the Columbia University Buyer Behavior Panel to compare the "empirical stream" (people-oriented) and the "product stream" (product-oriented) approaches to market segmentation. The same set of data was analyzed first using AID to identify segments on the basis of demographic and psychoological variables, and then using cluster analysis to form segments on the basis of similar benefit expectations. Results from the empirical stream were shown to be not very useful, while results from the product stream were more useful, if not overwhelming. Thus Wilkie concluded that "market segmentation researchers should combine forces in future studies, and that these studies should be aimed at developing the product stream approach to defining market segments" (p. 187).

Additional support for this conclusion comes from Doyle and Hutchinson (1976) who used regression analysis, AID, and cluster analysis to analyze a common data bank and concluded that cluster analysis represented the most promising approach to segmenting markets. However, they apparently would include both general and product-specific variables in their cluster analysis, while Wilkie included only benefit-importance ratings.

In general, there does appear to be some justification for choosing the product-oriented segmentation approach over the

people-oriented or life-style approaches. However, this issue clearly has not been fully resolved. In particular, few researchers have conducted follow-up studies to determine whether segments identified by means of surrogate measures of demand do in fact exhibit different response elasticities with respect to various elements of the marketing mix.[6]

## Research Implications

What does the preceding discussion imply for decision-oriented segmentation researchers who are interested in the possible existence of a black-consumer market? It implies that although people-oriented variables such as race may show a statistically significant relationship with consumption behavior, such variables generally do not explain a large amount of the observed variance in consumption behavior and--particularly without proof of causality--do not accurately predict consumer response to market offerings. The same conclusion holds true for other people-oriented variables which have been employed to explain differential black consumption behavior, such as income, social class, and motivation (striver vs. nonstriver). It may also hold true for life-style segmentation.

This being the case, what alternative basis for segmentation can the decision-oriented researcher rely on to segment markets consisting of both black and white consumers? Although the evidence is anything but conclusive, it appears that a product-oriented approach employing natural classifications may be the most promising alternative

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[6]For more on measuring response elasticities, see Frank and Massy (1965), Duhammel (1966), Sexton (1974), and Dhalla and Mahatoo (1976).

to a priori racial segmentation. Unfortunately, there are many

product-oriented approaches to choose from, and there is no conclusive

evidence as to which of these is most effective.

## Is Benefit Segmentation the Answer?

### People buy benefits, not products

Theodore Levitt (1974, p. 8) has observed that "people don't buy

products, they buy the expectations of benefits." This quintessential

idea has inspired marketers to pursue a relatively new approach to seg-

mentation which Haley (1968) has labeled "benefit segmentation."

According to Haley:

> . . . The benefits which people are seeking in consuming a given
> product are the basic reasons for the existence of true market
> segments. Experience with this approach has shown that benefits
> sought by consumers determine their behavior much more accurately
> than do demographic characteristics or volume of consumption
> (p. 31).

Therefore, he recommends that marketers seek to identify segments of

potential customers who attach similar degrees of importance to the

various benefits currently being offered--or perhaps desired but not

offered--by competing products and brands. However, noting that "most

people would like as many benefits as possible," Haley stresses that:

> . . . It is the total configuration of the benefits sought which
> differentiates one segment from another, rather than the fact that
> one segment is seeking one particular benefit and another a quite
> different benefit. Individual benefits are likely to have appeal
> for several segments. . . . However, the relative importance they
> attach to individual benefits can differ importantly and, accord-
> ingly, can be used as an effective lever in segmenting markets
> (p. 32).

Haley believes that the people-oriented variables typically

used to segment markets are descriptive factors rather than causal

factors. As such they are most useful after segments have been

identified, when each segment should be "contrasted with all of the other segments in terms of its demography, its volume of consumption, its brand perceptions, its media habits, its personality and life-style, and so forth" (p. 31).

Support for this view comes from Wells (1973) who suggests that the kinds of data marketers obtain from consumers may be thought of as forming a continuum ranging from demographic characteristics and personality traits at one end to purchasing decisions at the other end. As illustrated in Figure III-1, this continuum implies that predictions become more accurate as researchers acquire data that is both temporally and psychologically closer to the actual purchasing decision and less accurate when only descriptive data are obtained. Thus, one should be able to predict purchases more accurately from purchase intentions than from product and brand preferences, more accurately from preferences than from benefit evaluations, and so forth.

But as Wells has noted, "this greater predictive accuracy is purchased at the cost of descriptive value" (p. 463). While some measure of consumer intentions and preferences is useful, decision makers also need to know who has certain purchase intentions and preferences and why. When one drops back along the continuum to product benefits, the data tend to become more useful from a strategy planning viewpoint because of the obvious implication that a consumer's purchases, intentions, and preferences are causally related to the benefits he or she may be seeking. Of course, predictive accuracy decreases because there are a large number of intervening variables which can affect the consumer's actual purchasing decision; including budgetary or shopping constraints, conflicting or ambiguous promotional messages, changing

| Demographics and Personality Traits | Activities, Interests, and Opinions | Evaluation of Product Benefits | Product and Brand Preferences | Purchase Intentions | Actual Purchase Decisions |
|---|---|---|---|---|---|

Low ◄———— Accuracy of Prediction ————► High
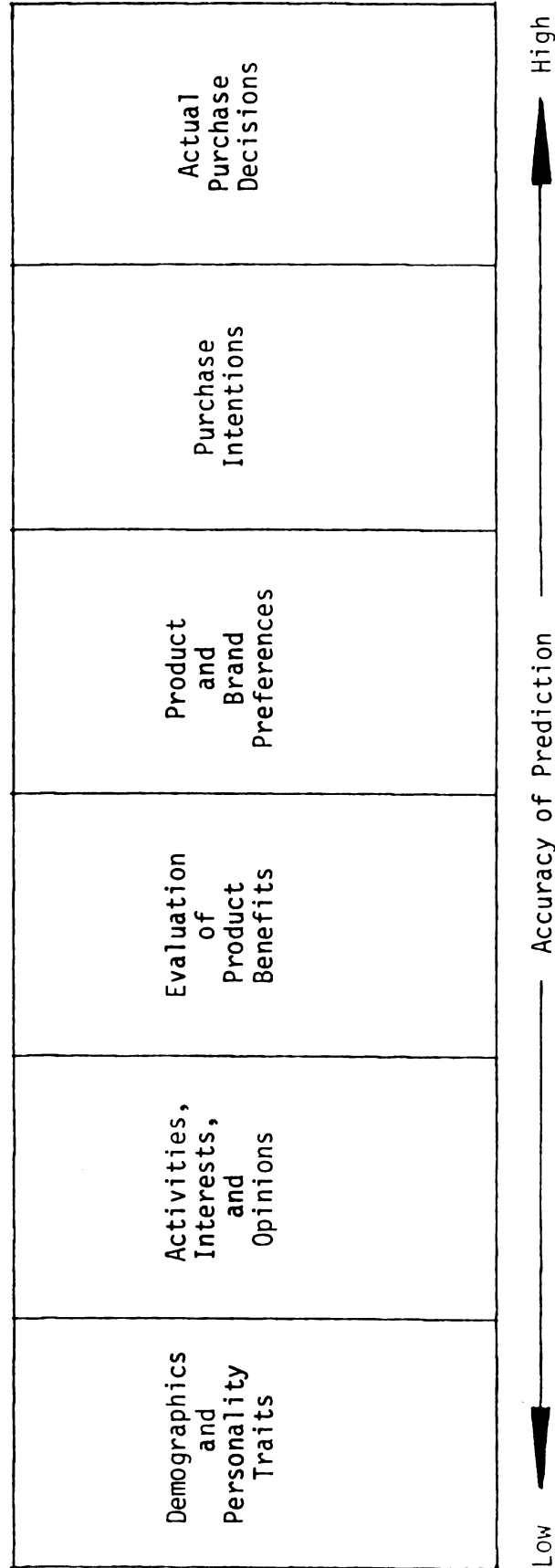
FIGURE III-1.  A CONTINUUM OF CONSUMER CHARACTERISTICS

SOURCE:  Adapted from William D. Wells, "Seven Questions about Lifestyle and Psychographics," in Marketing Education and the Real World and Dynamic Marketing in a Changing World, ed. Boris W. Becker and Helmut Becker (Chicago:  American Marketing Association, 1973), p. 463.

buying scenario, and so forth. Also, benefit evaluations alone may not be enough to develop an effective strategy. Obviously, the better the marketing planner knows his market, the greater his chances of developing an effective marketing mix. Therefore, he should try to obtain a detailed portrait of his target customers, including their attitudes, interests, and opinions (life-style data) as well as their demographic characteristics and personality traits.

The notion of segmenting markets on the basis of the benefits people are seeking is not only intuitively appealing, but also there is some evidence that this approach actually works in practice. For example, in a study that was discussed earlier in this section, Wilkie (1971) found that although differences between segments tended to be suppressed by the apparent absence of segmentation strategies in the product market he studied, his results were "strong enough to provide presumptive evidence that this [benefit segmentation] approach is useful" (p. 181). Moreover, Green, Wind, and Jain (1972) conducted a small scale (N = 120) pilot study of "benefit bundle analysis" which successfully identified groups of consumers with different benefit evaluations. Although they were unable to relate these differences in benefit evaluations to life-style or demographic differences, they nonetheless concluded that benefit segmentation is useful for promotional and product planning (Haley, 1971). Finally, Albeit and Sawyer (1973) applied benefit segmentation to a retail banking market and discovered "market benefit segments which were significantly different in terms of brand share and which were quite meaningful to management in both a descriptive and normative manner" (p. 3). While not overwhelming, these results are encouraging enough to suggest that benefit segmentations merits further research and testing.

## Do blacks and whites seek
## different benefits?

Obviously, the proposition that consumers buy benefits, not products, applied to blacks as well as whites. Therefore, if there is in fact a causal link between benefit expectations and consumption behavior, then knowledge of what benefits blacks are seeking is a necessary prerequisite to unraveling the mysteries of black buying behavior. For example, it may not be enough just to employ black media, but in addition, different product benefits or even whole new products may need to be offered. Perhaps the major reason that marketing strategies aimed at blacks have so often failed is a lack of understanding, or an incorrect notion, about what benefits black consumers are seeking in the marketplace.

A benefit-segmentation approach to segmenting markets consisting of both black and white consumers might shed considerable light on the issue of whether or not a black-consumer market exists. The researcher following this approach need not make any a priori assumptions about racial effects on consumption behavior, but instead can simply analyze the racial composition of the benefit segments his study generates to determine whether markets seem to be segmented according to race. It may be that some segments will be predominantly all-black or all-white, or it may turn out instead that there are groups of black and white consumers who are seeking similar benefit bundles (segments which would be ignored if markets were segmented according to race!). In the latter case, of course, subsequent differences in buying behavior would have to be attributed to factors other than race. That is, if black and white consumers seeking essentially the same benefits buy different products,

it may be due to income differences, differences in store shopping environments, differences in media exposure, and so forth.

## Summary

Synthesizing the existing literature on black consumption behavior, this chapter concluded that there is no convincing evidence that black buying behavior is homogeneous and, in turn, differentiated from that of white consumers. Rather, blacks appear to be quite heterogeneous in their buying behavior, and similarities in black-white consumption patterns often tend to outweigh the differences. Therefore, it cannot be concluded that black consumers comprise a separate and distinct market segment.

The chapter called for a new decision-oriented research perspective for analyzing black consumption behavior, contending that past research has been dominated by behaviorists and has stressed statistical significance rather than predictive efficacy. Although researchers have a long way to go in perfecting the art of market segmentation, benefit segmentation was proposed as a potentially effective alternative to a priori racial segmentation.

CHAPTER IV


RESEARCH FRAMEWORK AND METHODOLOGY


## Statement of the Problem

Given numerous empirical differences in the aggregate consumption patterns of black and white consumers, there has been a tendency to assume a priori that race is a useful, and perhaps key, variable for segmenting markets. However, there is a lack of evidence to show that blacks exhibit similar buying behavior that is, in turn, differentiated from that of other market segments. Moreover, it has yet to be proven that race is an accurate predictor of consumption behavior. In fact, some researchers have hypothesized that so-called black-white consumption differences are not really caused by racial differences but instead by variables which tend to be highly correlated with race, such as income or social class. The combined effect of all these factors is to leave marketing strategy planners confused and uncertain as to whether a separate and distinct black-consumer market really exists and, if so, how to reach it.

## Objectives and Scope of the Study

The main objective of this study is to explore the effectiveness of race as a basis for market segmentation. For purposes of the study, the term "race" refers only to black and white Americans; no other racial groups will be included. Further, because the study will

be concerned with decision-oriented rather than behaviorally oriented segmentation research, the term "effectiveness" is meant to imply both statistical significance and predictive efficacy. In other words, the study will attempt to determine not only whether a statistically significant relationship exists between race and consumption behavior, but also whether the relationship is such that knowledge of race improves one's ability to predict consumption behavior.

It is the author's contention that if a researcher goes out looking for black-white consumption differences, he is indeed likely to find some. In the process, however, his a priori research assumptions about race may cause him to overlook other cross-sectional views of the market which may be more useful for purposes of marketing strategy planning. Accordingly, the aim of this study is not simply to arrive at a "yes" or "no" decision concerning the effectiveness of race as a segmentation variable. Rather, the study will examine the effectiveness of race in comparison with five alternative bases for market segmentation, each of which offers a theoretically plausible alternative explanation for observed differences in consumption patterns between black and white consumers. The five alternative bases for segmentation are as follows:

1. Income
2. Social class
3. Race stratified by social class
4. Race stratified by motivation to strive
5. Benefits sought

Income and social class are perhaps the most frequently proposed alternative explanations of so-called black-white consumption differences. Income is defined here to mean total annual household income. A consensus definition of social class is clearly lacking in

the literature. As used here, "social classes are relatively permanent, substantial, homogeneous divisions in society with similar values, interests, life styles, and behavior patterns" (Frank, Massy, and Wind, 1972, p. 44).

The next two bases for segmentation, race stratified by social class and race stratified by motivation to strive, are not in the true sense alternatives to racial segmentation, but rather seek to refine this approach by taking into account the heterogeneity that exists within each racial group. Some researchers not only believe that variances in consumption behavior are largely caused by social-class differences, but they also contend that researchers should take into account the fact that the black social-class system is based on a different set of criteria than the white social-class system. On the other hand, Bauer, Cunningham, and Wortzel (1965) have suggested that the black and white populations should be subdivided into "striver" and "nonstriver" segments in accordance with their willingness to strive to attain middle-class values and the goods which are symbolic of those values.

The final basis for segmentation, benefits sought, assumes that "the benefits which people are seeking in consuming a given product are the basic reasons for the existence of true market segments" (Haley, 1968, p. 31). As used here, the term "benefits" includes any functional, psychological, or social benefit associated with a particular product--as perceived by consumers. Benefit segmentation is a "natural classification" approach which makes no a priori assumptions about the racial composition of the benefit segments to be identified. This approach has not been used before specifically to analyze black-white consumption patterns, and there is little published data available to

indicate whether black and white consumers are seeking similar or different benefits in the marketplace.

## Guiding and General Research Hypotheses

Based on the results of a fairly extensive literature review, the author's guiding research hypothesis is that race is not an effective basis for market segmentation (except perhaps where products are directed toward obvious biological differences between the two races). While aggregate comparisons of consumption patterns between black and white consumers may be useful in terms of behaviorally oriented research, such comparisons are not useful for marketing strategy planning purposes because of the lack of evidence to show that black consumption behavior is homogeneous and consistently differentiated from white consumption behavior.

In light of this guiding hypothesis, the study will attempt to test the following general research hypotheses as stated in their null form:

$H_o1$: Race is not an effective basis for market segmentation.

$H_o2$: Income is not an effective basis for market segmentation.

$H_o3$: Social class is not an effective basis for market segmentation.

$H_o4$: Race stratified by social class is not an effective basis for market segmentation.

$H_o5$: Race stratified by motivation to strive is not an effective basis for market segmentation.

$H_o6$: Benefits sought is not an effective basis for market segmentation.

## Research Design

In designing a study to test the above research hypotheses, several factors had to be considered: (1) the products to be studied; (2) the reformulation of the general research hypotheses into product-specific research hypotheses; (3) the reformulation of specific statistical hypotheses aimed at accumulating sufficient statistical evidence to allow the researcher to either accept or reject his general research hypotheses; (4) sample selection; (5) the method of data collection; (6) the development of a plan for analyzing and evaluating the research data; and (7) the limitations of the study. The remainder of this chapter will discuss these factors in detail.

## Products to Be Studied

Ideally, research of this nature would extend over several product categories and would include convenience and shopping goods, as well as both durables and nondurables. However, due to limited resources and the depth of analysis that decision-oriented research requires, it was deemed necessary to limit this study to one product category. Further, it was decided that the product category to be selected should satisfy the following criteria:

1. The product-market situation should be a highly competitive one in which sellers have vigorously pursued startegies of market segmentation and marketing mix differentiation, thereby providing consumers with an ample variety of products and brands to choose from.

2. The product should be priced high enough to encourage careful deliberation over purchase decisions but not so high as to create a formidable price barrier for low-income consumers.

3. The product should have widespread availability in both low- and high-income areas.

4. The product should have high symbolic importance with respect to perceived middle-class values.

5. As reference-group influence may be important, the product should be socially conspicuous both in the sense that it can be easily seen and identified and in the sense of standing out and being noticed (Bourne, 1967, p. 270).

6. The product should be consumed in large quantities by both races, but should also be one for which substantial consumption differences have been observed between the two races.

Taking the above criteria into consideration, a decision was made to select one of several product categories for which blacks have historically tended to "overspend" relative to whites; namely, clothing, personal-care products, household furnishings, alcoholic beverages, and tobacco. Of these, alcoholic beverages was chosen as the product category which seemed to best satisfy the selection criteria.

As discussed in Chapter II, numerous black-white consumption differences have been observed for alcoholic beverages, starting with the fact that blacks spend proportionately more for alcoholic beverages than whites. Such observations have contributed to many widespread and enduring stereotypes concerning black alcoholic beverage consumption, including the notion that blacks prefer the most prestigious types and brands of alcoholic beverages--with a special fondness for Scotch whiskey. In general, there appears to be a prevailing belief that race is an important segmentation variable for the alcoholic-beverage market and thus that a "black liquor market" does in fact exist. For this reason, alcoholic beverages appear to provide an ideal product-market setting for exploring the effectiveness of race as a basis for market segmentation.

In order to accomplish this objective, the study will focus on product-choice decisions involving the following types of alcoholic beverages:

a) Beer and malt liquor
b) Blended whiskey (American)
c) Bourbon
d) Brandy and cognac
e) Canadian whiskey
f) Cordials and liqueurs

g) Gin
h) Rum
i) Scotch whiskey
j) Vodka
k) Domestic wines
l) Imported wines

In addition, the study will examine brand-choice behavior for two types of alcoholic beverages--beer and malt liquor (relatively low-price beverage) and Scotch whiskey (relatively high-price beverage).

## Research Hypotheses Restated

Taking the products to be studied into consideration, the research hypotheses to be tested in this study can be restated more specifically as follows:

$H_0 1$: Race is not an effective variable for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

$H_0 2$: Income is not an effective variable for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

$H_0 3$: Social class is not an effective variable for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

$H_0 4$: Race stratified by social class is not an effective variable for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

$H_0 5$: Race stratified by motivation to strive is not an effective variable for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

$H_0 6$: Benefits sought is not an effective variable for segmenting the market for (a) alcoholic beverages, (b) beer and malt liquor, and (c) Scotch whiskey.

## Statistical Hypotheses

The above research hypotheses ($H_0$) will be tested indirectly by means of a variety of more specific statistical hypotheses ($h_0$).

Following this approach, no single statistical hypothesis will provide conclusive proof that a particular research hypothesis should be accepted or rejected. Rather, it is the piling of statistical evidence upon statistical evidence that will eventually enable this researcher to accept or reject his general and guiding research hypotheses.

Since identical statistical hypotheses apply to all six alternative bases for market segmentation, each hypothesis will be stated only once below and the symbol "BMS" will be used to represent each basis for market segmentation. Alongside each statistical hypothesis, the reader will find both a brief description of the dependent variable specified in the hypothesis and a letter and number enclosed in parentheses indicating where on the survey instrument (see Appendix D) measurements of the dependent variable were obtained (e.g., A-4 means Part A, question 4, on the questionnaire).

## Alcoholic beverages

| | Statistical Hypothesis | Description of Dependent Variable |
|---|---|---|
| $h_o$1-12: | Whether or not a particular type of alcoholic beverage has been consumed in the home during the past month is independent of and cannot be predicted by the BMS. | Simple "yes" or "no" dichotomy repeated 12 times for 12 different beverage types. (A-2) |
| $h_o$13: | The variety of alcoholic beverages consumed in the home during the past month is indepdnent of and cannot be predicted by the BMS. | "Variety" defined as number of different types either drunk or served. Categories: 0-3, 4-7, 8 or more. (A-2) |
| $h_o$14-23: | Whether or not a particular type of alcoholic beverage is currently on hand in the home is independent of and cannot be predicted by the BMS. | "Yes" or "no" dichotomy repeated 10 times for 10 different beverage types-- wines excluded. (A-3) |

$h_o 24$: The variety of alcoholic beverages currently on hand in the home is independent of and cannot be predicted by the BMS.

"Variety" defined as number of different types currently on hand in home. Categories 0-3, 4-7, 8 or more. (A-3)

$h_o 25-36$: A drinker's attitude toward a particular type of alcoholic beverage is independent of and cannot be predicted by the BMS.

"Attitude" measured using five-point Likert-type scale. Condensed to three-point scale for use in contingency tables to avoid problems with expected cell frequencies. Categories: Like it very much/ like it, can take it or leave it, dislike it/dislike it very much. (A-5)

$h_o 37$: The particular type of alcoholic beverage most likely to be consumed in the home while entertaining friends is independent of and cannot be predicted by the BMS.

Categories: beer or malt liquor; American and Canadian blended whiskey; bourbon; gin, rum, or vodka; Scotch whiskey; brandy, wine, cordials, and liqueurs. (A-3)

## Beer and malt liquor

### Statistical Hypothesis

### Description of Dependent Variable

$h_o 38$: The variety of brands of beer or malt liquor a beer drinker has tried is independent of and cannot be predicted by the BMS.

"Variety: defined as number of brands respondent has tried. Because pretests indicated that beer drinkers tend to try many brands, it was decided to use a highly skewed set of categories" 0-10 brands, 11-13, 14-16. (B-4)

$h_o 39-54$: A beer drinker's attitude toward a particular brand of beer or malt liquor that he has tried is independent of and cannot be predicted by the BMS.

"Attitude" measured using five-point Likert-type scale. Condensed to three-point scale for use in contingency tables. Categories: like it very much/ like it, can take it or leave it, dislike it/dislike it very much. Repeated 16 times for 16 different brands. (B-4)

$h_o55$: The brand of beer or malt liquor bought most often for use in the home is independent of and cannot be predicted by the BMS.

Categories consist of different brands of beer or malt liquor. Analysis restricted to brands specified by at least 5 percent of respondents. (B-5)

$h_o56$: The price range of the brand of beer or malt liquor bought most often for use in the home is independent of and cannot be predicted by the BMS.

Brands specified by respondents categorized according to typical retail prices in Lansing area at time of study. Categories: Super premium priced (over $1.69 for six-pack), premium-priced ($1.39-$1.69), popular-priced ($1.29-$1.38), low-priced (below $1.29). (B-5)

$h_o57$: The degree of brand loyalty among beer drinkers is independent of and cannot be predicted by the BMS.

"Brand loyalty" defined as percentage of time respondent buys most frequently purchased brand for home use. Categories: about 25% of time, 50% of time, 75% of time, 100% of time. (B-5)

## Scotch whiskey

|  Statistical Hypothesis | Description of Dependent Variable |

$h_o58$: The variety of brands of Scotch a Scotch drinker has tried is independent of and cannot be predicted by the BMS.

"Variety" defined as number of brands respondent has tried. Categories: 0-5 brands, 6-10, 11-15. (C-6)

$h_o59$-73: A Scotch drinker's attitude toward a particular brand of Scotch that he has tried is independent of and cannot be predicted by the BMS.

"Attitude" measured using five-point Likert-type scale. Condensed to three-point scale for use in contingency tables. Categories: like it very much/ like it, can take it or leave it, dislike it/dislike it very much. Repeated 15 times for 15 different brands. (C-6)

$h_o74$:  The brand of Scotch bought most often for use in the home is independent of and cannot be predicted by the BMS.

Categories consist of different brands of Scotch. Analysis restricted to brands specified by at least 5 percent of respondents. (C-7)

$h_o75$:  The price range of the brand of Scotch bought most often for use in the home is independent of and cannot be predicted by the BMS.

Brands specified by respondents categorized according to mandatory liquor prices in Michigan at time of study. Categories: low-priced ($4.98-$5.43), medium-priced ($7.06-$7.49), high-priced (over $10). (C-7)

$h_o76$:  The degree of brand loyalty among Scotch drinkers is independent of and cannot be predicted by the BMS.

"Brand loyalty" defined as percentage of time respondent buys most frequently purchased brand for home use. Categories: about 25% of time, 50% of time, 75% of time, 100% of time. (C-7)

## Sample Selection

The problem of sample selection is very much related to the researcher's objectives and how the data are to be used. This study is exploratory in nature and will seek neither to generalize about black consumption behavior nor to estimate black-white consumption rates for alcoholic beverages. Therefore, obtaining representative samples of any particular universe was judged to be less critical than obtaining comparable samples of blacks and whites from at least two widely divergent social strata. More specifically, the study calls for contrasting subsamples of black and white subjects who can be generally categorized as "affluent" and "disadvantaged," as measured in terms of differences in income, education, occupation, home ownership, and place of residence. Presumably, such differences would tend to

reflect different values, attitudes, interests, life styles, behavior patterns, and, to some extent, shopping environments.

