
CONSUMER PROBLEM SURVEY REPORT

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EXECUTIVE SUMMARY

On a monthly basis the Georgetown Institute for Consumer Research (GICR) asks consumers what problems they have and how they intend to use the market to help solve those problems. The findings from this survey are released monthly via press releases and quarterly via the Consumer Problem Survey Report (CPS Report).

GICR's CPS is the only survey of its kind, focusing not on consumer behavior or sentiment, but on the problems that drive consumers to the marketplace to seek solutions. It tracks 256 common consumer problems that belong to one of nine different categories (e.g., Finance, Health, Social, Communication, Transportation, Personal Care, Attire, Work-Life, and Home-Housing).

By measuring and tracking the problems that trigger consumers to enter the marketplace in search of solutions, the CPS provides entirely new insights into when and how consumers are likely to enter the market to solve their problems.

Key findings from the Q4 2013 CPSs are highlighted below:

- Work-Life and Housing problems are the most top-of-mind for consumers.
- Consumers have many problems for which they do not see a solution.
- Roughly 40% of consumers have had their most pressing problem for longer than one year.
- Consumers seek higher quality and more features in their new solutions.
- Most consumers plan to switch brands to solve a recurring problem.

CONTENTS

OVERVIEW.....	3
Methodology.....	3
The Sample	5
SURVEY RESULTS	5
The Problems Consumers Have.....	5
Perceived Problem Solutions	8
Problem Durations and Time Elapsed Before Solution.....	9
Information Search.....	11
When Previous Solutions Fail: Replacements	13
ABOUT THE GEORGETOWN INSTITUTE FOR CONSUMER RESEARCH	17

OVERVIEW

On a monthly basis the Georgetown Institute for Consumer Research (GICR) asks consumers what problems they have and how they intend to use the market to help solve those problems. This report details some of the findings from the first two runs of the GICR Consumer Problem Survey (CPS).

Unlike most consumer surveys, which focus on consumer buying habits or purchase intentions, the CPS focuses on consumers' problems. This focus stems from the critical role that problem recognition plays in determining when and how consumers will enter the market as prospective buyers. Specifically, there are four stages in typical consumer choice: Problem Recognition, Information Search, Evaluation of the Alternatives, and Decision. At the point of Problem recognition the consumer first realizes that something needs to be done to solve a problem. In effect, it flips a switch that initiates all subsequent stages.

The CPS documents this first step in a way that has never been done before. By documenting consumers' problems over time and recording the types of information search they intend to use, we expect the CPS will provide a wealth of knowledge about when and how consumers will enter the market to solve their problems.

METHODOLOGY

The CPS begins by having respondents focus on the types of problems that they intend to solve. Consumers are asked to reflect on problems they are experiencing in their lives and identify their most pressing problem via a cascading drop-down menu. The drop-down menu has a structure that was developed over 12 months on the basis of thousands of consumers' responses to open-ended questions about their problems. The structure is built around nine major categories, 37 subcategories, and 256 specific problems (see below for the major and subcategories). Respondents whose problem does not appear in the structure are encouraged to describe it via open-ended response. Greater than 95% of our respondents find their problem on our list. That said, we update the problem list when new problems are discovered.

Table 1. Major Categories and Subcategories for the CPS Problem Set

<p>Attire</p> <ul style="list-style-type: none"> -Clothing / Accessories -Shopping and Selection -Laundry, Cleaning, Alteration, Repair 	<p>Personal Care</p> <ul style="list-style-type: none"> -Fitness -Diet -Hygiene
<p>Communication</p> <ul style="list-style-type: none"> -Phone, Smart Phone -Computer, Laptop, Tablet -Software / Data / Cloud Storage -Router / Modem / Other Device -Service Provider -Online Security 	<p>Social</p> <ul style="list-style-type: none"> -Current Relationships -Child Care -Desired Relationships -Pet, Pet Supplies
<p>Finance</p> <ul style="list-style-type: none"> -Insurance -Banking -Money Management -Taxes 	<p>Transportation</p> <ul style="list-style-type: none"> -Personal Auto and Commute -Alternative Transportation (e.g. Bike) -Local Public Transportation -Long Distance Transportation -Time / Sleep
<p>Health</p> <ul style="list-style-type: none"> -Acute Physical Problem -Chronic Physical Problem -Mental 	<p>Work and Life</p> <ul style="list-style-type: none"> -Boredom / Entertainment -Personal Progress -Professional / Work Problems -Safety
<p>Home/Housing</p> <ul style="list-style-type: none"> -Changing Homes / Moving -Home Repair / Modification -Housing Needs -Home Maintenance -Home Security 	

After respondents identify their top-of-mind problem in Stage 1 of the survey, they answer a series of questions about this problem, including: how severe it is (severity), how urgent it is (urgency), and how long they have had it (duration). Respondents then answer a series of questions regarding the solutions they are considering, such as when they expect to solve the problem, where they have

searched for solutions, whether the solution is replacing a previous solution, and what solution they are considering.

