

Are you in (future) shock?

The link between well-being and perceptions of the future

N T Higgs

Research Surveys (Pty) Ltd, Johannesburg, Republic of South Africa

Abstract

How people process information and make everyday decisions can be affected by many factors. One's life circumstances is one, often regarded as the key factor, this being routinely measured by socio-economic status (SES) measures. However, there is an increasing awareness that SES measures, whilst useful if wealth is all that drives decisions, fail at three levels. First, there is a growing demand for people to be seen as people – not “consumers” in an (isolated) market. This need for research to deliver the “whole person” to marketers suggests that we need to understand much more about how people live and how they feel about how they live. Secondly, those with higher levels of well-being process information and make decisions in a different way from those with lower levels of well-being. This has significant implications for marketing and advertising at all levels. Finally, well-being may well affect our level of connectivity with others. This is becoming an issue thought by many to be a major factor in many markets and in understanding how people make brand decisions.

But there is more to it than this. Whilst well-being will affect immediate decisions, does it also affect how we plan our lives? This is the initial premise. Such plans, in turn, are affected by our view of the here-and-now and of the future. In short, our sentiment about our circumstances and prospects is affected by what is happening around us – and how we interpret that environment will impact on us. It is in this interpretation that well-being plays its role.

This paper looks at the issue of well-being and proposes a new model of well-being (termed Everyday Quality of Life (EQL)) that will complement the current standard SES measures. We also discuss a measure of consumer confidence, termed the Market Sentiment Index (MSI), developed for South Africa. We develop this model from international standard practice and discuss local enhancements to it. Finally, we look at the link between the two, concluding that people's view of their current circumstances are, not surprisingly, strongly correlated with their perceived well-being, but that their view of their future shows a somewhat different pattern. There are important implications arising from this in terms, particularly, of when we communicate different kinds of message to people with different levels of well-being.

Introduction – How People Think

People constantly receive a wide variety of persuasive and other messages from marketers, policy makers and the media. From our perspective, we are most interested in *persuasive* messages – advertising in all its forms (above and below the line), the pack, the price, the product/service experience, the views of others.

How people process this information and make decisions based on it depends on a number of factors. Here are four key factors:

- ✓ The way a communication is framed – its context, and its style, tone and manner – makes different demands on people and can cause them to process information with either higher or lower involvement (Penn, 2002). He argues, in the debate around high versus low involvement processing in advertising, that “advertising is best understood in terms of a continuum, with low-involvement advertising at one end and high-involvement, actively processed advertising at the other.” He also suggests that “...we need to look for the effect of advertising on the brand’s health through measures such as commitment and ‘disposition’...”.
- ✓ We also know that the relationship a person has with a brand certainly influences how that person notes and decodes communications about that brand and other brands (Hofmeyr and Rice, 2000).
- ✓ There is now a new realisation that we are much more influenced by those around us in the formation of our attitudes and behaviours than previously acknowledged and that our level of interconnectivity with others may be key. Authors such as Earls (2003) and Oldridge (2003) argue that much of our observed consumer behaviour is as a result of our being part of complex adaptive systems (CAS). It is our networks of people, the quality of these relationships and how this system reacts to its environment that can have a major effect on what we do and why we (think) we do it – what we used to call “word of mouth” but which is so much more than that. It is clear that our need to belong and our self-esteem are important in this interconnectivity.

It now turns out that people’s happiness also plays a role and may well be a major moderating influence on all of these factors (Diener et al, 2000b).

“Moods ... influence individuals’ choice of processing strategy.

In general, individuals in a sad mood are more likely to use a systematic, data-driven strategy of information processing, with considerable attention to detail.

In contrast, individuals in a happy mood are more likely to rely on pre-existing general knowledge structures, using a top-down, heuristic strategy of information processing, with less attention to detail...unless they are told to pay special attention”

(Schwarz, 2000)

People with better levels of well-being use a more heuristic approach to processing information and making decisions - they take quick short-cuts, use experience more, and are more likely to make quicker, more casual decisions. People with poorer well-being agonise longer and think things

through more - although their decisions may not necessarily be better than those made by people with higher well-being. Further, those with higher well-being can be called to think about things more, but the communication needs to shake them out of their more casual approach and emphasise the relevance/importance of the decision to be made.

Happiness is a function of one's transient mood at the time as well as one's overall longer-term well-being. Transient moods may change (relatively) quickly and are quite difficult to factor into communications planning. One might consider the communication's context – the programme or media or even retail environment. One might consider the emotional content of a communication.

As a sidebar, we might also take some time to think about how we do research: we ask people questions and submit them to various tasks. There is no doubt that we are changing their information processing and decision-making procedures by so doing (see the quote from Schwarz above). Given the increasing understanding of the role of people's networks, plus this new realisation that well-being affects how we go about things, it is clear that we need to begin devising new research tools to cope with these issues.

But, whilst moods may not be as easily under the control of a marketer or policy-maker when planning communications, well-being is a different issue. Well-being is how people's lives actually are in a more long-term sense – happiness at its broadest level. As we shall see below, well-being is a function of people's –

- ✓ circumstances, primarily –
 - their socio-economic status and living conditions;
 - their health (actual and self-reported);
 - their social environment;
- ✓ perceived level of needs satisfaction (especially self-esteem and belonging); and
- ✓ satisfaction with their lives.

It is all about how people live and how they feel about their lives.

Our sense of well-being is also an important influence on the levels and quality of our relationships with people – and, hence, our interconnectivity. It may be that this is part of the link between the information processing and decision-making strategy that people adopt. If one's well-being is high, there is a higher likelihood that one feels that one belongs, and that self esteem levels are good. This, in turn, translates into better relationships and more trust in one's networks. Hence, cues given out by these networks will be adopted more quickly and easily. If well-being levels are poorer, network effects will be moderated because the individual feels more alone, and has to spend more time working things out for him- or herself.

In the western world, at least, there is also an increasing trend towards the need for marketers to understand the “whole person” and not to see that person as a “consumer in a market”. The very word “consumer” takes away the growing understanding that it is what is important in people's lives as a whole that is drives their interactions with markets and brands and other people. One cannot look at people as buyers in a category but rather as people with needs, both for products and as social animals.

“Research is not just about collecting information for a company to exploit; MR is also a form of democracy...[a] means of relaying...[what is] important in your life.”

(Cooper, 2003)

“With the huge wealth of demographic data collected...MR is in a better position than most to analyse the dangers inherent in any decision...MR must step in as the voice of the consumer (sic) in the boardroom.”

(Tarran, 2003)

This theme of “consumer democracy” is becoming increasingly heard in the western marketing and research conference circuit as decision makers realise consumers know exactly what they are up to, no longer have the same trust in big organisations and their policemen (in the wake of affairs such as the Enron debacle), demand better, visible and accountable corporate governance from companies and their brands, and show growing distrust of leaders. People question more, and CEOs are slowly realising that they need to understand the “whole person” before looking at that person’s involvement in a market. In fact, CEOs may need to understand networks of whole people if they really want to understand how marketing will work in the modern era.

Well-being goes centrally to this “whole person” concept, for a start, and, as we have seen above, is a key influence on how people decide what to do with marketing messages. It is becoming an increasingly mentioned concept for western governments (a recent Downing Street Strategy Unit report looked into this whole arena) and is entering the economic and marketing literature.

Because people’s well-being influences how they process information, make decisions and interact with others, it follows that we need to understand the components of well-being, as well as how to measure well-being easily and reliably.

But there is more to it than this. Whilst well-being will affect immediate decisions, does it also affect how we plan our lives? Such plans, in turn, are affected by our view of the here-and-now and of the future. In short, our sentiment about our circumstances and prospects is affected by what is happening around us – and how we interpret that environment will impact on us. It is in this interpretation that well-being plays its role.

In this paper, we look at well-being, consumer sentiment and the link between the two:

- * We first look at well-being and its components and propose a new model of well-being. Whereas most practitioners either look at wealth as a surrogate for well-being or at the opposite extreme of subjective “happiness”, the new model shows how these are linked and discusses the linking components. Objective components such as socio-economic status, urbanisation and environmental quality will be linked with quasi-objective components such as health and nutrition, stress and exercise. These in turn are linked to the more subjective elements of need satisfaction (especially in respect of relationships) and, finally, satisfaction with life and “happiness”.
- * The second section outlines briefly how people’s sentiment towards their current and future circumstances can be ascertained using internationally accepted techniques based on the benchmark work of the University of Michigan, but modified for third world – and, specifically, South African – conditions. Some improved scoring regimes in this regard will also be presented.
- * Finally, the various components of well-being are linked with the sentiment measures to show how well-being drives major as well as minor decisions, making this an important variable of which we must be aware and should consider measuring.

The Foundations of Well-Being

We (are supposed to) understand and measure people. We do this by looking for variation – in people’s attitudes and behaviour, their information and decision-making processes and how they live. Very often, we score or segment people based on this variation.

Historically, the measurement of socio-economic status (SES) has been a key way of doing this because it turns out to be a good predictor of many outcomes in a person’s life, both from the point of view of consumer behaviour and from the point of view of social and health circumstances (Cornish and Denny, 1989; Meier and Moy, 1999; Higgs, 2002). Whilst SES measures can give good insight into some aspects of lifestyle (insofar as they are affected by wealth), they fall short in really understanding how people live - the realm of the broader concept of “well-being” (in which SES is embedded). There are a number of ways to understand a person’s well-being, ranging from completely objective to completely subjective.

Measures of Socio-Economic Status and Urbanisation

We begin on familiar territory.

In a review of these measures, Higgs (2002) found not only that there is a considerable variety of such measures, but that many are formulated without much regard for any underlying theoretical constructs. As a result, these measures tend to represent a number of different, often inconsistent, aspects of socio-economic status and well-being. He proposed a taxonomy of SES measures that incorporates two broad constructs: level of aggregation and income vs expenditure linked variables. He showed that different measures are suited to different purposes and that, where useful, purpose-made measures should be designed explicitly taking these two constructs into account, rather than using measures constructed without a good theoretical underpinning.

In parenthesis, these two constructs may be understood as follows:

- * Levels of aggregation refers to the unit of measurement – is it the individual, the household, the neighbourhood or suburb, the town/city, or the country even? Further, to what is that variable applied? For example, one may apply an area-based variable to everyone in that area uniformly. Health care professionals may only know the area in which a patient lives and use this as a surrogate for that person’s likely socio-economic status. This is also how geo-demographic segmentations work.
- * Income vs expenditure variables refer to variables that measure either one’s actual income level and income potential (income, education, occupation) or what one does with one’s income (household durables, type of housing, area, access to services, shopping patterns, access to facilities in one’s neighbourhood).