The difficulty of obtaining such a sample at affordable cost in Lansing, Michigan (or almost anywhere else) should be readily apparent given the previous discussion in Chapter III concerning the problems of sampling minority consumers. While disadvantaged blacks tend to cluster together by neighborhood, affluent blacks represent a relatively small percentage of the total population and tend to more diffused geographically. Therefore, even a very large sampling of middle-income neighborhoods would not guarantee a sufficient number of affluent black respondents.

For the above-stated reasons, the author elected to employ a convenience sample of black and white faculty members and administrators from Michigan State University to serve as the "affluent" subsample for the study. A directory compiled by the College of Urban Affairs indicated that there were 75 black faculty members and administrators at MSU at the time of the study (summer 1973), all of whom were included in the survey.[1] In addition, 150 white faculty members and administrators were randomly selected from the MSU faculty and staff directory. The decision to select more white faculty than black was made to match the estimated racial composition of the disadvantaged subsample as well as to increase the overall sample size.

Residents of Lansing's Model Cities area were selected to serve as the "disadvantaged" subsample for the study. The Model Cities area

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[1]The actual number of black faculty members was higher than 75. There were several instances in which both husband and wife were employed by the University but were counted as only one respondent household.

consists of 15 well-defined neighborhoods, most of which are located at or near the core of the city where "quality of life" is considered poor and deteriorating in relation to the rest of Lansing and its surrounding suburbs. Residents of this area constitute about 20 percent of the city's population and are generally considered to be socially and economically disadvantaged.

Unfortunately, while the Model Cities residents seemed ideally suited for the study, a number of special problems were anticipated in attempting to conduct a survey among them. As researchers such as Sternleib (1968), Fein (1970-71), and Shosteck (1971) have all commented, it is often nearly impossible to obtain accurate and up-to-date household listings in low-income neighborhoods due to transiency, vacancies, legal and illegal multiple-family dwellings, urban renewal, and so forth. Further, there is often a high rejection rate with personal interviews because of fear of crime, suspicion of strangers, resentment toward "snooping" researchers, and a general lack of understanding and appreciation for the value of survey research. Also, there is often a high, and possibly biasing, callback rate because of a greater tendency for both husband and wife to be employed.

As a former staff member of the Lansin Model Cities Agency, the author was well aware that such problems were all too real in the frequently surveyed Model Cities area and that other researchers had experienced substantial difficulties attempting to conduct surveys among the area's residents. Therefore, given limited resources and the fact that representativeness and high precision were not deemed critical to the study, the author decided not to attempt a probability sample but rather to survey a group of 210 Model Cities residents who had either

been elected or appointed to serve on various Model Cities citizen committees between 1971 and 1973.[2] These residents represented all 15 Model Cities neighborhoods and at least one-third of them were estimated to be black. While this group could not be assumed to be representative of other residents of the area, there was little reason to suspect that their demographic characteristics or consumption patterns would be much different. More importantly, it was felt that this group would be much more willing to participate in the study and that this factor would result in higher quality data. In addition, the names, addresses, and phone numbers of these residents were known and, if necessary, community organizers from the Model Cities Agency could be called upon to help solicit their cooperation.

Obviously, the use of convenience samples in this study eliminates any opportunity to generalize about the findings. Any statistical inferences must be limited to the two very select populations being studied. Nevertheless, viewed in their proper perspective, the data might still have considerable utility for decision-oriented segmentation researchers. For example, large empirical variations in consumption behavior between the "affluent" and "disadvantaged" blacks would give researchers additional cause to investigate the possibility that there is not just one black-consumer market but several. On the other hand, the discovery of different subsets of black and white consumers exhibiting similar needs and buying behavior would seem to cast even more doubt on the effectiveness of race as a segmentation variable.

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[2]Committee members were paid $5 for each meeting they attended, which appeared to be the primary motivating factor for many of them.

Data Collection

## Planning

The long list of statistical hypotheses to be tested in this study made it necessary to obtain a rather extensive array of data from the sample respondents. Table IV-1 summarizes the various types of data which were considered necessary to accomplish the objectives of this study and, at the same time, to provide a somewhat broader data base for subsequent follow-up studies. It was anticipated that considerable difficulty might be experienced in attempting to collect such data due to the nature of the subsamples to be studied. Of prime concern were differences among subjects in terms of their motivation and ability to partipate in the study. It was assumed that faculty members and adminstrators would be willing to participate in an academic research project, and that they would have little difficulty completing a self-administered mail questionnaire. On the other hand, there was every reason to believe that the Model Cities residents would be quite reluctant to participate, and there was considerable doubt as to their ability to deal with a mail questionnaire.

Dealing first with the problem of motivation, researchers such as Fein (1970-71) and Shosteck (1971) have stressed the critical importance of offering inner-city respondents some nominal remuneration for their participation. This not only helps overcome their resistance about participation, but it also assures tham that their participation is meaingful and valuable. Unfortunately, there is little indication in the literature as to how much each respondent should be paid. Arbitrarily, it was decided to pay each Model Cities respondent $2 for his or her participation. At the same time, it was decided <u>not</u> to

TABLE IV-1. SUMMARY OF TYPES OF DATA COLLECTED FOR STUDY

GENERAL CHARACTERISTICS:
  Demographics:
    Sex
    Age
    Race
    Highest level of schooling
    Marital status
    Occupation
    Annual household income
    Home ownership
  Media habits:
    Television viewing time
    Radio listening time
    Newspaper readership
    Magazine readership
  Striver-related AID items

ALCOHOLIC BEVERAGES:
  Types of beverages
    consumed in home
  Types and brands now
    in home
  Consumption rate
  Attitudes toward beverage
    types
  Benefits sought in choosing
    beverage types
  Beverage-related AID items
  Favorite beverage for
    home entertaining

BEER AND MALT LIQUOR:
  Frequency of purhcase
  Consumption rate
  Attitude toward various brands
  Variety of brands tried
  Brand purchased most often
  Price range of brand purchased
    most often
  Degree of brand loyalty
  Benefits sought in choosing
    brands
  Product-related AID items

SCOTCH WHISKEY:
  Frequency of purchase
  Size most often purchased
  Consumption rate
  Attitude toward various brands
  Variety of brands tried
  Brand purchased most often
  Price range of brand
    purchased most often
  Degree of brand loyalty
  Benefits sought in
    choosing brand
  Product-related AID items

compensate MSU faculty members and administrators for their participation, despite the possibility that this might somehow bias the results. This decision was based on two factors: first, the belief that such compensation would not be necessary to elicit their cooperation, and second, fear that such an offer might be misinterpreted as "commercialism" and create an adverse reaction to the study.

A closely related problem involved the method of data collection. Since the planned survey instrument was certain to be too long and complicated for telephone interviews, the choice narrowed down to using either a mail questionnaire or conducting personal interviews. Here again, some conflicts arose concerning the two different subsamples. It was assumed that MSU faculty members and administrators would prefer the anonymity and convenience of a mail questionnaire. But while this subsample has considerable experience and familiarity with answering such questionnaires, there was considerable doubt whether the Model Cities residents would be willing and able to answer them. Therefore, a small pretest was conducted to assess the feasibility of using a mail questionnaire. A six-page questionnaire was drawn up and mailed to ten randomly selected MSU faculty members and also to ten Model Cities residents who were promised $2 each for completing and returning the questionnaire. Not surprisingly, seven properly completed questionnaires were returned by the MSU faculty members, while only four partially completed forms were received from the Model Cities residents.

Based on the results of the pretest, it was concluded that personal interviews would be essential for surveying the "disadvantaged" subsample. However, because of budget constraints, it was also decided that mail questionnaires would be used to survey the "affluent

subsample. Even though this posed a risk of biasing the results, the author strongly believed that, given the sensitive issue of alcoholic beverage consumption, MSU faculty members and administrators would be more likely to respond favorably to an anonymous mail questionnaire than to personal interviews.

Also as a result of the pretest, minor changes were made in the mail questionnaire and a comparable questionnaire was prepared for use by the personal interviewers. Five test interviews were conducted by the author. Depending on which types of beverages were consumed by the respondent household, the interviews took up to thirty minutes to complete. This was considered marginally acceptable, given the $2 remuneration.

## Implementation

### Mail questionnaires

Along with a cover letter and a stamped reply envelope, copies of the six-page mail questionnaire (see Appendix D) were mailed on August 7, 1973 to all 75 black faculty members and administrators and to 150 randomly selected white faculty members and administrators. The cover letter instructed respondents that:

> The questionnaire should be filled out by the person in your household who usually decides which brands of alcoholic beverages to buy—in particular, which brands of beer or Scotch whiskey to buy, if these beverages are consumed in your home.

To assure respondents of anonymity, the questionnaire was not keyed in any way. Instead, a separate prepaid postcard was enclosed to allow the respondents to notify the researcher that they had returned the completed questionnaire in its separate envelope.

Five days after the questionnaires were mailed, a reminder

postcard was sent to all respondents. Three weeks after the first
mailing, a follow-up letter and another copy of the questionnaire were
mailed to those respondents who had not yet returned a questionnaire
(about 50 percent of the subsample). Initially, five weeks were to be
allowed for the return of all questionnaires. However, the question-
naires were unavoidably sent out at the height of the vacation season
and returns were relatively slow. Therefore, in hopes of obtaining a
higher response rate, the deadline for returns was extended two weeks
to coincide with the start of the fall quarter at Michigan State Univer-
sity.

Personal interviews

A private firm was contracted to conduct personal interviews
at a total cost of $5 per interview. Five trained and supervised inter-
viewers were briefed concerning the objectives of the study and received
detailed instructions on the use of the questionnaires, which were color-
coded to allow them to move quickly from one part of the questionnaire
to another (see Appendix E). Each interviewer was assigned to three of
the fifteen Model Cities neighborhoods and given a specific list of
respondents to contact. Black interviewers were assigned to neighbor-
hoods known to be predominantly black. In addition to questionnaires,
each interviewer was supplied with a letter of introduction, response
cards for questions requiring scaled responses, and funds to pay each
respondent $2 for his or her participation. The interviews began on
August 10 and were completed by August 25.

The interviewers were instructed to interview the person in
each household who decides which brands of alcoholic beverages to buy.

Because sample size and composition were considered more important than representativeness, the interviewers were permitted to interview the family currently occupying a particular household in the event that the assigned respondent had moved. Also, if after two callbacks they were still unable to contact an assigned respondent, they were then instructed to substitute the family living directly to the left or the right of the assigned address (the direction was determined randomly by the interviewers' supervisor).

As a check on the interviewers' performance, the research contacted 10 percent of the persons interviewed at random either by phone or mail. Each was asked if he received his $2 remuneration and to verify his answer to, alternately, question B-4 or C-6 on the questionnaire. No serious discrepancies were encountered.

## Response rates

Response rates for the mail survey are shown in Table IV-2. While the overall response rate was almost remarkable considering the timing of the survey, a lower response rate occurred among the black faculty members and administrators. One possible reason for this, according to the MSU Office of Institutional Research, is that minority groups on campus are being unduly used for studies to the point where some individuals feel victimized and refuse to cooperate. One black professor who declined to participate in this study expressed a belief that the confidentiality of his answers had been violated in other campus studies (although there was no way this researcher could have identified his questionnaire had he participated).

Response rates for the personal interviews are shown in

TABLE IV-2.   RESPONSE RATE FOR MAIL QUESTIONNAIRES

|  | MSU Faculty Members and Administrators | | |
|---|---|---|---|
|  | Black | White | Total |
| Questionnaires mailed | 75 | 150 | 225 |
| Returned nondeliverable | 4 | 7 | 11 |
| Total deliverable | 71 | 143 | 214 |
| Questionnaires returned: | | | |
| Drinkers | 40 | 92 | 132 |
| Nondrinkers | 7 | 12 | 19 |
| Nonusable | 2 | 11 | 13 |
| Total | 49 | 115 | 164 |
| Response rate | 69.0% | 80.4% | 76.6% |

Table IV-3.   Usable results (including nondrinkers) were obtained from 83 percent of the eligible households.  This appears fairly high for a study conducted in the inner city and no doubt reflects both the attractiveness of the $2 remuneration and the persistence of the professional interviewers.

Excluding nondrinkers, the mail survey and personal interviews generated a combined sample of 276 respondents, of which about 37 percent were black and about 52 percent were "disadvantaged."  The demographic characteristics of the two subsamples are shown in Table IV-4, broken down by race.  Blacks and whites within each subsample were about as well matched as one could realistically expect them to be, and differences between the two subsamples in terms of education, income, and occupation were generally predictable.

One possible cause for concern was the relatively high percentage of black females among the Model Cities subsample.  While it is not

TABLE IV-3.  RESPONSE RATE FOR PERSONAL INTERVIEWS

| | | |
|---|---|---|
| Number of households selected | 210 | |
| Less ineligible households (vacancies, house torn down, other race) | 8 | |
| Total eligible households | 202 | |
| | | |
| Of eligible households: | | |
| Black drinkers interviewed | 62 | 30.2% |
| White drinkers interviewed | 83 | 41.1 |
| Nondrinkers | 24 | 11.9 |
| Refusals, no answer | 34 | 16.8 |
| Total | 202 | 100.0% |

TABLE IV-4. DEMOGRAPHIC CHARACTERISTICS OF SUBSAMPLES BY RACE (in percentages)

| Characteristic | Model Cities Resident | | MSU Faculty | |
| --- | --- | --- | --- | --- |
| | Black (N=61) | White (N=83) | Black (N=40) | White (N=92) |
| Sex: | | | | |
| Male | 59% | 83% | 82% | 82% |
| Female | 41 | 17 | 18 | 18 |
| Age: | | | | |
| 18 to 24 | 22 | 28 | -- | 2 |
| 25 to 34 | 21 | 24 | 53 | 28 |
| 35 to 49 | 39 | 16 | 40 | 41 |
| 50 to 64 | 11 | 28 | 5 | 25 |
| 65 or over | 7 | 5 | 2 | 3 |
| Highest level of schooling: | | | | |
| Grade school | 15 | 9 | -- | -- |
| Some high school | 28 | 18 | -- | -- |
| High school graduate | 34 | 34 | 1 | 1 |
| Some college | 23 | 26 | 3 | 5 |
| College graduate | -- | 6 | 13 | 14 |
| Advanced college degree | -- | 7 | 83 | 79 |
| Marital status: | | | | |
| Single | 20 | 19 | 8 | 12 |
| Married | 49 | 70 | 78 | 82 |
| Widowed | 8 | 4 | 2 | 1 |
| Divorced or separated | 23 | 7 | 12 | 5 |
| If married, spouse employed: | | | | |
| Yes | 41 | 31 | 61 | 55 |
| No | 59 | 69 | 39 | 45 |

TABLE IV-4 (cont'd)

| Characteristic | Model Cities Resident | | MSU Faculty | |
|---|---|---|---|---|
| | Black (N=61) | White (N=83) | Black (N=40) | White (N=92) |
| Respondent's occupation: | | | | |
| Unemployed (inc. housewives, students, and retirees) . | 33% | 22% | 10% | 7% |
| Professional, technical, and kindred . . . . . . . . | 3 | 5 | 88 | 93 |
| Managers, officials, proprietors . . . . . . . . . | 3 | 10 | -- | -- |
| Clerical, sales, and kindred . . . . . . . . . . . | 11 | 14 | 2 | -- |
| Craftsmen, foremen, and kindred . . . . . . . . . | 15 | 25 | -- | -- |
| Operatives/service workers . . . . . . . . . . . | 28 | 16 | -- | -- |
| Laborers . . . . . . . . . . . . . . . . . . . | 6 | 7 | -- | -- |
| Total annual family income: | | | | |
| Under $5,000 . . . . . . . . . . . . . . . . . | 34 | 19 | -- | -- |
| $5,000-$7,999 . . . . . . . . . . . . . . . . . | 16 | 10 | -- | -- |
| $8,000-$9,999 . . . . . . . . . . . . . . . . . | 16 | 20 | 2 | 3 |
| $10,000-$14,999 . . . . . . . . . . . . . . . . | 16 | 33 | 18 | 14 |
| $15,000-$24,999 . . . . . . . . . . . . . . . . | 10 | 10 | 45 | 41 |
| $25,000 or over . . . . . . . . . . . . . . . . | -- | 2 | 35 | 41 |
| Refused answer . . . . . . . . . . . . . . . . | 7 | 6 | -- | -- |
| Own or rent home: | | | | |
| Own . . . . . . . . . . . . . . . . . . . . . | 49 | 63 | 52 | 75 |
| Rent . . . . . . . . . . . . . . . . . . . . . | 51 | 37 | 48 | 25 |

unusual to find a large percentage of low-income black households headed by women, this finding could have a definite effect on the outcomes of this study because women are generally thought to have different alcoholic beverage preferences than men. This problem could have been avoided by restricting the respondents to men, but then one might not get an accurate composite of the market. Many women do buy alcoholic beverages, even in households with male heads. Further, restricting the sample to men would have resulted in a smaller sample size, particularly among lower-income blacks.

## Plan of Analysis

The plan of analysis to be followed is summarized in Figure IV-1. Essentially, the same data base will be used to segment the market six alternative ways for each of the three product categories-- alcoholic beverages, beer and malt liquor, and Scotch whiskey. Then the alternative sets of segments will be tested, evaluated, and compared. The details of how this will be done are spelled out below.

### Forming segments

#### Race

Forming segments a priori according to race simply means classifying respondents as black or white (other races being excluded).

#### Income

Respondents will be classified a priori according to their total annual household income, as reported on the questionnaire. Although six income categories were listed on the questionnaire, the two categories with the smallest observed frequencies ($5,000 to $7,999

Step 1: Use common data base to segment alcoholic beverage market on the basis of (a) race, (b) income, (c) social class, (d) race stratified by social class, (e) race stratified by motivation to strive, and (f) benefits sought.

Step 2: Examine each set of segments for evidence of systematic within-group similarity and between-group differences in consumption behavior. More specifically, test statistical hypotheses 1-37 for each of the six bases for market segmentation using (a) the Chi-square test of independence of classification and (b) Goodman and Kruskal's lambda ($\lambda_B$) statistic.

Step 3: Evaluate the effectiveness of each of the six bases for market segmentation, using the cumulative results of the statistical hypothesis tests performed in step 2 to either accept or reject research hypotheses 1-6.

Step 4: Compare and contrast the results for each of the six bases for market segmentation to determine how effectively race performed in comparison with the other alternatives.

Step 5: Repeat steps 1-4 for (a) beer and malt liquor (statistical hypotheses 38-57) and for (b) Scotch whiskey (statistical hypotheses 58-76).

FIGURE IV-1. SUMMARY OF PLAN OF ANALYSIS

and $8,000-$9,999) were combined to minimize the possibility of contingency tables with low expected cell frequencies. Therefore, the following five categories will be used for segmentation purposes:

Under $5,000
$5,000-$9,999
$10,000-$14,999
$15,000-$24,999
$25,000 or over

Social class

Although social class is a heavily-used concept, it is also one for which a precise, consensus definition is conspicuously lacking. Difficulties in operationalizing the concept are compounded by widespread disagreement as to how many social classes exist, whether the same class system exists in all American subcultures, how these classes can be measured, and whether social-class measurements represent nominal or ordinal data. Researchers such as Warner (1949), Hollingshead (1958), and Carman (1965) have generally attempted to measure social class indirectly by constructing indices made up of a weighted combination of proxy variables such as occupation, income, education, home ownership, and dwelling area.

Given the unsettled theoretical dispute concerning social class and the exploratory nature of this study, it was decided that a complex index of social class would not be necessary. Rather, it appeared that the two subsamples selected for the study could be viewed as two fairly distinct social classes in terms of contrasting values, beliefs, attitudes, interests, life styles, and behavior patterns. Furthermore, the two subsamples clearly differ in terms of the proxy variables that are typically used to measure social class. Of course, neither

subsample is completely homogeneous, and there is some degree of overlap between them. It could also be argued that more than two social classes are represented in the combined sample. However, for purposes of this study, it does not seem too unreasonable to view the two sub-samples as representing two widely divergent social classes. Because labeling the two groups as "lower-class" or "middle-class" might suggest the use of some specific measurement index, the subsample consisting of MSU faculty members and administrators will simply be referred to as the "affluent class," while the subsample consisting of Model Cities residents will be referred to as the "disadvantaged class."

## Race stratified
## by social class

Some researchers believe that America's black population has its own unique social structure and, therefore, that the same set of social classes cannot be used to classify both blacks and whites. For this reason, the author decided to test a segmentation scheme which is not based on either race or social class alone, but rather on race strati-fied by social class. Operationally, this means dividing up our over-all sample into four segments: the "disadvantaged black class," the "disadvantaged white class," the "affluent black class," and the "afflu-ent white class." Here, it will be assumed that each of the four seg-ments differs from the others in terms of values, beliefs, attitudes, interests, life styles, and behavior patterns.

Race and motivation
to strive

In attempting to segment the black and white populations into
"striver" and "nonstriver" segments, Bauer and Cunningham (1970a) con-
structed a "striver index" based on four goal-oriented questions.
Answers to these questions were scored, and those respondents who
scored above the median were labeled "strivers," while those who scored
below the median were labeled "nonstrivers." Each group was further
subdivided by race. This approach was obviously quite arbitrary. For
one thing, it is not at all clear why Bauer and Cunningham assumed that
the population is evenly divided in terms of strivers and nonstrivers.
In addition, one might question whether a four-question index provides
an adequate measure of striving behavior.

Even though this researcher had strong reservations about
Bauer and Cunningham's "striver index," it seemed desirable for pur-
poses of comparison to attempt to replicate their operationalization of
the striver-nonstriver dichotomy. Therefore, the same four-question
index was adopted, although the questions were rephrased somewhat, as
shown below, to allow for uniform "yes," "no," or "not sure" responses.
(Pretests indicated that the Model Cities residents were most comfort-
able answering these questions in this manner, although the faculty
members clearly would have preferred at least a five-point Lickert-type
scale or, better yet, open-ended response.)

(a) Would you say that you tend to live from day to day, rather
than trying to plan ahead all the time?

(b) Should children be encouraged to try to overcome all obstacles
that get in their way, rather than to be "easy going" and
accept things as they are?

(c) Do you believe that it's better to spend your money today and
enjoy it, instead of trying to save for the future?

(d) Do you agree that the best way to improve conditions around Lansing is for people to get together to help themselves, instead of relying so much on the government?

It is assumed that strivers will answer "no" to questions a and c and "yes" to questions b and d, while nonstrivers will do just the opposite. Points will be awarded to each response as follows: striving answer, 3 points; not sure, 2 points; nonstriving answer, 1 point. Thus, a perfect cumulative score for a striver would be 12 points, while a perfect nonstriver score would be 4 points. Following Bauer and Cunningham's approach, this index will be used to construct a distribution of scores for all respondents. The scores above the median score will be labeled "strivers," while those with scores below the median will be labeled "nonstrivers." Each of these segments will then be subdivided according to race.

Benefits sought

Although there is no one universally accepted procedure for performing benefit segmentation, the approach generally followed is to ask a sample of consumers to evaluate the relative importance of various potential benefits and then to identify groups of consumers with similar benefit-importance profiles. Here, the researcher assumes (perhaps rather heroically) that consumers are _willing_ and _able_ to reveal what benefits they are seeking in consuming a particular product.

_Measuring benefit importance_. For purposes of this study, "benefits" were defined to include any customer-perceived functional, psychological, or social attributes associated with the consumption of alcoholic beverages in general, and with beer and Scotch whiskey in particular. "Benefit importance" was defined as the degree to which a

potential benefit is perceived as desirable by consumers and actually

affects their product- or brand-choice decisions.[3]

To determine which specific benefits to include in the study,

the author conducted a series of investigations including:

(a) review of product attributes included in prior published studies involving alcoholic beverages

(b) a content analysis of alcoholic beverage advertisements in black- and white-oriented magazines

(c) informal interviews with black and white consumers of alcoholic beverages

The results of these investigations were anything but easy to synthesize

and interpret. Nevertheless, certain patterns did emerge and a list of

potential benefits sought was prepared for each product category. These

are shown in Table IV-5.

Having determined which benefits would be included in the study,

the next issue to be decided was how to measure the relative importance

of these benefits for each respondent. Benefit importance can be

measured in several ways, including dichotomous responses (e.g., impor-

tant/not important), rating scales, forced rankings, paired comparisons,

constant-sum scales, and conjoint measurement.[4] Each of these methods

has its own particular advantages and disadvantages. However, there is

some evidence to indicate that they all tend to generate similar overall

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[3]There has been some debate in the literature as to whether benefit importance implies "salience" or "determinism" A salient benefit might be defined as one which is perceived to be desirable, while a determinant benefit is one which influences brand preference or the actual purchasing decision. In the author's opinion, benefit importance should imply both salience and determinism. For more on this topic, see Myers and Alpert (1968).

[4]For a more detailed discussion of these measurement techniques, see Hughes (1971); Green and Tull (1975); Schendel, Wilkie, and McCann (1971).

TABLE IV-5. POTENTIAL BENEFITS SOUGHT BY PRODUCT CATEGORY

| Alcoholic Beverages | Beer and Malt Liquor | Scotch Whiskey |
|---|---|---|
| Goes well with snack foods | Popular brand among my friends | Attractive bottle or package |
| Tastes slightly sweet | Tastes slightly sweet | Choice of sophisticated Scotch drinkers |
| Strong, high in alcoholic content | Attractive bottle or can | Extra aging |
| Bright, bubbly, sparking beverage | Brewed slow and natural with extra aging | Tastes smooth, light, and mellow |
| Popular beverage among your friends | Light golden color and creamy head | Makes really delicious mixed drinks |
| Makes really delicious mixed drinks | Made from only the finest ingredients | Prestigious brand |
| Fairly low in calories | Priced lower than other brands | Strong, 86 proof instead of 80 proof |
| Leaves no unpleasant after-taste | Smooth, light, full-bodied flavor | Light golden color |
| Prestigious beverage | Choice of real beer drinkers | Tradition of premium quality |
| Tastes smooth, light, and mellow | Imported from Europe | Popular brand among my friends |
| Relaxing, refreshing beverage | Interesting radio and television commercials | Priced about $2.50 lower for a fifth |
| Unique and pleasant aroma | Well-known, reliable brand | Dark, smokey color |
| Satisfies or quenches your thirst | Tastes rich, thick, and malty | Interesting advertisements |
| Inexpensive, doesn't cost too much | Tradition of premium quality | Tastes rich, heavy, and full-flavored |
| Light, not too filling | Strong, a little higher in alcoholic content | Well-known, reliable brand |
| Choice of sophisticated drinkers | Prestigious brand | |
| Mild, low in alcoholic content | Tastes slightly sour or bitter | |
| Tastes dry and slightly sour or bitter | Not too filling, you can have more than one | |
| | Dark, rich color | |
| | Bright, bubbly, and refreshing | |

rankings of benefit importance (Schendel, Wilkie, and McCann, 1971; Wilson, 1976).

