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A conceptual model of consumer sophistication

Abstract

The purpose of this study is to conceptualize and characterize on the construct of consumer sophistication. With the captured web analytics and rich information available, identifying and capturing sophisticated consumers have become increasingly important for organizations. This paper explores the dynamics and incorporates both the antecedents and the consequences of such consumer class. According to the existing literature, this paper provides a preliminary model to dimensionalize the construct of consumer sophistication. Eight dimensions have been used to explain the antecedents of the construct followed by the consequences of sophistication. Based on the model, a sophisticated consumer appear to be related to his or her search orientation, knowledge and experiences within the product category, market maven characteristics, brand value orientation and innovativeness. This study proposes that it is a construct that needs to be explored and a systematically reliable measure must be created.

Keywords: consumer sophistication, market maven, opinion leaders, sophisticated thinking, consumer learning.

Introduction

The terrain of the marketplace has changed. Information is now easily available to any consumer with Internet access or web enabled cell phone. Additionally, the ability for opinion leaders and mavens to influence others through blogs, websites and feedback comments, is unprecedented. As the complexity and external influences in the market place increase, consumers often need to sort through clutter in order to make a purchase decision. Consequently, a new class of consumers has evolved. Modern consumers often referred to as sophisticated consumers, is emerging and growing (Zhang et al., 2010). Increasingly, organizations are finding that this emergence of sophisticated consumers has meant that companies must work much harder in order to capture and understand how to make market to their customers more efficiently and effectively. With the growing of sophisticated consumers, it is important that companies understand their advanced needs and desires, and understand how to harness the new found power of the consumer.

Few consumer behavior scholars have addressed the immediate relevance to the concept of consumer sophistication. Previous studies have attempted to identify sophistication based on demographics and personality characteristics. Others believed that it is the aggregated level of education attainment, experience, and knowledge. Although, demographic characteristics have given a considerable amount of research, where factors such as age, marital status, educational level, lifestyle and cultural background affect consumers’ purchase behavior and decision-making (Sproles, 1978). These factors do not inherently result in a higher level of consumer sophistication. Despite the old saying, “growing older and wiser”, assuming that wisdom grows with age. The author believes that rather sophistication is the result of one’s involvement, attitudes, behaviors, motivation, personality, experience and knowledge with products and exposure to environmental factors. Specifically, there is a lack of studies focusing on defining and measuring the level of consumer sophistication (Sauer, 1998). Drawing upon existing literature, this paper contributes to that void by providing a preliminary model capable of characterizing the construct of sophisticated consumers, a marketplace where growing consumer sophistication impacts consumer decision. The author hopes this proposed model will encourage researchers to investigate this important but neglected construct.

1. Theoretical backgrounds

Studies have shown that modern consumers are becoming more sophisticated and exhibit higher sophistication in thinking, largely from aggregated learning and coping with the fast changing market environment (Sauer, 1998; Amaldoss and Jain, 2005; Zhang et al., 2010). The rising complexity of the marketplace and the evolvement of technological products have placed a greater demand in consumers today. Not only consumers have to learn to quickly respond to the rapid changing products but they are also responsible to protect themselves and to make a wise decision upon a myriad of goods and services available. According to a recent Consumer Policy report, concerns were raised under consumer protection and with policy makers that even while many consumers today are better educated overall, many of them still lack the quantitative and literacy skills necessary to cope with complex, information-intensive marketplace (OECD, 2010). For example, given the deregulation and liberalization of industries such as energy, financial services, and telecommunications, consumers are faced with the challenges of
understanding and developing knowledge about the market in order to make a good consumption decision. In the banking and telecommunications market, policy makers are constant struggling to deal with companies that attempt to use unethical practices to boost revenue by adding charges or services, a practice called ‘cramming’, that were not requested by consumers (OECD, 2010). There are many other malicious forms of deceptive practices that lead to consumers complaints, such as “upselling” (selling products or services on-line without adequate disclosure), “spam” (unsolicited electronic messages), “phishing” (counterfeit legitimate website to acquire private information), and “slamming” (switching service without authorization). As a result, many consumers today may have acquired a higher level of sophistication in thinking in order to help them carefully evaluate among various choices and in dealing with complex information. Specifically, while these marketplace changes have great implications for policy makers, it is logical to assume that there is a growing segment of sophisticated consumers, who have quickly responded to the market transformation to make well-informed and well-reasoned choices.