As one moves upward in level of aggregation, and, indeed, as one considers some of the expenditure-linked variables, it becomes clear that socio-economic status measures become increasingly confounded with levels of urbanisation. Further, as one uses variables at successively higher levels of aggregation, one is applying averages to a group of people or households, reducing the variability of the measure, sometimes considerably.

As variability is the cornerstone in understanding and measuring people, it seems not only that this taxonomy does indeed need to be explicitly considered when designing or using socio-economic

measures, but that, perhaps, this whole class of measures can be decomposed into tighter, more narrowly defined, measures. Higgs (1987) showed how a measure of urbanisation could be constructed by determining people's access to services and facilities characteristic of urban areas. This was achieved using two broad concepts:

- * The geographic concept of *thresholds* examines the smallest number of people required to support the establishment of different business types (Yeates, 1974). Extent of infrastructure could also be considered to enter into this.
- * The concept of *relative space* is concerned with the number of options and the amount of variety people have or take in their lives, and their own perceived access to diversity (Abler, Adams and Gould, 1971). This has both geographic and psychological connotations.

Hence, as one moves into the realm of variables being measured at the level of neighbourhood, suburb, area, region or higher, one begins to tap into what is really a measure of urbanisation. Perhaps socio-economic status in a purer sense is better measured using variables at household level or lower, rather than a more eclectic mix of variables. Urbanisation may be better measured by variables at a neighbourhood level and higher, even if the measures are taken at a micro level.

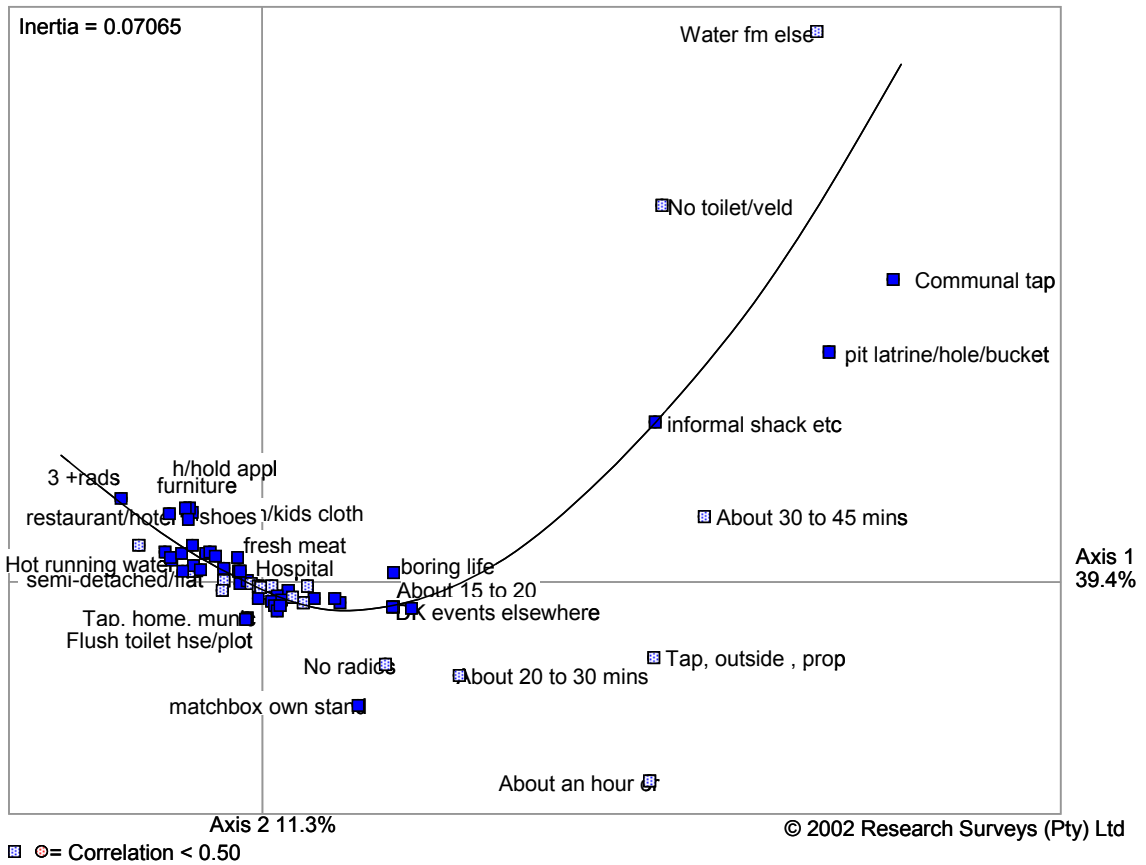
Of course, the boundaries are not clear-cut, and one could propose some overlap, especially in developing countries. For example, in certain neighbourhoods of South Africa, some households may have electricity and some may not. Their levels of urbanisation may then be regarded as slightly different. Their access to media will be different and their exposure to stimuli will be different. Yet, they may be next door.

By way of an example, we adopted this approach as the starting point in understanding people's well-being. We selected a set of variables at all levels of aggregation, divided them as outlined above and added them to a metropolitan omnibus survey in winter 2002 and summer 2003. Each study comprised 2 000 adult individuals of all population groups. A tick-list approach was used to indicate the presence or absence of durables in households (for expenditure-based SES measures) and infrastructure and outlet types for urbanisation. An income-based SES measure was also derived from education, occupation and income.

In each case, we constructed a Burt matrix of the indicator variables (a matrix where the variables form both the rows and columns of a table). This is then mapped via correspondence analysis, this revealing the presence of a continuum. The analysis enables one to apply suitable (non-interval) weights to each variable. This is, essentially, a multi-item approach that makes no assumptions about the levels of measurement of the items and allows the combination of any levels of measurement. For a fuller description of the process, see Higgs (1994). The dispersion of the variables along the principal (x) axis can be used as a basis for allocating scoring weights to each variable. These are conventionally recalibrated to create a score that falls between zero and one hundred for each respondent.

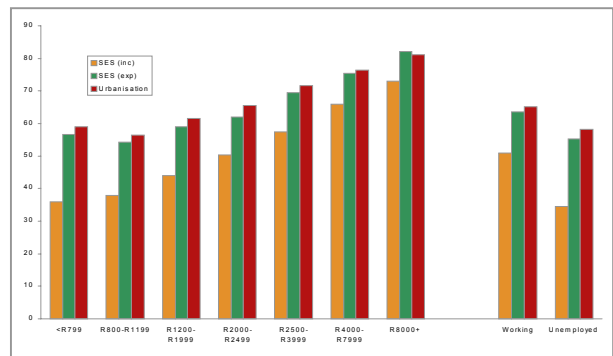
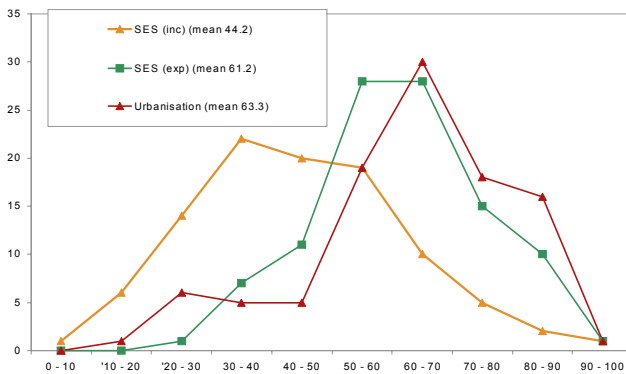
Examples of the approach are given below for the urbanisation measure (Figure 1), which shows that key indicators of lower urbanisation are poor infrastructure, distance (in terms of time) from shops, having fewer options and poorer access to information. On the other hand, higher levels of urbanisation are indicated by the presence or more outlets, proximity to shops, a more varied life and better access to information. One can then plot a distribution of the scores, as well as compare different groups (see Figure 2).

Figure 1 – The Urbanisation Continuum



c:\my documents\well-being[urbmap1.xls]statistics 11/22/02 10:21:44

Figure 2 compares the three different measures (SES (income and expenditure based) and urbanisation) in these ways, by way of illustration.



Extending this to Well-Being – Initial Considerations

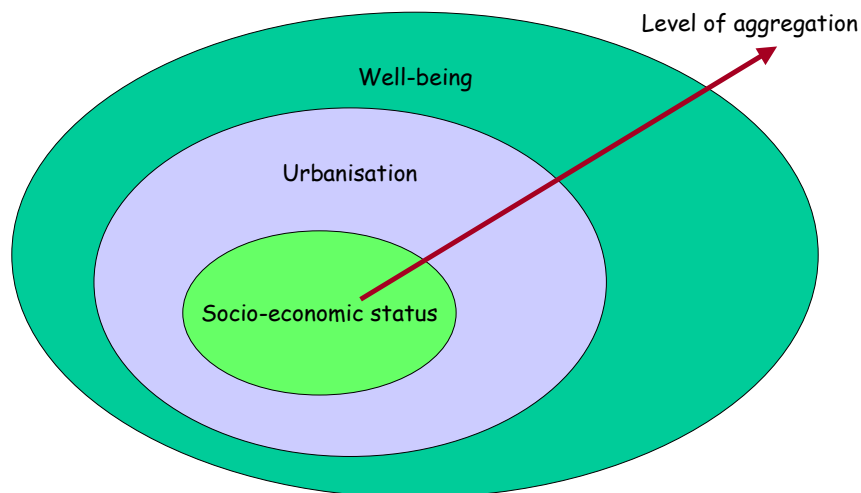
The US Bureau of the Census (US Bureau of the Census website, March 2002) links some of these ideas with well-being as follows:

“Personal or household income is generally regarded as the single best measure of the degree to which people are “well off.” But other factors also contribute to people’s well-being. Extended measures of well-being gauge how people are faring at the household level. Included are possession of consumer durables, housing and neighborhood conditions, and the meeting of basic needs.”

This clearly suggests that, at least at the most basic level, the concepts of socio-economic status, urbanisation and well-being have some commonalities but also have important differences. In their measurement of this level of well-being, the focus is more on poverty and hardship measures – adequacy of food and nutrition, affordability of housing, power and communications, and support systems that a person has in the event of hardship.