In the second stage of the survey, consumers are shown 20 problems drawn randomly from the full set of 256. Each respondent is asked to indicate which problems (if any) on the list they are experiencing. In summary, the CPS collects problems in two ways. During Stage 1, the CPS determines which single problem is most top of mind. For this problem, the CPS gathers extensive data on severity, duration, urgency, and how and when the respondent expects to solve the problem. In Stage 2, the CPS asks respondents to identify all the problems they have from a random subset of the full list of 256 problems. By combining response during Stage 2 across respondents, the CPS yields a comprehensive picture of the problems consumers have.

THE SAMPLE

2,383 respondents were surveyed from Amazon Mechanical Turk, an online crowd-sourcing platform. Summary demographic statistics for the sample are as follows:

- Mean age: 31.5 years
- Mean income: \$48,802
- Gender: 56% Male, 44% Female
- Race: 78% Caucasian, 8% Asian, 7% African American, 5% Latino, 2% other
- Education: 10% HS/GED, 43% Vocational/some College, 36% BA/BS, 10% Masters or higher
- All respondents live in the U.S., and all 50 states are represented in the sample.
- This report reflects responses that were collected in October and November of 2013.

SURVEY RESULTS

THE PROBLEMS CONSUMERS HAVE

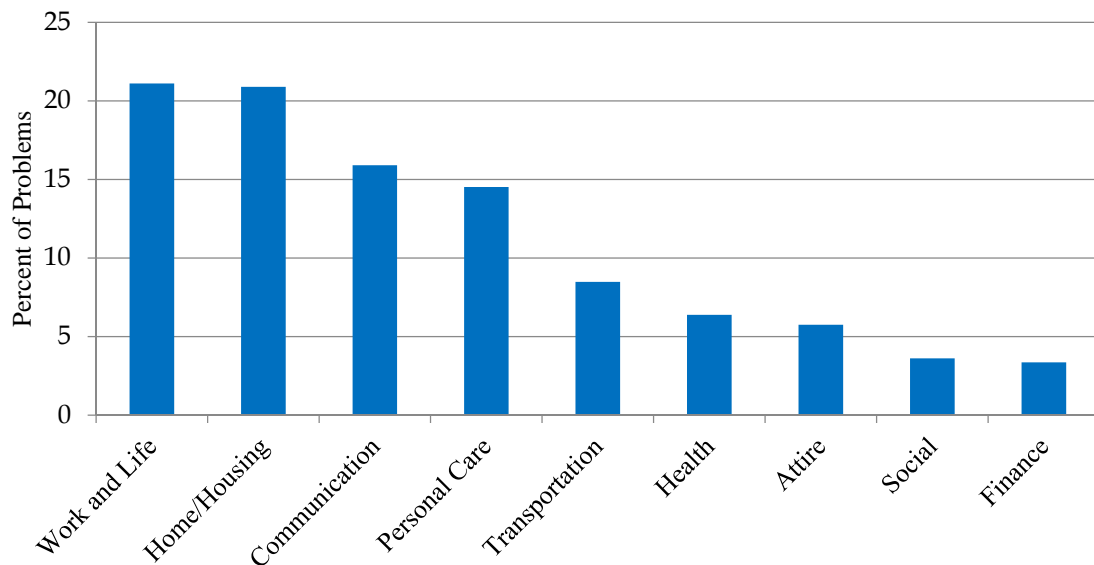
Most Pressing Problems. Those responding to the CPS are first required to recall their single most pressing (i.e., top-of-mind) problem. To do so, they are asked to list some problems they are experiencing that may be solved by shopping for a

product or service. They are then asked to pinpoint their one most pressing problem and to select it from a cascading drop-down menu.

Key Finding: Work/Life and Housing Problems are the most common top-of-mind problems for consumers; Attire, Social, and Finance were least common.