After considering the various trade-offs among the various methods of measuring benefit importance, it was decided that <u>rating scales</u> would be the most suitable method for use in this study. Rating scales are easily understood, are adaptable to both self-administered mail questionnaires and personal interviews, measure different degrees of importance, and can be used to obtain interval-level data if necessary. They also allow for relatively fast responses, which is an important factor given the large number of benefits to be evaluated in this study. The principal drawback of rating scales is that they do not require respondents to make direct trade-offs between different potential benefits. However, it could be argued that when a respondent sees a list of benefits to be evaluated in terms of importance, he implicitly compares the relative importance of the various benefits as he rates each one.

It was also decided that the following five-point scale would be used to rate the importance of each possible benefit:

Extremely important (5 points)
Very important (4 points)
Fairly important (3 points)
Slightly important (2 points)
Not at all important (1 points)

Using more categories might confuse or overburden the respondents, while using fewer categories would provide less information concerning degree of benefit importance.

<u>Forming benefit segments.</u> The customary approach to forming benefit segments is to apply a "cluster-analysis" algorithm to a non-partitioned data matrix consisting of n-dimensional benefit-importance

scores for each respondent. Cluster analysis is a numerical taxonomic procedure for classifying subjects (or objects) on the basis of natural patterns of corresponding multivariate characteristics.[5] The basic objective of cluster analysis is to aggregate individual subjects into subsets called "clusters" in such a way that each subject's pattern over the entire set of characteristics is more similar to the patterns of other subjects in his cluster than to the patterns of subjects in other clusters. Clustering procedures can be viewed as "natural-classification" techniques in the sense that the researcher has not used prior information or assumptions to classify the subjects (except that he must, of course, decide which set of characteristics will be used to group subjects). On the other hand, the researcher is assuming that subjects are partially heterogeneous and therefore can be assigned to an unordered set of discrete classes.

There are a large variety of computerized clustering algorithms in existence. Depending on how well-structured the data are to begin with, each algorithm is likely to generate somewhat different results. For this study, the author elected to use the ISODATA (Iterative Self-Organizing Data Analysis Techniqua A) clustering algorithm developed at the Stanford Research Institute (Ball and Hall, 1964 and 1965; Neiberding and Price, 1973). ISODATA is an iterative technique which uses a Euclidean distance measure to group subjects with similar patterns of characteristics (subjects who are far distant from the main mass of subjects are ignored). The program's capacity to compare a large

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[5]For a general discussion of the applications of cluster analysis in marketing research, see Green and Tull (1975, pp. 562-98).

number of characteristics is limited only by the amount of computer core memory made available to it.

Essentially, ISODATA generates an initial set of cluster centers by analyzing a randomly selected subset of subject-characteristic patterns and then examines other patterns to determine how close they lie to the initial cluster centers. When the initial cluster centers are inadequate for describing all of the patterns found in the data, two types of iterations are performed to improve the goodness-of-fit. The main iteration computes a new number of cluster centers by splitting and lumping the initial clusters. Meanwhile, several inner loops are performed within each main iteration to find the best fit of the subjects to the number of clusters found in the main iteration. The iterative process terminates when the cluster centers remains the same for two consecutive iterations, indicating than an optimal grouping of subjects has been achieved within the operating parameters specified by the analyst.

There are three key operating parameters that must be specified when using ISODATA. First, the analyst must decide about how many clusters might be expected. While it is impossible to predict exactly how many clusters will be generated, the number is usually within 10 percent of the number requested. Second, the analyst must specify a "lumping parameter" which determines how much lumping of clusters will be done. The larger the number that is specified, the less lumping that is done. Third, the analyst must specify a "threshold percentage" which essentially determines to what extent patterns within clusters may vary before splitting and lumping occurs. Larger numbers increase lumping and decrease splitting, while smaller numbers have the opposite

effect. It is important to note that these parameters are very much dependent on the structure that exists within the data matrix to be analyzed. Therefore, they are best determined through trial and error by comparing the results of different ISODATA runs in which various combinations of operating parameters have been specified.

ISODATA provides a number of summary statistics which can be used by the analyst to describe and evaluate his results. These include:

1. Number and identity of subjects in each cluster

2. Average distance between each cluster center and all other cluster centers (should be relatively large, indicating between-group heterogeneity)

3. Average within-cluster distance (should be relatively small, indicating within-group homogeneity

4. For each cluster, the ratio of the average distance to other cluster centers to the average within-cluster distance (ratio should be greater than one--the larger the ratio, the better the clustering)

5. Average distance between cluster centers (identifies central and deviant clusters)

6. The distance between each cluster center and the cluster center closest to it (useful for merging clusters if necessary)

7. Total squared error and average error of the distances between the subjects (measures of goodness-of-fit to compare results from different runs)

8. Overall standard deviations for each subject dimension (indicates which characteristics contributed the most to the clustering

This study requires that three separate cluster analyses be performed; one each for alcoholic beverages (18 benefit dimensions), beer and malt liquor (20 benefits), and Scotch whiskey (15 benefits). ISODATA will treat each respondent as a point in multidimensional

space, the coordinates of that point being the respondent's benefit-importance scores, which will be assumed to represent interval-level data. The following Euclidean distance formula will be employed as an inverse measure of the similarity between each pair of respondents:[6]

$$D_{jk} = \left[ \sum_{i=1}^{n} (X_{ij} - X_{ik})^2 \right]^{\frac{1}{2}}$$

where n represents the number of benefit dimensions and $X_{ij}$ and $X_{ik}$ are the scores on dimension i for respondents j and k, respectively. The smaller the distance between respondents, the greater their similarity on the benefit dimensions.

A critical decision inherent in all segmentation research is how far to carry out the aggregation process. Haley (1968) has indicated that benefit-segmentation studies typically result in from 3 to 7 potentially productive market segments. Given this guideline,

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[6]The Mahalanobis $D^2$ distance measure could have been used instead of the Euclidean measure, but there was no apparent theoretical reason for doing so. Further, two trial runs indicated that both measures tended to produce about the same results, with the Euclidean measure providing a better goodness-of-fit.

[7]The Euclidean distance measure assumes that the space of benefit dimensions is orthogonal--i.e., that the benefits are not correlated with one another--which typically is not the case. Many researchers try to get around this problem by performing a principal-components factor analysis on the benefit-importance scores and then using the derived factor scores to represent each respondent's metric-space coordinates in the clustering procedure. However, cluster analysis assumes heterogeneity in the data set, while factor analysis assumes that subjects are relatively homogeneous and that inter-variable correlations across the entire sample are representative of within-group correlations (Green and Tull, 1975, p. 578). For this reason the author considers it inappropriate to use factor analysis as a means of reducing the number of dimensions to be analyzed in a subsequent clustering procedure. Therefore, the benefit-importance scores used in this study will not be factor analyzed to ensure that the various benefit dimensions are independent of one another. To the extent that certain benefit dimensions are intercorrelated, not all dimensions will be weighted equally in the distance calculations.

ISODATA will be instructed to generate approximately 6 clusters. However, because it cannot be automatically assumed that 6 clusters will reflect the true structure of the data, additional runs calling for as many as 10 and as few as 3 clusters will be performed. Another reason for performing the additional ISODATA runs is to experiment with different lumping parameters and threshold percentages to determine which combination of operating parameters achieves the best clustering results. About two dozen runs will be performed for alcoholic beverages. The three runs producing the best results, as indicated by the summary statistics provided by ISODATA, will determine which operating parameters to use in the ISODATA runs for beer and Scotch whiskey.

## Testing segments

After the six sets of segments have been formed for each product category, the next step will be to test their effectiveness for purposes of marketing strategy planning. This will be done indirectly by using the hypothesis testing procedures spelled out below to test the 76 statistical hypotheses that were stated on pages 93-96. The reader should note that each of these hypotheses contains two important elements:

a) whether a particular basis for market segmentation is statistically independent of some particular aspect of consumption behavior

b) whether knowledge of the segmentation variable is helpful in predicting that aspect of consumption behavior

Therefore, in order to reject any given statistical hypothesis, it will be necessary to show evidence of <u>both</u> statistical association and predictive efficacy.

Testing for statistical independence

For the most part, this study will be limited to qualitative or categorical data. Therefore, it will not be possible to employ any parametric statistical hypothesis testing procedures. Instead, the Pearson chi-square test of independence of classification (for k independent samples) will be used to test whether a particular basis for segmentation is independent of some particular aspect of consumption behavior. Given the exploratory nature of the study, the region of hypothesis rejection will consist of all values of chi-square which are so large that the probability associated with their occurrence under the null hypothesis is equal to or less than 10 percent (i.e., $\alpha \leq .10$). This liberal rejection region may cause us to reject a null hypothesis on the basis of sampling error, but it may also prevent us from overlooking a potentially useful relationship in our data.

It must be emphasized here that inferences bases on the chi-square tests will be limited to an extremely restricted sample and thus cannot be generalized to the population as a whole. In fact, it is not strictly proper to apply the chi-square test to segments identified by using Bauer and Cunningham's "striver index" or to those generated through the ISODATA clustering algorithm. These segments clearly have been formed systematically and cannot be assumed to represent random samples of any particular universe. In particular, the statistical properties of clusters are unknown, and at the current time, there is no appropriate test for making inferences about clustering results.

Testing for predictive efficacy

The term "predictive efficacy" implies a strong, and presumably causal, relationship between an independent and a dependent variable. Measures of strength of association, such as the Pearson product-moment correlation coefficient, are typically based on the idea that specifying the value of one variable results in a proportional reduction in variance for another variable. However, when variables are categorical in nature, variance per se is not defined (Hays, 1963, p. 603). Therefore, attempting to measure the strength of association between qualitative or categorical variables tends to become a rather challenging problem for researchers to solve.

Most researchers tend to rely on chi-square tests when working with categorical data. However, a chi-square test only determines whether a statistically significant relationship exists between two categorical variables. It says nothing about the strength of that relationship. Given a large sample size, for example, statistical relationships so small as to be almost nonexistent can show up as highly significant chi-square values. Consequently, especially where degrees of freedom vary from one contingency table to another, one cannot legitimately compare chi-square values (or their significance levels) to determine which variables are most closely related.

In order to test for predictive efficacy, this study calls for a statistical tool which not only indexes the strength of association between categorical variables, but also indicates to what extent knowledge of the independent variable improves one's ability to predict the dependent variable (i.e., something analogous to correlation and regression coefficients that can be used with nominal-level data).

Fortunately, there is a statistical index which was designed to do this very thing. This is the lambda ($\lambda_B$) statistic developed by Goodman and Kruskal (1954, 1959, 1963, and 1972), which Hays (1963) has labeled the "index of predictive association."

A technical discussion of $\lambda_B$ is presented in Appendix C. In general terms, $\lambda_B$ indexes the proportional reduction in the probability of error that results when knowledge of one categorical variable (presumably the independent variable) is used to predict another categorical variable (the dependent variable). The value of $\lambda_B$ can range from 0 to 1. If knowledge of the independent variable does not reduce the probability of error at all, $\lambda_B$ is 0; i.e., no predictive association exists between the two variables. On the other hand, if knowledge of the independent variable allows one to predict the dependent variable without any error, $\lambda_B$ is 1; i.e., complete predictive association exists between the two variables.

Because $\lambda_B$ is assumed to equal zero in the case of statistical independence, $\lambda_B$ should always be used in conjunction with some test of statistical independence. (However, the converse does not hold: $\lambda_B$ can be zero even when some degree of statistical association exists between two variables.) Therefore, in this study $\lambda_B$ will be calculated only for those contingency tables whose chi-square values are statistically significant at the $\alpha \leq .10$ level. Furthermore, since we will be working with sample data, samples values of $\lambda_B$ (designated $L_B$) must also be tested for statistical significance at the $\alpha \leq .10$ level. That is, before we can safely conclude that some degree of predictive association exists between a particular basis for market segmentation and some aspect of consumption behavior, it will first be necessary to test

the null hypothesis that $\lambda_B = 0$. A procedure for performing this test is explained in Appendix C.

## Presentation of results

Since each of the six alternative bases for market segmentation will be subjected to 76 statistical hypothesis tests, a total of 456 contingency tables must be constructed to calculate the necessary chi-square and $L_B$ values. Obviously, it would be highly impractical to reproduce this many tables for inclusion in this report. Therefore, only the following three summary measures will be presented for each statistical hypothesis and for each alternative basis for segmentation:

1. the level of statistical significance for each chi-square value
2. $L_B$ for all chi-square values significant at the $\alpha < .10$ level
3. the decision to either accept or reject the null hypothesis

This information will be condensed into three separate summary tables, one for each product category.

## Evaluating bases for segmentation

After the statistical hypothesis tests have been completed, the next step will be to "test" the author's six general research hypotheses (p. 92) concerning the effectiveness of each alternative basis for segmentation for each product category. The research hypotheses will not be tested directly. Instead, the decision to either accept or reject a particular research hypothesis will be based mainly on the cumulative results of the corresponding statistical hypothesis tests. Here, we will not focus on the results of any one particular statistical hypothesis test, but rather will attempt to weigh the entire set of evidence that has been accumulated.

Some prespecified decision rule will be required to determine

when a particular research hypothesis should be rejected. Obviously, any decision rule must be somewhat arbitrary, and no doubt different analysts would opt for different rules. Nevertheless, some decision rule is absolutely essential if the evidence is to be weighed objectively.

One possibility would be to base the decision rule on the number of statistical hypothesis tests that were rejected for each basis for market segmentation. However, this approach would have two major flaws: (1) it would treat all of the statistical hypotheses as if they were equal in importance, which is not the case; and (2) it would tend to place too much stress on $L_B$ which is clearly a crude measure of predictive efficacy (even though it is the best available tool given the limitations of the study).

In lieu of the above procedure, we will focus only on those statistical hypotheses which are considered essential to demonstrate the effectiveness of a particular basis for market segmentation. Further, our decision rules will take into account both the number of significant chi-square values and the number of significant $L_B$ values. In general, the decision rules will require consistent evidence of statistical association along with some indication of predictive association in order to reject a particular research hypothesis. The rules are spelled out more specifically below.

Decision rules for alcoholic beverages

The following four sets of statistical hypotheses will be tested for alcoholic beverages:

1. Whether the types and variety of alcoholic beverages that have been consumed in the home during the past month are related to and can be predicted by the basis for market segmentation (BMS). ($h_0$1-13)

2. Whether the types and variety of alcoholic beverages currently on hand in the home are related to and can be predicted by the (BMS) ($h_0$14-24).

3. Whether a drinker's attitude toward different types of alcoholic beverages is related to and can be predicted by the BMS. ($h_0$25-36)

4. Whether the type of alcoholic beverage most likely to be consumed in the home while entertaining friends is related to the BMS. ($h_0$37)

The last hypothesis, $h_0$37, will not be included in the decision rules because it deals with beverage-choice behavior in a specific scenario where one's choice of beverages could be affected by a large number of situational variables. For the remaining three sets of hypotheses, our decision rules will require significant chi-square values for at least one-half of the hypotheses, and significant $L_B$s for at least one-third of them. Therfore to reject a particular research hypothesis, all three of the following criteria must be satisfied:

1. There must be evidence of statistical association at the $\alpha<.10$ level for at least seven of the 13 hypotheses included in the $H_0$1-13, and there must also be at least four $L_B$ values greater than zero.

2. There must be evidence of statistical association at the $\alpha\leq.10$ level for at least six of the 11 hypotheses included in the $h_0$14-24, and there must also be at least four $L_B$ values greater than zero

3. There must be evidence of statistical association at the $\alpha\leq.10$ level for at least six of the 12 hypotheses included in the $h_0$25-36, and there must also be at least four $L_B$ values greater than zero.

Decision rules for beer and malt liquor

The following three sets of statistical hypotheses will be tested for beer and malt liquor:

1. Whether the variety of brands of beer and malt liquor a beer drinker has tried is related to and can be predicted by the basis for market segmentation (BMS). ($h_o$38)

2. Whether a beer drinker's attitude toward different brands of beer is related to and can be predicted by the BMS. ($h_o$39-54)

3. Whether the brand of beer bought most often, the price range of that brand, and the degree of brand loyalty exhibited toward that brand are related to and can be predicted by the BMS. ($h_o$55-57)

The first of these hypotheses, $h_o$38, will not be included in the decision rules because there was little variation in the number of different brands of beer most of the respondents had tried and therefore the categories used were extremely arbitrary. For the remaining sets of hypotheses, our decision rules will require significant chi-square values for at least one-half of the hypotheses, and significantly $L_B$s for at least one-third of them. Therefore, to reject a particular research hypothesis, both of the following criteria must be satisfied:

1. There must be evidence of statistical association at the $\alpha \leq .10$ level for at least eight of the 16 hypotheses included in $h_o$39-54, and there must also be at least five $L_B$ values greater than zero.

2. There must be evidence of statistical association at the $\alpha \leq .10$ level for at least two of the 3 hypotheses included in $h_o$55-57, and there must also be at least one $L_B$ value greater than zero.

Decision rules for Scotch whiskey

The following three sets of statistical hypothesis will be tested for Scotch whiskey:

1. Whether the variety of brands of Scotch whiskey a Scotch drinker has tried is related to and can be predicted by the basis for market segmentation (BMS). ($h_o$58)

2. Whether a Scotch whiskey drinker's attitude toward different brands of Scotch is related to and can be predicted by the BMS. ($h_o$59-73)

3. Whether the brand of Scotch whiskey bought most often, the price range of that brand, and the degree of brand loyalty exhibited toward that brand are related to and can be predicted by the (BMS). ($h_074$-76)

The first of these hypotheses, $h_058$, will not be included in the decision rules because the categories used were very arbitrary. For the remaining two sets of hypotheses, our decision rules will require significant chi-square values for at least one-half of the hypotheses, and significant $L_B$s for at least one-third of them. Therefore, to reject a particular research hypothesis, both of the following criteria must be satisfied:

1. There must be evidence of statistical association at the $\alpha \leq .10$ level for at least eight of the 15 hypotheses included in $h_059$-73, and there must also be at least five $L_B$ values greater than zero.

2. There must be evidence of statistical association at the $\alpha < .10$ level for at least two of the 3 hypotheses included in $h_074$-76, and there must also be at least one $L_B$ value greater than zero.

## Comparing bases for segmentation

The final step will be to compare results for the six alternative bases for market segmentation. Here, the objective will not be to determine which basis for market segmentation proved to be most effective, as the study was not designed to serve this purpose. Rather, taking into consideration the author's guiding research hypotheses that race is not an effective basis for market segmentation, our aim will be simply to evaluate how well race performed in comparison with the other five alternatives. In other words, we will examine the data to see whether race clearly stands out as being either more or less effective than the other five bases for market segmentation.

CHAPTER V

RESULTS OF THE STUDY

Following the plan of analysis outlined in Chapter IV, the purpose of this chapter is to summarize and analyze the results of the study as they pertain to product-choice decisions involving alcoholic beverages and brand-choice decisions for beer and malt liquor and for Scotch whiskey.

## Alcoholic Beverages

### Description of Segments

Segmenting the sample data according to race, income, social class, and race stratified by social class resulted in the four alternative "market grids," shown in Figure V-1.[1] The formation of segments based on race stratified by motivation to strive and on benefits sought was a more complex undertaking that requires some explanation.

### Striver/nonstriver segments

Use of the four-question "index of striving" discussed in Chapter IV resulted in a distribution of scores ranging from 4 to 12,

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[1]The "market grid concept" pictures a market as a box that has been subdivided on the basis of relevant market characteristics—in this case, on the basis of alternative segmentation variables. Each rectangle within the overall grid box is assumed to represent a smaller, more homogeneous market segment. For more on market grids, see McCarthy (1975).

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| Under $5,000 (38,14%) |
| $5,000-$9,999 (48,18%) |
| $10,000-$14,999 (57,21%) |
| $15,000-$24,999 (70,26%) |
| $25,000 or over (54,20%) |

(b) Market grid based on income (N=267)

| Black Affluent Class (40,14%) | White Affluent Class (92,33%) |
| Black Disadvantaged Class (61,22%) | White Disadvantaged Class (83,30%) |

(d) Market grid based on race stratified by social class (N=276)

| Black (101,37%) | White (175,63%) |

(a) Market grid based on race (N=276)

| Affluent Class (132,48%) |
| Disadvantaged Class (144,52%) |

(c) Market grid based on social class (N=276)

FIGURE V-1.  ALTERNATIVE MARKET GRIDS FOR ALCOHOLIC BEVERAGE MARKET (NUMBER AND PERCENTAGE OF RESPONDENTS IN PARENTHESES)

as shown in Table V-1, with the higher scores assumed to reflect a greater degree of motivation to strive.[2] The shape of this distribution, with one third of the respondents above and below the mode of ten, made it impossible to divide the respondents into two classes of roughly equal size, as had been the original plan. Therefore, given a mean score of 9.76, it was decided that subjects with scores of less than ten would be classifed as "nonstrivers" while those with scores of ten or higher would be classified as "strivers." These categories were then subdivided on the basis of race, resulting in the market grid shown in Figure V-2. This procedure was obviously very arbitrary, and shifting the cutoff point from 10 to 11 would have resulted in a very different set of segments.

TABLE V-1.  DISTRIBUTION OF STRIVING SCORES

| Score | Number of Respondents | Cumulative Percentage |
|-------|-----------------------|-----------------------|
| 4     | 2                     | 0.72%                 |
| 5     | 1                     | 1.09                  |
| 6     | 11                    | 5.07                  |
| 7     | 11                    | 9.06                  |
| 8     | 36                    | 22.10                 |
| 9     | 42                    | 37.32                 |
| 10    | 85                    | 68.12                 |
| 11    | 35                    | 80.80                 |
| 12    | 53                    | 100.00                |

Benefit segments

Following the procedures outlined in Chapter IV, 24 ISODATA runs were performed to determine which combination of operating

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[2]Responses to each of the four questions used to construct the index are shown in Appendix B.

| | |
|---|---|
| Black<br>Nonstrivers<br>(36,13%) | White<br>Nonstrivers<br>(67,24%) |
| Black<br>Strivers<br>(65,24%) | White<br>Strivers<br>(108,39%) |

FIGURE V-2.  MARKET GRID BASED ON RACE
STRATIFIED BY MOTIVATION TO
STRIVE (NUMBER AND PERCENTAGE
OF RESPONDENTS IN PARENTHESES,
N=176)

parameters produced the best clustering of the respondents' benefit-importance profiles.  The number of clusters generated by these runs ranged from 4 to 10, with most runs resulting in either 6 or 7 clusters.  The best run, as determined by its goodness-of-fit and within- and between-cluster distances, produced 6 clusters.  However, one of these clusters was a small and distant one which was likely to result in unacceptably low expected cell frequencies in subsequent chi-square analyses.  Therefore, it was decided to ignore this cluster and limit all further analyses to the remaining five clusters.

Of course, it still remained to be seen whether these clusters could truly be viewed as benefit segments rather than as mere mathematical entities.  As a means of describing and interpreting the clusters, average benefit-importance scores were calculated for each cluster and used to construct the benefit-importance scales shown in Figure V-3.  In examining these scales, one should keep in mind that

## Benefits

a) Goes well with snack foods
b) Tastes slightly sweet
c) Strong, high in alcoholic content
d) Bright, bubbly, sparkling beverage
e) Popular beverage among my friends
f) Makes really delicious mixed drinks
g) Fairly low in calories
h) Leaves no unpleasant after-taste
i) Prestigious beverage
j) Tastes smooth, light, and mellow
k) Relaxing, refreshing beverage
l) Unique and pleasant aroma
m) Satisfies or quenches my thirst
n) Inexpensive, doesn't cost too much
o) Light, not too filling
p) Choice of sophisticated drinkers
q) Mild, low in alcoholic content
r) Tastes dry and slightly sour or bitter

FIGURE V-3. BENEFIT-IMPORTANCE SCALES BY CLUSTER: ALCOHOLIC BEVERAGES

> . . . it is the <u>total configuration</u> of the benefits sought which
> differentiates one segment from another, rather than the fact
> that one segment is seeking one particular benefit and another
> a quite different benefit (Haley, 1968, p. 32).

Looking at Figure V-3, it is clear that the total configuration of

benefits sought does in fact vary from one cluster to another. However,

it is not intuitively obvious what these clusters represent, as it is

all but impossible to digest eighteen benefit dimensions simultaneously.

To simplify the analysis of the clusters, the author elected

to focus on the five most important benefits for each cluster. (How-

ever, benefit k--relaxing, refreshing beverage--was deleted because

it was rated highly by all five clusters and did not differentiate

between them.) Looking at Figure V-4, the clusters appear to have

enough face validity to warrant treating them as benefit segments. For

example, cluster 1 might tentatively be labeled "sociables"; cluster 3

might be labeled "light drinkers"; cluster 5 might be called "hedon-

ists"; and cluster 6 might be called "economy-minded drinkers."

Cluster 4 is more difficult to interpret but might be labeled "cost-

conscious home entertainers."

## Findings

After forming the six alternative sets of market segments for

alcoholic beverages, chi-square and $\lambda_B$ values were calculated to test

the 37 statistical hypotheses listed on page 92-95. Again, a particular

statistical hypothesis was rejected only when the chi-square value

was significant at the $\alpha \leq .10$ level and $\lambda_B$ was calculated to be greater

than zero. The results of this procedure are summarized in Table V-2.