This led us to propose a very simple initial model (see Figure 3).

Figure 3 – A model proposing embedded measures



To begin to understand well-being, we need to add, at the least -

- ✓ unsatisfied needs and concerns around housing, nutrition and health;
- ✓ support systems that a person has, both formal and informal;
- ✓ social aspects - crime, debt, access to health and education, medical insurance, household conflict, the need to care for sick household members (AIDS impacts here), alcoholism, smoking and pollution levels;
- ✓ nutrition levels, suitability and quality of food intake, obesity and anorexia, the taking of supplements and dieting;
- ✓ health from the point of view of illnesses and hospitalisation, exercise (type and frequency), leisure, emotional well-being, and stress; and
- ✓ coping mechanisms – personality, approach to life and satisfaction with one’s life.

(US Census Bureau, 1999; Bollen et al, 2001; Deondan et al, 2000; Diener, Suh and Oishi, 1997)

Crucially, interlaced with these are the personal life choices a person makes and the effects of events outside a person’s control. All of these impact on a person’s level of basic needs satisfaction.

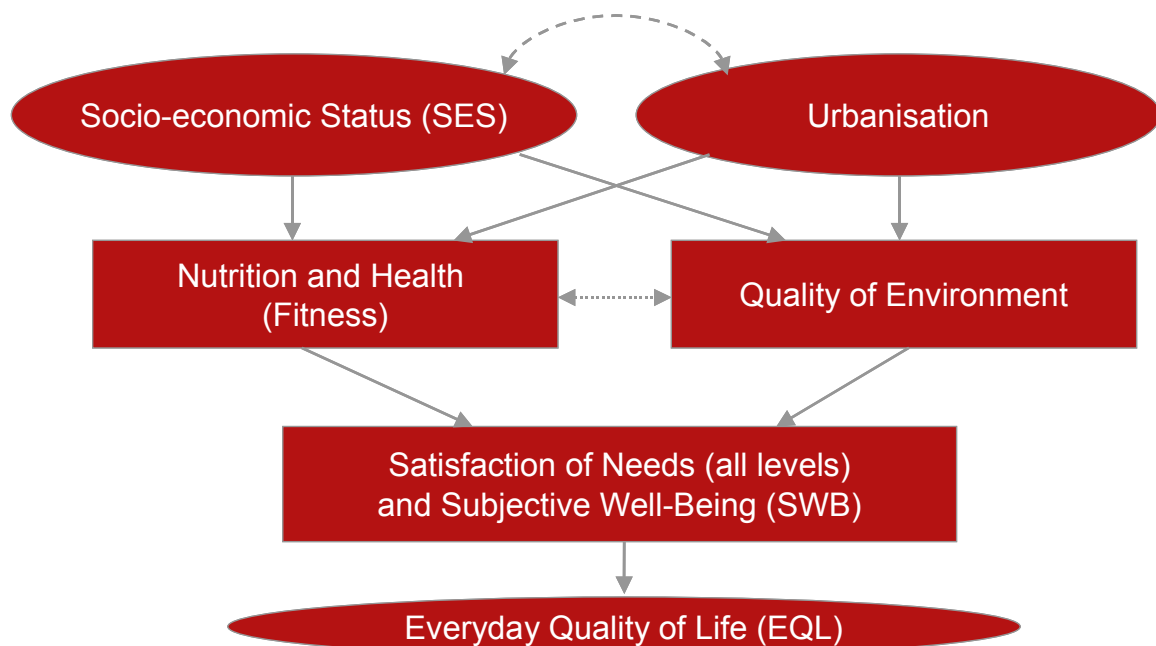
However, the above are still mostly quite basic elements of well-being and relate mostly to the physiological and physical needs that we have. They encompass mostly objective or quasi-objective measures that link into well-being. Objective measures here refer to those variables that can be observed of a person by another person. Quasi-objective measures refer to self-reported variables of a physical nature, such as reported access to services and facilities.

Emotional and so-called “higher-order” needs, such as goal achievement and overall satisfaction with one’s life (Maslow, 1954; Huitt, 2002, Diener and Lucas, 2000) also affect a person’s personal sense of well-being to a great extent. These are more subjective measures as they are self-reported variables that refer to how a person is feeling. These variables can be about quite detailed parts of a person’s life, but also encompass an overall personal assessment of one’s well-being (subjective well-being (SWB) – happiness in its broadest sense (Diener, Suh and Oishi, 1997)). This moves us into the broadest definition of overall well-being: what we are provisionally calling “Everyday Quality of Life (EQL)”. These needs are also important because they play a considerable role in shaping our personal life choices and in how we make decisions and process information. These, in turn, feed back into many of the arenas discussed above.

This is really all about, quite simply, how people live and how happy people are.

This led us to formulate a broader model of well-being:

Figure 4 – A Broader Model of Well-Being



Unpacking each Element in the Model

There is not space here to delve into each of these in detail (see Higgs, (2003) for a fuller exposition) but we can summarise the key details in what follows.

Fitness is a function of health and nutrition.

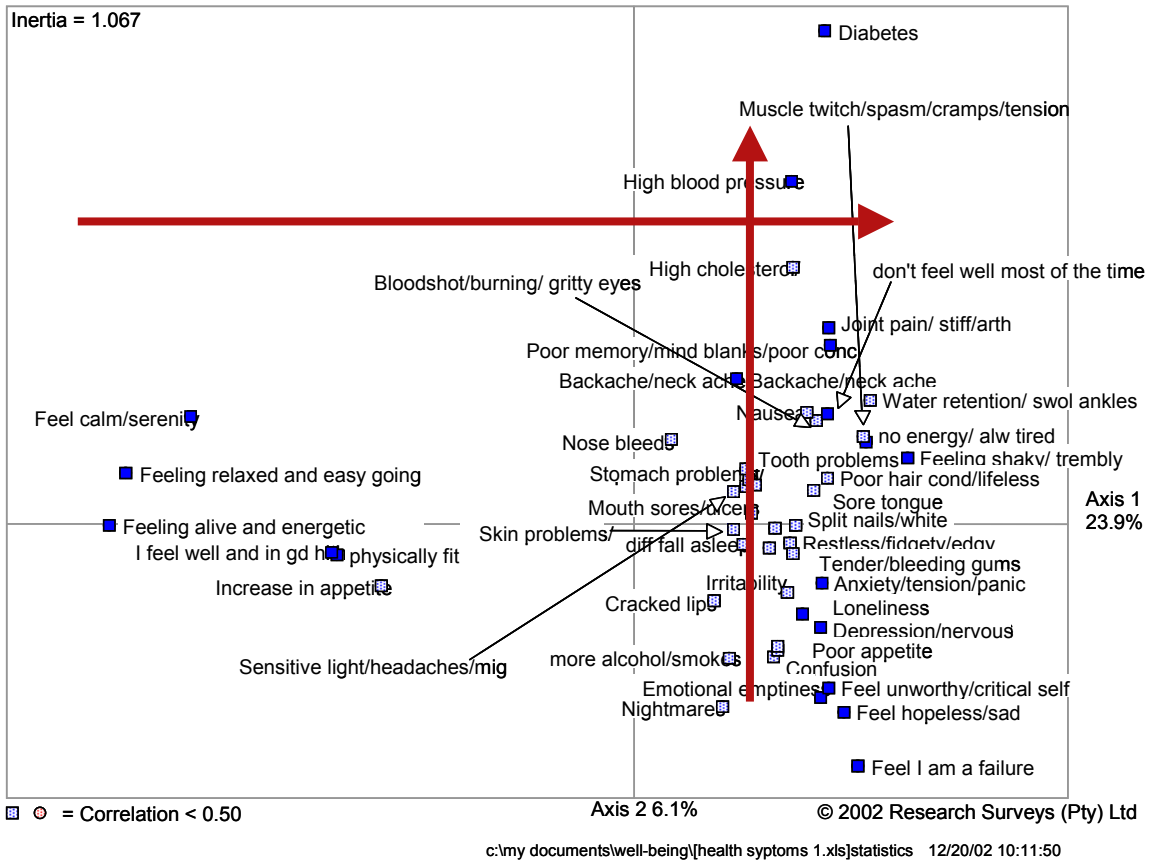
Nutrition, in turn, is influenced by socio-economic status (especially at the lower end) and urbanisation (a doubled-edged sword: in urban areas, buying power yields a good variety of foods but sometimes nutritional quality suffers because of the need for long shelf lives and excessive processing (Holford, 1998); in rural areas, some people can grow great organic food whilst others live at a subsistence level). Quality of the environment is also important. Nutrition is also affected by supplements and diets (our data shows that, ironically, these are the preserve of the wealthy).

The most intangible element in nutrition (and this is a theme that runs through many other parts of our model, as we shall see), though, is that of personal choice. One can decide to adopt an eating regime that is not optimum, or one can eat lower saturated fat, lower calorie, low Glycaemic Index (GI) foods (including appropriate carbohydrates which have had an unnecessarily bad press) with plenty of fresh fruit and vegetables and live longer. This factor alone can have a dramatic effect on one's nutrition and on one's feeling of well-being, and it need not cost any more than eating badly (Holford, 1998). Obesity has a major effect on health and also on one's own self-image and sense of self esteem, affecting well-being in more than one way. Obesity can be quantified by the use of the Body Mass Index (BMI) (weight in kilogrammes divided by height in metres squared). An index of over 25 indicates over weight, but one over 30 indicates obesity. Similarly, too low a body weight (BMI below 18) is as much of a problem (Serfontein, 2001).

Health is affected by stress (life events, pressures and, again key, how one chooses to cope with stress), exercise and one's genetic inheritance and background.