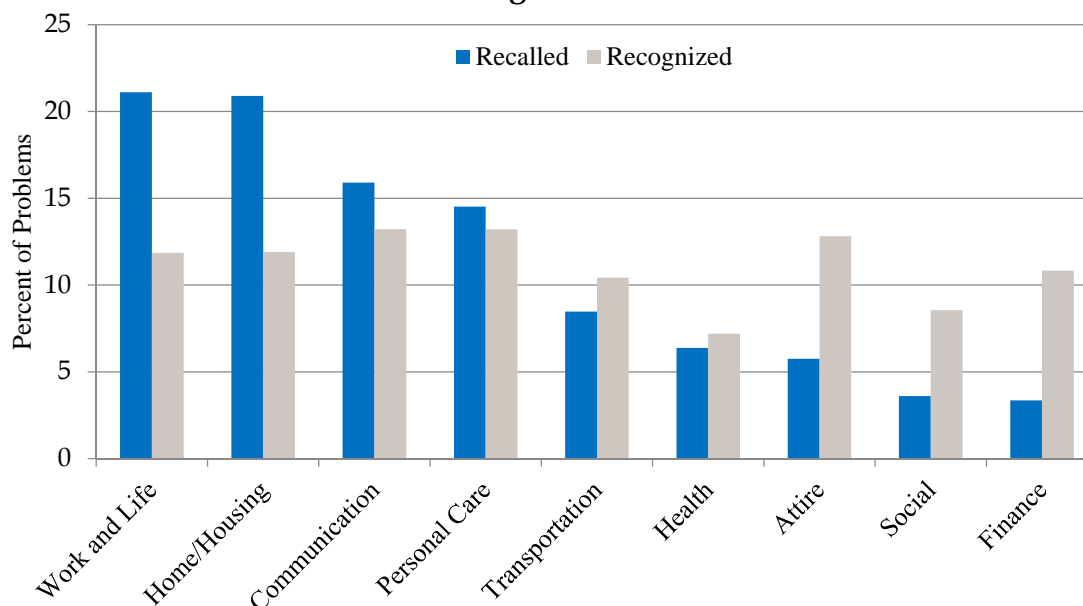
Chart 1 reports the distribution of consumer’s most pressing problems by major category. For example, consumers’ top of mind problems were far more likely to come from the Work and Life category (21.1 %) or the Home/Housing category (20.9 %) than from either the Social (3.6%) or the Finance (3.4%) category.

Chart 1. Consumers’ Most Pressing Problems (Recalled)



Additional Recognized Problems. After reporting the details of their most pressing problem, consumers were shown a random sampling of common problems (Stage 2). The sampling consisted of 20 of the 256 specific problems used in the drop-down menu. Consumers were asked to check each of the problems they were experiencing that they were considering making a purchase to solve. Chart 2 shows the distribution of problems recognized by consumers contrasted with the most pressing problems these same consumers had recalled.

Chart 2. Recognized and Recalled Problems

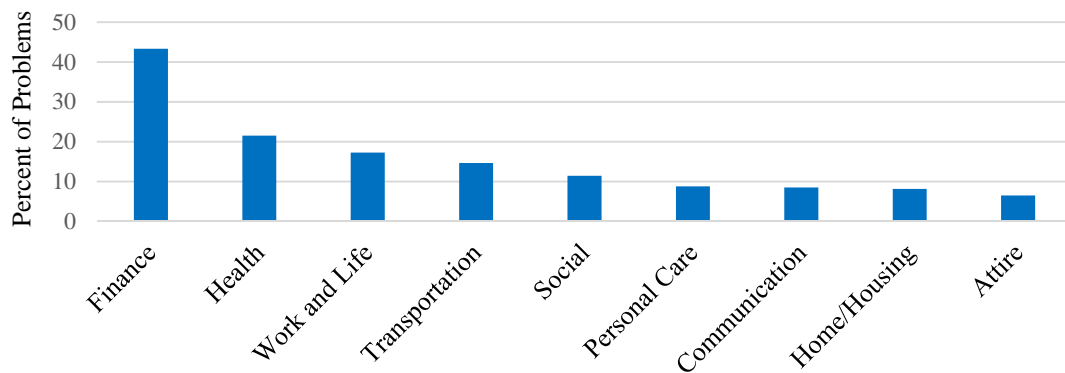


Key Finding: Problem recognition in Stage 2 indicates that consumers experience a wide array of problems, even though 70% of most pressing problems belong to one of four major categories.

Implication: These findings suggest that brands in high-recognize but low-recall categories (such as Attire, Social, and Finance) would benefit from framing their products as problem solutions so as to drive their category to the top of mind. In contrast, brands with higher recall than recognition (e.g., Work and Life, Home/Housing, and Communication) could benefit from highlighting the positive attributes of their specific solution because the problem itself is already top of mind.