Previous research has placed a considerable amount of attention to the changing role of consumers. A streamline of studies have shown that consumers have continuously evolve over time, where consumers are better educated (Hirschman, 1980), well-informed, more knowledgeable (Sproles, 1978; Alba and Hutchinson, 1987), experienced in purchase (Sproles, 1978), value driven (Feick and Price 1987), more efficient (Sproles, 1978; Titus and Bradford, 1996), competent in using information and searching (Feick and Price, 1987), and more sophisticated (Titus and Bradford, 1996; Sauer, 1998; Zhang et al., 2010). Sophisticated consumers often exist in mature markets, where competition is fierce with wide range of products available on the market and a considerable amount of market information is available to consumers. According to Hirschman (1980), as society becomes more complex, greater sophistication or creativity will require consumers in order to function effectively. To gain a competitive edge and maintain long-term relationships with its consumers given the continuous change in the marketplace, identify sophisticated consumers can play an important role in building and managing meaningful relationships with these valuable consumers.

Additionally, research has shown that sophisticated consumers are different from unsophisticated ones in the level of satisfaction, efficiency, and involvement stemming from their purchase experience (Sproles et al., 1978). A sophisticated consumer was referred to an individual with the ability to make an efficient decision (Titus and Bradford, 1996). Titus and Bradford (1996) posit that sophisticated consumers possess and utilize the characteristics and abilities necessary to make an efficient consumer decisions and wise purchase. They have higher involvement, make best choices, wise purchases, have hedonistic nature and value conscious. According to Beatty and Smith (1987), the higher the purchase involvement, the higher the search effort and the higher the motivation observed in consumers. Conversely, individually engage in minimal search when the involvement condition is low (Engel and Blackwell 1982; Hawkins et al. 1986; Howard and Sheth, 1969). While consumers’ perceived risk may affect their involvement and efforts in making a consumption decision, consumers who demonstrate higher involvement may exhibit higher loyalty, commitment, and satisfaction.

Given such, a sophisticated consumer is considered a consequence of the changing roles of consumers due to market maturity and complexity (Guerzoni, 2010). This segment has grown and gained sophistication over time that will have an inevitable impact on the future marketing efforts and communications media. Despite the emerging growth of sophisticated consumers, few academic researchers have attempted to define and measure the construct (Sauer, 1998). Further research in this area can benefit organizations to better identify and fulfill the needs of their sophisticated customers. This study attempts to further research in this area to define and explore the dimensions of this growing segment of consumers.

2. Building the model: factors and assumptions

Efforts in defining and understanding sophisticated consumers have come largely from assessing consumer knowledge (Park, Mothersbaugh, and Feick, 1994), marketplace behavior (Price, Feick, Guskey, 1995), shopping activities, involvement, attitudes, and search orientations (Beatty and Smith, 1987). Drawing from the concept of market maven coined by Feick and Price (1987), mavens represent “individuals, who have information about many kinds of products, places to shop, and other facets of markets, and who initiate discussions with consumers and respond to requests from consumers for market information,” (p. 85). Market mavens are more often everyday consumers who, through an intense interest in the marketplace, become expert in various topics (Feick and Price, 1987). A sophisticated consumer on the other hand may act very similar to that of a market maven. They are individuals, who are identified as sophisticated by others and possess knowledge and expertise in areas.
of their interests. Like mavens, they may also engage in searching for information about new products and services constantly, and are also interested in marketplace participants, from the companies involved to how the consumers are shopping (Sauer, 1998). Additionally, research indicates that consumers rely on these market maven individuals to provide them with valuable insights and information (Feick and Price, 1987; Higie, Feick, and Price, 1987; Slama and Williams, 1990).

A sophisticated consumer may also share similar traits with opinion leaders. Opinion leaders are defined in the literature as individuals, who act as information brokers, to whom others turn to seek for their opinions and information on consumption choices (Feick and Price, 1987). Different from market mavens, who have accrued an overall general knowledge and experience across markets, opinion leaders are information seekers (Thorelli, Becker, and Engledow, 1975), whom appear to be more knowledgeable about and involved with some product categories (Jacoby and Hoyer, 1981), and active in interpersonal communication about product of their interests (Feick and Price, 1987). Through opinion leaders, information is spread from individual to individual, influencing purchasing decisions and behavior (Sohn and Leckenby, 2004). In addition, opinion leaders tend to be technically competent, heavy consumers of the mass media and early adopters of new technologies. According to Sauer (1998), opinion leaders and market mavens are both powerful forces in the marketplace and exert great influence on other consumers. Thus, the author believes that sophisticated consumers may play an important part in the underlying dimensions of sophisticated consumers and share many similar characteristics with market mavens and opinion leaders. However, the concept of sophisticated consumers should also include other dimensions beyond the construct of market maven. Specifically, it is logical to assume that sophisticated consumers may also exhibit a continuous effort in their search behavior, information processing, and brand evaluation.