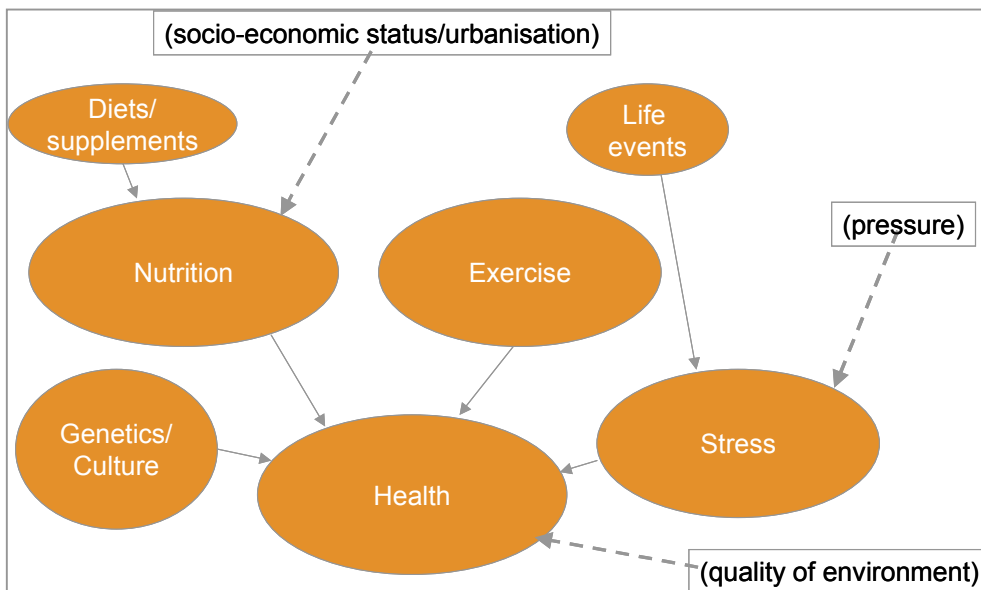
“Stress is the most common cause of ill-health in our society, probably underlying as many as 70% of all visits to family doctors.”
(Posen, 1995)

We used the same Burt matrix approach to analyse a set of self-reported symptoms and discovered the stress is demonstrably linked to ill-health (see how both physical and psychological symptoms are piled up at the ill-health end of the *x*-axis in Figure 5. We also discovered a physical-to-psychological continuum for self-reported health (see the *y*-axis in Figure 5).



We unpacked the fitness model as follows, constructing (in the same Burt matrix way) a fitness measure, the self-reported health measure outlined above, a stress measure and life events measure (after Holmes and Rae, with additions mainly around crime and poverty):

Figure 6 – Unpacking Fitness



Quality of the environment was tackled in the same way, looking at variables covering quality of shelter, quality of the out-of-home and work environment, pressure, safety and security and people's support systems. The data has shown that these variables need development so that the overall quality of the environment index still needs work. However, some new and innovative iterative approaches to some of the sub-indices here (especially the pollution index) were evolved and are being evaluated.

Until this point, most have the measures could be considered to be reasonably objective or what we have come to call *quasi-objective* (for example, self reported health)

The next key area for examination is more subjective - the nature of human needs. Much has been written about this (see Higgs (2003) for a more detailed discussion). However, for the more restricted purposes of understanding well-being, we initially chose to categorise needs as follows (with no notion of a hierarchy beyond the filling of the most basic physical needs being necessary):

- * Basic physical/psychological well-being
 - o Physiological (food, rest, shelter, warmth)
 - o Safety and security (freedom from danger, concern for the future, feelings of security)
 - o Love (close family ties)

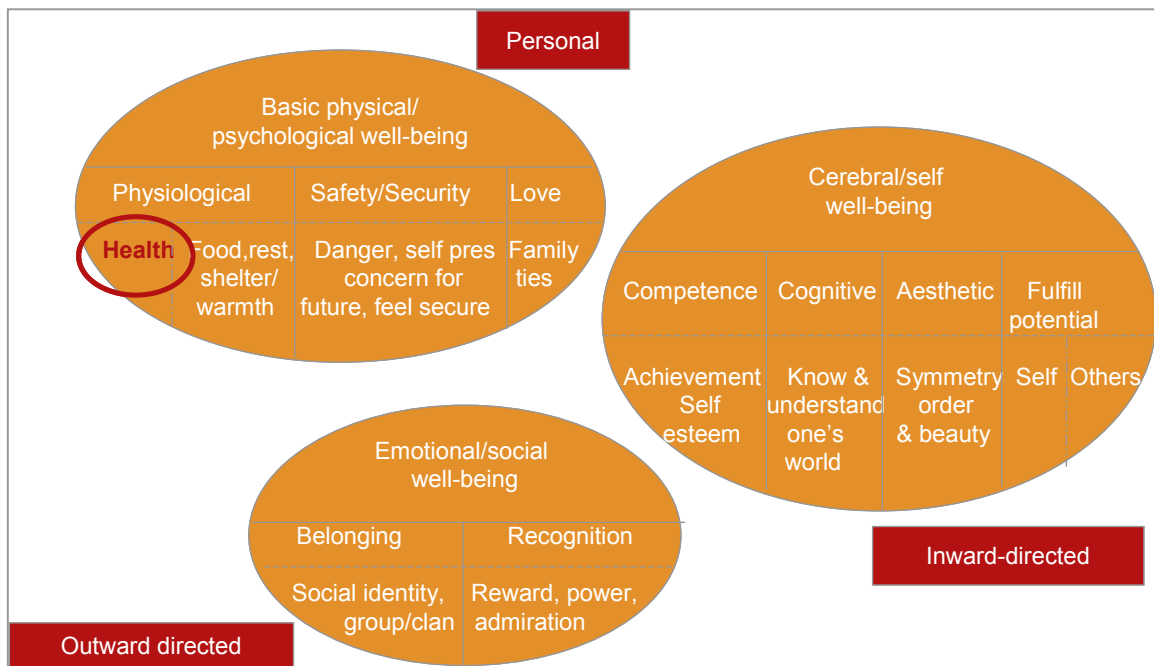
- * Emotional/social well-being (interaction with a group)
 - o Belonging (social identity, the group or clan)
 - o Recognition (reward, power, admiration)

- * Cerebral/self well-being (personal growth)
 - o Competence (achievement, self esteem)
 - o Cognitive (know and understand one's world)
 - o Aesthetic (symmetry, beauty, order)
 - o Potential (self-fulfillment, fulfillment of others)

In the light of the earlier discussion on interconnectivity, this seems particularly appropriate. The data also showed that health is strongly correlated with needs satisfaction and led us to consider adding health as a basic human need – something that seems to have been neglected by other writers. The data also showed that what Maslow (1954) called the deficiency needs (physiological, safety and security, belongingness, love, self esteem, achievement and reward) do follow a weak continuum but there is no evidence that a set of needs must be fulfilled before any other set clamours for attention – just the reverse, in fact. People can have needs at any level simultaneously, so that, for the purposes of understanding well-being, we essentially just need to measure the overall extent of needs satisfaction: how many needs are or are not unfulfilled.

The model is given in Figure 7.

Figure 7 – Unpacking Needs



Finally, we move to the most subjective of all the measures so far – subjective well-being (SWB).

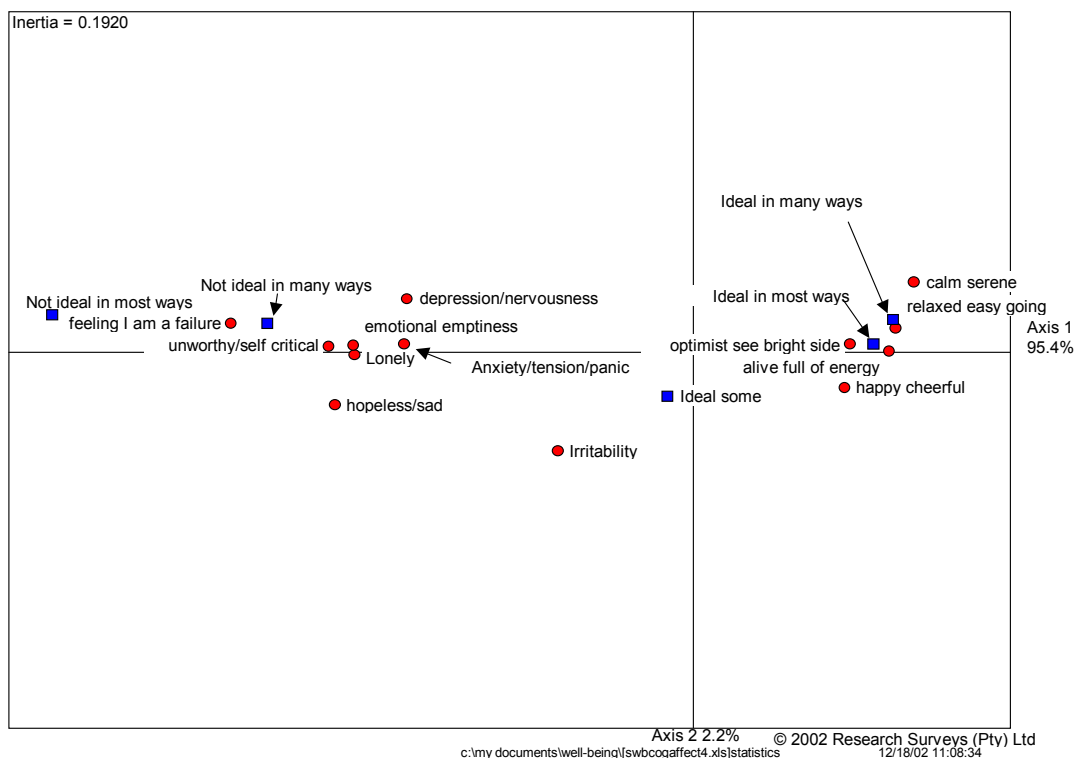
Subjective well-being can be defined in many ways, but the most recent and consistent approaches are due to Diener and his colleagues (Diener and Lucas, 2000; Diener, Suh and Oishi, 1997; Kahneman, Diener and Schwarz, 2000). Subjective well-being consists of a person's own evaluation of her or his life, within his or her own personal framework. As Diener and Lucas (2000) put it:

“Although measures such as crime statistics, health indices and indicators of wealth surely are related to quality of life, these external indicators cannot capture what it means to be happy.”

These personal evaluations can be *cognitive* (satisfaction with one's life in overall terms or in various more particular aspects) and/or *affective* (pleasant and unpleasant affect – essentially one's overall longer term mood). SWB researchers define *hedonic balance* to be the difference between pleasant and unpleasant affect, and one's emotional level to be their sum. These affective reactions need to be assessed separately from each other as they are not necessarily polar opposites (Diener and Suh, 2000). Studies also show that, internationally, the cognitive and affective components are moderately well correlated (correlations of about 0.7 across nations, for example (Diener and Suh, 2000)). This, in turn, suggests the existence of a higher order construct – overall subjective well-being.