When prompted with common problems in Stage 2, consumers reported a more balanced distribution of problems across categories. For example, whereas problems in the Work and Life as well as the Home/Housing categories tended to dominate the recalled most pressing problems in Stage 1, this was not the case in Stage 2.

Chart 3. Most Pressing Problems Seen as “Major Life Problems”



Ratings of problem significance indicate that the difference between problem recall and recognition does not stem from problem importance. Specifically, consumers reported whether their most pressing problem had to do with 'daily experiences', 'major life events', or somewhere in between. Chart 3 shows that Finance problems, which were rarely top-of-mind, were very important, and Social problems, which were also rarely top-of-mind were of average importance.

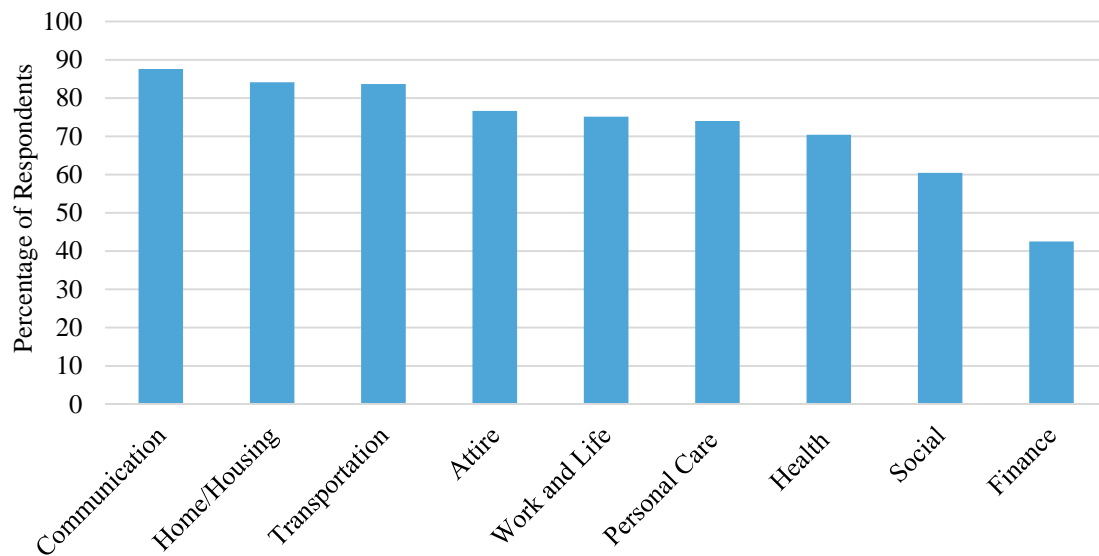
Key Finding: Finance problems were least likely to be recalled as a pressing problem, but were the most common (over 40%) among major problems.

Implication: This pattern begins to paint a picture that every problem category and specific problem has a unique profile. As more data is collected, the CPS report will be able to provide detailed information on each problem category and specific problem.

PERCEIVED PROBLEM SOLUTIONS

What solutions do consumers have in mind for their problems? We asked “Do you believe that there are products or services available for purchase that will solve your problem?” The data (see Chart 4) reveal major differences between categories.

Chart 4. Consumers that Believe a Market Solution Exists



Key Finding: Consumers believe solutions are most available for their Communication and Home/Housing problems and least available for their Social and Finance problems.

Implication: The fact that the bars don't reach 100% means that consumers have many problems for which they are willing to pursue a market solution, but for which they do not believe a solution exists. These gaps can be treated as development or positioning opportunities for marketers.