In reviewing these results, it must be kept in mind that several dif-

ferent kinds of statistical hypotheses were tested and not all of them

```
┌─────────────┬──────────────┬──────────────────────┐
│             │      2       │                      │
│             │   (15,4%)    │         4            │
│             ├──────────────┤      (69,25%)        │
│      1      │      3        │                      │
│   (83,30%)  │   (32,12%)   ├──────────────────────┤
│             │              │                      │
│             ├──────────────┤         6            │
│             │      5       │      (50,18%)        │
│             │   (24,9%)    │                      │
└─────────────┴──────────────┴──────────────────────┘
```
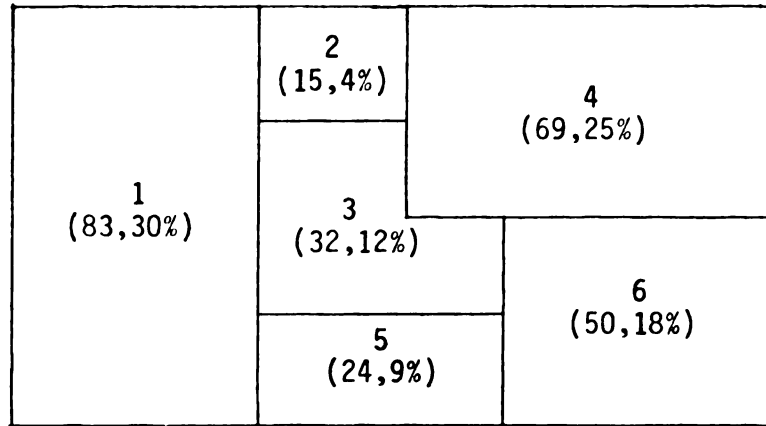
## MOST IMPORTANT BENEFITS

Cluster 1:
  Popular beverage among my friends
  Makes delicious mixed drinks
  Tastes smooth, light, and mellow
  Goes well with snack foods
  Satisfies or quenches my thirst

Cluster 2:
  (Excluded from analysis)

Cluster 3:
  Inexpensive, doesn't cost too
    much
  Fairly low in calories
  Light, not too filling
  Leaves no unpleasant after-taste
  Mild, low in alcoholic content

Cluster 4:
  Popular beverage among my friends
  Tastes smooth, light, and mellow
  Satisfies or quenches my thirst
  Inexpensive, doesn't cost too
    much
  Goes well with snack foods

Cluster 5:
  Leaves no unpleasant after-taste
  Tastes smooth, light, and mellow
  Unique and pleasant aroma
  Makes delicious mixed drinks
  Light, not too filling

Cluster 6:
  Inexpensive, doesn't cost too
    much
  Satisfies or quenches  my thirst
  Light, not too filling
  Tastes smooth, light, and mellow
  Leaves no unpleasant after-taste

FIGURE V-4.  MARKET GRID BASED ON BENEFITS SOUGHT FOR ALCOHOLIC
            BEVERAGES AND MOST IMPORTANT BENEFITS BY SEGMENT
            (NUMBER AND PERCENTAGE OF RESPONDENTS IN
            PARENTHESES, N=276)

TABLE V-2. SUMMARY OF STATISTICAL HYPOTHESIS TESTS FOR ALCOHOLIC BEVERAGES

| Statistical Hypothesis | Race | | | Income | | | Social Class | | | Race & Social Class | | | Race & Motivation | | | Benefits Sought | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision |
| $h_o$1: Beer consumed in home[b] | .20 | - | Accept | .90 | - | Accept | .90 | - | Accept | .70 | - | Accept | .50 | - | Accept | .50 | - | Accept |
| $h_o$2: Blended whiskey consumed in home | .70 | - | Accept | .20 | NS[c] | Accept | .20 | - | Accept | .05 | 0 | Accept | .80 | - | Accept | .10 | 0 | Accept |
| $h_o$3: Bourbon consumed in home | .20 | - | Accept | .01 | .17 | Reject | .01 | .17 | Reject | .01 | .17 | Reject | .01 | NS | Accept | .01 | NS | Accept |
| $h_o$4: Brandy consumed in home | .90 | - | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .70 | - | Accept | .10 | 0 | Accept |
| $h_o$5: Canadian whiskey consumed in home | .80 | - | Accept | .30 | - | Accept | .30 | - | Accept | .70 | - | Accept | .50 | - | Accept | .90 | - | Accept |
| $h_o$6: Cordials consumed in home | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .30 | - | Accept |
| $h_o$7: Gin consumed in home | .70 | - | Accept | .01 | .22 | Reject | .01 | .27 | Reject | .01 | .29 | Reject | .70 | - | Accept | .30 | - | Accept |
| $h_o$8: Rum consumed in home | .20 | - | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .05 | 0 | Accept | .02 | 0 | Accept |
| $h_o$9: Scotch consumed in home | .01 | NS | Accept | .01 | .27 | Reject | .01 | .21 | Reject | .01 | .21 | Reject | .01 | NS | Accept | .01 | NS | Accept |
| $h_o$10: Vodka consumed in home | .50 | - | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .30 | - | Accept | .20 | - | Accept |
| $h_o$11: Domestic wine consumed in home | .30 | - | Accept | .01 | .09 | Reject | .01 | .14 | Reject | .01 | .14 | Reject | .20 | - | Accept | .10 | NS | Accept |
| $h_o$12: Imported wine consumed in home | .10 | 0 | Accept | .02 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .10 | 0 | Accept | .01 | 0 | Accept |
| $h_o$13: Variety consumed in home | .90 | - | Accept | .01 | .15 | Reject | .01 | .09 | Reject | .01 | .21 | Reject | .10 | .10 | Reject | .01 | NS | Accept |
| $h_o$14: Beer on hand in home | .02 | NS | Accept | .01 | .29 | Reject | .01 | .35 | Reject | .01 | .25 | Reject | .01 | NS | Accept | .02 | NS | Accept |
| $h_o$15: Blended whiskey on hand in home | .01 | 0 | Accept | .01 | 0 | Accept | .10 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .10 | 0 | Accept |
| $h_o$16: Bourbon on hand in home | .10 | 0 | Accept | .01 | .24 | Reject | .01 | .52 | Reject | .01 | .36 | Reject | .01 | 0 | Accept | .01 | NS | Accept |
| $h_o$17: Brandy on hand in home | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept |
| $h_o$18: Canadian whiskey on hand in home | .20 | - | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .20 | - | Accept | .70 | - | Accept |
| $h_o$19: Cordials on hand in home | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | .23 | Reject | .01 | 0 | Accept | .10 | 0 | Accept |
| $h_o$20: Gin on hand in home | .01 | 0 | Accept | .01 | .24 | Reject | .01 | .52 | Reject | .01 | .32 | Reject | .01 | 0 | Accept | .01 | 0 | Accept |
| $h_o$21: Rum on hand in home | .02 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .02 | 0 | Accept | .02 | 0 | Accept |
| $h_o$22: Scotch on hand in home | .50 | - | Accept | .01 | .43 | Reject | .01 | .52 | Reject | .01 | .41 | Reject | .50 | - | Accept | .01 | 0 | Accept |
| $h_o$23: Vodka on hand in home | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .05 | 0 | Accept | .20 | 0 | Accept |
| $h_o$24: Variety on hand in home | .01 | 0 | Accept | .01 | .08 | Reject | .01 | .36 | Reject | .01 | .15 | Reject | .01 | 0 | Accept | .01 | 0 | Accept |

TABLE V-2. (cont'd.)

| Statistical Hypothesis | Race | | | Income | | | Social Class | | | Race & Social Class | | | Race & Motivation | | | Benefits Sought | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision |
| $h_o25$: Attitude toward beer | .50 | - | Accept | .10 | NS | Accept | .10 | 0 | Accept | .30 | - | Accept | .50 | - | Accept | .10 | NS | Accept |
| $h_o26$: Attitude toward blended whiskey | .70 | - | Accept | .20 | 0 | Accept | .02 | 0 | Accept | .10 | NS | Accept | .70 | 0 | Accept | .20 | NS | Accept |
| $h_o27$: Attitude toward bourbon | .50 | - | Accept | .01 | .14 | Reject | .01 | .17 | Reject | .01 | .17 | Reject | .05 | NS | Accept | .01 | .14 | Reject |
| $h_o28$: Attitude toward brandy | .50 | - | Accept | .01 | .12 | Reject | .01 | .11 | Reject | .01 | .11 | Reject | .02 | NS | Accept | .05 | NS | Accept |
| $h_o29$: Attitude toward Canadian whiskey | .20 | - | Accept | .01 | .14 | Reject | .01 | NS | Accept | .01 | NS | Accept | .10 | NS | Accept | .05 | NS | Accept |
| $h_o30$: Attitude toward cordials | .01 | NS | Accept | .01 | .12 | Reject | .01 | .16 | Reject | .01 | .19 | Reject | .01 | NS | Accept | .10 | .12 | Reject |
| $h_o31$: Attitude toward gin | .50 | - | Accept | .30 | - | Accept | .01 | NS | Accept | .01 | .10 | Reject | .80 | 0 | Accept | .70 | - | Accept |
| $h_o32$: Attitude toward rum | .98 | - | Accept | .05 | NS | Accept | .01 | .12 | Reject | .05 | .12 | Reject | .30 | - | Accept | .70 | - | Accept |
| $h_o33$: Attitude toward Scotch | .05 | NS | Accept | .01 | .16 | Reject | .01 | .16 | Reject | .01 | .21 | Reject | .30 | - | Accept | .01 | .12 | Reject |
| $h_o34$: Attitude toward vodka | .80 | - | Accept | .05 | NS | Accept | .01 | .08 | Reject | .10 | NS | Accept | .70 | - | Accept | .01 | NS | Accept |
| $h_o35$: Attitude toward domestic wine | .02 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | 0 | Accept |
| $h_o36$: Attitude toward imported wine | .01 | 0 | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept |
| $h_o37$: Entertainment choice | .05 | 0 | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .02 | 0 | Accept | .30 | - | Accept |
| Number of $\alpha<.10$ | 17 | - | - | 34 | - | - | 34 | - | - | 34 | - | - | 22 | - | - | 27 | - | - |
| Number of $L_B>0$ | - | 0 | - | - | 15 | - | - | 16 | - | - | 17 | - | - | 1 | - | - | 3 | - |
| Number of $h_o$ rejections | - | - | 0 | - | - | 15 | - | - | 16 | - | - | 17 | - | - | 1 | - | - | 3 |

[a] The figures given in these columns are the significance levels of the chi-square values for each hypothesis. $L_B$ values were calculated only for tables whose chi-square values were significant at the $\alpha<.10$ level.

[b] Read: Whether or not beer has been consumed in the home during the past month is independent of and cannot be predicted by the basis for market segmentation.

[c] "NS" stands for not significant and indicates that $L_B$ was calculated to be greater than zero but was not significant at the $\alpha<.10$ level. All other values of $L_B$ shown that are greater than zero were significant at the $\alpha<.10$ level.

can be considered equal in importance. The different kinds of hypotheses can be categorized as follows:

1. Whether the types and variety of alcoholic beverages that have been consumed in the home during the past month are related to and can be predicted by the basis for market segmentation (BMS). $(H_o1-13)$

2. Whether the types and variety of alcoholic beverages currently on hand in the home are related to and can be predicted by the basis for market segmentation (BMS). $(H_o14-24)$

3. Whether a drinker's attitude toward different types of alcoholic beverages is related to and can be predicted by the BMS. $(h_o25-36)$

4. Whether the type of alcoholic beverage most likely to be consumed in the home while entertaining friends is related to the BMS. $(h_o37)$

## Evaluating bases for segmentation

The decision rules specified at the end of Chapter IV were applied to the data in Table V-2 to decide whether to accept or reject each of the six research hypotheses. The results of these research hypothesis "tests" are shown in Table V-3. In general, neither race, race stratified by motivation to strive, nor benefits sought proved to be effective segmentation variables. On the other hand, income, social class, and race stratified by social class all proved to be effective in terms of the decision criteria that were applied. The reader will note that race satisfied only one criterion: the number of significant chi-squares for $H_o14-24$. Results were more mixed for race stratified by motivation to strive and benefits sought.

## Comparing bases for segmentation

On the basis of the evidence shown in Tables V-2 and V-3, race stands out as being far less effective in segmenting the market for

TABLE V-3. SUMMARY OF RESEARCH HYPOTHESIS TESTS FOR ALCOHOLIC BEVERAGES

| Research Hypothesis | $H_o$ 1-13 | | $H_o$ 14-24 | | $H_o$ 25-36 | | Do Results Satisfy Decision Rules? | Hypothesis Testing Decision |
|---|---|---|---|---|---|---|---|---|
| | Number of Significant Chi-Squares | Number of $L_B > 0$ | Number of Significant Chi-Squares | Number of $L_B > 0$ | Number of Significant Chi-Squares | Number of $L_B > 0$ | | |
| $H_o 1$: Race is not an effective variable for segmenting the market for alcoholic beverages | 3 (7)[a] | 0 (4) | 9 (6) | 0 (4) | 4 (6) | 0 (4) | No | Accept $H_o 1$ |
| $H_o 2$: Income is not an effective variable for segmenting the market for alcoholic beverages | 12 (7) | 5 (4) | 11 (6) | 5 (4) | 10 (6) | 5 (4) | Yes | Reject $H_o 2$ |
| $H_o 3$: Social class is not an effective variable for segmenting the market for alcoholic beverages | 10 (7) | 5 (4) | 11 (6) | 5 (4) | 12 (6) | 6 (4) | Yes | Reject $H_o 3$ |
| $H_o 4$: Race stratified by social class is not an effective variable for segmenting the market for alcoholic beverages | 11 (7) | 5 (4) | 11 (6) | 6 (4) | 11 (6) | 6 (4) | Yes | Reject $H_o 4$ |
| $H_o 5$: Race stratified by motivation to strive is not an effective variable for segmenting the market for alcoholic beverages | 6 (7) | 1 (4) | 9 (6) | 0 (4) | 6 (6) | 0 (4) | No | Accept $H_o 5$ |
| $H_o 6$: Benefits sought is not an effective variable for segmenting the market for alcoholic beverages | 8 (7) | 0 (4) | 9 (6) | 0 (4) | 10 (6) | 3 (4) | No | Accept $H_o 6$ |

[a]The numbers shown in parentheses are the minimum number of significant chi-square values and $L_B$ values greater than zero that are required to satisfy the decision rules and thereby reject a particular research hypothesis.

alcoholic beverage than income, social class, or race stratified by social class. There were far more significant chi-square values for these three variables than there were for race. Further, there was absolutely no evidence of predictive association, as measured by $L_B$, between race and any of the various measures of consumption behavior for alcoholic beverages. On the other hand, income, social class, and race stratified by social class all displayed several relatively large $L_B$s. Thus, the research hypothesis tests would seem to strongly support the author's guiding hypothesis that race is <u>not</u> an effective basis for market segmentation.

## Beer and Malt Liquor

### Description of Segments

With the exception of the benefit segments, the market segments formed for beer and malt liquor were almost the same as those formed for alcoholic beverages. The only difference was a slightly smaller overall sample size, as some respondents indicated that they neither drink nor serve beer and malt liquor in their home. Figure V-5 shows the alternative sets of segments which were formed earlier on the basis of race, income, social class, race stratified by social class, and race stratified by motivation to strive.

Three different ISODATA runs were performed to form the bene-fit segments, using the three combinations of operating parameters that proved most effective in the previous runs for alcoholic beverages. Two runs produced identical results consisting of seven clusters, while the other run generated six clusters. The run that produced seven clusters was judged to provide the best clustering on the basis of the

| Black<br>(88,37%) | White<br>(153,63%) |
|---|---|

(a) Market grid based on race (N=241)

| Under $5,000 (33,14%) |
|---|
| $5,000-$9,999 (42,18%) |
| $10,000-$14,999 (48,21%) |
| $15,000-$24,999 (60,26%) |
| $25,000 or over (46,20%) |

(b) Market grid based on income (N=228)

| Affluent Class<br>(116,48%) |
|---|
| Disadvantaged Class<br>(125,52%) |

(c) Market grid based on social class (N=241)

FIGURE V-5.  ALTERNATIVE MARKET GRIDS FOR BEER AND MALT LIQUOR MARKET
(NUMBER AND PERCENTAGE OF RESPONDENTS IN PARENTHESES)

| Black Affluent Class (35,14%) | White Affluent Class (81,34%) |
| Black Disadvantaged Class (53,22%) | White Disadvantaged Class (72,30%) |

(d) Market grid based on race stratified by
    social class (N=241)

| Black Nonstrivers (34,14%) | White Nonstrivers (59,24%) |
| Black Strivers (54,23%) | White Strivers (94,39%) |

(e) Market grid based on race stratified by
    motivation to strive (N=241)

FIGURE V-5 (cont'd)

the summary statistics supplied by ISODATA. However, two of the clusters were quite small and were likely to result in unacceptably low expected cell frequencies in the subsequent chi-square analyses. Since lumping the two clusters together or combining them with other segments would reduce both between-group heterogeneity and within-group homogeneity, it was decided to ignore these clusters and limit all further analyses to the remaining five clusters.

To help describe and interpret these clusters, average benefit-importance scores were calculated for each cluster and used to construct the benefit-importance scales shown in Figure V-6. Although the total configuration of benefits sought obviously varied considerably from cluster to cluster, it was again difficult to interpret what these clusters actually represented. Therefore, the author again elected to focus on the five most important benefits for each cluster, as shown in Figure V-7. In general, the clusters are differentiated in a way that makes some sense. For example, clusters 1 and 3 appear to be very "other-directed," while clusters 5, 6, and 7 are more "inner-directed" and taste-conscious. There are some inconsistencies in the benefit profiles--for instance, cluster 7 wants premium quality at a lower price--but on the whole, the clusters appear to have enough face validity to be treated as benefit segments.

## Findings

After forming the six alternative sets of market segments for beer and malt liquor, chi-square and $\lambda_B$ values were calculated to test the 20 statistical hypotheses listed on page 93. The results of this procedure are summarized in Table V-4. In looking over these

Benefits

a) Popular brand among my friends
b) Tastes slightly sweet
c) Attractive bottle or can
d) Brewed slow, natural with extra aging
e) Light golden color, creamy head
f) Made from only the finest ingredients
g) Priced lower than other brands
h) Smooth, light, full-bodied flavor
i) Choice of real beer drinkers
j) Imported from Europe
k) Interesting radio and TV commercials
l) Well-known, reliable brand
m) Tastes rich, thick, and malty
n) Tradition of premium quality
o) Strong, a little higher in alcoholic content
p) Prestigious brand
q) Tastes slightly sour or bitter
r) Not too filling, you can have more than one
s) Dark, rich color
t) Bright, bubbly, and refreshing

| | CLUSTER 1 | CLUSTER 3 | CLUSTER 5 | CLUSTER 6 | CLUSTER 7 |
|---|---|---|---|---|---|
| Extremely Important | 5 | 5 | 5 | 5 | 5 |
| Very Important | 4 | 4 — l, a | 4 — f, r, t, m | 4 — h / f, e, n, r, d, t, l | 4 — h |
| Fairly Important | 3 | 3 — n, h / i, p, f, r | 3 — h, o, g / n, s, l, a | 3 — i | 3 — r |
| Slightly Important | 2 — a / g, h, l / n | 2 — o, t / g, m, q, d, e, b | 2 — d, e / q / b | 2 — m, a, s / p, g, q, j, k, o | 2 — l, ng / e, a, f, t, d |
| Not at All Important | 1 — m, j, o / s, j, q, r, t, b / f, c / e, i, k, d, p | 1 — k, j, s, c | 1 — i, p, k / c, j | 1 — c | 1 — m, b, q / p, i, j, o, s |

FIGURE V-6. BENEFIT-IMPORTANCE SCALES BY CLUSTER: BEER AND MALT LIQUOR

| | 2<br>(8,3%) | |
|---|---|---|
| 1<br>(67,28%) | 4<br>(12,5%) | 3<br>(39,16%) |
| 7<br>(57,24%) | 6<br>(29,12%) | 5<br>(29,12%) |

MOST IMPORTANT BENEFITS

Cluster 1:
Popular brand among friends
Priced lower than other brands
Smooth, light, full-bodied flavor
Well-known, reliable brand
Tradition of premium quality

Cluster 2:
(Excluded from analysis)

Cluster 3:
Well-known reliable brand
Popular brand among friends
Tradition of premium quality
Smooth, light, full-bodied
    flavor
Choice of real beer drinkers
    (tie)
Prestigious brand (tie)

Cluster 4:
(Excluded from analysis)

Cluster 5:
Made from the finest ingredients
Not too filling, can have more
    than one
Bright, bubbly, and refreshing
Tastes rich, thick, and malty
Smooth, light, full-bodied flavor

Cluster 6:
Smooth, light, full-bodied flavor
Made from the finest ingredients
Light golden color, creamy head
Tradition of premium quality
Not too filling, can have more
    than one

Cluster 7:
Smooth, light, full-bodied flavor
Not too filling, can have more
    than one
Well-known, reliable brand
Tradition of premium quality
Priced lower than other brands

FIGURE V-7. MARKET GRID BASED ON BENEFITS SOUGHT FOR BEER AND MALT
LIQUOR AND MOST IMPORTANT BENEFITS BY SEGMENT (NUMBER
AND PERCENTAGE OF RESPONDENTS IN PARENTHESES, N=241)

TABLE V-4. SUMMARY OF STATISTICAL HYPOTHESIS TESTS FOR BEER AND MALT LIQUOR

| Statistical Hypothesis | Race | | | Income | | | Social Class | | | Race & Social Class | | | Race & Motivation | | | Benefits Sought | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision | $\alpha^a$ | $L_B$ | Decision |
| $h_o38$: Variety of brands tried | .50 | - | Accept | .98 | - | Accept | .70 | - | Accept | .70 | - | Accept | .70 | - | Accept | .80 | - | Accept |
| $h_o39$: Attitude toward Blatz | .98 | - | Accept | .90 | - | Accept | .05 | NS | Accept | .05 | NS | Accept | .02 | NS | Accept | .90 | - | Accept |
| $h_o40$: Attitude toward Budweiser | .70 | - | Accept | .05$^c$ | 0 | Accept | .05 | 0 | Accept | .05 | 0 | Accept | .70 | - | Accept | .30 | - | Accept |
| $h_o41$: Attitude toward Busch | .05 | NS$^d$ | Accept | .10 | NS | Accept | .05 | NS | Accept | .02 | .11 | Reject | .01 | .20 | Reject | .70 | NS | Accept |
| $h_o42$: Attitude toward Carling's | .70 | - | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .50 | - | Accept | .10 | - | Accept |
| $h_o43$: Attitude toward Champale | .01 | NS | Accept | .10 | NS | Accept | .01 | .15 | Reject | .01 | .21 | Reject | .01 | .14 | Reject | .20 | NS | Accept |
| $h_o44$: Attitude toward Colt 45 | .20 | - | Accept | .20 | - | Accept | .10 | .11 | Reject | .20 | - | Accept | .10 | NS | Accept | .70 | - | Accept |
| $h_o45$: Attitude toward Hamm's | .01 | NS | Accept | .30 | - | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | .12 | Reject | .02 | .16 | Reject |
| $h_o46$: Attitude toward Heineken | .01 | 0 | Accept | .01$^c$ | NS | Accept | .01$^c$ | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .10$^c$ | NS | Accept |
| $h_o47$: Attitude toward Lowenbrau | .01 | 0 | Accept | .01$^c$ | NS | Accept | .01$^c$ | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .95$^c$ | - | Accept |
| $h_o48$: Attitude toward Michelob | .01 | 0 | Accept | .01$^c$ | 0 | Accept | .01 | 0 | Accept | .01 | NS | Accept | .01 | 0 | Accept | .70$^c$ | - | Accept |
| $h_o49$: Attitude toward Miller | .30 | - | Accept | .05 | NS | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | NS | Accept | .10 | 0 | Accept |
| $h_o50$: Attitude toward Old Milwaukee | .70 | - | Accept | .10 | NS | Accept | .01 | NS | Accept | .10 | NS | Accept | .30 | - | Accept | .20 | - | Accept |
| $h_o51$: Attitude toward Pabst | .02 | NS | Accept | .01 | NS | Accept | .01 | .11 | Reject | .01 | .12 | Reject | .01 | NS | Accept | .20 | - | Accept |
| $h_o52$: Attitude toward Schlitz | .90 | 0 | Accept | .70 | - | Accept | .30 | - | Accept | .20 | - | Accept | .20 | - | Accept | .80 | - | Accept |
| $h_o53$: Attitude toward Schlitz M.L. | .20 | - | Accept | .50 | - | Accept | .10 | NS | Accept | .10 | NS | Accept | .50 | - | Accept | .50 | - | Accept |
| $h_o54$: Attitude toward Stroh's | .50 | - | Accept | .10 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .01 | NS | Accept | .30 | - | Accept |
| $h_o55$: Brand bought most often | .01 | 0 | Accept | .80$^c$ | - | Accept | .10 | 0 | Accept | .01 | NS | Accept | .01 | - | Accept | .10$^c$ | - | Accept |
| $h_o56$: Price range of brand bought most often | .01 | .28 | Reject | .30$^c$ | - | Accept | .50$^c$ | - | Accept | .01$^c$ | .28 | Reject | .01$^c$ | .27 | Reject | .20$^c$ | - | Accept |
| $h_o57$: Degree of brand loyalty | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .01 | 0 | Accept | .05 | 0 | Accept | .70 | - | Accept |
| Number of $\alpha \leq .10$ | 10 | - | - | 12 | - | - | 17 | - | - | 17 | - | - | 13 | - | - | 4 | - | - |
| Number of $L_B>0$ | - | 1 | - | - | 0 | - | - | 3 | - | - | 4 | - | - | 4 | - | - | 1 | - |
| Number of $h_o$ rejections | - | - | 1 | - | - | 0 | - | - | 3 | - | - | 4 | - | - | 4 | - | - | 1 |

$^a$The figures given in these columns are the significance levels of the chi-square values for each hypothesis. $L_B$ values were calculated only for tables whose chi-square values were significant at the $\alpha \leq .10$ level.

$^b$Read: The variety of brands of beer and malt liquor a beer drinker has tried is independent of and cannot be predicted by the basis for market segmentation.

