

# CONSUMER PROBLEM SURVEY REPORT

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## EXECUTIVE SUMMARY

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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, each of which belongs to one of nine different categories (i.e., Attire, Communication, Finance, Home-Housing, Health, Personal Care, Social, Transportation, and Work-Life).

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.

Some of the Key findings from the last 6 months of data collection:

- Top-of-mind problems tell the story of aging. Importantly, they reveal a path to successfully marketing solutions to consumers before they have even encountered the problem.
- Work and Life problems are the most prevalent for the young, Home and Housing Problems are most prevalent for the old.
- The CPS problem data is predictive of consumers' expenditure data as measured by the National Labor Bureau.
- An in-depth analysis of the fitness problem subcategory reveals the deep insights that can be achieved through CPS Data.
- The Internet dominates as an information search method, over 80% of consumers use an internet source as their primary source of collecting pre-purchase information.
- Demographic analysis reveals differences in the problems experienced by segments of consumers.

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## OVERVIEW

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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 enter the market to purchase solutions. 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 realizes that something needs to be done to solve a problem. In effect, a switch is flipped that initiates the process for searching, evaluating, and eventual decision making.

The CPS captures 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, the CPS provides a wealth of insights about when and how consumers enter the market to solve their problems.

## SURVEY RESULTS

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### 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.

**Chart 1. Frequency of Most Pressing Problem Categories and Sub-categories**

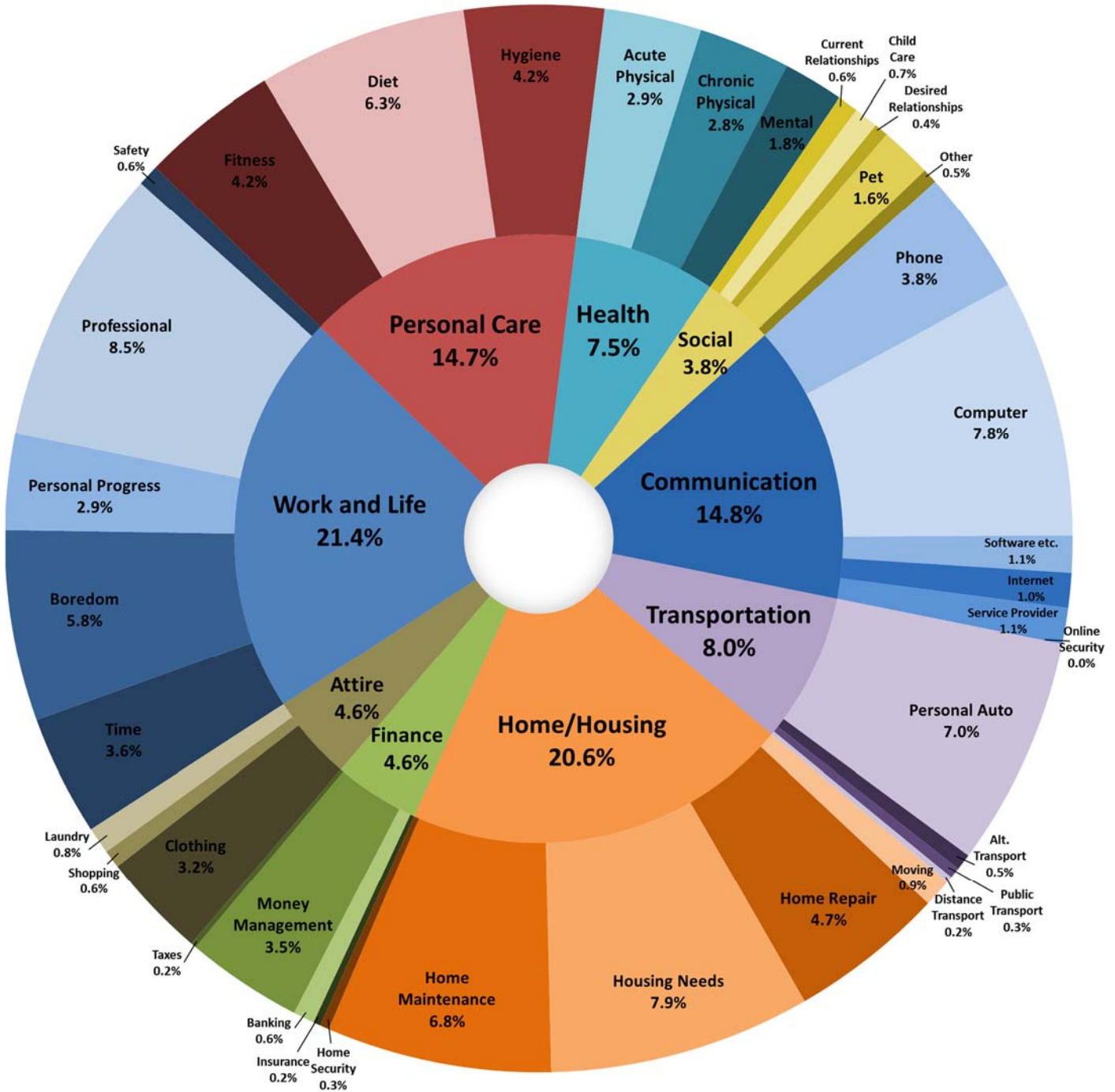
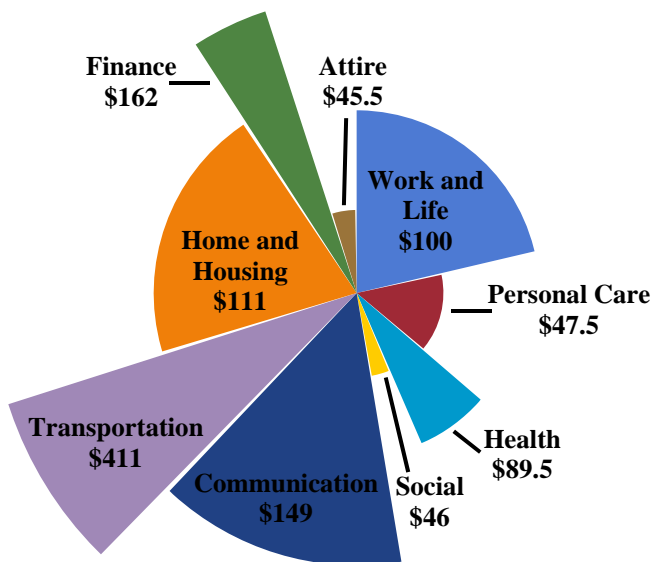