We followed these international approaches in developing an SWB measure here. However, we discovered that, at least amongst adult metropolitan South Africans, the affective components only correlated well with the cognitive component at the lower end, but not at the top end (see Figure 8). This suggests that there is, in South Africa at least, another component of satisfaction with life that goes beyond pleasant and unpleasant affect.

Figure 8 - SWB: Link between the cognitive and affective components



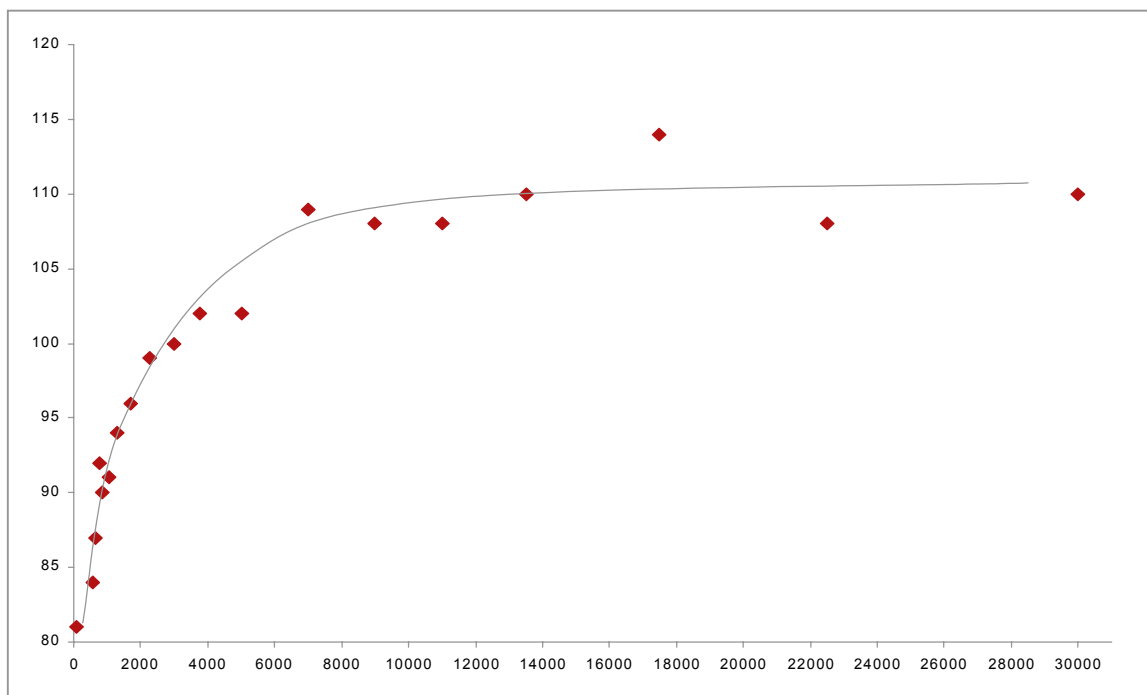
A more detailed analysis of the differences between the top two boxes of the satisfaction with life scale suggests that the progression in life satisfaction was at least monotonic up until one reaches a point of being satisfied with life in many ways. The progression from *in many ways* to *in almost all ways* showed a divergence in types of people. There is one group whose well-being rises with socio-economic status. There is a second group whose level of basic worries about their old age, having enough to eat, and eating correctly rises slightly, as do some physical security concerns, but they are more confident in their personal and social relationships (they feel accepted) and in what they have achieved in life, and feel that their (remaining) dreams are realisable. They may be retired or working part-time. This suggests that achievement of goals or progress towards achievement of goals and dreams is an important fourth component of subjective well-being. We call this “striving” – human endeavour.

As noted earlier, most of the variables are highly interrelated, and personal choice continues to be an issue. Hence, these two groups are not entirely mutually exclusive. It depends on the measure of SES that one adopts. Very often, those who have achieved their goals may have a lower SES based on income measures, but a higher SES based on expenditure measures. Nonetheless, it seems that goal/dream achievement is an important additional component of SWB, at least in South Africa. Further analysis shows that maximum satisfaction with life was found to correlate also with people who undertook some form of exercise (31% cf 25%, especially running and gym), were more likely to eat chicken, fish, vegetables and salad for their main meal (39% cf 26%), to feel relaxed and easy going (38% cf 30%), and to want more beauty in their lives (42% cf 29%). It seems that a healthy life-style from the point of view of nutrition and stress is an important correlate of well-being.

Our measure of SWB, then, includes four components: the cognitive element, the two affective components and the striving component.

In line with international findings, we found that SWB increased with SES, but only up to a point. Clearly, wealth measures are excellent, but only as far as they go. Well-being goes beyond wealth, as the diagram below shows.

Figure 9 – SWB (y-axis) vs Monthly Household Income (x-axis)



We also found that SWB is poorer if one is unemployed (even though one can have an income). Jobs are more important than income. A job provides more than just income – it also provides status and self-esteem.

Diener et al (1997) suggest that the extent to which external circumstances and socio-economic resources meet human needs only play a part in what influences happiness. People’s needs and the resources they have to meet these needs must be examined in the context of individual lives, goals, values and personalities. Well-being is often judged by a person by comparing herself or himself with others, or by comparisons with the past. Diener and Lucas (2000) also add, however:

“People do not simply look around and judge their happiness by their distance above or below their friends and neighbours on relevant domains. Instead, people choose their targets for comparison, the information to which they attend, and the way they use this information in complex ways.”

Diener notes that a theory of well-being must include more than an inventory of resources and external factors that lead to happiness. This also again suggests that one’s level of interconnectivity may play a role.

Overall Well-Being – Everyday Quality of Life (EQL)

With the above discussion in mind, we are in a position to define more formally a person's overall well-being – his or her everyday quality of life (EQL):

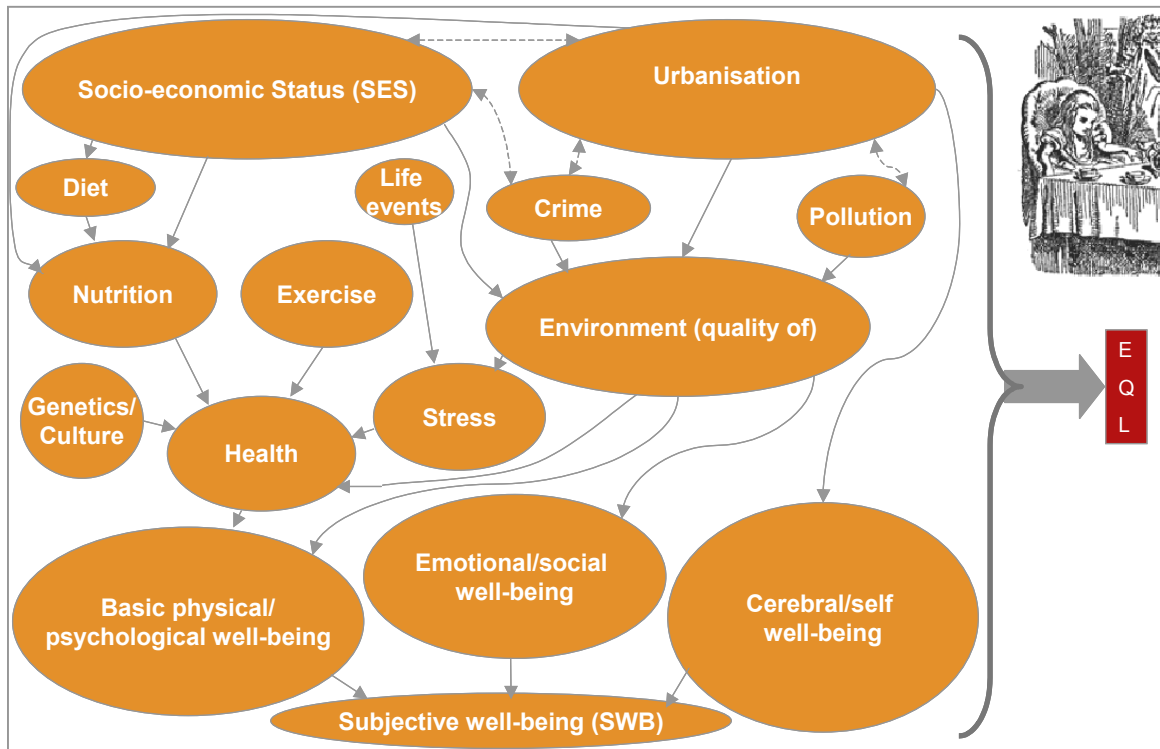
A person's overall well being or everyday quality of life is a function of the resources that a person has, various external factors that affect how that person is able to live (in the broadest sense), various internal choices and decisions that a person makes in living her or his life, how that person perceives his or her individual needs are being satisfied, and the resultant perceived level of subjective well-being or happiness.

Maximum well-being can be defined as a state of maximum physical and mental strength and stamina for a person's age, sex, lifestyle and state of health – getting the most out of life no matter one's age or state of health (Ewin, 2000). ***This*** is what people want – so it should be what marketers, advertisers and policy makers (are perceived to) deliver if they want to maximize the real value of their offerings relative to cost. This is how people's every-day lives can be improved. This is how we can deliver a better life for earth's inhabitants.

EQL is a function of external indicators, internal feelings, needs satisfaction and happiness. These are all intensely correlated, and enormously influenced by one's own decisions and choices in tackling life. The full model is depicted in Figure 10.

Alice symbolizes the over-arching role of this personal choice.

Figure 10 – The Full Model



With this and the preceding discussion in mind, an EQL measure is under construction using key indicator variables from each component of the model. Currently, the list comprises variables in the following areas:

- ✓ Education
- ✓ Water supply
- ✓ Sanitation
- ✓ Housing type
- ✓ Infrastructure
- ✓ Proximity to nearest grocery shop (time taken)
- ✓ Power
- ✓ Telecommunications
- ✓ Key durables (seven have been identified)
- ✓ Variety or lack of it in one's life
- ✓ Health
- ✓ Diet
- ✓ Poverty
- ✓ Needs fulfillment
- ✓ Alcohol and Smoking
- ✓ Pollution
- ✓ The four SWB components

The EQL list is currently being refined and reduced as the intention is to include EQL on studies as the next step beyond wealth – EQL will become complementary to LSMs and will provide great insight into not only how people live and how happy they are, but will help us to understand how people process information and make decisions. This must have a profound effect on our understanding of how marketing does or does not work, and must influence the marketing strategies that result.

