

Cohort segmentation: An exploration of its validity

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Abstract

The notion of cohorts is becoming increasingly popular among trade journals and is even cited in undergraduate marketing textbooks as a segmentation technique; however, little empirical evidence exists to support the validity of the concept. The goal of the current study was twofold: (1) to examine the central relationship in the cohort concept—whether values can predict cohort groupings; and (2) to determine if consumers within cohort groupings cite similar external events as influential to them. Based on data gathered from 373 subjects, a multiple discriminant analysis was conducted to determine if subjects' ratings on seven value dimensions could predict their cohort membership. Additionally, cross-tabulations were conducted to explore the significant external life events each cohort cited as influential. The results showed that 45% of participants could be correctly classified into their cohort grouping and that external life events were related to these groupings; however, the results raise questions about the existence of consumer cohorts.

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1. Introduction

Articles on Baby Boomers, Generation X, and Generation Y are easily found. Trade journals such as *Brandweek*, *Advertising Age*, and *Marketing News* frequently cite differences among these groups of individuals and explain how these differences can lead to marketing opportunities. For example, Baby Boomers' disregard for authority and conformity is thought to fuel the alternative medication industry (Miller, 1994) while luxury car manufacturers are tapping into Boomers' indulgent nature (Time, 1999). The pragmatic and savvy side of Generation Y is creating the need for advertising campaigns that are unpretentious and for fashion models who look like "regular teenagers and not superglam androgynes" (Neuborne and Kerwin, 1999, p. 88), while Generation X's need for a balance between work and family life has them searching for products and jobs that bring fun into their lives (Booth, 1999).

Generation X and Generation Y (also called Echo Boomers and the Millennium Generation) are examples of cohorts, while the large group of consumers called the Baby Boomers comprises two cohort groupings. The term "cohorts" refers to proposed groups of individuals who are born during the same time period and who experienced similar external events during their formative or coming-of-age years (i.e., late adolescent and early adulthood years) (Meredith and Schewe, 1994; Ryder, 1965). External events, such as economic changes, wars, political ideologies, technological innovations, and social upheavals, are thought to define consumers' values, attitudes, and preferences. These "cohort effects" are proposed to stay with that cohort and direct its behavior over its lifetime. Additionally, these effects are thought to distinguish one cohort from another (Ryder, 1965).

As the definition of cohorts states, the environment in which consumers come of age is thought to be very influential. Not only does this environment influence consumers' values and attitudes, but it is also thought to influence their consumption behaviors over a lifetime. As such, cohorts can be a valuable segmentation technique for marketers. In fact, using cohorts to segment consumers has been featured in marketing management textbooks (e.g.,

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Kotler, 2000). However, little empirical evidence exists to support the notion that significant external events can create unique groups of consumers with similar value systems. As such, the purpose of this paper is to explore whether cohorts exist by examining whether values can predict cohort membership and whether influential external life events distinguish cohort groupings.

To accomplish this task, the paper is organized as follows. First, theoretical arguments for how external life events influence value systems will be presented. Second, research illustrating the different environments in which consumers came of age will be reviewed. Taken together, these two streams of literature theoretically support the notion of cohorts. The final sections of the paper empirically test the cohort concept (i.e., whether cohort groupings can be distinguished based on their values and significant external life events).

2. The formation of values

Values are conceptualized as relatively enduring beliefs that guide consumers' behaviors (Munson and McIntyre, 1979; Rokeach, 1973). Two levels of values are noted by Rokeach (1973). These levels are referred to as terminal and instrumental. Terminal values are abstract beliefs that we hold close to our self-schema, or concept of ourselves. They comprise desired end states of existence and are values widely accepted by society (Walker and Olsen, 1990). Examples include happiness, self-respect, and a sense of accomplishment. Instrumental values, on the other hand, are beliefs about our modes of behavior that help us attain these desired end states of existence. Examples include ambition, honesty, and responsibility.

Researchers generally agree that values are formed through socialization (Kahle, 1996; Rokeach, 1973). Socialization can take place as a result of modeling, reinforcement, and other types of social interactions at the individual level (Moschis and Moore, 1979); however, socialization can also occur at a macrolevel (Rokeach, 1973). Specifically, consumers acquire values, attitudes, and beliefs as a result of the larger political and social environment in which they came of age. As Rokeach (1973) states, "antecedents of human values can be traced to culture, society, and its institutions" (p. 3). This shared history at the macrolevel is thought to produce unique values and behaviors that create similarities across consumers (Meredith and Schewe, 1994; Rindfleisch, 1994).

Due to socialization at both the micro- and macrolevels, similarly aged consumers are likely to have differences in their attitudes and beliefs due to family rearing and peer influences; however, they should also have some similarities as a result of the similar social and political environment in which they came of age (Kahle, 1980; Weeks and Kahle, 1990). For example, individuals who came of age during the Great Depression are likely to have similar saving patterns

(i.e., compulsive savers); yet, these similarities do not preclude differences in other aspects of their lives.

Applying this to cohorts, individuals who came of age in similar environments and who experienced similar historical events should have similarities in their value systems, even after accounting for socialization at the microlevel. As such, values should be able to distinguish similarly aged consumers who experienced similar macrosocialization processes. This is the basic concept of cohorts and is the idea tested in this paper. However, this idea rests on the notion that similarly aged individuals were influenced by similar external/historical events. Section 3 reviews research that supports this idea.

3. The significance of historical life events

The notion of cohorts rests on the assumption that individuals were influenced by events occurring during their coming-of-age years. However, do different cohorts really recall different events and experiences as influential in one's life? And if certain events were influential, when did they occur? Schuman and Scott (1989) conducted a study that addressed these questions.

They asked over 1000 Americans to recall three national and world events from the past 50 years that were important to them. Respondents were also asked to cite reasons as to why these events were important.

The results showed that World War II and the Vietnam Conflict were mentioned most frequently by all age groups. These two events exemplify what Halbwachs (1980) termed "collective memories," or memories of past events widely shared by members of a society. However, collective memories might be rather superficial, in that, some respondents might not have experienced the event directly. On the other hand, a collective memory might be personal if a respondent experienced personal loss or triumph during this time. According to Mannheim (1952), those most influenced by an event/collective memory should have personally experienced it during their formative years (late adolescence and early adulthood) as these events have primacy.

Consistent with this rationale, Schuman and Scott found that individuals who were in their early adulthood during World War II (between 16 and 24 years old during 1941–1945) and the Vietnam Conflict (between 15 and 27 years old during 1965–1973) were significantly more likely to cite personal reasons as to why these events were influential to them. For example, a 70-year-old man, referring to World War II, stated, "I had to go to North Africa and I don't like North Africa. Now I have to wear a hearing aid because I lost part of my hearing there" (p. 373). Individuals who did not come of age during World War II or Vietnam were unable to give these kinds of accounts. Instead, they cited less personal reasons for the importance of these events. For example, many younger respondents cited World War II as important because Hitler was defeated, but no personal accounts of war time conflict, suffering, or loss were

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