$^c$More than 20 percent of cells with theoretical frequences less than 5

$^d$"NS" stands for not significant and indicates that $L_B$ was calculated to be greater than zero but was not significant at the $\alpha \leq .10$ level. All other values of $L_B$ shown that are greater than zero were significant at the $\alpha \leq .10$ level.

results, it is important to note that three different kinds of hypotheses were tested. Although all of the hypotheses concern brand-choice behavior, not all of them can be considered equal in importance. The different kinds of hypotheses can be classified as follows:

1. Whether the variety of brands of beer and malt liquor a beer drinker has tried is related to and can be predicted by the basis for market segmentation (BMS). ($h_o38$)

2. Whether a beer drinker's attitude toward different brands of beer is related to and can be predicted by the BMS. ($h_o39-54$)

3. Whether the brand of beer bought most often, the price range of that brand, and the degree of brand loyalty exhibited toward that brand are related to and can be predicted by the BMS. ($h_o55-57$)

## Evaluating bases for segmentation

The decision rules specified in Chapter IV were applied to the data shown in Table V-4 to decide whether to accept or reject each of the six research hypotheses. As shown in Table V-5, none of the six research hypotheses could be rejected on the basis of the available evidence. In other words, none of the six alternative bases for segmentation, including race, proved to be effective in terms of the decision rules that were applied. However, race, race stratified by social class, and race stratified by motivation to strive all satisfied both criterion for $h_o55-57$.

## Comparing bases for segmentation

In looking over Tables V-4 and V-5, the reader will note that there was considerable evidence of statistical association as measured by chi-square, especially for social class and race stratified by social class. It was the general lack of predictive association, as measured by $L_B$, that resulted in all of the null research hypotheses

TABLE V-5. SUMMARY OF RESEARCH HYPOTHESIS TESTS FOR BEER AND MALT LIQUOR

| Research Hypothesis | $h_o39\text{-}54$ | | $h_o55\text{-}57$ | | Do Results Satisfy Decision Rules? | Hypothesis Testing Decision |
|---|---|---|---|---|---|---|
| | Number of Significant Chi-Squares | Number of $L_B>0$ | Number of Significant Chi-Squares | Number of $L_B>0$ | | |
| $H_o1$: Race is not an effective variable for segmenting the market for beer and malt liquor | 7 (8)[a] | 0 (5) | 3 (2) | 1 (1) | No | Accept $H_o1$ |
| $H_o2$: Income is not an effective variable for segmenting the market for beer and malt liquor | 11 (8) | 0 (5) | 1 (2) | 0 (1) | No | Accept $H_o2$ |
| $H_o3$: Social class is not an effective variable for segmenting the market for beer and malt liquor | 15 (8) | 3 (5) | 2 (2) | 0 (1) | No | Accept $H_o3$ |
| $H_o4$: Race stratified by social class is not an effective variable for segmenting the market for beer and malt liquor | 14 (8) | 3 (5) | 3 (2) | 1 (1) | No | Accept $H_o4$ |
| $H_o5$: Race stratified by motivation to strive is not an effective variable for segmenting the market for beer and malt liquor | 11 (8) | 3 (5) | 3 (2) | 1 (1) | No | Accept $H_o5$ |
| $H_o6$: Benefits sought is not an effective variable for segmenting the market for beer and malt liquor | 4 (8) | 1 (5) | 1 (2) | 0 (1) | No | Accept $H_o6$ |

[a]The numbers shown in parentheses are the minimum number of significant chi-square values and $L_B$ values greater than zero that are required to satisfy the decision rules and thereby reject a particular research hypothesis.

being accepted. If one focuses only on the significant chi-square values, it becomes clear that social class and race stratified by social class again outperformed race as a segmentation variable. Each resulted in 17 significant chi-square values as opposed to only 10 for race. Further, each had more $L_B$s greater than zero than did race.

On the other hand, the results for income were roughly the same as race. Considering the results for alcoholic beverages, this seems to indicate that, for beer at least, income affects one's choice of beverages more than one's choice of brands.

Benefits sought appeared to be even less effective than race in segmenting the market for beer and malt liquor. This is a rather startling observation given that brand-choice behavior has been the major area of application for benefit segmentation studies.

## Scotch Whiskey

### Description of Segments

Except for the benefit segments, the market segments formed for Scotch whiskey were the same as those formed earlier for alcoholic beverages and for beer and malt liquor. However, as might be expected, the overall sample size was substantially smaller due to the fact that only about 56 percent of the respondents reported that they either drink Scotch whiskey or serve it in their home. Figure V-8 shows the alternative sets of segments which were formed on the basis of race, income, social class, race stratified by social class, and race stratified by motivation to strive.

Three different ISODATA runs were performed to form the benefit segments, again using the three combinations of operating parameters

```
┌─────────────────────┬─────────────────────┐
│                     │                     │
│                     │                     │
│                     │                     │
│       Black         │       White         │
│      (64,41%)       │      (91,59%)       │
│                     │                     │
│                     │                     │
│                     │                     │
│                     │                     │
└─────────────────────┴─────────────────────┘
```

(a) Market grid based on race (N=155)

```
┌───────────────────────────────────────────┐
│        Under $5,000 (15,10%)              │
├───────────────────────────────────────────┤
│        $5,000-$9,999 (16,10%)             │
├───────────────────────────────────────────┤
│       $10,000-$14,999 (23,15%)            │
├───────────────────────────────────────────┤
│                                           │
│       $15,000-$24,999 (53,35%)            │
│                                           │
├───────────────────────────────────────────┤
│                                           │
│        $25,000 or over (46,30%)           │
│                                           │
└───────────────────────────────────────────┘
```

(b) Market grid based on income (N=153)

```
┌───────────────────────────────────────────┐
│                                           │
│                                           │
│             Affluent Class                │
│              (105,68%)                    │
│                                           │
│                                           │
├───────────────────────────────────────────┤
│                                           │
│          Disadvantaged Class              │
│               (50,32%)                    │
│                                           │
└───────────────────────────────────────────┘
```

(c) Market grid based on social class (N=155)

FIGURE V-8.  ALTERNATIVE MARKET GRIDS FOR SCOTCH WHISKEY MARKET
            (NUMBER AND PERCENTAGE OF RESPONDENTS IN PARENTHESES)

| Black Affluent Class (32,21%) | White Affluent Class (73,47%) |
| Black Disadvantaged Class (32,21%) | |
| | White Disadvantaged Class (18,12%) |

(d) Market grid based on race stratified by social class (N=155)

| Black Nonstrivers (22,14%) | White Nonstrivers (38,25%) |
| Black Strivers (42,27%) | White Strivers (53,34%) |

(e) Market grid based on race stratified by motivation to strive (N=155)

FIGURE V-8 (cont'd.)

that proved most effective in previous runs for alcoholic beverages. Two runs produced identical results consisting of six clusters, while the third run generated seven clusters. The summary statistics supplied by ISODATA indicated that seven clusters provided a better goodness-of-fit than six clusters, while also resulting in larger between-cluster distances and smaller within-cluster differences. However, 3 of the segments were quite small and were like to result in low expected cell frequencies in the subsequent chi-square analyses. Rather than merge these segments together or combine them with other segments, it was decided to ignore them for purposes of the study.

As a means of describing and interpreting the remaining four segments, average benefit importance scores were calculated for each segment and were used to construct the benefit-importance scales shown in Figure V-9. Once more, the total configuration of benefits varied considerably from cluster to cluster but were difficult to interpret, so attention was focused on the five most important benefits for each cluster. Looking at Figure V-10, one can see that the clusters do appear to represent more than just mathematical entities. Cluster 5, for example, is extremely brand-conscious and status-oriented, while Cluster 6 is more concerned with economy. Clusters 1 and 3 are interesting in that they both emphasize the same benefits, but yet the relative importance of these benefits is rated very differently-- a subtle distinction that could easily be overlooked by marketing managers.

Benefits

a) Attractive bottle or package
b) Choice of sophisticated Scotch drinkers
c) Extra aging
d) Tastes smooth, light, and mellow
e) Makes really delicious mixed drinks
f) Prestigious brand
g) Strong, 86 proof instead of 80 proof
h) Light golden color
i) Tradition of premium quality
j) Popular brand among my friends
k) Priced about $2.50 lower for a fifth
l) Dark, smokey color
m) Interesting advertisements
n) Tastes rich, heavy, and full-flavored
o) Well-known, reliable brand

|  | CLUSTER 1 | CLUSTER 3 | CLUSTER 5 | CLUSTER 6 |
|---|---|---|---|---|
| Extremely Important — 5 |  |  |  |  |
| Very Important — 4 | d | do | o | |
|  |  | je | fi, j, d, b | |
| Fairly Important — 3 | ej, i, c | c, ig, hgn, f | cg | j |
|  |  | l | h | ok |
| Slightly Important — 2 | gk, f, bh, am, ln | b, k, ma | ae | n, i |
|  |  |  | ln, km | eb, gf, al, dc, h, m |
| Not at All Important — 1 | | | | |

FIGURE V-9. BENEFIT-IMPORTANCE SCALES BY CLUSTER: SCOTCH WHISKEY

| | | |
|---|---|---|
| 1<br>(37,24%) | 2<br>(12,8%) | 3<br>(22,14%) |
| | 4<br>(12,8%) | |
| 6<br>(36,24%) | 7<br>(11,7%) | 5<br>(23,15%) |

## MOST IMPORTANT BENEFITS

Cluster 1:
  Tastes smooth, light, mellow
  Makes delicious mixed drinks
  Well-known, reliable brand
  Popular brand among friends
  Tradition of premium quality

Cluster 2:
  (Excluded from analysis)

Cluster 3:
  Tastes smooth, light, mellow
  Well-known, reliable brand
  Makes delicious mixed drinks
  Popular brand among friends
  Extra aging

Cluster 4:
  (Excluded from analysis)

Cluster 5:
  Well-known, reliable brand
  Prestigious brand
  Tradition of premium quality
  Popular brand among friends
  Tastes smooth, light, mellow

Cluster 6:
  Popular brand among friends
  Well-known, reliable brand
  Price about $2.50 lower
  Tastes rich, heavy, full-flavored
  Tradition of premium quality

Cluster 7:
  (Excluded from analysis)

FIGURE V-10.  MARKET GRID BASED ON BENEFITS SOUGHT FOR SCOTCH WHISKEY
AND MOST IMPORTANT BENEFITS BY SEGMENT (NUMBER AND
PERCENTAGE OF RESPONDENTS IN PARENTHESES, N=153)

### Findings

Having formed the six alternative sets of segments for Scotch whiskey, the plan of analysis called for the calculation of chi-square and $\lambda_B$ values to test the 19 statistical hypotheses listed on page 94. However, a critical problem surfaced at this point in the study. The author had misjudged the sample size that would be necessary to offset the large proportion of respondents who do not drink or serve Scotch in their homes, and as a result, the sample size proved inadequate for this portion of the study. In particular, the majority of the contingency tables constructed for the chi-square tests had theoretical frequencies of less than 5 in more than 20 percent of their cells. Although rules of thumb for sample size vary in different statistics texts, a commonly cited rule is that it is safe to use the chi-square test for association only when less than 20 percent of the cells in a contingency table have theoretical frequencies of less than 5.

Because there was no possibility of collapsing categories without altering the bases for segmentation, this meant that neither the chi-square test nor $L_B$ could be used in this portion of the study. The only alternative, therefore, was to abandon this portion of the study. This was a disappointing turn of events because, as the literature suggests, one would expect race to affect brand-choice behavior for Scotch much more than for beer due to differences in product symbolism.

While the study sheds no light on possible racial differences in brand-choice behavior for Scotch, Table V-2 back on pages 139-140 did nonetheless indicate that there was no statistical relationship between race and whether or not Scotch was currently on hand in the respondents' homes. There was a statistically significant relationship

between race and the respondents' attitudes toward Scotch, as well as between race and whether or not Scotch had been consumed in the respondents' homes during the past month. However, there was no significant degree of predictive association between these variables, as measured by $L_B$. On the other hand, income, social class, and race stratified by social class all showed a fairly substantial degree of predictive association with all three Scotch-related dependent variables. In light of all that has been written about blacks and their preference for Scotch, these findings would seem to cast even further doubt on the effectiveness of race as a basis for market segmentation.

CHAPTER VI


SUMMARY, LIMITATIONS, CONCLUSIONS, AND IMPLICATIONS
FOR FUTURE RESEARCH

Summary

Objectives of the Study

Data published by a variety of sources have indicated that numer-
ous differences exist between the consumption patterns of black and
white consumers.  Such data have been interpreted by some marketers as
conclusive proof that a separate and distinct "black-consumer market"
exists.  However, in reviewing the marketing literature, this writer
found a lack of evidence to show that black consumers comprise a homo-
geneous market segment that is clearly differentiated from other, pre-
sumably white, market segments.  On the contrary, black consumers
appeared to be quite heterogeneous in their needs, preferences, and
buying behavior.  Moreover, the similarities in consumption patterns
between black and white consumers often tended to outweigh the differ-
ences.  These findings raised serious doubts concerning the widsom of
treating black consumers as a separate and distinct target market for
purposes of marketing strategy planning.

The main objective of this study was to explore the effective-
ness of race as a basis for market segmentation.  Here, the author's
guiding research hypothesis was that race is not an effective basis
for market segmentation.  This guiding hypothesis was based on the

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premise that if one goes out looking for black-white consumption differences, he is indeed likely to find some; but in the process, his a priori research assumptions about race may cause him to overlook other cross-sectional views of the market which may be more useful for purposes of marketing strategy planning. Accordingly, the study did not focus exclusively on race but instead analyzed the effectiveness of race in comparison with five alternative bases for market segmentation, each of which offered a theoretically plausible alternative explanation for empirical differences in black-white consumption patterns. The five alternative bases for segmentation were income, social class, race stratified by social class, race stratified by motivation to strive, and benefits sought.

## Methodology

The study focused (a) on product-choice behavior involving different types of alcoholic beverages and (b) on brand-choice behavior for two types of beverage, beer and Scotch whiskey. The sample selected for use in the study consisted of black and white faculty and administrators at Michigan State University and black and white residents of Lansing, Michigan's Model Cities Area. For purposes of the study, the two subsamples were labeled the "affluent class" and the "disadvantaged class," respectively.

A mail questionnaire was used to obtain data from the MSU faculty and administrators, while professional interviewers were employed to conduct personal interviews with the Model Cities residents, each of whom was paid two dollars to participate in the study. Based on the data that were obtained, the respondents were classified into

six alternative sets of market segments. First, they were classified a priori on the basis of race, income, social class, and then race stratified by social class. Next, a four-question "index of striving" was used to classify black and white respondents as "strivers" or "nonstrivers." Finally, the ISODATA cluster-analysis algorithm was used to classify the respondents on the basis of similar patterns of benefit-importance rating scores for each product category.

Once the six alternative sets of market segments were formed, a series of two-part statistical hypothesis tests were performed to indirectly test the effectiveness of each alternative basis for market segmentation. First, a series of chi-square tests of independence of classification were conducted to determine if any statistical relationship existed between each segmentation variable and various measures of product- or brand-choice behavior. Then, Goodman and Kruskal's lambda, a measure of predictive association, was calculated for each statistical hypothesis that resulted in a chi-square value that was statistically significant at the $\alpha \leq .10$ level. A particular statistical hypothesis was rejected only when the chi-square value was significant at the $\alpha \leq .10$ level and lambda was significantly greater than zero.

The cumulative results of the above statistical hypothesis tests were used to determine the effectiveness of each of the six alternative bases for market segmentation. To weigh all the evidence objectively, the author employed a set of decision rules which took into account the nature of the statistical hypotheses, the number of significant chi-square values, and the number of lambdas that were significantly greater than zero.

Results

## Alcoholic beverages

Income, social class, and race stratified by social class all proved to be effective variables for segmenting the market for alcoholic beverages. On the other hand, neither race, race stratified by motivation to strive, nor benefits sought proved to be effective bases for market segmentation. Of particular importance to this study, race stood out as being clearly less effective than any of the five alternative bases for market segmentation.

## Beer and malt liquor

None of the six alternative bases for market segmentation proved effective for the beer and malt liquor market. This was primarily due to a lack of predictive association, as measured by lambda, between the segmentation variables and various measures of consumption behavior. Looking only at the number of significant chi-square values, race stood out as being clearly less effective than any of the other five alternative bases for market segmentation except benefits sought, which performed even less effectively than race.

## Scotch whiskey

Because many respondents did not drink Scotch, the usable sample size was too small to allow for the proper application of the chi-square test and lambda. Given that there was no way to accurately estimate the statistical significance of the findings, this segment of the study had to be abandoned. Nevertheless, data from the alcoholic beverages segment of the study showed that while there was some degree

of statistical association between race and Scotch consumption, the relationship was much stronger for income, social class, and race stratified by social class.

## Limitations of the Study

Before discussing the conclusions that were reached on the basis of the previously reported survey results, it is necessary to briefly review the major limitations of the study so that the conclusions may be viewed in their proper perspective.

1.  The study was exploratory in nature and not intended to provide the final answer concerning the possible existence of a black-consumer market.

2.  The study was restricted to analyzing product-choice behavior for alcoholic beverages and brand-choice behavior for beer and malt liquor and for Scotch whiskey. Therefore, results may not be generalizable to other product categories.

3.  The use of convenience samples in the study eliminated any opportunity to generalize about the study findings. Any and all statistical inferences must be limited to two very select and nonrepresentative populations.

4.  No attempt was made to measure social class in the study. Rather, the two subsamples were assumed to represent two divergent social classes and arbitrarily designated as the "affluent class" and the "disadvantaged class," respectively. Further, the use of different survey methods to collect data from the "affluent" and "disadvantaged" respondents may have biased the results.

5.  For the most part, the study dealt with nominal-level data and thus the data analysis was largely limited to less-powerful nonparametric statistical techniques. Also, while the respondents' benefit-importance scores were assumed to represent interval-level data in conjunction with the ISODATA clustering algorithm, this is a tenuous, albeit common, assumption.

6.  There is no universally accepted methodology for performing benefit segmentation. Although the approach followed in this study was considered reasonable, other approaches might have produced better results.

7.  In most benefit-segmentation studies, respondents are asked to rate products or brands in terms of which benefits those

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products or brands are perceived to offer them. Although desir-
able, this kind of information could not be gathered in this
study because it would have further enlarged a questionnaire
that probably already was too long.

8.  The study was not designed to determine the optimal method for
    segmenting the market for alcoholic beverages. Thus the study
    did not take into consideration all the possible variables that
    could affect alcoholic beverage consumption, such as sex and
    age.

9.  Ideally, segmentation studies should be conducted over time as
    a controlled experiment to measure the demand elasticities for
    various hypothesized segments in response to changes in various
    marketing mix variables. This was clearly beyond the scope of
    this study.

10. Decision-oriented segmentation research requires considerable
    amount of management judgment and intuition. The author has
    no particular expertise with regard to the marketing and con-
    sumption of alcoholic beverages and thus could not supply these
    vital inputs.

## Conclusions

The foremost conclusion that can be drawn from this study is

that the data tended to support both the author's research premise and

his guiding hypothesis: (1) different cross-sectional views of the

market did produce very contrasting results; and (2) in comparison with

other alternatives, race did not appear to be an effective variable for

segmenting either the market for alcoholic beverages or the market for

beer and malt liquor. Further, there was also some evidence to suggest

that race was no an effective variable for segmenting the market for

Scotch whiskey.

These findings are not generalizable, of course, and need to be

validated on a much broader scale. But for now, they would seem to cast

considerable doubt on the effectiveness of race as a basis for market

segmentation. Although the findings cannot be assumed to hold true for

other product categories, they do apply to a product market in which

the existence of a black-consumer segment has long been a foregone
conclusion in the minds of many marketers. Indeed, given all that has
been written about differential black-white consumption patterns for
alcoholic beverages, it could be argued that the choice of alcoholic
beverages as the product category to be researched in this study should
have all but guaranteed that race would prove to be an effective basis
for market segmentation. The fact that just the opposite was shown to
be the case would appear to have strong implications for product cate-
gories where there is much less reason to suspect that race is an
important segmentation variable.

The above remarks should not be interpreted to mean that race
is of no value whatsoever in segmenting markets. What they were meant
to imply is that segmenting markets mainly on the basis of race is not
likely to be very productive. On the other hand, race stratified by
social class proved to be a much more effective variable than race for
segmenting the market for alcoholic beverages (although from the data
it appears that the social-class effects tended to outweigh the racial
effects). This might suggest that while a monolithic black-consumer
market does not exist, at least for alcoholic beverages, there may be
several black-consumer markets as well as several white-consumer mar-
kets. However, this proposition needs further researching, as will be
discussed in the next section of this chapter.

In general, the results of this study tend to confirm the
tentative conclusion that was reached on the basis of the author's
earlier review of the literature: black consumption behavior is neither
homogeneous nor clearly differentiated from white consumption behavior.
Therefore, race does not appear to be an effective basis for market

segmentation, and thus marketers should not assume a priori that a separate and distinct black-consumer market exists.

## Implications for Future Research

The results of this study clearly suggest that decision-oriented segmentation researchers should stop focusing on simple black-white comparisons of consumption behavior. Instead, they need to research the heterogeneity that exists within both races, as well as the degree of overlap that exists among the two races. They should not automatically assume that black consumers have different needs, attitudes, and buying behavior than white consumers.

The results of this study also suggest that the interactive effects of race and social class may be worthy of exploration. The author knows of only one other study (Whipple and Neidell, 1971-72) that has focused on race versus social class as alternative explanations of so-called black-white consumption differences, and no other study that has attempted to segment black consumers according to social class. Of course, in order to pursue this topic considerable attention will have to be given to the problems of how to measure social class differences among the two races.

Race stratified by motivation to strive also needs to be researched in considerably more depth. While Bauer, Cunningham, and Wortzel (1965) have developed a fairly convincing argument in support of this concept, their operationalization of the concept, as was closely replicated in this study, leaves much to be desired from a measurement standpoint. In particular, their four-question index of striving does not appear to be a valid measure of striving behavior. A more

comprehensive index would be desirable. Also, using the median striving

score to determine who is or is not a striver seems extremely arbitrary

and questionable.

This study has also underscored for the author that benefit

segmentation is easier talked about than done. There are a number of

related topics which need to be researched in detail before this

approach can be fully appraised. These topics can be summarized as

follows:

1. To what extent are consumers willing and able to reveal what
   benefits they are seeking in consuming a given product? How
   stable are their benefit preferences? How are they affected
   by situational variables (Belk, 1975)? Does the level of
   problem solving affect the degree to which benefit expectations
   determine consumer purchases?

2. How do benefits sought relate to more basic consumer needs?
   Have benefit-segmentation researchers focused too much on
   product features rather than on the "emotional pay-off" that
   the consumer derives from some specific product attributes
   (Young and Feigin, 1975)?

3. Do different methodological and measurement approaches to bene-
   fit segmentation produce vastly different results? If so,
   which approaches work best?

4. How many benefit-dimensions should be included in a study?
   Most consumers probably cannot deal with more than two or
   three benefits at a time, and according to Myers, "two or three
   major benefits . . . will often account for upwards of 70%
   of the variance in overall evaluations of products" (1976,
   p. 32). Yet different segments may be seeking different
   benefits.

   Further, how does the inclusion of several nonsalient benefit
   dimensions affect the grouping of subjects in a cluster analy-
   sis procedure? How can one interpret benefit segments whose
   benefit configurations are based on a large number of potential
   benefits?

5. Do consumers have different perceptions as to which products
   or brands offer which benefits? If so, then to what extent
   can benefits sought be expected to correlate with actual buying
   behavior? If the correlation cannot be expected to be very
   high, how can one test the validity of the benefit segments
   his research has identified?

Finally, the study indicated that, segmentation researchers should focus far greater attention on multivariate bases for market segmentation. Because human beings are complex and multidimensional, it stands to reason that no single variable such as race or income is likely to predict consumption behavior very accurately. Thus, researchers must try to study the interactive effects of all the variables that affect consumption behavior and attempt to isolate those variables that can be successfully applied to market segmentation. A major obstacle to be confronted here is that segmentation research involves people, and people-dimensions often result in nominal-level data to which only the most rudimentary statistical tools can be applied. Therefore, along with better measurement methods, segmentation researchers need more powerful tools and techniques for analyzing nominal-level data. In particular, new techniques such as "multivariate nominal scale analysis" (Andrews and Messenger, 1973) must be thoroughly investigated if the state of the art is to advance to the point where segmentation researchers will no longer be content to ask whether differences in consumption behavior are caused by race or income or social class or benefits sought.

APPENDICES

APPENDIX A


DEMOGRAPHIC PROFILE OF THE
U.S. BLACK POPULATION

APPENDIX A


DEMOGRAPHIC PROFILE OF THE
U.S. BLACK POPULATION


## Population

When the first population census was taken in 1790, about 20

percent of all Americans were black.  This proportion has declined to a

fairly stable 10 to 12 percent throughout the twentieth century.  The

Census Bureau estimated that there were approximately 24.1 million

blacks living in the United States in 1974, representing about 11.4 per-

cent of the total population (U.S. Dept. of Commerce, 1975, p. 18).[1]

Census projections indicate that there may be 31 million black Americans

by 1990 (U.S. Census Bureau, 1972a, p. 2).

The black population is growing at a lightly faster pace than

the overall population because, while fertility rates have been declin-

ing at about the same rate for both races in recent years, they remain

substantially higher among the black population.  In 1973, the total

fertility rate was 2.44 among black women versus only 1.80 among white

women.[2]  However, this differential was partially cancelled out by

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[1]These estimates are undoubtedly too low.  The 1970 Census of
Population missed counting an estimated 7.7 percent of the nation's
blacks, as compared to about 1.9 percent of the white population
(Chicago Daily News, 18 February 1975, p. 67).

[2]The total fertility rate is defined as the average number of
births that a synthetic cohort of women would have in its lifetime if,
at each year of age, the women experienced the birth rates occurring in
the specified calendar year (U.S. Census Bureau, 1974, p. 81).

higher maternal and infant mortality rates and shorter life expectancies for blacks. Moreover, the black population is considerably younger than the white population. In 1974, the median ages of black males and females were 21.9 and 24.2, respectively, compared to 28.5 for white males and 31.1 for white females (U.S. Dept. of Commerce, 1975, p. 20).