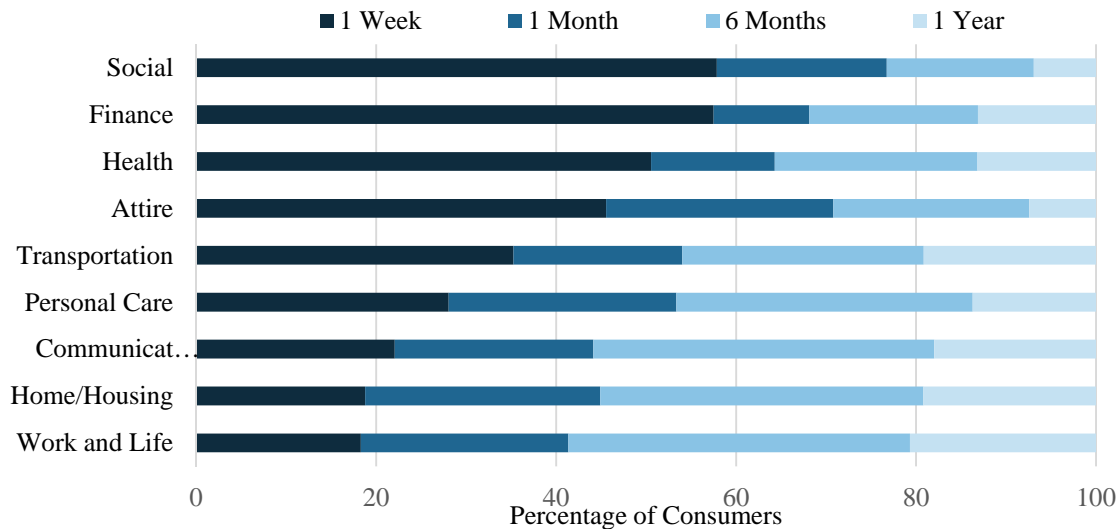
PROBLEM DURATIONS AND TIME ELAPSED BEFORE SOLUTION

We asked respondents how soon they expect to make a solution to solve their problem.

Chart 5 (below) reveals that consumers plan to solve some types of problems sooner than others. Social and Financial problems are at the top of the list for

being remedied quickly, with over half of consumers planning to use the market to tackle these problems in the next week. In contrast, people have less immediate plans to tackle their Work and Life, Home/Housing, and Communication problems.

Chart 5. When do Consumers Plan to Solve their Problems?



Key Finding: 40% of consumers plan to solve their most pressing problem in the next month, and another 40% plan to solve it in the next six months.

Implication: Nearly 60% of consumers plan to solve their problem within a month of recognizing it. This means that marketers have a short window in which to influence consumers from the point of problem recognition to the time before they make a final decision. It is vital to establish marketing strategies that promote consideration during this window.

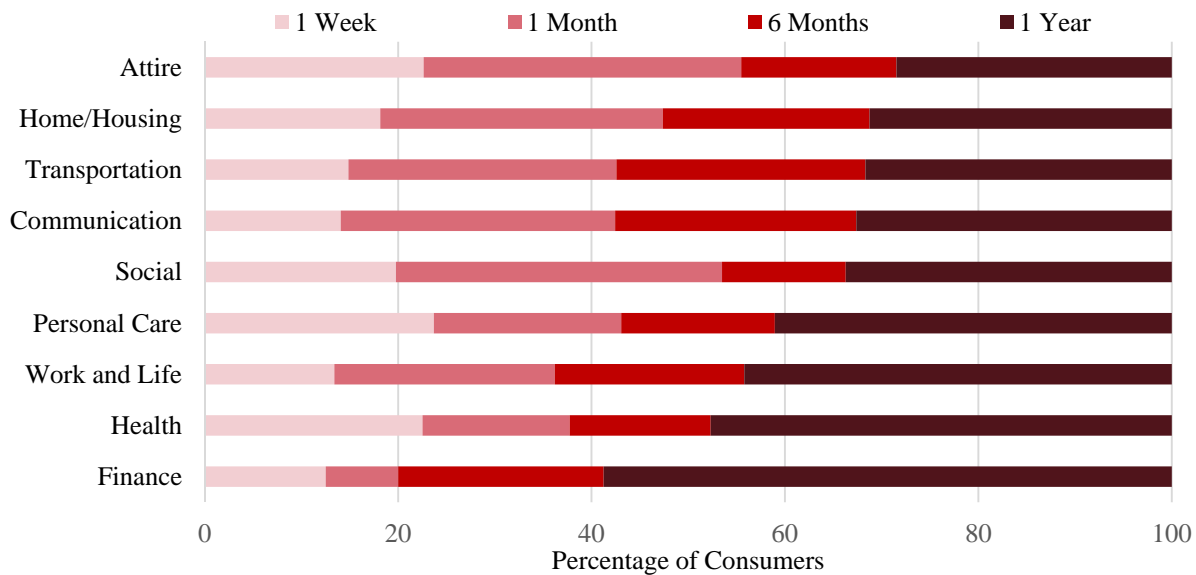
How long have consumers had their problems? To understand this, we asked consumers how long they had been experiencing their most pressing problem.

Responses reveal that nearly 90% of Finance problems have been ongoing for more than a month. But recall from Chart 5 that most consumers expect they will seek a solution to Finance problems within a week. A similar pattern emerges with Health problems, suggesting that in both of these categories, consumers intend to solve their problems quickly but that they generally struggle to do so.

Key Finding: Nearly 40% of consumers have had their most pressing problem for longer than a year, and over 50% of consumers have had their most pressing problem for at least 6 months (Chart 6).

