

# CONSUMER SOPHISTICATION: A STUDY OF ANTECEDENTS AND CONSEQUENCES

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## ABSTRACT

The purpose of this study is to conceptualize and propose a framework on the construct of consumer sophistication. This paper explores the dynamics and incorporates both the antecedents and the consequences of such consumer class. Drawing upon existing literature, this paper provides a preliminary model characterizing the construct of consumer sophistication. This study proposes that it is a construct that needs to be explored and a systematically reliable measure must be created.

## 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 marketplace increase, consumers often need to sort through clutter in order to make a purchase decision. Consequently, a new class of consumers has evolved. This "new consumer class," often times referred to as sophisticated consumers, is emerging and growing. 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 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.

The construct of different consumer class is identified by many marketing academics and researchers. However, few concepts have immediate relevance to 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

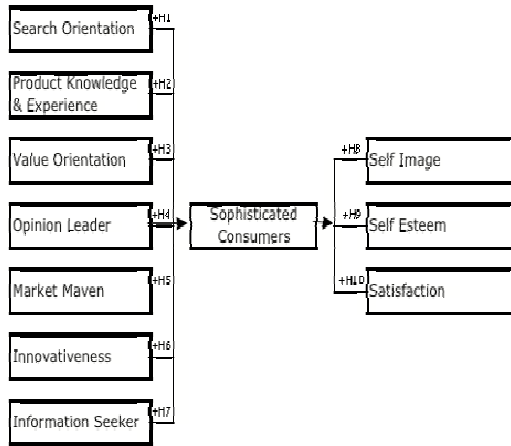
affect consumers' purchase behavior and decision making (Sproles, 1978), these factors do not inherently result in a higher level of consumer sophistication. Despite the old saying, "growing older and wiser," assuming that wisdom grows with age, we believe that rather sophistication is the result of 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. Drawing upon existing literature, this paper provides a preliminary structural model to characterize the construct of sophisticated consumers, its antecedents and consequences. We hope this proposed model will encourage researchers to investigate this important but neglected construct.

## ANTECEDENTS OF CONSUMER SOPHISTICATION

A review of extant literature leads us to present the main antecedents to a sophisticated consumer (see Figure 1). The first factor centers on the linkage between sophistication with the extent of information search orientation. We believe 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 & Smith, 1987). According to Beatty and Smith (1987), this attitude "reflects the individual's beliefs about the value and benefit achieved through shopping activities for the product category being purchased." These consumers exert a stronger motivation towards shopping and search for product information. The higher the purchase involvement, the higher the total search effort is taken place (Beatty & Smith, 1987). Specifically, extensive information search is a behavior that is associated with consumers who have a higher product involvement and motivation. Furthermore, sophisticated consumers know how to process and use the information obtained (Sproles, 1980); additionally, sophisticated consumers are proactive, motivated, and more willingly to conduct research (Beatty & Smith, 1987).

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

**FIGURE 1**  
**Proposed Model**



The second factor is the extent of consumer sophistication linked with aggregated knowledge and experiences. It is conceptualized that past-purchase and consumption experience influence the rating of products (Alba & Hutchinson, 1987; Chestnut & Fisher, 1978). This construct 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 & 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). Sauer argued that consumer expertise and product knowledge are both necessary prerequisites for one being defined as a sophisticated consumer. He claims 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. Over time, sophisticated consumers have gained tremendous knowledge and experience with products and the market over a period of consumption. Prior to making a purchase, consumer decision-making involves scanning of both external and internal memory and assessments are made to make an appropriate choice (Park et al., 1994). Knowledge affects consumer purchase decision processes by influencing which brands to search for, how much information to search for, and what features to examine (Alba & Hutchinson, 1987;

Brucks, 1985; Biehal & Chakravarti, 1986; Holbrook & Maier, 1978). Thus, we believed that:

Hypothesis 2: Sophisticated consumers are more knowledgeable and have an overall higher past consumption experience on a particular product or service than less sophisticated consumers.

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. According to the marketing manager at Time Warner, in order to appeal and enhance the reputation of its product among sophisticated consumers, brand cultivation and positive message promotions are necessary (*PR Newswire*, 2007). According to another news article, the prestigious Ritz-Carlton hotel tries to enhance its brand presence with a lion and crown logo as an indication for luxury among its affluent and sophisticated consumers (*PR Week*, 2007). While advertising dollars may assist companies to strengthen their brands 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, we would like to propose that:

Hypothesis 3: Sophisticated consumers are believers of brand and make value oriented consumption more than less sophisticated consumers.

The fourth factor is sophisticated consumers' leadership quality. We believe that sophisticated consumers are opinion leaders. Opinion leaders are defined in the literature as "individuals who act as information brokers, intervening between mass media sources and the opinions and choices of the population" (McGraw-Hill 2005, p. 17). Through opinion leaders, information is spread from individual to individual, influencing purchasing decisions and behavior (Sohn & Leckenby, 2004). Opinion leaders tend to be technically competent, heavy consumers of the mass media and early adopters of new technologies (Rogers, 1983; Summers, 1970). They play an important part in the underlying personality of sophisticated consumers. In short, opinion leaders and market mavens are "powerful forces in the marketplace and exert great influence on other consumers" (Sauer, 1998).