A review of literature leads to the following antecedents to a sophisticated consumer. The first factor centers on the linkage between sophistication with the extent of information search orientation. The author believes that sophisticated consumers are more involved and process information more thoroughly and extensively. Studies have indicated that consumers, who are more involved have an active attitude rather than passive attitude (Beatty and Smith, 1987). These consumers exert a stronger motivation towards shopping and searching for product information. The higher the purchase involvement, the higher is the total search effort (Beatty and Smith, 1987). Specifically, extensive information search is a behavior that is associated with consumers that have a higher product involvement and motivation. Furthermore, a sophisticated consumer knows how to process and uses the information obtained (Sproles, 1980). They may be more proactive, motivated, and more willing to conduct research. Given such, the following two assumptions are proposed:

Assumption 1: Sophisticated consumers are more willingly to conduct research and exhibit a higher search orientation than less sophisticated consumers.

Assumption 2: Sophisticated consumers will exhibit higher market maven qualities than less sophisticated consumers.

Another factor is the extent of consumer sophistication linked with aggregated knowledge and experiences. It is conceptualized that past-purchase and consumption experience can influence the rating of products (Alba and Hutchinson, 1987). This is often referred to as product familiarity, which facilitates the rating of products (Simonson et al., 1988), the search behavior based on previous knowledge (Huffman and Houston, 1993), and the efficiency of decision-making of more accurate choices (Sproles, 1978). Additionally, product experience, which is the record of past consumption as it relates to a current purchase decision, is highly relevant to sophisticated consumers (Sauer, 1998). Saucer (1998) argued that the idea of consumer expertise, and product knowledge, both of which are necessary prerequisites for one being defined as a sophisticated consumer. He claimed that a sophisticated consumer educates oneself on the service or product in the pre-purchase phase, and then makes an efficient and effective decision about what to purchase. Prior to make a purchase, consumer decision-making involves scanning of both external and internal memory and assessments are made to make an appropriate choice (Park, Mothtersbaugh, and Feick, 1994). Thus, the author proposes the following:

Assumption 3: Sophisticated consumers are more knowledgeable and have an overall higher past consumption experiences on a particular product or service than less sophisticated consumers.

Research indicates that knowledge affects consumer purchase decision process by influencing, which brands to search for, how much information to search for, and what features to examine (Alba and Hutchinson, 1987; Brucks, 1985; Biehal and Chakravarti, 1986; Holbrook and Maier, 1978). For
sophisticated consumers, the relationship between values and product use is more complicated. Because of the need that sophisticated consumers have for a value context for purchases, companies have used to cultivate their brands in order to reap the benefits. Advertising and branding have a long history and play an important role in influencing consumers’ consumption choices. Consumer purchase based on brand choices satisfies both extrinsic (e.g., goods, merchandise, functional benefits) and intrinsic (e.g., social, self-identity, self-image) needs. Especially, in a collectivist culture such as China, others’ opinions would influence greatly in conspicuous consumption choices than their own beliefs (Eves and Cheng, 2007). In a recent research by Amaldoss and Jain (2005), the theoretical model indicates that conspicuous consumption is associated with some degree of ‘sophisticated’ and strategic thinking. While advertising dollars may assist companies to strengthen its brand and generate a higher sense of loyalty among customers, there is a lack of evidence that brand consumption is a characteristic of sophisticated consumers. For this reason, the author would like to propose:

Assumption 4: Sophisticated consumers are believers of brand and make value oriented consumption choices than less sophisticated consumers.

The next factor is associated with innovative behavior. The concept of innovative behavior is associated and plays an important role with opinion leaders (Venkatraman, 1990). The author believes that sophisticated consumers will exemplify higher innovative behavior. At the early end of the scale are lead users, innovators or early adopters, indicating consumers, who will jump out front of the mainstream to try a new product or technology. Sophisticated consumers are assumed to know products and services that enter early into markets at an early stage than unsophisticated ones.

Assumption 5: Sophisticated consumers are more innovative and willing to try new products than less sophisticated consumers.

Consequences resulting from consumer sophistication may consist of a few outcome variables. The first factor of sophistication may be the result of an individual’s perceived self-image. According to self-concept theory, consumers often purchase a particular brand because the brand image may be congruent to their own or ideal self-image (Gardner and Levy, 1955; Levy, 1959; Sirgy, 1982; Kassarjian and Sheffet, 1991). The idea is that the feelings that an individual may determine the frame of reference in a social setting and in relation to others. While sophisticated consumers are more involved, they are more likely to protect an ideal image. Additionally, they may be more likely to demonstrate an emotional attachment to brands thus become advocates of such product and incorporate it into a self-identity concept.