Implication: In addition to setting market strategies that reach consumers in the time immediately after problem recognition, marketers should seek solutions for consumers with persistent problems.

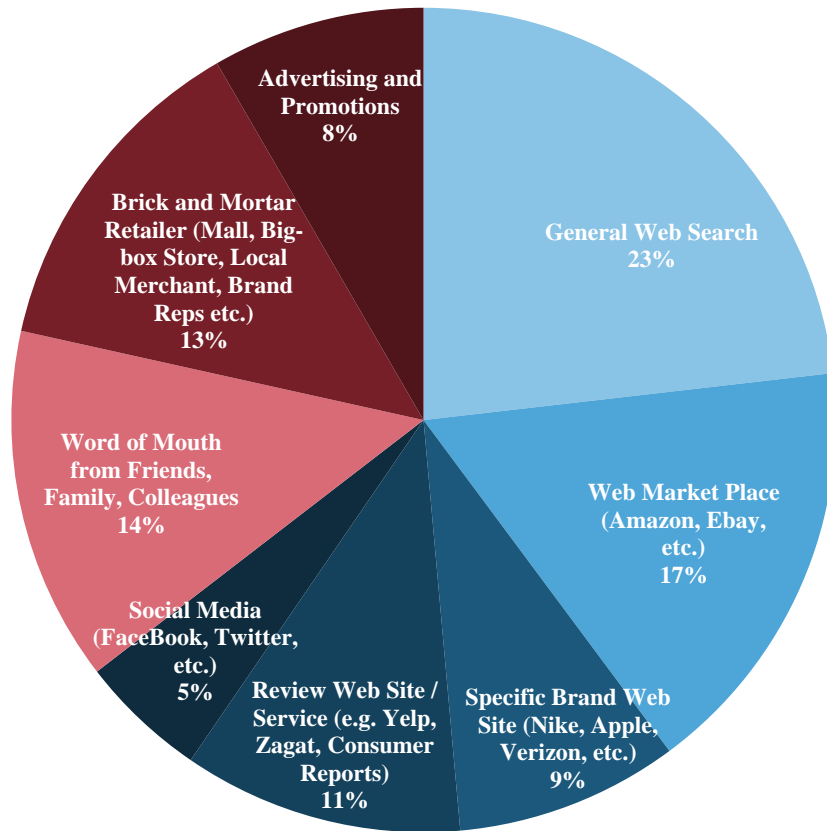
Chart 6. Which Problems Tend to Persist the Longest?



INFORMATION SEARCH

Where do consumers get information about the solutions they are considering? To understand this, we asked consumers where they search for information about products and services to solve their most pressing problems. Chart 7 shows how consumers plan to search for information. Nearly two thirds of consumers' search for information will be online (blue shaded). Of the 37% of searches not conducted online, most of it will be "Word-of-Mouth".

Chart 7. Where Do Consumers Get Information When Trying to Solve Problems?



Key Finding: Web based methods dominate the search for problem solutions, with over 2/3 of product search being done online.

Implication: Information search heavily favors online domains; marketing budgets should reflect this balance to optimize ROI.

To summarize and track of consumers' information search over time, we have created the Problem Information Search Index (PISI). The PISI reflects multiple aspects of consumers' information search. This includes: (1) all the search domains consumers' reported using for their most pressing problems, (2) consumers' reported primary search method (where would consumers search if they could only pick one domain), and (3) the percentage of consumers that

utilize at least some information from a given search domain. An algorithm weights each of these factors with additional information provided in the CPS to compute the PISI score for each search domain.

Higher PISI values reflect a greater reliance on a given domain when searching for solution information. Table 2 presents the PISI for different types of search. This table shows that Web Search is currently the most important means for consumers and Social Media is least important.