Hypothesis 4: Sophisticated consumers will exhibit higher opinion leadership tendency than less sophisticated consumers.

The fifth factor is the association between consumer sophistication and the perceived market maven behavior. Consistent with the work of Fieck and Price (1987), sophisticated consumers are viewed as market mavens. Mavens are more often everyday consumers who, through an intense interest in the marketplace, become expert in various topics. In addition, they are not specialists limiting their expertise on one class of product. Market mavens tend to develop “general marketplace expertise” on a variety of consumer topics and product areas (McGraw-Hill 2005, p. 17). Finally, market mavens are also great shoppers. They are willing to try new things, and like innovation. They 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). We believe that sophisticated consumers share many similar characteristics with market mavens and through an intense interest in the market place, become experts in diverse topics.

Hypothesis 5: Sophisticated consumers will exhibit higher market maven behavior than less sophisticated consumers.

The next factor is associated with innovativeness. We believe that sophisticated consumers are innovative and early adopters of technology. 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 know products and services that enter early into markets at an earlier stage than unsophisticated consumers.

Hypothesis 6: Sophisticated consumers are more innovative and willing to try new products than less sophisticated consumers.

Consistent with market maven and opinion leader characteristics, sophisticated consumers are also information seekers. Past research has shown that opinion leaders are more involved and active in interpersonal communication about products of their interests (Reynolds & Darden, 1971, Summers, 1970). Approximately 10 to 20 percent of the population actually go out and seek information about products so that they can make informed decisions (Buckley & Schneider, 2003). These “informed consumers” or “information seekers” not only represent a growing presence in the market, but, because they are so sophisticated in analyzing information, they also “help police the market by their comparative shopping” (Buckley & Schneider, 2003, p. 126).

Hypothesis 7: Sophisticated consumers will exhibit higher information seeking behavior than less sophisticated consumers.

## **CONSEQUENCES OF CONSUMER SOPHISTICATION**

On the basis of the existing literature, we argue that there are three consequences of consumer sophistication (see Figure 1). The first factor is sophistication and perceived self-image according to social-image congruence theory. According to a recent article, Gallup defined an engaged customer as more likely to develop an emotional attachment to the brand, incorporate it into a self-identity concept, and becomes a regular user or an advocate of such brand (Bielski, 2008). While sophisticated consumers are more involved, they are more likely to demonstrate an emotional attachment to a brand and thus become advocates of such product. Additionally within the context of car consumption, consumers’ attitudes toward the self and social motives will result in consumption congruent to their self-concept and image (Bosnjak & Brand, 2009).

Hypothesis 8: The level of sophistication is positively related to consumer’s perception of self-image.

The second factor is sophistication and self-esteem. 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. Furthermore, self leadership theory can be described as a process of influencing oneself as opposed to the influence of leaders over followers (Manz, 1983, 1986). Sophisticated consumers will naturally strive for things conducive to self-fulfillment and personal growth. As a result of sophistication, sophisticated consumers will exhibit higher perceived self-image and self-esteem.

Hypothesis 9: The level of sophistication is positively related to consumer’s perception of self-esteem.

The final consequence of sophistication is 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 they make than consumers with a low degree of consumer sophistication” (Sauer, 1998). We believe that sophisticated consumers are happier with their purchase decisions and demonstrate higher satisfaction than less sophisticated consumers.

Hypothesis 10: The level of sophistication is positively related to consumer satisfaction with consumption choices.

### **DISCUSSION OF THE CONCEPTUAL FRAMEWORK**

This paper has examined a novel construct of consumer class, the sophisticated consumers. The study explored the construct and examined the relating factors for consumer sophistication. Seven dimensions have been used to explain the antecedents of the construct followed by the consequences of sophistication. Based on the model, self-identities, personality traits, perceptions, motivations, and one's knowledge and experiences are the major determinants measuring the level of sophistication. Consider McClelland's (1961) theory of motivation also known as learned needs. One's motivations and needs are based on 3 factors: the need for achievement, the need for affiliation, and the need for power. The framework refers to trait-related characteristics where one's motivation and needs are acquired over time and are shaped by life experiences. 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 & Li, 2008). The next step to this research is to gather empirical evidence and to test the developed hypotheses.

The propositions developed also raised a series of issues for managers. 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 (Fortt, 2008). 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. Dell Computers, for example, is using Web 2.0 to learn more about its consumers and figure out how to repair its tarnished brand (Fortt, 2008).

We believe that the construct of sophisticated consumer is interesting 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 properly identify its most sophisticated, savvy, and influential customers.

**References Available on Request**