## Geographic Location

During the past two decades, there has been a heavy migration of blacks from the South to other regions of the country. Nevertheless, as Table A-1 indicates, over half of the black population still lived in the South in 1970. At first glance, it may appear that blacks make up a relatively insignificant proportion of the total population outside the South. However, Table A-1 is somewhat deceptive in that it does not reveal how heavily concentrated the black population has become in the large urban areas of the nation which marketers have traditionally viewed as their prime markets. At the turn of the century about 3 of every 4 black Americans lived in rural areas, but the situation had completely reversed itself by 1970, as 75 percent of the black population lived in metropolitan areas and 60 percent in central cities. Excluding the South, more than 90 percent of America's blacks lived in metropolitan areas. About four-fifths of the blacks in the North and two-thirds of those in the West lived in central cities (U.S. Census Bureau, 1972b, pp. 1, 20).

Of the 12 largest metropolitan areas, almost 28 percent of the total population in these areas were black in 1970. There were 16 cities with black populations of 50 percent or more, compared to 3 in 1960 (U.S. Census Bureau, 1972a, p. 4). Twenty-six cities had a black

TABLE A-1.   PERCENTAGE DISTRIBUTION OF THE BLACK POPULATION BY REGION,
            AND BLACKS AS A PERCENTAGE OF THE TOTAL POPULATION IN EACH
            REGION:  1950, 1960, AND 1970

| Region | Percentage Distribution of Black Population | | | Blacks as Percentage of Total Population | | |
|---|---|---|---|---|---|---|
| | 1950[a] | 1960 | 1970 | 1950[a] | 1960 | 1970 |
| Northeast | 13 | 16 | 19 | 5 | 7 | 9 |
| North Central | 15 | 18 | 20 | 5 | 7 | 8 |
| South | 68 | 60 | 52 | 22 | 21 | 19 |
| West | 4 | 6 | 8 | 3 | 4 | 5 |

SOURCE:  U.S. Bureau of the Census, The Social and Economic Status
of the Black Population in the United States, 1971, Current Population
Reports, Series P-23, No. 42 (Washington, D.C.:  U.S. Government
Printing Office, 1972), tables 3 and 4, pp. 13-14.

[a]Data exclude Alaska and Hawaii.

population of 100,000 or more, with all but one (Birmingham, Alabama)

having experienced an increase in its black population during the last

decade.  Of the 26 cities, three (Washington, D.C.; Newark, New Jersey;

and Atlanta, Georgia) had a black majority, and six were between 40 and

50 percent black.  About 4 of every 10 black Americans were concentrated

in these 26 cities (U.S. Census Bureau, 1972b, p. 6).

The urbanization of blacks has been almost totally restricted to

the urban core.  Although blacks made up 12 percent of the total popu-

lation for all metropolitan areas in 1970, they represented 21 percent

of the population in the central cities and only 5 percent in the

suburbs (U.S. Census Bureau, 1972b, p. 23).  This trend is expected to

continue.  By 1985, an estimated 36 percent of the total population for

all central cities will be black, and the following 11 major cities

will all have a black majority, according to the Report of the Commis-

sion on Civil Disorders (1968, pp. 390-91):

| New Orleans | Gary | Philadelphia |
|---|---|---|
| Richmond | Cleveland | Oakland |
| Baltimore | St. Louis | Chicago |
| Jacksonville | Detroit | |

## Education

There is a growing emphasis on education among blacks, and as a result, they are spending more time in the classroom. The average number of years of schooling among blacks is about 11 years today, compared to 7 in 1950 (U.S. Census Bureau, 1972a, p. 10). By 1973, about 70 percent of all black males 20 to 24 years old had completed four years of high school, contrasted to only 39 percent in 1960; for black females, the increase was from 45 to 72 percent during the same period. However, the high school dropout rate remains considerably higher among young blacks, as about 85 percent of all whites 20 to 24 years old had completed high school by 1973.

At the college level, the proportion of blacks 25 to 34 years old who had completed 4 or more years of college was about 8.3 percent in 1973, an increase of 4.2 percent since 1960; the proportion among whites was about 19 percent, an increase of 7.1 percent. However, the percentage of blacks 18 to 24 years old enrolled in college increased sharply from 10 to 16 percent between 1965 and 1973, while white enrollment for this area group decreased slightly from 26 to 25 percent. This increase was most dramatic for young black males, who showed an increase from 10 to 19 percent, while black female enrollment also increased from 10 to 14 percent (U.S. Census Bureau, 1974, pp. 65-60).

## Employment

Unemployment and underemployement are severe and chronic prob-
lems among the black labor force.  A large number of blacks (and other
minorities) constitute a marginal labor force which is usually the
last to benefit in times of prosperity and the first to suffer when the
going gets rough.  In fact, the unemployment rate for Negro and other
races has been about double the rate for whites since the Korean War
period, indicating a long-run, deeply imbedded structural relationship
in the economy.  In absolute terms, unemployment rates generally
declined among all races during the sixties, after sharp increases
during the 1958 and 1961 recessions; but joblessness has been rising
precariously since 1970.  In May of 1975, the Labor Department reported
unemployment rates of 14.7 percent among black workers and 8.5 percent
among whites, as the nation's economic recession pushed the national
jobless rate up to 9.2 percent--the highest level since the Great
Depression (Chicago Daily News, 6 June 1975, p. 1).  However, the
National Urban League claims that the government's official data is far
off the mark.  After taking into account both discouraged workers who
were no longer seeking employment and part-time workers who wanted full-
time jobs, the Urban League has estimated that black unemployment in
1975 climbed to a "frightening" 26 percent overall and more than 50
percent in poverty areas  (Chicago Daily News, 10 June 1975, p. 12).
Regardless of whose data are more accurate, the vicious cycle of black
unemployment, poverty, and despair clearly has not been broken.

In addition to being the "last hired-first fired," blacks his-
torically have been overrepresented in the most lower-paying, lesser-
skilled jobs and underrepresented in the better-paying, higher-skilled

occupations. In 1973, for example, black workers comprised about 10 percent of the employed population. Yet they represented only about 6 percent of the professional and technical workers, 3 percent of the managers and administrators, and 6 percent of the craft and kindred workers as contrasted to about 17 percent of the service workers; (excluding private household), 38 percent of the private household service workers, and 19 percent of the nonfarm laborers. Nevertheless, the employment status of blacks has shown some relative improvement in recent years. From 1963 to 1973, the proportion of men of Negro and other races employed in white-collar jobs rose from 15 to 23 percent, while the comparable proportion of white males held steady at 41 percent. Similarly, the proportion of females of Negro and other races holding white-collar jobs doubled from 21 to 42 percent, while the proportion of white females increased only slightly from 61 to 63 percent (U.S. Census Bureau, 1974, pp. 54-56).

## Income

Historically, a large income differential has separated black and white families in the United States. In general, this differential has narrowed very little over the years, although in absolute terms many black families are now enjoying much higher incomes than their counterparts of the fifties. These higher income levels are representative of the progress black Americans have achieved during the last few decades in the areas of education, employment, and politics. But this progress has been mixed and the quest for an equal share of the nation's affluence is far from over.

As Table A-2 indicates, the median income (in constant

TABLE A-2.  DISTRIBUTION OF FAMILIES BY INCOME:  1965, 1969, AND 1973
(Adjusted for price changes, in 1973 dollars)

| Income | Black | | | White | | |
|---|---|---|---|---|---|---|
| | 1965 | 1969 | 1973 | 1965 | 1969 | 1973 |
| Percentage | 100 | 100 | 100 | 100 | 100 | 100 |
| Under $3,000 | 24 | 16 | 16 | 8 | 6 | 5 |
| $3,000 to $4,999 | 22 | 16 | 18 | 9 | 8 | 8 |
| $5,000 to $6,999 | 17 | 15 | 14 | 10 | 9 | 9 |
| $7,000 to $9,000 | 18 | 20 | 17 | 20 | 17 | 15 |
| $10,000 to $11,999 | 8 | 10 | 9 | 14 | 12 | 11 |
| $12,000 to $14,999 | 6 | 10 | 10 | 15 | 17 | 15 |
| $15,000 and over | 6 | 13 | 16 | 23 | 33 | 38 |
| Median income | $5,510 | $7,280 | $7,269 | $10,210 | $11,869 | $12,595 |
| Ratio: | | | | | | |
| Black to white | .54 | .61 | .58 | . . . | . . . | . . . |
| Net change over preceding date: | | | | | | |
| Amount | . . . | $1,770 | $-11 | . . . | $1,659 | $726 |
| Percentage | . . . | 32.1 | -02 | . . . | 16.2 | 6.1 |

SOURCE:  U.S. Bureau of the Census, The Social and Economic Status
of the Black Population, 1973, Current Population Reports, Series P-23,
No. 48 (Washington, D.C.:  U.S. Government Printing Office, 1974),
table 8, p. 19.

dollars) of black families rose by 32 percent between 1965 and 1969, but then <u>decreased</u> slightly between 1969 and 1973. Meanwhile, the median income of white families continued to rise during this period. As a consequence, the ratio of black-to-white median family income-- which had increased from 0.54 to 0.61 during the late sixties--dropped back down to 0.58 in 1973. In absolute terms, the black-white gap in median family income amounted to more than $5,000--a figure which looms even greater in light of the fact that, on the average, black families tend to have a higher number of children than white families. Of course, incomes vary considerably from one region of the country to the next, and from city to city within each region. Table A-3 shows that black-white income differentials have typically been lower out- side the South. However, the situation in the South has remained fairly stable during the 1970s, while the black-white income gap has widened substantially in other regions.

It is still too early to tell what impact the recent recession has had on the relative earnings of blacks and whites.[3] However, the above figures appear to indicate that the general pattern of black "catch-up" during the 1960s has reversed itself in the 1970s. The Census Bureau has attributed this widening income gap primarily to a reduction in the proportion of black families with two or more workers, together with an increase in the proportion of white families with two or more workers.

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[3]Thurow's analysis of preliminary data available for 1974 sug- gests that while real family incomes declined for all groups, the declines were greater for whites than for blacks--possibly due to the disappearance of overtime pay which whites are more likely to receive than blacks (1976, pp. 24-25).

TABLE A-3. MEDIAN FAMILY INCOME IN 1973, AND BLACK MEDIAN FAMILY
INCOME AS A PERCENTAGE OF WHITE, BY REGION: 1967, 1969,
1971, AND 1973 (IN CURRENT DOLLARS)

| Region | Median Family Income, 1973 | | Black Median Income as a Percentage of White | | | |
|---|---|---|---|---|---|---|
| | Black | White | 1967 | 1969 | 1971 | 1973 |
| United States | $7,269 | $12,595 | 59 | 61 | 60 | 58 |
| Northeast | 7,762 | 13,230 | 65 | 67 | 67 | 59 |
| North Central | 9,109 | 13,128 | 77 | 76 | 69 | 69 |
| South | 6,434 | 11,508 | 54 | 57 | 56 | 56 |
| West | 8,233 | 12,661 | 74 | 75 | 71 | 65 |

SOURCE: The U.S. Bureau of the Census, Money Income in 1973 of
Families and Persons in the United States, Current Population Reports,
Series P-60, No. 97 (Wahington, D.C.: U.S. Government Printing Office,
1975) tables 14 and 16, pp. 31, 33.

Another important reason for the black-white income differen-
tial is the fact that black families are about three times as likely
to be headed by a woman as white families, and husband-wife families,
regardless of race, tend to have incomes about double those of families
headed by women. From 1965 to 1974, the proportion of husband-wife
families among whites remained constant at about 88 percent. During
the same period, however, the proportion of husband-wife families among
blacks declined steadily from 73 to 62 percent, while female-headed
families increased from 24 to 34 percent (U.S. Census Bureau, 1974,
p. 73).

The income differential between black and white families tends
to overshadow another important but somewhat obscure issue: the
increasing variance in income among black families. Referring back to
Table A-2, the reader will note that while about 35 percent of all
black families earned $10,000 or more in 1973, another 34 percent

earned less than $5,000. In other words, while about one-third of the black population was fast becoming part of the affluent society, another one-third was living near or below the poverty level.[4] Thus social planners must concern themselves not only with the large income gap that separates the nation's black and white families, but also with what economist Andrew Brimmer has referred to as the "deepening schism" in black America (Cameron, 1975, p. 174).

The large variance in black income is due to many factors, including family structure, geographic location, stage of the family life cycle, education, and expanding employment opportunities for younger blacks. For example, while the black-white median income ratio was 0.60 in 1972 for all families living in the United States, it was 0.67 for those families living in the North and West regions. Moreover, the ratios were a much higher 0.76 for husband-wife families across the nation, and 0.86 for husband-wife families enjoyed ratios of 0.85 overall, and 0.93 for those living in the North and West. In fact, where both husband and wife worked, young black families in the North and West actually earned slightly higher incomes than com- parable young whites with a 1.01 ratio. After a considerable time lag, a similar trend is occurring in the South where the black-white median income ratio for young working couples rose from 0.73 in 1969 to 0.84 in 1972. (U.S. Census Bureau, 1974, pp. 24-25).

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[4]The poverty threshold for a nonfarm family of four was officially set at $4,540 in 1973 (U.S. Census Bureau, 1974, p. 29).

APPENDIX B


SUMMARY OF STRIVER AND NONSTRIVER RESPONSES
TO STRIVING INDEX BY RACE

TABLE B-1. SUMMARY OF STRIVER AND NONSTRIVER RESPONSES BY RACE (IN PERCENTAGES)

| Questions from Striving Index | Black | | White | |
|---|---|---|---|---|
| | Nonstrivers (n=36) | Strivers (n=65) | Nonstrivers (n=67) | Strivers (n=108) |
| **Question 1:** Would you say that you tend to live from day to day, rather than trying to plan ahead all the time? | | | | |
| Yes (1) . . . . . . | 73% | 15% | 52% | 12% |
| Not sure (2) . . . . | 0 | 0 | 8 | 1 |
| No (3) . . . . . . | 27 | 85 | 41 | 87 |
| **Question 2:** Should children be encouraged to try to overcome all obstacles that get in their way, rather than to be "easy going" and accept things as they are? | | | | |
| Yes (3) . . . . . . | 30 | 83 | 17 | 56 |
| Not sure (2) . . . . | 38 | 5 | 42 | 27 |
| No (1) . . . . . . | 32 | 12 | 41 | 17 |
| **Question 3:** Do you believe that it's better to spend your money today and enjoy it, instead of trying to save for the future? | | | | |
| Yes (1) . . . . . . | 54 | 8 | 38 | 8 |
| Not sure (2) . . . . | 22 | 9 | 23 | 4 |
| No (3) . . . . . . | 24 | 83 | 39 | 88 |

TABLE B-1 (cont'd)

| Questions from Striving Index | Black | | White | |
|---|---|---|---|---|
| | Nonstrivers (n=36) | Strivers (n=65) | Nonstrivers (n=67) | Strivers (n=108) |
| Question 4:  Do you agree that the best way to improve conditions around Lansing is for people to get together to help themselves, instead of relying so much on government? | | | | |
| Yes (3) . . . . . . . | 73 | 85 | 58 | 80 |
| Not sure (2) . . . . . | 8 | 11 | 23 | 14 |
| No (1) . . . . . . . | 19 | 5 | 20 | 6 |

Question 1:  Chi-square = 85.16, df = 6, $\alpha$ < .01
Question 2:  Chi-square = 68.68, df = 6, $\alpha$ < .01
Question 3:  Chi-square = 84.24, df = 6, $\alpha$ < .01
Question 4:  Chi-square = 21.26, df = 6, $\alpha$ < .01

APPENDIX C


TECHNICAL DISCUSSION OF LAMBDA STATISTIC

## TECHNICAL DISCUSSION OF LAMBDA STATISTIC[1]

### Calculating Lambda

Consider a joint probability distribution of $(A_j, B_k)$ events, where $A_j$ is the independept variable, $B_k$ is the dependent variable, and n is the number of categories of $A_j$. In this situation, $\lambda_B$ can be defined in probabilistic terms as follows:

$$\lambda_B = \frac{p(error|A_j \text{ unknown}) - \dfrac{\sum\limits_{j=1}^{n} p(error|A_j \text{ known})}{n}}{p(error|A_j \text{ unknown})}$$

Here, $\lambda_B$ measures the proportional reduction in the probability of error, averaged over n categories of $A_j$, that results when knowledge of $A_j$ is used to predict $B_k$. The value of $\lambda_B$ can range from 0 to 1. If the information about $A_j$ does not reduce the probability of error at all, $\lambda_B$ is 0 and one can say that no predictive assocation exists between $A_j$ and $B_k$. On the other hand, if $\lambda_B$ is 1, no error is made when $A_j$ is known and one can say that there is complete predictive association.

It should be noted that $\lambda_B$ is intended to be used in conjunction with some test of statistical independence because $\lambda_B$ is zero in

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[1]Parts of this discussion were adapted from Goodman and Kruskal (1954 and 1963) and Hays (1963).

the case of statistical independence. However, the converse need not hold: $\lambda_B$ may be zero even when some degree of statistical association exists.

By way of illustration, consider the hypothetical relationship between race and beverage usage rate shown in Table C-1. In this case, chi-square was calculated to equal 8.04, which for 2 degrees of freedom is statistically significant beyond the $\alpha=.02$ level. From these data, one could feel reasonably safe in assuming that a statistical relationship exists between race (assumed to be the independent variable) and beverage usage rate (the independent variable). However, the data do not indicate the strength of this relationship.

TABLE C-1. HYPOTHETICAL CONTINGENCY TABLE

| Beverage Usage Category | Race | | Total |
|---|---|---|---|
| | Black | White | |
| Light drinker | 20 | 15 | 35 |
| Medium drinker | 10 | 30 | 40 |
| Heavy drinker | 10 | 15 | 25 |
| Total | 40 | 60 | 100 |

Degrees of freedom = 2
Chi-square = 8.04
$\alpha < .02$

Now suppose that you were asked to predict the beverage usage rate for some subject drawn at random from this sample, knowing only the total number of drinkers in each usage category. Your best bet would be "medium drinker," since this category contains the largest percentage of drinkers (40 percent). Not knowing anything about the subject's race, the probability of an error in your prediction would

be 60 percent. But on the other hand, suppose that you were told that the randomly chosen subject was black. Then your best bet would be "light drinker" since this category contains the largest percentage of black drinkers (50 percent). Knowing the subject's race, the probability of an error in your prediction would be 50 percent. Therefore, knowledge of race has reduced the probability of error in your prediction from 60 percent to 50 percent--a proportional reduction of 16.67 percent (10 percent ÷ 60 percent).

This proportional reduction in the probability of predictive error, averaged over all categories of $A_j$, is exactly what $\lambda_B$ measures and could have been calculated more easily by using the following computational formula:

$$\lambda_B = \frac{\sum_{j=1}^{n} \max_{k} \cdot f_{jk} - \max_{k} \cdot f_k}{N - \max_{k} \cdot f_k}$$

where:

n is the number of columns for $A_j$

N is the total number of observations

$f_{jk}$ is the frequency observed in cell $(A_j, B_k)$

$\max_{k} \cdot f_{jk}$ is the largest cell frequency in column $A_j$

$\max_{k} \cdot f_k$ is the largest marginal frequency among rows $B_k$

Thus, for Table C-1:

$$\lambda_B = \frac{(20 + 30) - 40}{100 - 40}$$

$$= .1667 \text{ (or 16.67\%)}$$

By way of contrast, consider the alternate relationship shown

in Table C-2.  Again, the chi-square value is highly significant, indicating that race and beverage usage rate are not independent of one another.  Now, let us calculate $\lambda_B$ to estimate the predictive strength of this relationship.

$$\lambda_B = \frac{(20 + 25) - 45}{100 - 45}$$

$$= 0$$

According to this calculation, there is no predictive association between race and beverage usate rate--i.e., knowledge of race does not reduce the probability of error in predicting beverage usage rate.[2] The reader can verify this fact by looking at Table C-2, where it can be seen that knowledge of race would not cause one to change his bet concerning the beverage usage rate of a randomly selected subject. Thst is, regardless of whether race was known or unknown, one would choose the "light drinker" category, and the probability of error would be the same (55 percent) in either case.

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[2]The opposite is not true in this case.  Beverage usage rate would be useful for predicting race, if that were the researcher's goal.  In other words, for any contingency table it is possible to calculate two asymmetric measures of predictive association, $\lambda_A$ and $\lambda_B$. In genral, the two measures will not be identical, and it is entirely possible to find relationships where B may be predictable from A, but not vice versa.  There is also a symmetric $\lambda_{AB}$ whose value always lies somewhere between $\lambda_A$ and $\lambda_B$.  Only $\lambda_B$ is relevant for purposes of this study.

TABLE C-2. ALTERNATE CONTINGENCY TABLE

| Beverage Usage Category | Race | | Total |
|---|---|---|---|
| | Black | White | |
| Light drinker | 20 | 25 | 45 |
| Medium drinker | 15 | 10 | 25 |
| Heavy drinker | 5 | 25 | 30 |
| Total | 40 | 60 | 100 |

Degrees of freedom - 2
Chi-square = 11.19
$\alpha < .01$

## Testing the Significance of Lambda

Up to this point, our discussion of $\lambda_B$ has assumed that the researcher knows the joint-probability distribution of the population that is being studied. Generally, however, the value of $\lambda_B$ must be estimated on the basis of observed sample frequencies. The sample analogue of $\lambda_B$ is the maximum likelihood estimator $L_B$, which is calculated in the same manner as $\lambda_B$.

Because the joint probability distribution of the sample cannot be assumed to be exactly the same as that of the population from which it was drawn, $L_B$ would have little utility without some means of testing hypotheses about $\lambda_B$ and constructing corresponding confidence intervals. Consequently, Goodman and Kruskal (1963) have developed an approximate sampling theory which assumes that for all values of $\lambda_B$ between (but excluding) 0 and 1, $L_B - \lambda_B$ divided by an approximate standard error (ASE) is for large samples asymptotically unit-normal with zero mean and unit standard deviation. Thus, one can test the null hypothesis that $\lambda_B = 0$ by using the following formula:

$$z = \frac{L_B - \lambda_B}{ASE}$$

Here, $\lambda_B$ is set at zero and the ASE is the recriprocal of the following square root factor:[3]

$$ASE = \sqrt{\frac{\left(N - \max_k \cdot f_k\right)^3}{\left(N - \sum_{j=1}^{n} \max_k \cdot f_{jk}\right)\left(\sum_{j=1}^{n} \max_k \cdot f_{jk} + \max_k \cdot f_k - (2 \times \max_{k*} \cdot f_{jk})\right)}}$$

where:

$n$ is the number of columns for $A_j$

$N$ is the total number of observations

$f_{jk}$ is the frequency observed in cell $(A_j, B_k)$

$\max_k \cdot f_{jk}$ is the largest cell frequency in colunn Aj

$\max_k \cdot f_k$ is the largest marginal frequency among rows $B_k$

$\max_{k*} \cdot f_{jk}$ is the largest cell frequency in the row with the largest marginal frequency

The reader will note that a one-tail test should be used to test the null hypothesis that $\lambda_B = 0$ because, since all values of $L_B$ are positive, $L_B - \lambda_B$ can only take on a positive value when $\lambda_B$ is set at zero.

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[3]Technically speaking it is incorrect to set $\lambda_B$ equal to zero because the approximate sampling theory assumes that $\lambda_B \neq 0$ or 1. However, one could set $\lambda_B$ at, say, 0.0001, which for all practical purposes would amount to testing the null hypothesis that $\lambda_B = 0$.

APPENDIX D


MAIL QUESTIONNAIRE AND COVER LETTER

August 7, 1973

May I ask a favor of you?

As part of my requirements for a doctoral degree, I am conducting a survey of alcoholic beverage preferences among selected consumer groups in the Lansing area. The purpose of this study, which is being conducted independently and without any commercial sponsorship, is to develop improved market analysis techniques with the objective of achieving higher levels of consumer satisfaction in the marketplace.

Your name appeared in a scientifically chosen stratified sample of Lansing area households. Your answers to the enclosed questionnaire are extremely important to the accuracy and success of this study, whether or not alcoholic beverages are consumed in your home.

The questionnaire should be filled out by the person in your household who usually decides which brands of alcoholic beverages to buy—in particular, which brands of beer or Scotch whisky to buy, if these beverages are consumed in your home. If alcoholic beverages are not consumed in your home, please answer the questionnaire yourself.

It will take, at the most, about fifteen minutes to fill out the questionnaire, and you may find the questions interesting. Please note that not all sections of the questionnaire will necessarily apply to your household, depending on which beverages are consumed in your home.

Of course, your answers will be considered strictly confidential and will only be used in combination with those of other households. To ensure the anonymity of your answers, please note that the questionnaire has not been keyed in any way. Instead, a postcard has been enclosed to let you notify me that you have returned the questionnaire in the separate stamped reply envelope (naturally, no follow-up letters will be sent if I receive your signed postcard).

Your willingness to take part in this study will be very much appreciated. Please return both the completed questionnaire and the postcard at your earliest convenience.

Sincerely,


Andrew A. Brogowicz
Doctoral Candidate

## PART A:  TYPES OF ALCOHOLIC BEVERAGES

1. Do you regularly or occasionally either <u>drink</u> alcoholic beverages (such as beer, liquor, or wine), or <u>serve them in your home</u>?  Please check (√) Yes or No.... Yes ☐      No ☐

       If "No," please SKIP TO PART D ON THE LAST PAGE.