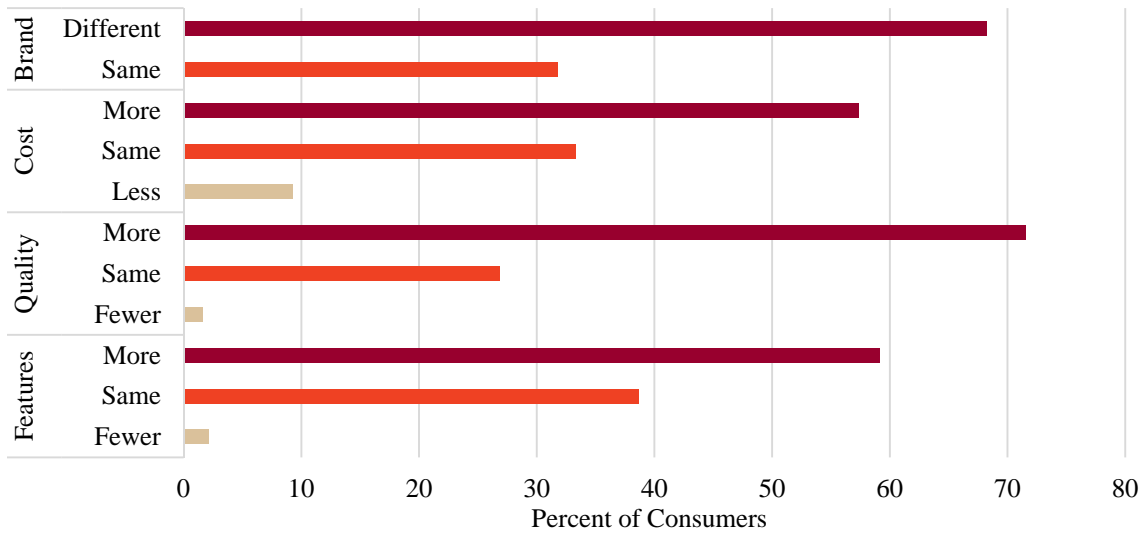
Table 2. Problem Information Search Index (PISI)

General Web Search.....	40.18
Web Market Place (<i>Amazon, Ebay, etc.</i>).....	24.24
Specific Brand Web Site (<i>Nike, Apple, Verizon, etc.</i>).....	9.73
Review Web Site / Service (<i>Yelp, Zagat, Consumer Reports, etc.</i>)....	13.84
Social Media (<i>FaceBook, Twitter, etc.</i>)	5.26
Word of Mouth (<i>Friends, Family, Colleagues, etc.</i>)	5.65
Brick and Mortar (<i>Retail Location, Merchant, Brand Reps, etc.</i>).....	16.00
Advertising and Promotions.....	9.61

WHEN PREVIOUS SOLUTIONS FAIL: REPLACEMENTS

Consumers often replace existing solutions to ongoing problems. We were interested in understanding what consumers look for in replacement solutions, relative to their previous solution. To this end, we asked consumers if the replacement solution they were considering would have more or less features, be higher or lower quality, cost more or less than their previous solution, and whether it would be the same brand or a different brand (see Chart 8).

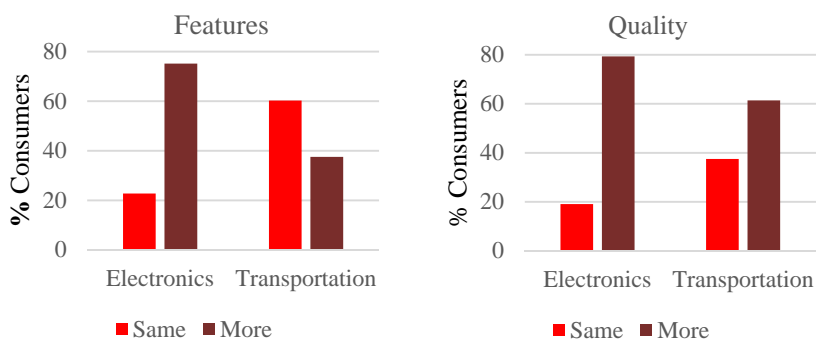
Chart 8. What do Consumers Look for in Their Replacement?



Overall, consumers are seeking higher quality and more features in their replacements. Consumers are also expecting to pay more for their replacement solutions than they paid for their original solution. Additionally, over two thirds of consumers were expecting to switch brands when acquiring their replacement solutions.

Below (in Chart 9), we highlight two product categories (Electronics and Transportation) where consumers have pronounced differences in their expectations for replacement solutions. When considering replacements, the majority of consumers seek more quality in their replacements, as seen in both product sectors. However, when it comes to features a difference emerges. While the majority of those seeking an electronic product want more features, 60% of those seeking a transportation replacement want the same or less features.

Chart 9. Seeking Quality/Features for Electronic and Transportation Replacements



What does it mean when consumers are looking for a replacement solution? Data from the CPS indicates that consumers may be especially unhappy with their current solution as they plan to switch brands when replacing a previous solution. Additionally, the majority are willing to spend more money than they did on the previous solution (see Chart 10).

Key Finding: Consumers expect to spend more and switch brands when replacing existing problem solutions.

Implication: As marketers seek to segment shoppers, one important dimension may be whether the consumer is a “replacer” or shopping for the first time. Our data suggest that “replacers” could be pushed to spend more and are willing to consider new brands. Further, they can be motivated to spend more by their desire for higher quality and more features.