Chart 1 displays the frequency of the most pressing problems by category (inner ring) and subcategory (outer ring). Percentages for the inner and outer rings represent the percentage of all problems that are categorized by given the category and subcategory respectively. The data provide a never before seen picture of the problem share across different industries, as determined by the problems that are on consumers' minds. One

may go so far as to say that of the collective consumption oriented brainpower of American consumers, 14.7% goes to Personal Care and more specifically, 6.2% goes to Diet.

**Key Finding:** The CPS Q1 2014 report provides an unprecedented view into the collective thought of the American consumer regarding their problems. The data depict the collective level of attention given to American consumers' problems.

**Chart 2. Expected Purchase Cost**



Which problems are the most expensive to solve? Chart 2 depicts the median predicted expenditure by problem category.

Transportation problems are expected to cost the most to solve. This is likely due to the fact that a large portion of transportation problems have to do with vehicle repair or replacement.

*What Problems are Top of Mind and Which Ones do we Need Reminders for?* 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.

In chart two, we display the most common 'top of mind' problems, and the most common recognized problems, those consumers needed a reminder for.

### Chart 3. Top Recalled and Recognized Problems



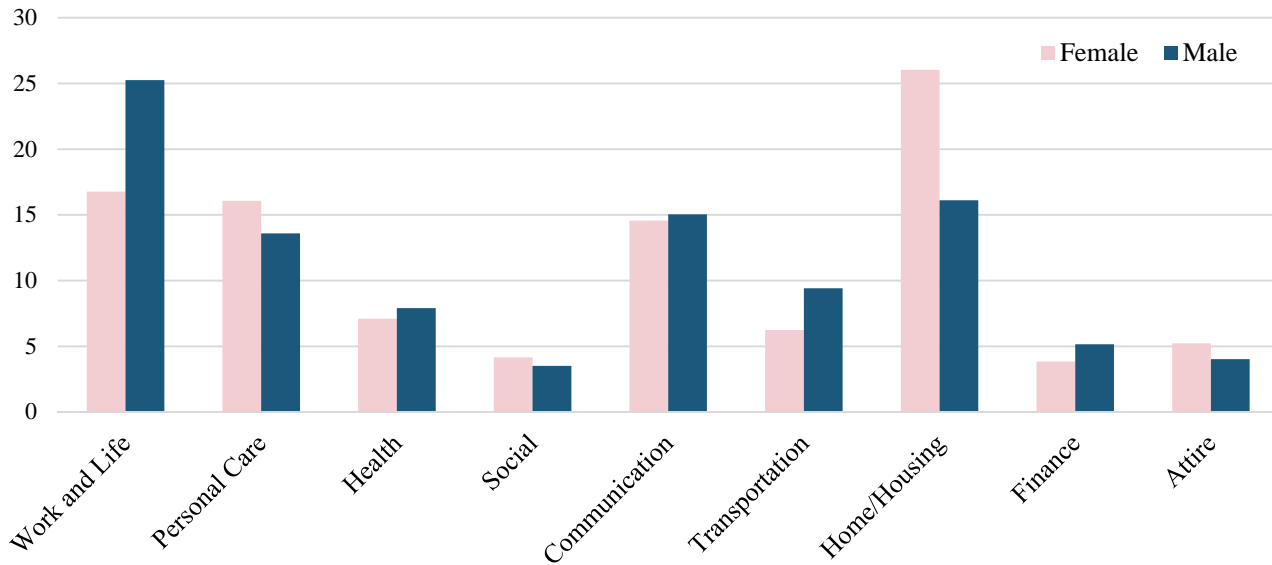
**Implication:** Brands that sell products which are solutions to problems consumers need reminding of should adopt a corresponding strategy: They must frame their product as a problem-solution in order to push the respective problem to the top of mind.