We turn now to the second issue – market sentiment.

Market Sentiment

Background

“Sentiment” is said by many to be one of the key drivers in many markets – financial, consumer, durables, the stock market and so on. But what is “sentiment”? It is, in many respects, a view of where a market is going - given where it is now. These two constructs – “where are we now?” and “where are we going?” - may be broadly interpreted as an indicator of the degree of confidence a person has in a market. They may or may not be correlated, but they need to be measured together in order to understand where a market is going and from what base.

There are a number of business and consumer confidence measures available to consider. The international standard has been set by the University of Michigan who compile a well-respected and recognised monthly Consumer Confidence Index using these two constructs. The “where are we now?” construct is measured by two elements: people’s general perceptions of current business conditions and the relative ease of finding jobs “at the moment”. The “where are we going?” construct has three measures – whether people feel business conditions will improve, whether they feel jobs will be easier to find and whether people feel their incomes will improve, all over a specified time period. The so-called “expectations” element is often felt, in the US economy, to be a leading indicator not so much of a *decline* in consumer spending but a *change* in its pattern. For example, a fall in the expectations component might portend a fall in durable spending (cars, appliances), a more cautious approach to adopting credit and a rise in savings, whilst “comfort” goods (chocolate, alcohol, books, home furnishings etc) may benefit - “retail therapy”.

In 1997, 51% of South African adults felt “very worried and concerned” about how “things are in the country today” – but 56% felt that things would be either a “bit or much better” in five years’ time (*SA Focus – Consumers in South Africa, Eskom, 1997, p280, based on a consumer survey of 4008 adults across the whole country*).

The University of Michigan combines these two constructs into a final joint index that many commentators regard as “economically crucial”, whilst, in the US, “every blip and dip of the University of Michigan’s monthly consumer survey ... is chewed over obsessively by market pundits” (*BBC Business website, 25 September 2001*). The study is based on a contact sample of 5 000 households from which about 3 500 responses are obtained.

Their calculation approach is as follows:

- For each of the five questions, there is a positive, neutral and a negative response. A so-called “relative value” is calculated for each question by taking the positive figure and dividing it by the sum of the positive and negative responses – this, then is the proportion giving a positive response out of those expressing an opinion. This is then indexed on a similar relative value for a base year. This is repeated for each of the questions and a simple average taken. Seasonal adjustment takes place, as well. The index is, then, a macro index and is not calculated at respondent level.

Developing an Uniquely South African Index

Turning to South Africa, one immediately realises that such an index here will have great value but that we need to modify it to take into account a more developing economy, as well as special issues relevant to our own country. So, for example, whilst inflation in the US is less of an issue, here it is crucial to all households in maintaining their levels of well-being. Similarly, one must establish the effect that AIDS and crime have on people's perceptions of the future. So, any index developed here needs to be rather more elaborate rather than more simplistic in order to capture a developing economy's particular sentiment.

Further, one has to ask if people equate "business conditions" with their own personal economic circumstances. It has been shown that people widely regard South Africa as a very wealthy country (27% of SA adults in the same Eskom survey cited above said that they felt that South Africa was the richest country in the world today in terms of the standard of living that it offers). In reality, of course, our GDP represents only 0.5% of the world – but 27% of Africa. Our GDP per head is half that of the US, albeit it well ahead of the rest of Africa. But this figure is, of course, highly misleading. South Africa has one of the highest Gini coefficients in the world. The Gini coefficient measures the degree of inequality in people's incomes, and so we cannot say that the majority of people share in South Africa's wealth.

With all this in mind, we developed a new index ideally suited to SA conditions to provide decision makers in all parts of the economy with some idea of people's sentiment towards the economy and their future well-being. We named it the Market Sentiment Index (MSI).

This index uses the same five measures as used by the University of Michigan but adds in measures to do with price and inflation perceptions, economic circumstances, the perceived impact of AIDS and the perceived impact of crime – all in terms of current and future perceptions. We looked also at measures of the perceived role of government and corruption but eventually dropped them as we were less concerned with political issues than with pure economic perceptions.

From all these considerations, we adopted the following approach (the statements being randomized in the questionnaire), this being a streamlined version compared with that of the University of Michigan, given that we cover a wider range of economic issues:

“Here is a set of statements about South Africa. Some people agree with some statements and others agree with different ones. For each one, please tell me whether you agree with it or not:”

*My economic circumstances are good at the moment
My economic circumstances are poor at the moment
Business conditions are generally good at the moment
Business conditions are generally poor at the moment
I expect my economic conditions to improve in the next six months
I expect my economic conditions to worsen in the next six months....”*

Space does not allow the full set of statements to be given, but this provides an indication of the overall approach. The statement set was added to a metropolitan Omnibus survey of 2 000 adults in May 2002, and repeated quarterly thereafter.

Analysis of the Data

For each statement, there is an agree, disagree and don't know option. The statements were originally intended to be opposites, and adopting this approach enables the degree of confusion and consistency to be established. For example, a person who agrees with "My economic circumstances are good at the moment" should, in theory, disagree with its converse. Of course, people being people, this does not always happen. Similarly, people should not, in theory, agree with polar opposite statements.

To investigate this, two confusion indices were devised:

- The first was the sum of the "agree" responses to polar opposite statements. Clearly, any sum over 100 means that some people have definitely answered "agree" to opposite statements. A figure below 100 does not preclude this either, but the data is likely to be less inconsistent.
- The second was analogous to the Mean Square Error sometimes used in goodness of fit tests. It is the mean of the squared differences between the two sets of responses that should be the same for a pair of polar opposite statements. So, agreeing with one statement should mean that one disagrees with its opposite. The difference between what should be equivalent responses is squared to get rid of negative signs, and added to the opposite responses difference, also squared, and averaged. A high number indicates a high level of inconsistency in response.

From this starting point, it became obvious that some of the AIDS statements were not seen as polar opposites at all, but as different constructs – conceivably, the impact of AIDS will be terrible but not as bad as people think. Further, the words "inflation" and "prices" were not seen totally synonymously. This led to some rationalization of the statement list.

Initial indices were calculated in the same way as that adopted by the University of Michigan.

There are many other ways to construct simple indices from the data, but the above keeps to international practice. However, the Michigan system is challengeable, as it effectively ignores people who do not have an opinion. For example, an even simpler index would just use the "agree" responses, as they are, to construct an index.

The above measures also effectively give equal weight to each question in the Index. This is also a questionable approach. For example, in the Michigan Index, expectations have three questions whilst current conditions are assessed by two, so the whole index has an "expectation-bias". In the current SA version, both current and future measures have five items in them. Who is to say which is correct? It is clearly a matter of opinion.

Finally, the index is a macro one. This makes analysis clumsy and restrictive. It is generally better to create scores at a micro level so that people can be segmented on this basis as well as other bases – the understanding of how people vary is central to what we do, as noted earlier. It also allows people's scores on different indices to be compared and correlated. For example, one can compare well-being and sentiment scores at an individual level.

The alternative approach involves using the responses quite differently, and in the same way as discussed earlier for well-being. Here, we again seek to construct a continuum based on a Burt

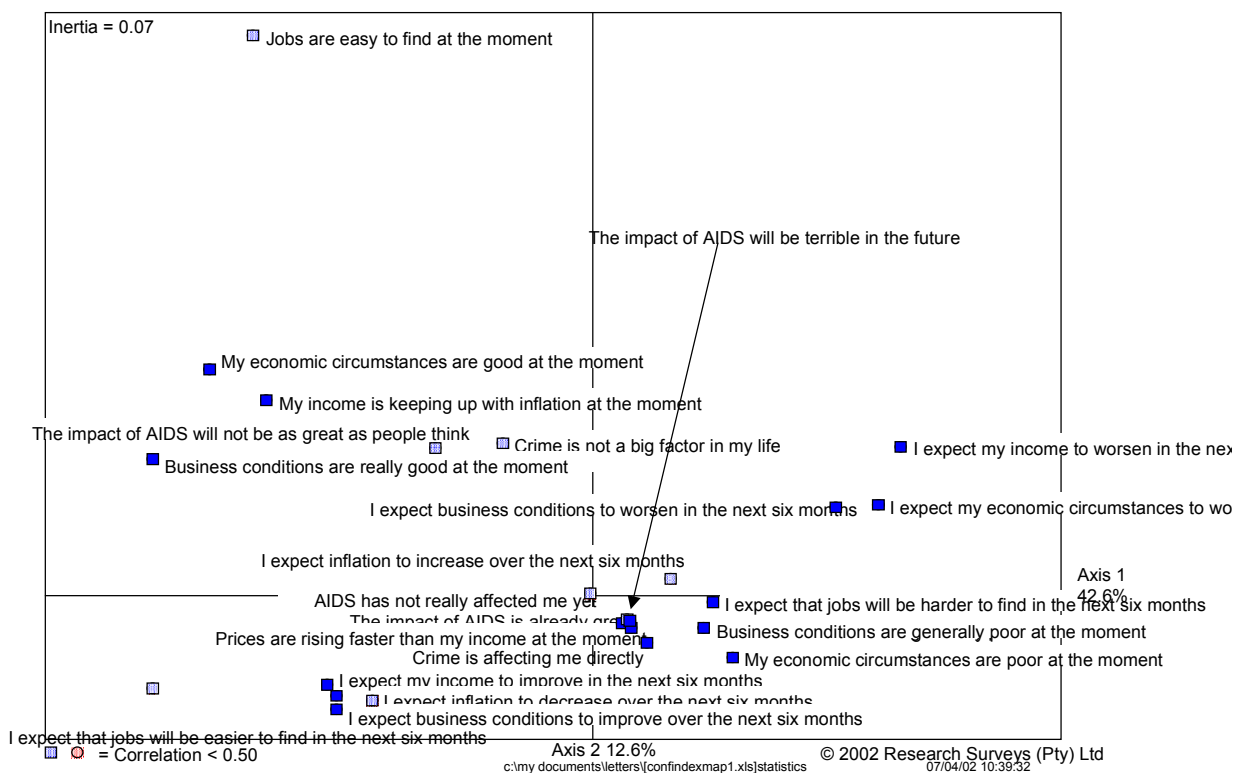
matrix of the “agree” responses – that is, a square matrix wherein the “agree” responses to the questions are used as both the rows and columns and subject it to correspondence analysis.