Chart 10. Switching Brands and Spending More for Replacements

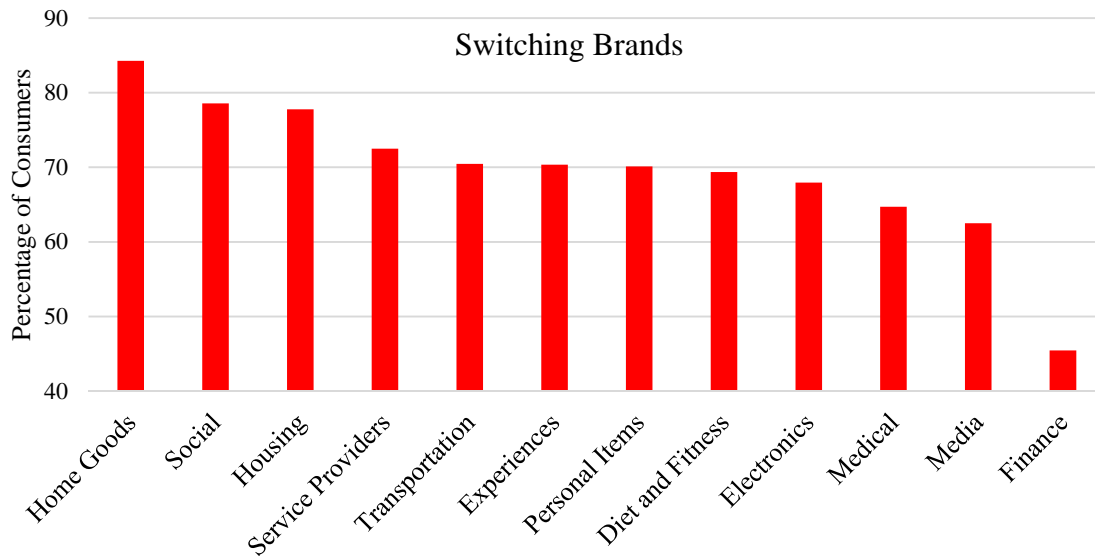
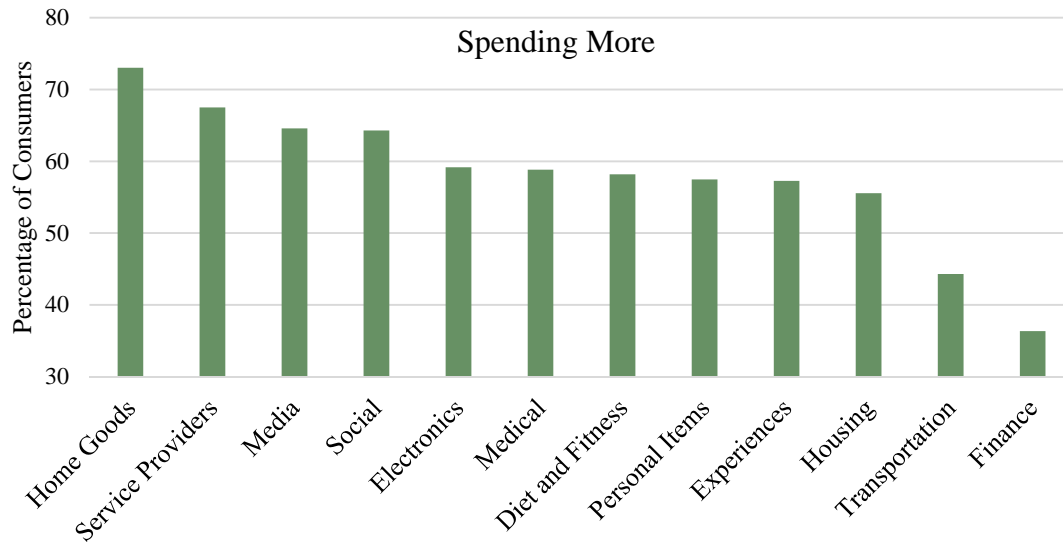


Chart 10 (continued). Switching Brands and Spending More for Replacements



ABOUT THE GEORGETOWN INSTITUTE FOR CONSUMER RESEARCH (GICR)

The Georgetown Institute for Consumer Research, sponsored by KPMG, conducts and disseminates scientifically rigorous research that leads to innovative and actionable insights about consumers.

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<http://consumerresearch.georgetown.edu/>

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To see an infographic with findings from this survey:

<http://consumerresearch.georgetown.edu/institute-findings/reports/the-consumer-problem-survey-december-2013/>