2. During the past month, did you either <u>drink</u> any of the following types of beverages or <u>serve</u> them <u>in</u> your <u>home</u>?  Please check Yes or No for each type of beverage.

| | | | |
|---|---|---|---|
| Beer or malt liquor ... Yes ☐   No ☐ | | Gin .................... Yes ☐   No ☐ |
| Blended whiskey ....... Yes ☐   No ☐ | | Rum .................... Yes ☐   No ☐ |
| Bourbon ............... Yes ☐   No ☐ | | Scotch whisky ......... Yes ☐   No ☐ |
| Brandy or cognac ...... Yes ☐   No ☐ | | Vodka ................. Yes ☐   No ☐ |
| Canadian whisky ....... Yes ☐   No ☐ | | Wine--made in U.S.A.... Yes ☐   No ☐ |
| Cordials or liqueurs .. Yes ☐   No ☐ | | Wine--imported ........ Yes ☐   No ☐ |

3. Please write in the brand name of each type of alcoholic beverage that you <u>now</u> have on hand in your home.  If you have more than one brand of each type on hand, write which one of the brands on hand you buy most often.

                              Brand On Hand                                Brand on Hand

   Beer or malt liquor _____     Cordials or liqueurs _____

   Blended whiskey .... _____     Gin ................ _____

   Bourbon ............ _____     Rum ................ _____

   Brandy or cognac ... _____     Scotch whisky ...... _____

   Canadian whisky .... _____     Vodka .............. _____

4. Do you regularly or occasionally <u>drink</u> alcoholic beverages?.................. Yes ☐      No ☐

       If "No," please SKIP TO QUESTION 6 AT THE TOP OF THE NEXT PAGE.

       If "Yes," about how much alcoholic beverage (all types) do you drink?  Please choose the <u>one</u> category which best describes your drinking pattern and <u>write in</u> about how many drinks you consume on the average.

                                I average about _____ drinks a day      ☐

                                I average about _____ drinks a week   ☐

                                I average about _____ drinks a month ☐

5. Please indicate how much you <u>like</u> or <u>dislike</u> each of the following types of beverages by <u>circling</u> the appropriate number after each beverage.  For example, if you "like" a certain beverage "very much," circle number 5 after that beverage;  if you "dislike it very much," circle number 1;  or circle any number in between, depending on how much you like or dislike that beverage.

| | Like It Very Much | Like It | Can Take It Or Leave It | Dislike It | Dislike It Very Much |
|---|---|---|---|---|---|
| Beer or malt liquor | 5 | 4 | 3 | 2 | 1 |
| Blended whiskey .... | 5 | 4 | 3 | 2 | 1 |
| Bourbon ............ | 5 | 4 | 3 | 2 | 1 |
| Brandy or cognac ... | 5 | 4 | 3 | 2 | 1 |
| Canadian whisky .... | 5 | 4 | 3 | 2 | 1 |
| Cordials or liqueurs | 5 | 4 | 3 | 2 | 1 |
| Gin ................ | 5 | 4 | 3 | 2 | 1 |
| Rum ................ | 5 | 4 | 3 | 2 | 1 |
| Scotch whisky ...... | 5 | 4 | 3 | 2 | 1 |
| Vodka .............. | 5 | 4 | 3 | 2 | 1 |
| Wine--made in U.S.A. | 5 | 4 | 3 | 2 | 1 |
| Wine--imported ..... | 5 | 4 | 3 | 2 | 1 |

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6. Suppose you were having a few friends over to your home for a casual evening of drinks and conversation. How important would you consider each of the following factors in deciding which type of alcoholic beverage you would drink while entertaining your friends? (Or if you do not drink alcoholic beverages, how important would you consider each of these factors in deciding which beverages to serve your friends?) Please indicate how important you consider the following factors by circling the appropriate number after each factor.

|  | Extremely Important | Very Important | Fairly Important | Slightly Important | Not At All Important |
|---|---|---|---|---|---|
| Goes well with snack foods .......... | 5 | 4 | 3 | 2 | 1 |
| Tastes slightly sweet ............... | 5 | 4 | 3 | 2 | 1 |
| Strong, high in alcoholic content ... | 5 | 4 | 3 | 2 | 1 |
| Bright, bubbly, sparkling beverage .. | 5 | 4 | 3 | 2 | 1 |
| Popular beverage among your friends | 5 | 4 | 3 | 2 | 1 |
| Makes really delicious mixed drinks | 5 | 4 | 3 | 2 | 1 |
| Fairly low in calories .............. | 5 | 4 | 3 | 2 | 1 |
| Leaves no unpleasant after-taste .... | 5 | 4 | 3 | 2 | 1 |
| Prestigious beverage ................ | 5 | 4 | 3 | 2 | 1 |
| Tastes smooth, light, and mellow .... | 5 | 4 | 3 | 2 | 1 |
| Relaxing, refreshing beverage ....... | 5 | 4 | 3 | 2 | 1 |
| Unique and pleasant aroma ........... | 5 | 4 | 3 | 2 | 1 |
| Satisfies or quenches your thirst ... | 5 | 4 | 3 | 2 | 1 |
| Inexpensive, doesn't cost too much .. | 5 | 4 | 3 | 2 | 1 |
| Light, not too filling .............. | 5 | 4 | 3 | 2 | 1 |
| Choice of sophisticated drinkers .... | 5 | 4 | 3 | 2 | 1 |
| Mild, low in alcoholic content ...... | 5 | 4 | 3 | 2 | 1 |
| Tastes dry and slightly sour or bitter | 5 | 4 | 3 | 2 | 1 |

7. Please answer Yes or No to the following questions. If you are uncertain or indifferent about a certain question, or if it doesn't apply to you, check "Not Sure."

|  | Yes | No | Not Sure |
|---|---|---|---|
| (a) Do you drink more to be sociable than for pure enjoyment?...................... | ☐ | ☐ | ☐ |
| (b) When buying alcoholic beverages, is it better to avoid new brands and stick to well-known, reliable brands?................................................... | ☐ | ☐ | ☐ |
| (c) Do you do most of your drinking at home rather than in bars?................... | ☐ | ☐ | ☐ |
| (d) Do people tend to judge others by which brands of alcoholic beverages they buy? | ☐ | ☐ | ☐ |
| (e) Do you know a lot about mixing drinks?........................................ | ☐ | ☐ | ☐ |
| (f) Do your friends often ask you for advice about which brands of alcoholic beverages to buy?................................................................. | ☐ | ☐ | ☐ |
| (g) It's been said that one can tell how successful a person has become by whether that person drinks beer or Scotch. Do you agree with this statement?........... | ☐ | ☐ | ☐ |
| (h) Would you say that price is the best indicator of satisfactory quality, so that the more an alcoholic beverage costs, the better it has to be?.................. | ☐ | ☐ | ☐ |
| (i) Do you frequently ask the sales clerk for advice about what brands of alcoholic beverages to buy?................................................................. | ☐ | ☐ | ☐ |
| (j) Do you usually wait and see how other people like a new brand of alcoholic beverage before you try it?...................................................... | ☐ | ☐ | ☐ |
| (k) When it comes to alcoholic beverages, do you try to buy only the best brands? .. | ☐ | ☐ | ☐ |
| (l) Do people drink Scotch more for status and prestige than because they like the way it tastes?................................................................... | ☐ | ☐ | ☐ |
| (m) Do you often ask your friends for advice about which brands of alcoholic beverages to buy?................................................................. | ☐ | ☐ | ☐ |

8. Suppose you were having a few friends over to your home for a casual evening of drinks and conversation. Which one of the following types of beverages would you be most likely to drink while entertaining your friends? (Or if you do not drink alcoholic beverages, which one type would you be most likely to serve your friends?) Please check only one type of beverage.

| | | |
|---|---|---|
| Beer or malt liquor ☐ | Canadian whisky .... ☐ | Scotch whisky ...... ☐ |
| Blended whiskey ... ☐ | Cordials or liqueurs ☐ | Vodka .............. ☐ |
| Bourbon .......... ☐ | Gin ................ ☐ | Wine--made in U.S.A. ☐ |
| Brandy or cognac .. ☐ | Rum ................ ☐ | Wine--imported ..... ☐ |

PART B: BEER AND MALT LIQUOR

1. Do you regularly or occasionally either drink beer or malt liquor, or serve it in your home?................................................................... Yes ☐   No ☐

If "No, please SKIP TO PART C ON THE BOTTOM OF THE NEXT PAGE.

2. About how often do you buy beer or malt liquor to drink or serve in your home?

About once a week ☐      About 2 or 3 times a month ☐      About once a month or less ☐

3. Do you regularly or occasionally drink beer or malt liquor?.................. Yes ☐   No ☐

If "No," please SKIP TO QUESTION 5 DOWN BELOW.

If "Yes," about how much beer or malt liquor do you drink? Please choose the one category which best describes your drinking pattern and write in about how many beers (including malt liquor) you drink on the average.

I average about _____ beers a day   ☐

I average about _____ beers a week   ☐

I average about _____ beers a month   ☐

4. Please indicate how much you like or dislike each of the following brands of beer or malt liquor by circling the appropriate number after each brand. Note: If you have never tried a certain brand, then just check the box at the far right.

| | Like It Very Much | Like It | Can Take It Or Leave It | Dislike It | Dislike It Very Much | Never Tried This Brand |
|---|---|---|---|---|---|---|
| Blatz ............... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Budweiser ........... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Busch Bavarian ...... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Carling's Black Label | 5 | 4 | 3 | 2 | 1 | ☐ |
| Champale Malt Liquor | 5 | 4 | 3 | 2 | 1 | ☐ |
| Colt 45 Malt Liquor | 5 | 4 | 3 | 2 | 1 | ☐ |
| Hamm's .............. | 5 | 4 | 3 | 2 | 1 | ☐ |
| Heineken ............ | 5 | 4 | 3 | 2 | 1 | ☐ |
| Lowenbrau ........... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Michelob ............ | 5 | 4 | 3 | 2 | 1 | ☐ |
| Miller High Life .... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Old Milwaukee ....... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Pabst Blue Ribbon ... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Schlitz ............. | 5 | 4 | 3 | 2 | 1 | ☐ |
| Schlitz Malt Liquor | 5 | 4 | 3 | 2 | 1 | ☐ |
| Stroh's ............. | 5 | 4 | 3 | 2 | 1 | ☐ |

5. Which brand of beer or malt liquor do you buy most often to drink or serve in your home? Please write in the brand in the space provided. You may write in a brand not listed above.

Brand: _____

About what per cent of the time do you buy this particular brand instead of other brands?

About 25% or 1/4 of the time ☐       About 75% or 3/4 of the time ☐
About 50% or 1/2 of the time ☐       Only brand I ever buy ...... ☐

6. Listed below are several possible reasons why a person might choose to buy one brand of beer or malt liquor more often than other brands. Please indicate how important you consider each of these reasons by circling the appropriate number after each reason.

|  | Extremely Important | Very Important | Fairly Important | Slightly Important | Not At All Important |
|---|---|---|---|---|---|
| Popular brand among my friends .............. | 5 | 4 | 3 | 2 | 1 |
| Tastes slightly sweet ........................ | 5 | 4 | 3 | 2 | 1 |
| Attractive bottle or can ..................... | 5 | 4 | 3 | 2 | 1 |
| Brewed slow and natural with extra aging .... | 5 | 4 | 3 | 2 | 1 |
| Light golden color and creamy head .......... | 5 | 4 | 3 | 2 | 1 |
| Made from only the finest ingredients ....... | 5 | 4 | 3 | 2 | 1 |
| Priced lower than other brands .............. | 5 | 4 | 3 | 2 | 1 |
| Smooth, light, full-bodied flavor ........... | 5 | 4 | 3 | 2 | 1 |
| Choice of real beer drinkers ................ | 5 | 4 | 3 | 2 | 1 |
| Imported from Europe ........................ | 5 | 4 | 3 | 2 | 1 |
| Interesting radio and television commercials | 5 | 4 | 3 | 2 | 1 |
| Well-known, reliable brand .................. | 5 | 4 | 3 | 2 | 1 |
| Tastes rich, thick, and malty ............... | 5 | 4 | 3 | 2 | 1 |
| Tradition of premium quality ................ | 5 | 4 | 3 | 2 | 1 |
| Strong, a little higher in alcoholic content | 5 | 4 | 3 | 2 | 1 |
| Prestigious brand ........................... | 5 | 4 | 3 | 2 | 1 |
| Tastes slightly sour or bitter .............. | 5 | 4 | 3 | 2 | 1 |
| Not too filling, you can have more than one | 5 | 4 | 3 | 2 | 1 |
| Dark, rich color ............................ | 5 | 4 | 3 | 2 | 1 |
| Bright, bubbly, and refreshing .............. | 5 | 4 | 3 | 2 | 1 |

7. How interested would you be in trying a new beverage that looks and tastes just like beer, but is very low in calories and contains no alcohol?

| Extremely Interested ☐ | Very Interested ☐ | Fairly Interested ☐ | Slightly Interested ☐ | Not At All Interested ☐ |
|---|---|---|---|---|

8. Please answer Yes or No to the following questions. If you are uncertain or indifferent about a certain question, or if it doesn't apply to you, check "Not Sure."

|  | Yes | No | Not Sure |
|---|---|---|---|
| (a) Do all brands of beer taste about the same?..................................... | ☐ | ☐ | ☐ |
| (b) If the company that brews your favorite brand of beer refused to provide equal employment opportunities for women, would you switch to another brand?.......... | ☐ | ☐ | ☐ |
| (c) Is there any real difference in quality between premium-priced beers and popular-priced beers?......................................................... | ☐ | ☐ | ☐ |
| (d) If the company that brews your favorite brand of beer refused to provide equal employment opportunities for racial minorities, would you switch to another brand?............................................................................ | ☐ | ☐ | ☐ |
| (e) Can you tell one brand of beer from another without looking at the labels on the bottles or cans that the beers were poured from?........................... | ☐ | ☐ | ☐ |
| (f) If the company that brews your favorite brand of beer refused to cooperate in fighting pollution, would you switch to another brand?........................... | ☐ | ☐ | ☐ |

## PART C: SCOTCH WHISKY

1. Do you regularly or occasionally either drink Scotch whisky or serve it in your home?................................................................. Yes ☐    No ☐

   If "No," please SKIP TO PART D ON THE LAST PAGE.

2. About how often do you buy Scotch whisky to drink or serve in your home?

   About once a week ☐    About 1 or 2 times a month ☐    At most, 4 or 5 times a year ☐

3. What size bottle do you usually buy?.... Pint ☐    Fifth or quart ☐    Half-gallon ☐

4. Do all Scotches taste about the same?..................... Yes ☐    No ☐    Not Sure ☐

5. Do you regularly or occasionally <u>drink</u> Scotch whisky?........................ Yes ☐     No ☐

    If "No," please SKIP TO QUESTION 7 DOWN BELOW.

    If "Yes," about how much Scotch do you drink? Please choose the <u>one</u> category which best describes your drinking pattern and <u>write in</u> about how many drinks of Scotch you consume on the average.

                       I average about _____ drinks of Scotch a day    ☐

                       I average about _____ drinks of Scotch a week    ☐

                       I average about _____ drinks of Scotch a month    ☐

6. Please indicate how much you <u>like</u> or <u>dislike</u> each of the following brands of Scotch by <u>circling</u> the appropriate number after each brand. <u>Note</u>: If you have never tried a certain brand, then just check the box at the far right.

| | Like It Very Much | Like It | Can Take It Or Leave It | Dislike It | Dislike It Very Much | Never Tried This Brand |
|---|---|---|---|---|---|---|
| Ballentine's ............. | 5 | 4 | 3 | 2 | 1 | ☐ |
| Black & White ............ | 5 | 4 | 3 | 2 | 1 | ☐ |
| Chivas Regal ............. | 5 | 4 | 3 | 2 | 1 | ☐ |
| Cutty Sark ............... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Dewar's "White Label" .... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Grand Macnish ............ | 5 | 4 | 3 | 2 | 1 | ☐ |
| Highland Mist ............ | 5 | 4 | 3 | 2 | 1 | ☐ |
| J & B Rare ............... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Johnnie Walker Black Label | 5 | 4 | 3 | 2 | 1 | ☐ |
| Johnnie Walker Red Label | 5 | 4 | 3 | 2 | 1 | ☐ |
| King William IV .......... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Lauder's ................. | 5 | 4 | 3 | 2 | 1 | ☐ |
| McMaster's ............... | 5 | 4 | 3 | 2 | 1 | ☐ |
| Teacher's Highland Cream | 5 | 4 | 3 | 2 | 1 | ☐ |
| White Horse ............. | 5 | 4 | 3 | 2 | 1 | ☐ |

7. Which brand of Scotch whisky do you buy <u>most</u> often <u>to drink or serve in your home</u>? Please write in the brand in the space provided. You may write in a brand not listed above.

                             Brand: _____

    About what per cent of the time do you buy this particular brand instead of other brands?

             About 25% or 1/4 of the time ☐      About 75% or 3/4 of the time ☐
             About 50% or 1/2 of the time ☐      Only brand I ever buy ....... ☐

8. Listed below are several reasons why a person might choose to buy one brand of Scotch more often than other brands. Please indicate how important you consider each of these reasons by <u>circling</u> the appropriate number after each reason.

| | Extremely Important | Very Important | Fairly Important | Slightly Important | Not At All Important |
|---|---|---|---|---|---|
| Attractive bottle or package .......... | 5 | 4 | 3 | 2 | 1 |
| Choice of sophisticated Scotch drinkers | 5 | 4 | 3 | 2 | 1 |
| Extra aging ........................... | 5 | 4 | 3 | 2 | 1 |
| Tastes smooth, light, and mellow ...... | 5 | 4 | 3 | 2 | 1 |
| Makes really delicious mixed drinks ... | 5 | 4 | 3 | 2 | 1 |
| Prestigious brand ..................... | 5 | 4 | 3 | 2 | 1 |
| Strong, 86 proof instead of 80 proof .. | 5 | 4 | 3 | 2 | 1 |
| Light golden color .................... | 5 | 4 | 3 | 2 | 1 |
| Tradition of premium quality .......... | 5 | 4 | 3 | 2 | 1 |
| Popular brand among my friends ........ | 5 | 4 | 3 | 2 | 1 |
| Priced about $2.50 lower for a fifth .. | 5 | 4 | 3 | 2 | 1 |
| Dark, smokey color .................... | 5 | 4 | 3 | 2 | 1 |
| Interesting advertisements ............ | 5 | 4 | 3 | 2 | 1 |
| Tastes rich, heavy, and full-flavored | 5 | 4 | 3 | 2 | 1 |
| Well-known, reliable brand ............ | 5 | 4 | 3 | 2 | 1 |

(Please turn--only one more page to go)

PART D:  GENERAL CHARACTERISTICS

The following information will be used only to help analyze this survey.  All answers will be considered confidential.  Please <u>do not</u> sign your name on this questionnaire.

1. Please answer Yes or No to the following questions.  If you are uncertain or indifferent about a certain question, check "Not Sure."

|  | Yes | No | Not Sure |
|---|---|---|---|

(a) Would you say that you tend to live from day to day, rather than trying to plan ahead all the time?.......................................................... ☐ ☐ ☐

(b) Should children be encouraged to try to overcome all obstacles that get in their way, rather than to be "easy going" and accept things as they are?.............. ☐ ☐ ☐

(c) Do you believe that it's better to spend your money today and enjoy it, instead of trying to save for the future?............................................. ☐ ☐ ☐

(d) Do you agree that the best way to improve conditions around Lansing is for people to get together to help themselves, instead of relying so much on the government?................................................................... ☐ ☐ ☐

2. About how much time do you spend on an average day watching television?

About 1 hour or less ☐     About 2 hours ☐     About 3 hours ☐     About 4 hours or more ☐

3. About how much time do you spend on an average day listening to the radio?

About 1 hour or less ☐     About 2 hours ☐     About 3 hours ☐     About 4 hours or more ☐

4. Please check any newspapers that you can recall reading during the past week or two.

Lansing State Journal ☐          Detroit Free Press .... ☐          The Grapevine Journal ☐
Michigan State News .. ☐          Detroit News .......... ☐          Other (please specify):
Towne Courier ........ ☐          New York Times ........ ☐          _____

5. Please list any magazines that you can recall reading during the past week or two.

_____          _____          _____

_____          _____          _____

6. Please indicate your sex.......................................... Male ☐          Female ☐

7. What is your approximate age?.............. Under 18 ☐     25 to 34 ☐     50 to 64   ☐
                                               18 to 24 ☐     35 to 49 ☐     65 or over ☐

8. What is your race?........................ White/Caucasian ☐          American Indian ☐
                                             Black/Negro ... ☐          Oriental ...... ☐

9. Please indicate the highest level of schooling that you have completed.

Grade school ... ☐          High school graduate ☐          College graduate ...... ☐
Some high school ☐          Some college ....... ☐          Advanced college degree ☐

10. What is your marital status?..................... Single  ☐          Widowed ............. ☐
                                                     Married ☐          Divorced or separated ☐

If married, is your spouse employed at the present time?.................. Yes ☐     No ☐

11. Are you employed at the present time?........................................ Yes ☐     No ☐

If "Yes," what is your present occupation? _____

12. Please indicate your approximate total annual family income, including all members of your household.

Under $5,000 ... ☐          $ 8,000 to $ 9,999 ☐          $15,000 to $24,999 ☐
$5,000 to $7,999 ☐          $10,000 to $14,999 ☐          $25,000 or over .. ☐

13. Do you own your home or are you renting it?....................... Own ☐          Rent ☐

NO MORE QUESTIONS--THANK YOU VERY MUCH FOR YOUR COOPERATION.

APPENDIX E


PERSONAL-INTERVIEW QUESTIONNAIRE
AND LETTER OF INTRODUCTION

**MICHIGAN STATE UNIVERSITY** EAST LANSING · MICHIGAN 48823

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
DEPARTMENT OF MARKETING AND TRANSPORTATION ADMINISTRATION · EPPLEY CENTER

August 9, 1973

Dear Lansing Resident:

  This is to introduce _____, a professional
interviewer who is helping with a survey that is being conducted by our
Business Research Division. The purpose of this survey is to get some idea
about what kinds of alcoholic beverages are preferred by consumers in the
Lansing area.

  We would very much appreciate your willingness to take part in this
survey by answering some questions about what kinds of alcoholic beverages
you drink and which brands you buy.

  Your name was selected completely by chance among a representative
sample of Lansing area families. Therefore, your opinions are extremely
important to the accuracy and success of this survey.

  *Of course, your answers will be considered strictly confidential,*
and will only be used along with those of other consumers to help us analyze
this survey.

  If you would like more information about this survey, please feel
free to give me a phone call. I will be happy to explain the survey to you.
My phone number is 355-4616.

  Thank you for your cooperation.

       Sincerely yours,

       Andrew A. Brogowicz
       Instructor of Marketing

P.S. *If our interviewer finds that you are eligible to participate in this
survey, you will receive a gift of two dollars as a token of our
appreciation for your willingness to take part in the survey.*

SURVEY OF ALCOHOLIC BEVERAGE PREFERENCES
MICHIGAN STATE UNIVERSITY

INTRODUCTION

Hello .. I'm an interviewer from the Business Research Department
at Michigan State University.  They're doing a study to find out
what kinds of alcoholic beverages .. such as beer, liquor, and
wine .. are consumed by people in the Lansing area.

SHOW LETTER OF INTRODUCTION IF NECESSARY

Do you regularly or occasionally drink alcoholic beverages .. or
serve them to guests in your home?

IF "NO" TERMINATE INTERVIEW

We will give you two new dollar bills as a token of our appreciation
if you will kindly answer a few questions for us concerning what
kinds of alcoholic beverages are consumed in your home.

Are you the person in your home who decides which brands of alcoholic
beverages to buy .. or does someone else in your home make those kinds
of decisions?

INTERVIEW OR MAKE APPOINTMENT TO INTERVIEW THE PERSON
WHO DECIDES WHICH BRANDS TO BUY--IN PARTICULAR, WHICH
BRANDS OF BEER OR SCOTCH

---

Date of Interview: _____

Person Interviewed: _____

Address: _____

Phone: _____

Name of Interviewer: _____

---

APPOINTMENT (Day/hour of appointment—or times when
usually home):

_____

REASONS FOR NO INTERVIEW:

_____ Vacant or moved

_____ Don't use alcoholic
beverages

_____ Refused (describe, over)

NUMBER OF CALLBACKS (CIRCLE):

0  1  2  3  4  5

196

PART A: TYPES OF ALCOHOLIC BEVERAGES

The first part of this survey deals with different types of alcoholic beverages .. such as beer, liquor, and wine.

1. During the past month or so .. did you either drink  (INSERT TYPE OF BEVERAGE)  .. or serve it to guests in your home?

| CHECK "YES" OR "NO" | | Yes | No | | | Yes | No |
|---|---|---|---|---|---|---|---|
| | Beer or malt liquor | 1 | 2 | Gin ................ | | 1 | 2 |
| | Blended whiskey .... | 1 | 2 | Rum ................ | | 1 | 2 |
| | Bourbon ........... | 1 | 2 | Scotch whisky ...... | | 1 | 2 |
| | Brandy or cognac ... | 1 | 2 | Vodka ............. | | 1 | 2 |
| | Canadian whisky .... | 1 | 2 | Wine--made in U.S.A. | | 1 | 2 |
| | Cordials or liqueurs | 1 | 2 | Wine--imported ..... | | 1 | 2 |

2. Do you have any  (INSERT TYPE OF BEVERAGE)  in your home at the present time?

IF "YES" ASK:
"Which brand do you have on hand?"

| CHECK "YES" OR "NO" | | Yes | No | Brand On Hand |
|---|---|---|---|---|
| | Beer or malt liquor | 1 | 2 | _____ |
| | Blended whiskey ... | 1 | 2 | _____ |
| | Bourbon .......... | 1 | 2 | _____ |
| | Brandy or cognac .. | 1 | 2 | _____ |
| | Canadian whisky ... | 1 | 2 | _____ |
| | Cordials or liqueurs | 1 | 2 | _____ |
| | Gin ............... | 1 | 2 | _____ |
| | Rum ............... | 1 | 2 | _____ |
| | Scotch whisky ...... | 1 | 2 | _____ |
| | Vodka ............. | 1 | 2 | _____ |

IF RESPONDENT HAS MORE THAN ONE BRAND OF EACH TYPE ON HAND ASK:
"Which one of these brands do you buy most often?"

IF RESPONDENT CANNOT REMEMBER WHICH BRAND HE OR SHE HAS ON HAND ASK:
"Would you mind taking a look to find out?  It's very important for us to find out which brands people are using."