The results are given in Figure 11. This analysis also allows the relative weights of the current and future components to fall out naturally.

A clear positive to negative continuum arises along the *x*-axis, as expected. Further examination of the map shows that the second axis is weakly more indicative of people’s current views and that the first axis is slightly stronger in terms of people’s future expectations

From this map, it is possible to set up a tentative scoring regime for the statements based on their *x*-co-ordinates. These have been re-scaled so as to give, for each person, a score on a zero to 100 scale. This regime is only valid for metropolitan dwellers. It is hoped to extend this to rural dwellers later this year (along with the well-being work) to produce a national index for both Market Sentiment and EQL.

Figure 11 – Market Sentiment Continuum (“Agrees” only)



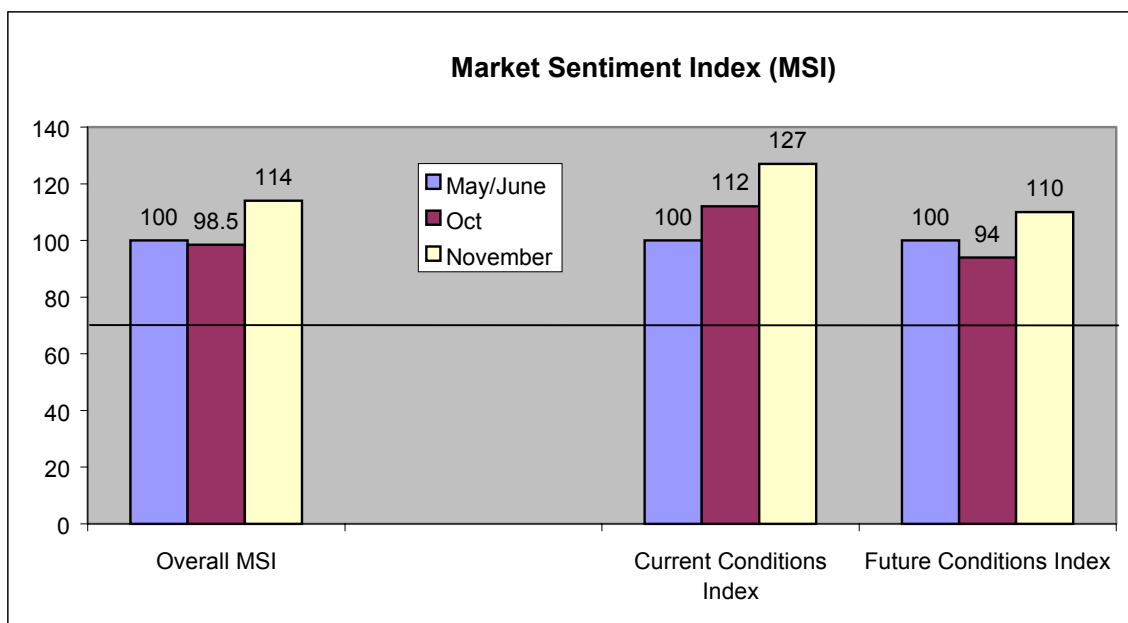
To validate this alternative approach, an index was calculated using the Michigan approach for a large number of different demographics. Both the original Michigan list of variables was used, as well as the enhanced SA list. We repeated the calculation using the continuum approach outlined

above, and correlated the two. We also devised some alternative simple indices, also based on macro level analysis. The Michigan variables calculated in the Michigan way correlated with the continuum approach with $r = 0.862$. The SA variables calculated in the Michigan way correlated with the SA variables and continuum approach with $r = 0.980$. This clearly suggested that the SA variable set is more appropriate for South Africa. Given the high correlation here, the obvious benefits of a micro level index clearly suggest that this is equally as valid an approach and the more useful approach.

We also explicitly allowed the current and future components of the measure to be separated and reported separately, at this same micro level.

Results of the three waves so far conducted are given in Figure 12:

Figure 12 – MSI since May 2002



We also found that the current and expectations measures are largely independent, which suggests that they could be usefully plotted against each other in a Boston-grid type of plot to yield additional insights. This is given in Figure 13 below, and effectively divides people into four segments, relative to the overall average:

- Those relatively positive about their current conditions and also relatively positive about their economic future
- Those relatively positive about their current conditions but not so positive about the future

- Those relatively negative about where they are now but more positive about the future
- Those negative on both counts

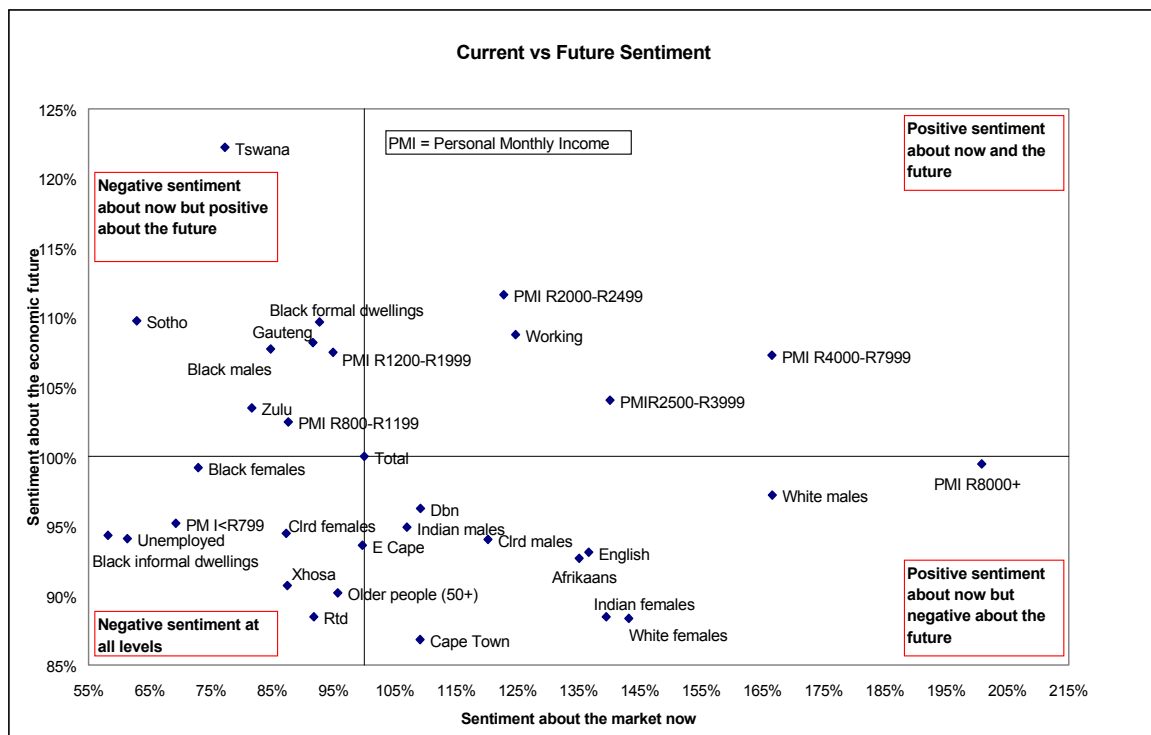
From this diagram, it is clear that higher income people in May 2002 tended to be positive about both the future as well as where they are now – although there was somewhat of a drop off in future expectations amongst the most wealthy. The R2000 – R2499 per month income group were the most optimistic about the future.

Black males and the moderately lower income groups, although less positive about their current circumstances, were relatively optimistic about the future – especially those whose home language was Tswana and Sotho. It was the unemployed and the lowest income people who felt the most hopeless – especially Xhosa speaking people, those in informal dwellings, coloured females and older (especially retired) people. It is interesting to see that Durban and Cape Town people had a less positive sentiment about the future than did those living in Gauteng.

This analysis can be repeated every wave, although data for the latest wave is still embargoed.

Of interest to us now is the question as to whether there is a link between Market Sentiment and well-being or EQL. This is the subject of the next section of this paper.

Figure 13 – Current vs Future Sentiment (May 2002)



Linking EQL (Well-being) with MSI (Market Sentiment)

Whilst the MSI is now validated, at least for metro South Africa, the EQL is still under development. However, we can still examine the MSI against the current short-list of EQL indicator variables and against the SWB index already developed.

A table of the MSI score (categorised from one to ten) against the SWB score, also categorised, showed a strong link between the two, as seen in Figure 14. However, there are some points of interest in this analysis. In particular, MSI and SWB are linked at the extremes of each continuum, but the middle part of the MSI continuum is not well differentiated by the SWB measure.

Next, the two components of MSI, the current and the future component were analysed against SWB. These analyses showed that all the lower SWB categories tended to be more negative about their current conditions, and it is only as one shows quite high SWB scores do people's views about their current economic circumstances improve. This is not too surprising, as the lower SWB levels will be strongly influenced by their lower (current) socio-economic status.

Whilst the same is true for the future component, the pattern is weaker – there are much higher levels of optimism for the future even amongst those with currently lower levels of SWB. Hence, expectations are higher. This is an important point when considering communicating to such people – what to communicate and how to say it, bearing in mind that they will process the information more intensely.

