

# **A Psychological and Behavioral Segmentation of Consumers under Financial Crisis**

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## **Abstract**

The financial crisis between 2007 and 2009 has been regarded the worst financial crisis since the Great Depression in early 20 century. It was witnessed that large scale unemployment around the world severely impacted upon the living of normal people. With 639 valid Chinese samples, this study developed a framework to segment consumers based on their perceptions about the impact of this financial crisis upon their living. And consequently, this study is able to observe the change in consumption values of these consumers during this crisis. Results suggest that the impacts of this financial crisis upon Chinese consumer behaviors are heterogeneous across different segments. Discussions and implications of these findings are provided.

Keywords: financial crisis, consumer segmentation, consumption values

## **Introduction**

Since the emergence of American subprime lending crisis in 2006 and 2007, and the resulting wide-spread global financial crisis in 2008, one has to agree that all of us are still under the threat of severe economic tsunami. Under this threat, as a consumer, will you be spending more? Or less? If your answer is that this crisis has nothing to do with your normal life, then congratulation! How lucky you are! However, as many of us observed, planned buying behavior is getting more popular in the retail outlets. Consumers are more likely to be price sensitive. More people are reducing their daily spending. And they are getting more and more conservative in consumption. How about you?

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Generally speaking, people tend to reduce, or to delay their consumption when they are unemployed or are experiencing a personal economic crisis. A global financial crisis can severely contribute to both circumstances. Under these circumstances, consumers are getting poor in their payment capability and, in turn, worsen their prospect into the future. This pessimistic outlook further limits the amount of their daily consumption. And this downturn in the aggregated market demand consequently hampers the overall economy and thus further damages individuals' payment capability and their prospect into the future. This is the nature of global financial crisis.

It may be valid of the above observations. However, these observations cannot explain the truth that in the recession economy there are still firms earning great fortunes from consumers who are able to enjoy their luxurious lifestyle. Indeed, there is luxury stores swarmed with consumers seeking for glorious symbols in this modern, but economically fading, society. Would it be necessary for those consumers who are earnestly shopping for hedonia be the rich people? Or, should it be inevitable for the poor people to change their consumption values when enduring a financial crisis? It is reasonable to assume that people will behave differently during the financial crisis with different level of economical wealth. However, we have yet to understand fully about how people would behave when the impacts they experienced from financial crisis are different. This study intends to bridge this gap.