In addition, self-esteem may also be associated with consumer sophistication. Self-esteem refers to the extent to which a consumer feels confident about his ability to make wise purchase decisions. In comparison with low self-esteem individuals, high self-esteem individuals tend to exhibit more leadership characteristics. A sophisticated consumer will be more likely to strive for things conducive to self-fulfillment and personal growth. As a result of sophistication, a sophisticated consumer will exhibit higher perceived self-image and self-esteem.

The final consequence of sophistication and satisfaction. Studies have shown that “consumers with a high degree of consumer sophistication are better at judging products and are more satisfied with the purchases than consumers with a lower degree of consumer sophistication” (Sauer, 1998). It is believed that sophisticated consumers are happier with their purchase decisions and demonstrate higher satisfaction than less sophisticated ones. Thus, the author proposes the followings:

Assumption 6: The level of sophistication is positively related to consumer’s perception of self-image.

Assumption 7: The level of sophistication is positively related to consumer’s perception of self-esteem.

Assumption 8: The level of sophistication is positively related to consumer’s satisfaction with consumption choices.

3. Method

To examine the dimensions of sophistication, 32 consumers were asked to fill out a survey. Participants were recruited from business students enrolled in a private university in the greater Los Angeles area to fill out a survey about their perception of a sophisticated consumer. They were asked to take a moment to write down five words they might associate with the phrase ‘sophisticated consumers’. In addition, participants were asked to describe what would distinguish a ‘sophisticated’ from a ‘non-sophisticated’ consumer. The sample included 17 males and 15 females. Seven dimensions of a sophisticated consumer emerged from the responses: search efforts, knowledge, experience, product expertise, brand consumption, best decision, and technology adoption and innovativeness.

4. A conceptual model of consumer sophistication

Drawing upon the above issues and assumptions, the present paper provides a preliminary conceptual model to characterize the construct of consumer sophisti-
cation. Five factors have been used to explain the construct and three outcome variables have been proposed (Figure 1). This framework provides a basis for assessing the impact of various influences, when evaluating the level of sophistication of a consumer. At this point developing the scale is not the objective of this study but rather to focus on delineating the scope of the construct and defining its dimensions. There is a hope that the model will encourage researchers to investigate this important but neglected construct.

Fig. 1. Proposed conceptual model

Conclusions

The current study is the first to explore the emerging of a new consumer construct. The goal was to examine the dimensions of a novel construct of consumer sophistication. Using an exploratory survey and literature review, the study proposes a conceptual framework for further research. Eight dimensions have been used to explain the antecedents of the construct followed by the consequences of sophistication. Based on the model, a sophisticated consumer appear to be related to his or her search orientation, knowledge and experiences within the product category, market maven characteristics, brand value orientation and innovativeness.

To expand the work from here, future research efforts are encourage to proceed along two areas. The first is to refine the conceptualization of consumer sophistication by generating items to test the model. Second, the factors can be tested by gathering empirical evidence to test the developed hypotheses and identify and measure the level of one’s sophistication.

The model developed raised a series of issues for managers. In practice, while building a total customer experience is a critical success factor, companies are heavily dependent on the influence of its savvy customers. The influencer, however, plays an active role in others, with innate motivations to share knowledge and possess certain trait qualities. Thus, it is very important for companies to properly identify and collaborate with them to facilitate positive word of mouth. With the advent of Internet, companies are using tools such as Web 2.0 (e.g. social networking tools) both internally and externally, facilitating relationships among employees and suppliers, and harnessing the power of customers (Bernoff and Li, 2008). Other practical issues facing companies are: 1) allocating the support and resources involved undertaking these sophisticated consumers; 2) harnessing and using sophisticated customers as a guide in gaining competitive advantage; and 3) knowing what and when to listen to build relationship and trust, when engagement is becoming an important task of companies. Although the final impact to the bottom line still being debated, the first step to quantifying and measuring financial impact is properly identifying these sophisticated consumers. By understanding the drivers and benefits of being a sophisticated consumer will allow marketers to better identify, measure and possibly influence or be influenced by these consumers.

In summary, this study explored the construct and examined the relating factors for dimensionalizing consumer sophistication. The author believes that the construct of sophisticated consumer is interesting and that these antecedents largely explain the construct. This model will be able to help companies manage the transition as the marketplace shifts consumer power and building relational communities directly with customers. Upon further research, companies will be able to better identify and manage relationship with its most sophisticated, savvy, and influential customers.

References