Figure 14 – SWB vs MSI (February 2003)

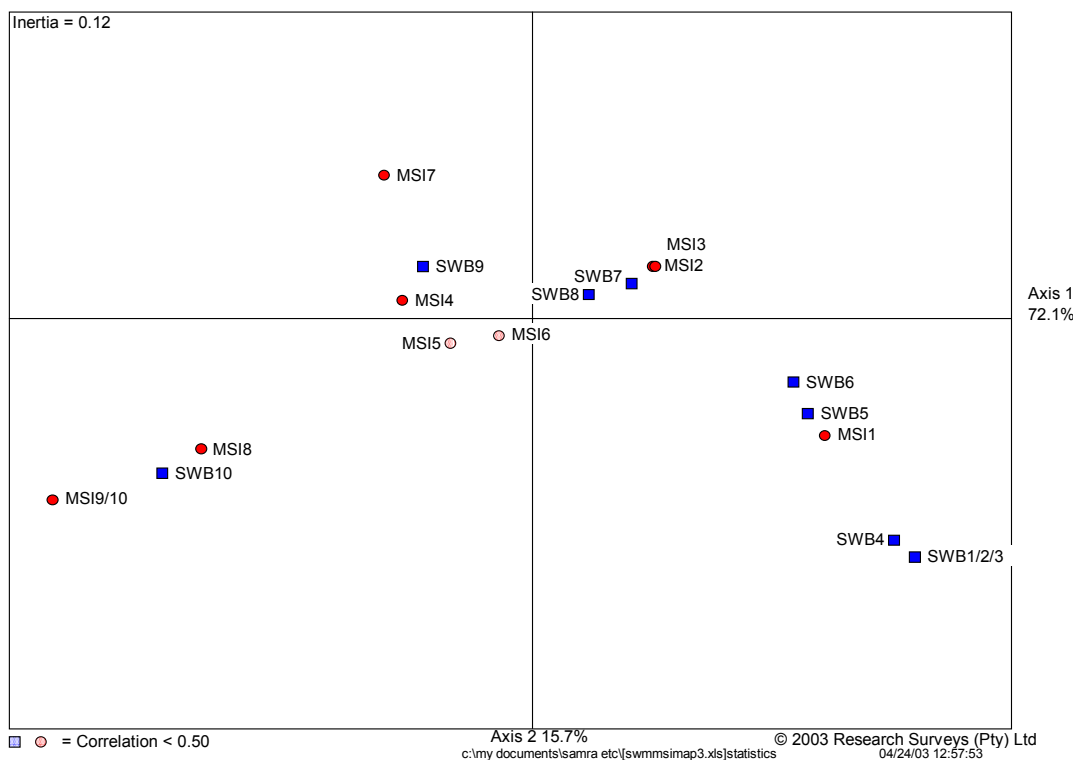
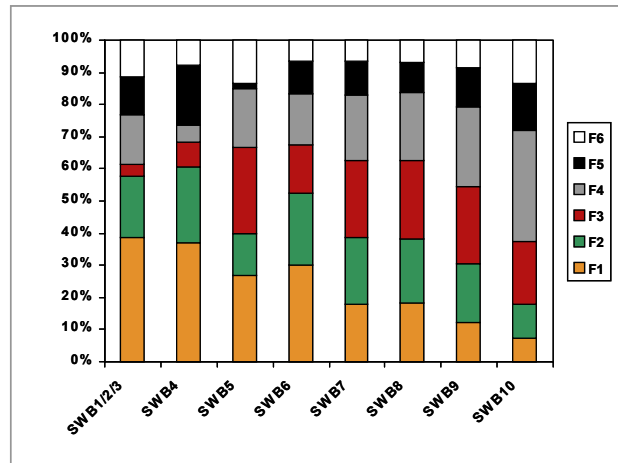
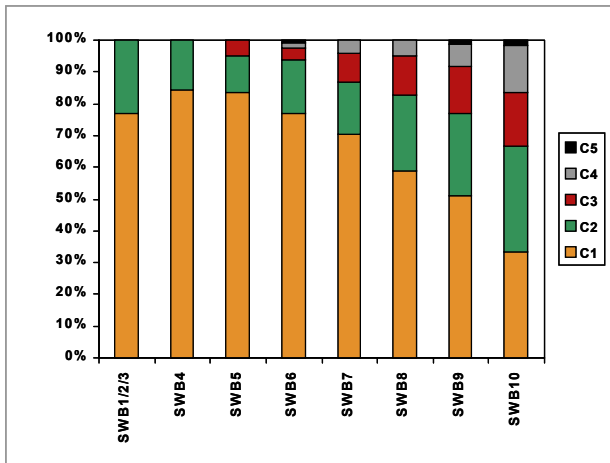


Figure 15 – SWB vs MSI (current) and MSI (future)



Conclusions

We have outlined the importance of moving beyond wealth measures as the key to understanding people in a more holistic sense. We have outlined the importance of measuring well-being at many different levels, and have discussed ways of doing this at both a broad level and also at very specific levels. The concept of Everyday Quality of Life (EQL) was presented as an understanding of many parts in people’s lives, from objective, to quasi-objective, to subjective. We showed that wealth correlates with well-being only up to a certain point.

Well-being affects how people decode our communications and how they make decisions. It also affects our place in our own individual networks and how we react to those networks. This, in turn, affects markets.

EQL is complementary to LSMs and will provide great insight into not only how people live and how happy they are, but will help us to understand how people process information and make decisions. This must have a profound effect on our understanding of how marketing does or does not work, and must influence the marketing strategies that result.

We presented an enhanced approach to measuring “consumer confidence” – we term it the Market Sentiment Index (MSI). We showed that well-being is important in understanding how people feel about their current economic circumstances but that people with lower levels of well-being are, perhaps surprisingly, relatively more optimistic about their future.

It is hoped to extend these measures to rural dwellers later this year to produce a national index for both Market Sentiment and EQL.

However, when the two measures are compared, some important findings emerge. A conclusion from this data is that people's immediate purchasing behaviour is influenced very strongly by how they feel about their current economic circumstances – which, in turn, is closely affected by their sense of well-being. Given that people process information and make decisions differently depending on their well-being, when we seek to influence current purchasing or behaviour patterns, we need to consider different communication strategies for different levels of well-being. Higher levels use absorb more iconography and need less literal information. Lower levels need both, with the link between the two needing to be strong and consistent.

However, whilst people's plans for the future – and, more crucially, their expectations for the future – follow the same pattern, there is the caveat that those with lower well-being are more optimistic than might be expected. These people process information more literally. This means that communications making promises will be dealt with as if they are literal promises. The consequences of failing to deliver on such promises will probably be great and lasting disillusionment. Such communications need to be crafted with more than usual care and will probably need to be clearer, simpler, more direct and easily justified.

These premises still need to be tested but it is clear that communication planning needs to take into account how different people will tackle different types of communication.

References

Abler, R., Adams, J.S. and Gould, P. (1971), Spatial Organisation, Prentice-Hall, New Jersey, 1971

Bollen, K.A., Glanville, J.I., Steckby, G. (1999), Socioeconomic Status and Class in Studies of Fertility and Health in Developing Countries, Working Paper, Carolina Population Center, University of North Carolina at Chapel Hill, February 1999

Bollen, K.A., Glanville, J.I., Steckby, G. (2001), Economic Status Proxies in Studies of Fertility in Developing Countries: Does the Measure Matter? Working Paper, Carolina Population Center, University of North Carolina at Chapel Hill, May 2001

Cornish, P., and Denny, M. (1989). Demographics are dead – long live demographics, *Journal of the Market Research Society*, Vol 31 No 3, July 1989, London, 1989

Crimmins, J. (2003), Contagious Demand, Proceedings of the MRS Convention, Market Research Society, London, 2003

Deonandon, R., Campbell, K., Ostbye, T., Tummon, I., Robertson, J. (2000). A comparison of methods for measuring socio-economic status by occupation or postal area, *Chronic Diseases in Canada*, Vol 21 No 3, Ministry of Health Canada, 2000

Diener, E. and Lucas, R.E. (2000). Subjective Emotional Well-Being (Chapter in Lewis, M. and Haviland, J.M., (Eds) (2000), Handbook of Emotions (2nd ed), Guilford, New York, 2000)

Diener, E. and Suh, E. (2000), National Differences in Subjective Well-Being (Chapter in Kahneman, D., Diener, E. and Schwarz, N. (Eds) (2000), Hedonic Psychology, Russell Sage, New York, 2000)

Diener, E., Suh, E. and Oishi, S. (1997), Recent Findings on Subjective Well-Being, *Indian Journal of Clinical Psychology*, 1997

- Diener, E. and Biswas-Diener, R. (2000), New Directions in Subjective Well-Being Research: the Cutting Edge, Dept of Psychology, University of Illinois, Champaign, 2000
- Earls, M (2003). Advertising to the Herd, Proceedings of the MRS Convention, Market Research Society, London, 2003
- Ewin, J (2000). Nutritional Therapy. Element Books Limited, Shaftesbury, Dorset, 2000
- Higgs, N. T. (1987). Measuring Change in a Multi-Ethnic Society – The Transition from Rural to Urban Living, Proceedings of the 9th SAMRA Convention, South African Marketing Association, Johannesburg, 1987
- Higgs, N. T. (1994). Little Boxes Made of Ticky Tacky, Proceedings of the 16th SAMRA Convention, South African Marketing Association, Johannesburg, 1994
- Higgs, N. T. (2002), Measuring Socio-Economic Status: A Discussion and Comparison of Methods, Proceedings of the 22nd SAMRA Convention, South African Marketing Association, Johannesburg, 2002
- Higgs, N. T (2003). Beyond Wealth and Poverty: A New Model – Measuring Well-Being and Everyday Quality of Life: How People Live, Proceedings of the MRS Convention, Market Research Society, London, 2003
- Hofmeyr, J. and Rice, J.R. (2000), Commitment-Led Marketing, John Wiley and Sons, Chichester, 2000
- Holford, P. (1997), The Optimum Nutrition Bible, Piatkus, London, 1997
- Holford, P. (1998), 100% Health, Piatkus, London, 1998
- Huitt, W.G. (2002). Maslow's Hierarchy of Needs, Educational Psychology Interactive, Website Chiron.Valdosta.edu, 2002
- Kahneman, D., Diener, E. and Schwarz, N. (Eds) (2000), Hedonic Psychology, Russell Sage, New York, 2000
- Malsow, A. (1954), Motivation and Personality, Harper, New York, 1954
- Maslow, A. (1971), The Farther Reaches of Human Nature, Viking Press, New York ,1971
- Meier, E. and Moy, C. (1999), Social Classifications – a new beginning or more of the same? Journal of the Market Research Society, Vol 41, No 2, April 1999, The Market Research Society, London , 1999
- Norwood, G. (1999), Malsow's Hierarchy of Needs, The Truth Vectors Part 1, 1999, (website www.connect.net/georgen/maslow.htm)
- Oldridge, M. (2003), The rise of the Stupid Network Effect, , Proceedings of the MRS Convention, Market Research Society, London, 2003
- Penn, D. (2002), LIP to HIP: Responding to changing views, Admap, November 2002
- Posen, D.B. (1995), Stress management for Patient and Physician, Canadian Journal of Continuing Medical Education, April, 1995
- Prescott-Allen, R. (2001), The Well-Being of Nations, Island Press, Washington, 2001
- Serfontein, W. (2001), New Nutrition, Tafelberg, Cape Town, 2001
- Yeates, M. Yeates, M. (1974), An Introduction to Quantitative Analysis in Human Geography, McGraw-Hill, USA, 1974