3. Do you regularly or occasionally <u>drink</u> alcoholic beverages? (AS OPPOSED TO
JUST SERVING THEM TO GUESTS)

       _____ Yes*

       _____ No

---

IF "NO" SKIP TO QUESTION 4 ON THE NEXT PAGE

*IF "YES" ASK:

---

About how much alcoholic beverage of all types do you drink? Would you say that
you average .. one or more drinks a day .. one or more drinks a week .. or one or
more drinks a month? (CHECK THE CATEGORY WHICH THE RESPONDENT SELECTS TO DESCRIBE
HIS DRINKING PATTERN AND THEN ASK:) About <u>how many</u> drinks do you average <u>(INSERT</u>
"A DAY", "A WEEK," OR "A MONTH)? (WRITE IN THE AMOUNT IN THE SPACE PROVIDED)

       _____ Respondent averages about _____ drinks a day

       _____ Respondent averages about _____ drinks a week

       _____ Respondent averages about _____ drinks a month

I'm going to read you a list of different types of alcoholic beverages. Please
tell me how much you <u>like</u> or <u>dislike</u> each type of beverage according to the scale
shown on this card. (HAND RESPONDENT CARD A) For example, let's try beer and malt
liquor .. would you say that you .. like it very much, like it, can take it or
leave it, dislike it, or dislike it very much?

CIRCLE ONE NUMBER IN EACH ROW

|  | Like It Very Much | Like It | Can Take It Or Leave It | Dislike It | Dislike It Very Much |
|---|---|---|---|---|---|
| (Beer or malt liquor) | 5 | 4 | 3 | 2 | 1 |
| How about blended whiskey ... | 5 | 4 | 3 | 2 | 1 |
| Bourbon ........... | 5 | 4 | 3 | 2 | 1 |
| Brandy or cognac ... | 5 | 4 | 3 | 2 | 1 |
| Canadian whisky .... | 5 | 4 | 3 | 2 | 1 |
| Cordials or liqueurs | 5 | 4 | 3 | 2 | 1 |
| Gin ............... | 5 | 4 | 3 | 2 | 1 |
| Rum ............... | 5 | 4 | 3 | 2 | 1 |
| Scotch whisky ...... | 5 | 4 | 3 | 2 | 1 |
| Vodka ............. | 5 | 4 | 3 | 2 | 1 |
| Wine--made in U.S.A. | 5 | 4 | 3 | 2 | 1 |
| Wine--imported ..... | 5 | 4 | 3 | 2 | 1 |

4. Suppose you were having a few friends over to your home .. for a casual evening of drinks and conversation. I'm going to read you a list of items about alcoholic beverages. Using the scale shown on this card (HAVE RESPONDENT TURN CARD A OVER TO SIDE B) .. please tell me **how important** you would consider each item .. in deciding which type of alcoholic beverage **you would drink** (OR IF RESPONDENT IS NONDRINKER SAY: "you would serve") while entertaining your friends? For example, how important is it that the beverage you drink (OR SERVE) .. goes well with snack foods? Would you say that it is .. extremely important, very important, fairly important, slightly important, or not at all important?

CIRCLE ONE NUMBER IN EACH ROW

| | Extremely Important | Very Important | Fairly Important | Slightly Important | Not At All Important |
|---|---|---|---|---|---|
| (Goes well with snack foods) ......... | 5 | 4 | 3 | 2 | 1 |
| Tastes slightly sweet ................ | 5 | 4 | 3 | 2 | 1 |
| Strong, high in alcoholic content .... | 5 | 4 | 3 | 2 | 1 |
| Bright, bubbly, sparkling beverage ... | 5 | 4 | 3 | 2 | 1 |
| Popular beverage among your friends .. | 5 | 4 | 3 | 2 | 1 |
| Makes really delicious mixed drinks .. | 5 | 4 | 3 | 2 | 1 |
| Fairly low in calories ............... | 5 | 4 | 3 | 2 | 1 |
| Leaves no unpleasant after-taste ..... | 5 | 4 | 3 | 2 | 1 |
| Prestigious beverage ................. | 5 | 4 | 3 | 2 | 1 |
| Tastes smooth, light, and mellow ..... | 5 | 4 | 3 | 2 | 1 |
| Relaxing, refreshing beverage ........ | 5 | 4 | 3 | 2 | 1 |
| Unique and pleasant aroma ............ | 5 | 4 | 3 | 2 | 1 |
| Satisfies or quenches your thirst .... | 5 | 4 | 3 | 2 | 1 |
| Inexpensive, doesn't cost too much ... | 5 | 4 | 3 | 2 | 1 |
| Light, not too filling ............... | 5 | 4 | 3 | 2 | 1 |
| Choice of sophisticated drinkers ..... | 5 | 4 | 3 | 2 | 1 |
| Mild, low in alcoholic content ....... | 5 | 4 | 3 | 2 | 1 |
| Tastes dry and slightly sour or bitter | 5 | 4 | 3 | 2 | 1 |

TAKE CARD BACK FROM RESPONDENT

5. I'm going to read you a list of questions about alcoholic beverages. As I read each question, just answer "Yes" or "No" .. or you may answer "Not Sure" if you are uncertain or indifferent about the question. (IF RESPONDENT INDICATES THAT THE QUESTION DOES NOT APPLY TO HIM, CHECK "NOT SURE")

| | Yes | No | Not Sure |
|---|---|---|---|
| Do you drink more to be sociable than for pure enjoyment?............ | 3 | 1 | 2 |
| When buying alcoholic beverages .. is it better to avoid new brands and stick to well-known reliable brands?............................ | 3 | 1 | 2 |
| Do you do most of your drinking at home rather than in bars or clubs? | 3 | 1 | 2 |
| Do people tend to judge others by which brands of alcoholic beverages they buy?......................................................... | 3 | 1 | 2 |

|  | Yes | No | Not Sure |
|---|---|---|---|
| Do you know a lot about mixing drinks?................................ | 3 | 1 | 2 |
| Do your friends often ask you for advice about which brands of alcoholic beverages to buy?......................................... | 3 | 1 | 2 |
| It's been said that one can tell how successful a person has become by whether that person drinks beer or Scotch. Do you agree?............. | 3 | 1 | 2 |
| Would you say that price is the best indicator of satisfactory quality so that the more an alcoholic beverage costs .. the better it has to be?...................................................................... | 3 | 1 | 2 |
| Do you frequently ask the sales clerk for advice about which brands of alcoholic beverages to buy?......................................... | 3 | 1 | 2 |
| Do you usually wait and see how other people like a new brand of alcoholic beverage before you try it?................................. | 3 | 1 | 2 |
| When it comes to alcoholic beverages .. do you try to buy only the best brands?........................................................... | 3 | 1 | 2 |
| Do people drink Scotch more for status and prestige than because they like the way it tastes?.............................................. | 3 | 1 | 2 |
| Do you often ask your friends for advice about which brands of alcoholic beverages to buy?......................................... | 3 | 1 | 2 |

5. Suppose you were having a few friends over to your home .. for a casual evening of drinks and conversation. Which type of alcoholic beverage would you be most likely to drink (OR IF RESPONDENT IS NONDRINKER SAY:"serve") while entertaining your friends? (CHECK ONLY ONE OF THE FOLLOWING TYPES OF BEVERAGES)

| | |
|---|---|
| \_\_\_\_\_ Beer or malt liquor | \_\_\_\_\_ Gin |
| \_\_\_\_\_ Blended whiskey | \_\_\_\_\_ Rum |
| \_\_\_\_\_ Bourbon | \_\_\_\_\_ Scotch whisky |
| \_\_\_\_\_ Brandy or cognac | \_\_\_\_\_ Vodka |
| \_\_\_\_\_ Canadian whisky | \_\_\_\_\_ Wine--made in U.S.A. |
| \_\_\_\_\_ Cordials or liqueurs | \_\_\_\_\_ Wine--imported |

PART B: BEER AND MALT LIQUOR

Let's turn to beer and malt liquor now.

1. Do you regularly or occasionally either drink beer or malt liquor, or serve it to guests in your home?

\_\_\_\_\_ Yes
\_\_\_\_\_ No

IF "NO" SKIP TO PART C ON PAGE 8

2. About how often do you buy beer or malt liquor .. to drink or serve in your home? Would you say that you buy it .. about once a week .. about 2 or 3 times a month .. or about once a month or less?

\_\_\_\_\_ About once a week
\_\_\_\_\_ About 2 or 3 times a month
\_\_\_\_\_ About once a month or less

3. Do you regularly or occasionally <u>drink</u> beer or malt liquor?  (AS OPPOSED TO
JUST SERVING IT TO GUESTS)

_____ Yes*
_____ No

IF "NO" SKIP TO QUESTION 4 ON THE NEXT PAGE

\* IF "YES" ASK:

About how much beer or malt liquor do you drink?  Would you say that you average ..
one or more beers a day .. one or more beers a week .. or one or more beers a month?
(CHECK THE CATEGORY WHICH THE RESPONDENT SELECTS TO DESCRIBE HIS DRINKING PATTERN
AND THEN ASK:) About <u>how</u> <u>many</u> beers do you average  (INSERT "A DAY", "A WEEK", OR "A
MONTH")?  (WRITE IN THE AMOUNT IN THE SPACE PROVIDED)

_____ Respondent averages about _____ beers a day

_____ Respondent averages about _____ beers a week

_____ Respondent averages about _____ beers a month

I'm going to read you a list of different brands of beer or malt liquor.  Please
tell me whether or not you have ever tried each brand .. and if so .. how much you
<u>like</u> or <u>dislike</u> it.  (HAND RESPONDENT CARD A)  For example, let's try Blatz beer.
Have you ever tried Blatz?  If so, would you say that you .. like it very much,
like it, can take it or leave it, dislike it, or dislike it very much?

CIRCLE ONE NUMBER IN EACH ROW

| | Never Tried It | Like It Very Much | Like It | Can Take It Or Leave It | Dislike It | Dislike It Very Much |
|---|---|---|---|---|---|---|
| (Blatz)................ | 0 | 5 | 4 | 3 | 2 | 1 |
| Budweiser ............ | 0 | 5 | 4 | 3 | 2 | 1 |
| Busch Bavarian ....... | 0 | 5 | 4 | 3 | 2 | 1 |
| Carling's Black Label | 0 | 5 | 4 | 3 | 2 | 1 |
| Champale Malt Liquor | 0 | 5 | 4 | 3 | 2 | 1 |
| Colt 45 Malt Liquor .. | 0 | 5 | 4 | 3 | 2 | 1 |
| Hamm's ............... | 0 | 5 | 4 | 3 | 2 | 1 |
| Heineken ............. | 0 | 5 | 4 | 3 | 2 | 1 |
| Lowenbrau ............ | 0 | 5 | 4 | 3 | 2 | 1 |
| Michelob ............. | 0 | 5 | 4 | 3 | 2 | 1 |
| Miller High Life ..... | 0 | 5 | 4 | 3 | 2 | 1 |
| Old Milwaukee ........ | 0 | 5 | 4 | 3 | 2 | 1 |
| Pabst Blue Ribbon .... | 0 | 5 | 4 | 3 | 2 | 1 |
| Schlitz .............. | 0 | 5 | 4 | 3 | 2 | 1 |
| Schlitz Malt Liquor .. | 0 | 5 | 4 | 3 | 2 | 1 |
| Stroh's .............. | 0 | 5 | 4 | 3 | 2 | 1 |

TAKE CARD BACK FROM RESPONDENT

4. Which brand of beer or malt liquor do you buy most often _to drink or serve in your home?_

Brand: _____

About what per cent of the time do you buy this particular brand instead of other brands? Would you say that you buy it .. about 25% of the time .. about 50% of the time .. about 75% of the time .. or that it's the only brand you ever buy?

_____ About 25% of the time
_____ About 50% of the time
_____ About 75% of the time
_____ Only brand he ever buys

5. I'm going to list several reasons why a person might choose to buy one brand of beer or malt liquor more often than other brands. Using the scale shown on this card (HAND RESPONDENT CARD B) .. please tell me _how important_ you consider each of these reasons. For example, how important is it that the brand you buy be a popular brand among your friends? Would you say that it is .. extremely important, very important, fairly important, slightly important, or not at all important?

CIRCLE ONE NUMBER IN EACH ROW

|  | Extremely Important | Very Important | Fairly Important | Slightly Important | Not At All Important |
|---|---|---|---|---|---|
| (Popular brand among your friends) .... | 5 | 4 | 3 | 2 | 1 |
| Tastes slightly sweet ................. | 5 | 4 | 3 | 2 | 1 |
| Attractive bottle or can .............. | 5 | 4 | 3 | 2 | 1 |
| Brewed slow and natural with extra aging | 5 | 4 | 3 | 2 | 1 |
| Light golden color and creamy head ..... | 5 | 4 | 3 | 2 | 1 |
| Made from only the finest ingredients .. | 5 | 4 | 3 | 2 | 1 |
| Priced lower than other brands ......... | 5 | 4 | 3 | 2 | 1 |
| Smooth, light, full-bodied flavor ...... | 5 | 4 | 3 | 2 | 1 |
| Choice of real beer drinkers ........... | 5 | 4 | 3 | 2 | 1 |
| Imported from Europe ................... | 5 | 4 | 3 | 2 | 1 |
| Interesting radio and TV commercials ... | 5 | 4 | 3 | 2 | 1 |
| Well-known, reliable brand ............. | 5 | 4 | 3 | 2 | 1 |
| Tastes rich, thick, and malty .......... | 5 | 4 | 3 | 2 | 1 |
| Tradition of premium quality ........... | 5 | 4 | 3 | 2 | 1 |
| Strong, higher in alcoholic content .... | 5 | 4 | 3 | 2 | 1 |
| Prestigious brand ...................... | 5 | 4 | 3 | 2 | 1 |
| Tastes slightly sour or bitter ......... | 5 | 4 | 3 | 2 | 1 |
| Not too filling, can have more than one | 5 | 4 | 3 | 2 | 1 |
| Dark, rich color ....................... | 5 | 4 | 3 | 2 | 1 |
| Bright, bubbly, and refreshing ......... | 5 | 4 | 3 | 2 | 1 |

TAKE CARD BACK FROM RESPONDENT

6. How interested would you be in trying a new beverage that looks and tastes just like beer .. but is very low in calories .. and contains no alcohol? Would you say that you would be .. extremely interested, very interested, fairly interested, slightly interested, or not at all interested?

_____ Extremely interested
_____ Very interested
_____ Fairly interested
_____ Slightly interested
_____ Not at all interested

7. I'm going to read you a list of questions about beer. As I read each question, just answer "Yes" or "No" .. or you may answer "Not Sure" if you are uncertain or indifferent about the question. (IF RESPONDENT INDICATES THAT THE QUESTION DOES NOT APPLY TO HIM, CHECK "NOT SURE")

|  | Yes | No | Not Sure |
|---|---|---|---|
| Do all brands of beer taste about the same?......................... | 3 | 1 | 2 |
| If the company that brews your favorite brand of beer .. refused to provide equal employment opportunities for women .. would you switch to another brand?.................................................. | 3 | 1 | 2 |
| Is there any real difference in quality between premium-priced and popular-priced beers?................................................ | 3 | 1 | 2 |
| If the company that brews your favorite brand of beer .. refused to provide equal employment opportunities for racial minorities, would you switch to another brand?........................................ | 3 | 1 | 2 |
| Can you tell one brand of beer from another .. without looking at the labels on the bottles or cans that the beers were poured from?....... | 3 | 1 | 2 |
| If the company that brews your favorite brand of beer .. refused to cooperate in fighting pollution .. would you switch to another brand? | 3 | 1 | 2 |

PART C: SCOTCH WHISKY

Now let's talk a little about Scotch whisky.

1. Do you regularly or occasionally either <u>drink</u> Scotch whisky or <u>serve it to guests</u> in your home?

_____ Yes
_____ No

IF "NO" SKIP TO PART D ON PAGE 10

2. About how often do you buy Scotch .. <u>to drink or serve in your home</u>? Would you say that you buy it .. about once a week .. about 1 or 2 times a month .. or at most, 4 or 5 times a year?

_____ About once a week
_____ About 1 or 2 times a month
_____ At most, 4 or 5 times a year

3. What size bottle of Scotch do you usually buy .. a pint .. a fifth or quart .. or a half-gallon?

_____ Pint
_____ Fifth or quart
_____ Half-Gallon

4. Would you say that all Scotches taste about the same?

_____ Yes
_____ No
_____ Not Sure

5. Do you regularly or occasionally <u>drink</u> Scotch?   (AS OPPOSED TO JUST SERVING IT TO GUESTS)

_____ Yes*
_____ No

```
IF "NO" SKIP TO QUESTION 6 ON THE NEXT PAGE

*IF "YES" ASK:
```

About how much Scotch do you drink?  Would you say that you average .. one or more drinks a day .. one or more drinks a week .. or one or more drinks a month? (CHECK THE CATEGORY WHICH THE RESPONDENT SELECTS TO DESCRIBE HIS DRINKING PATTERN AND THEN ASK:)  About <u>how many</u> drinks of Scotch do you average <u>(INSERT A DAY, A WEEK, OR A MONTH)</u>?  (WRITE IN THE AMOUNT IN THE SPACE PROVIDED)

_____ Respondent averages about _____ drinks of Scotch a day

_____ Respondent averages about _____ drinks of Scotch a week

_____ Respondent averages about _____ drinks of Scotch a month

I'm going to read you a list of different brands of Scotch.  Please tell me whether or not you have ever tried each brand .. and if so .. how much you <u>like</u> or <u>dislike</u> it.  (HAND RESPONDENT CARD A)  For example, let's try Ballentine's Scotch.  Have you ever drank Ballentine's?  If so, would you say that you .. like it very much, like it, can take it or leave it, dislike it, or dislike it very much?

```
CIRCLE ONE NUMBER IN EACH ROW
```

|  | Never Tried It | Like It Very Much | Like It | Can Take It Or Leave It | Dislike It | Dislike It Very Much |
|---|---|---|---|---|---|---|
| (Ballentine's) ........... | 0 | 5 | 4 | 3 | 2 | 1 |
| Black & White ............ | 0 | 5 | 4 | 3 | 2 | 1 |
| Chivas Regal ............. | 0 | 5 | 4 | 3 | 2 | 1 |
| Cutty Sark ............... | 0 | 5 | 4 | 3 | 2 | 1 |
| Dewar's "White Label" .... | 0 | 5 | 4 | 3 | 2 | 1 |
| Grand Macnish ............ | 0 | 5 | 4 | 3 | 2 | 1 |
| Highland Mist ............ | 0 | 5 | 4 | 3 | 2 | 1 |
| J & B Rare ............... | 0 | 5 | 4 | 3 | 2 | 1 |
| Johnnie Walker Black Label | 0 | 5 | 4 | 3 | 2 | 1 |
| Johnnie Walker Red Label | 0 | 5 | 4 | 3 | 2 | 1 |
| King William IV .......... | 0 | 5 | 4 | 3 | 2 | 1 |
| Lauder's ................. | 0 | 5 | 4 | 3 | 2 | 1 |
| McMaster's ............... | 0 | 5 | 4 | 3 | 2 | 1 |
| Teacher's Highland Cream | 0 | 5 | 4 | 3 | 2 | 1 |
| White Horse ............. | 0 | 5 | 4 | 3 | 2 | 1 |

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TAKE CARD BACK FROM RESPONDENT
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6. Which brand of Scotch whisky do you buy most often to drink or serve in your home?

Brand: _____

About what percent of the time do you buy this particular brand instead of other brands? Would you say that you buy it .. 25% of the time .. about 50% of the time .. about 75% of the time .. or that it's the only brand you ever buy?

_____ About 25% of the time
_____ About 50% of the time
_____ About 75% of the time
_____ Only brand he ever buys

7. I'm going to list several reasons why a person might choose to buy one brand of Scotch more often than other brands. Using the scale shown on this card (HAND RESPONDENT CARD B) .. please tell me how important you consider each of these reasons. For example, how important is it that the brand you buy has an attractive bottle or package? Would you say that it is .. extremely important, very important, fairly important, slightly important, or not at all important?

CIRCLE ONE NUMBER IN EACH ROW

|  | Extremely Important | Very Important | Fairly Important | Slightly Important | Not At All Important |
|---|---|---|---|---|---|
| (Attractive bottle or can) ........... | 5 | 4 | 3 | 2 | 1 |
| Choice of sophisticated Scotch drinkers | 5 | 4 | 3 | 2 | 1 |
| Extra aging ......................... | 5 | 4 | 3 | 2 | 1 |
| Tastes smooth, light, and mellow ..... | 5 | 4 | 3 | 2 | 1 |
| Makes really delicious mixed drinks .. | 5 | 4 | 3 | 2 | 1 |
| Prestigious brand ................... | 5 | 4 | 3 | 2 | 1 |
| Strong, 86 proof instead of 80 proof | 5 | 4 | 3 | 2 | 1 |
| Light golden color .................. | 5 | 4 | 3 | 2 | 1 |
| Tradition of premium quality ........ | 5 | 4 | 3 | 2 | 1 |
| Popular brand among my friends ....... | 5 | 4 | 3 | 2 | 1 |
| Priced about $2.50 lower for a fifth | 5 | 4 | 3 | 2 | 1 |
| Dark, smokey color .................. | 5 | 4 | 3 | 2 | 1 |
| Interesting advertisements ........... | 5 | 4 | 3 | 2 | 1 |
| Tastes rich, heavy, and full-flavored | 5 | 4 | 3 | 2 | 1 |
| Well-known, reliable brand .......... | 5 | 4 | 3 | 2 | 1 |

TAKE CARD BACK FROM RESPONDENT

PART D:  GENERAL CHARACTERISTICS

You've been very patient in answering our questions. We've now come to the last part of the survey, and there are only a few questions left to answer. I'd like to ask you a few questions about yourself to help us analyze our survey. Of course, all your answers will be considered strictly confidential.

1. I'm going to read you a few questions about life in general. As I read each question, just answer "Yes" or "No" .. or you may answer "Not Sure" if you are uncertain or indifferent about the question.

|  | Yes | No | Not Sure |
|---|---|---|---|
| Would you say that you tend to live from day to day .. rather than trying to plan ahead all the time?.................................... | 1 | 3 | 2 |
| Should children be encouraged to try to overcome all obstacles that get in their way .. rather than to be "easy going" and accept things as they are?.......................................................... | 3 | 1 | 2 |
| Do you believe that it's better to spend your money today and enjoy it .. instead of trying to save for the future?...................... | 1 | 3 | 2 |
| Do you agree that the best way to improve conditions around Lansing is for people to get together to help themselves .. instead of relying so much on the government?.................................... | 3 | 1 | 2 |

2. About how much time do you spend on an average day watching television?

\_\_\_\_\_ About 1 hour or less      \_\_\_\_\_ About 3 hours
\_\_\_\_\_ About 2 hours      \_\_\_\_\_ About 4 hours or more

3. About how much time do you spend on an average day listening to the radio?

\_\_\_\_\_ About 1 hour or less      \_\_\_\_\_ About 3 hours
\_\_\_\_\_ About 2 hours      \_\_\_\_\_ About 4 hours or more

4. Have you read any newspapers during the past week or two? (IF "YES" ASK:) Can you recall which newspapers you read? (CHECK ALL THAT APPLY)

\_\_\_\_\_ None      \_\_\_\_\_ Detroit News
\_\_\_\_\_ Lansing State Journal      \_\_\_\_\_ New York Times
\_\_\_\_\_ Michigan State News (MSU)      \_\_\_\_\_ The Grapevine Journal
\_\_\_\_\_ Detroit Free Press      \_\_\_\_\_ Other:
\_\_\_\_\_ Towne Courier      _____

5. Have you read any magazines during the past week or two? (IF "YES" ASK:) Can you recall which magazines you read? (LIST UP TO 6 MAGAZINES OR WRITE "NONE")

_____    _____    _____

_____    _____    _____

6. (INDICATE RESPONDENT'S SEX)

\_\_\_\_\_ Male
\_\_\_\_\_ Female

7. Here is a card showing different age groups. (HAND RESPONDENT CARD C) Just give me the letter of the group which shows your approximate age.

\_\_\_\_\_ A. Under 18      \_\_\_\_\_ C. 25 to 34      \_\_\_\_\_ E. 50 to 64
\_\_\_\_\_ B. 18 to 24      \_\_\_\_\_ D. 35 to 49      \_\_\_\_\_ F. 65 or over

TAKE CARD BACK--IF RESPONDENT REFUSES ANSWER, TAKE A GUESS AND PUT QUESTION MARK AFTER CHECK

8. (INDICATE RESPONDENT'S RACE)

     _____ White/Caucasian                   _____ Mexican-American
     _____ Black/Negro                       _____ American Indian
     _____ Oriental

9. What is the highest level of schooling that you have completed?

     _____ Grade School                  _____ Some College
     _____ Some High School              _____ College Graduate
     _____ High School Graduate          _____ Advanced College Degree

10. What is your marital status?

     _____ Single                         _____ Widowed
     _____ Married                      _____ Divorced or separated

---

| IF "MARRIED" ASK: |

     Is your spouse employed at the present time?     _____ Yes
                                                   _____ No

11. Are you employed at the present time?

                                            _____ Yes

| IF "YES" ASK: |          _____ No

     What is your job or occupation? _____
                                      (PROBE FOR SPECIFIC ANSWER)

12. Here is a card showing different income groups. (HAND RESPONDENT CARD D) Please give me the letter of the group which approximates your total yearly family income, including all members of your household.

     _____ A. Under $5,000           _____ D. $10,000 to $14,999
     _____ B. $5,000 to $7,999     _____ E. $15,000 to $24,999
     _____ C. $8,000 to $9,999     _____ F. $25,000 or over

                                          _____ Refused answer

| TAKE CARD BACK FROM RESPONDENT |

13. Do you own your home or are you renting it?

                                          _____ Own
                                          _____ Rent

That completes our survey. Thank you very much for your cooperation. Please accept this gift of two dollars as a token of our appreciation for your help in this survey. (HAND RESPONDENT TWO DOLLARS)

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