In contrast, brands selling products that solve 'top of mind' problems could benefit from highlighting the positive attributes of their specific solution because the problem itself is already top of mind.

### DEMOGRAPHIC PROBLEM ANALYSIS

Chart 3 reports the distribution of consumer's most pressing problems by major category and gender. For example, consumers' top of mind problems were far more likely to come from the Work and Life category (21.4 %) or the Home/Housing category (20.6 %) than from either the Social (3.8%) or the Finance (4.6%) category.

**Chart 4. The Problems of the Sexes**



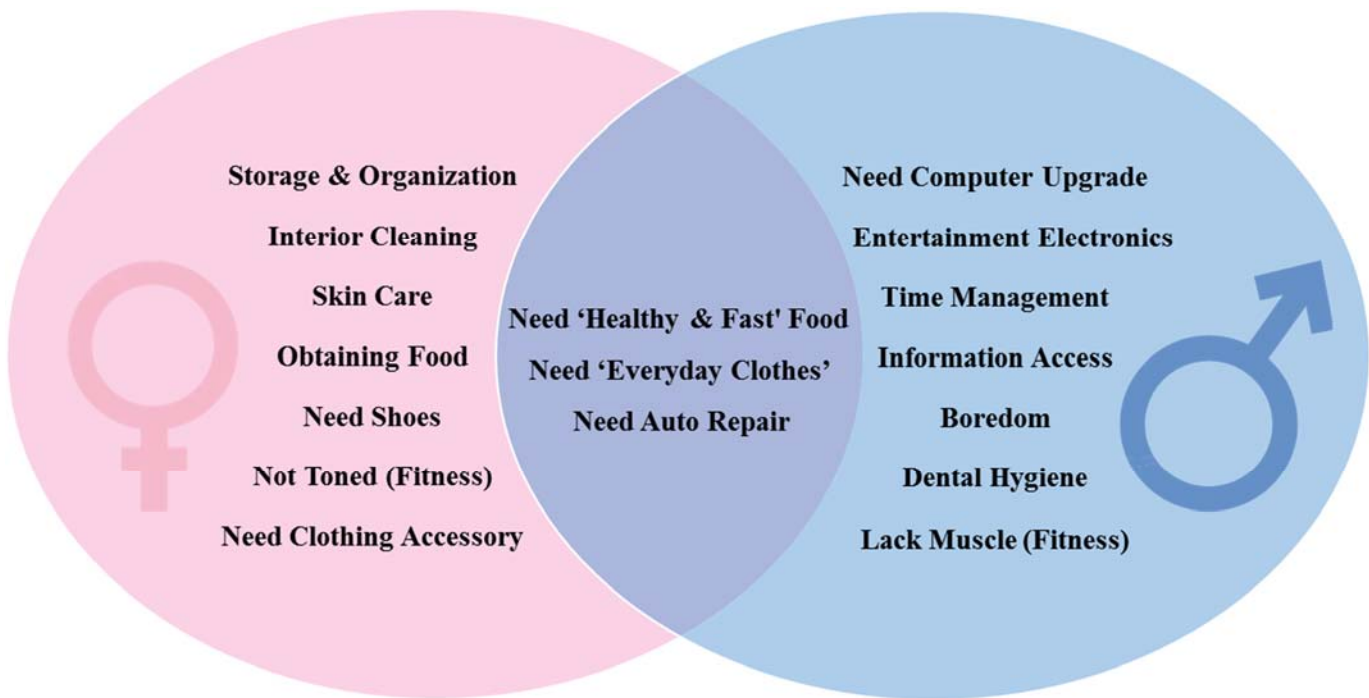
**Key Finding:** Men and Women differ significantly on the types of problems that they experience. Men’s problems are more likely to be oriented toward Work and Life, whereas women’s problems are more likely to be oriented toward the Home and Housing.

Analysis by gender reveals that women are significantly more likely to have Home/Housing problems, Personal Care problems, and Attire problems. Men are significantly more likely to experience Work and Life problems, Transportation problems, and Finance problems.

*Similarities and Differences in the Specific Problems Experienced by the Genders.* Combining recognition data with data on consumers recalled most pressing problem, we calculated the most frequent specific problems experienced by each gender. Chart 5 shows the most common problems experienced by gender, including three problems that are common for both genders (namely, acquiring healthy food, everyday clothes, and auto repair.)



**Chart 5. Top Problems of the Sexes**

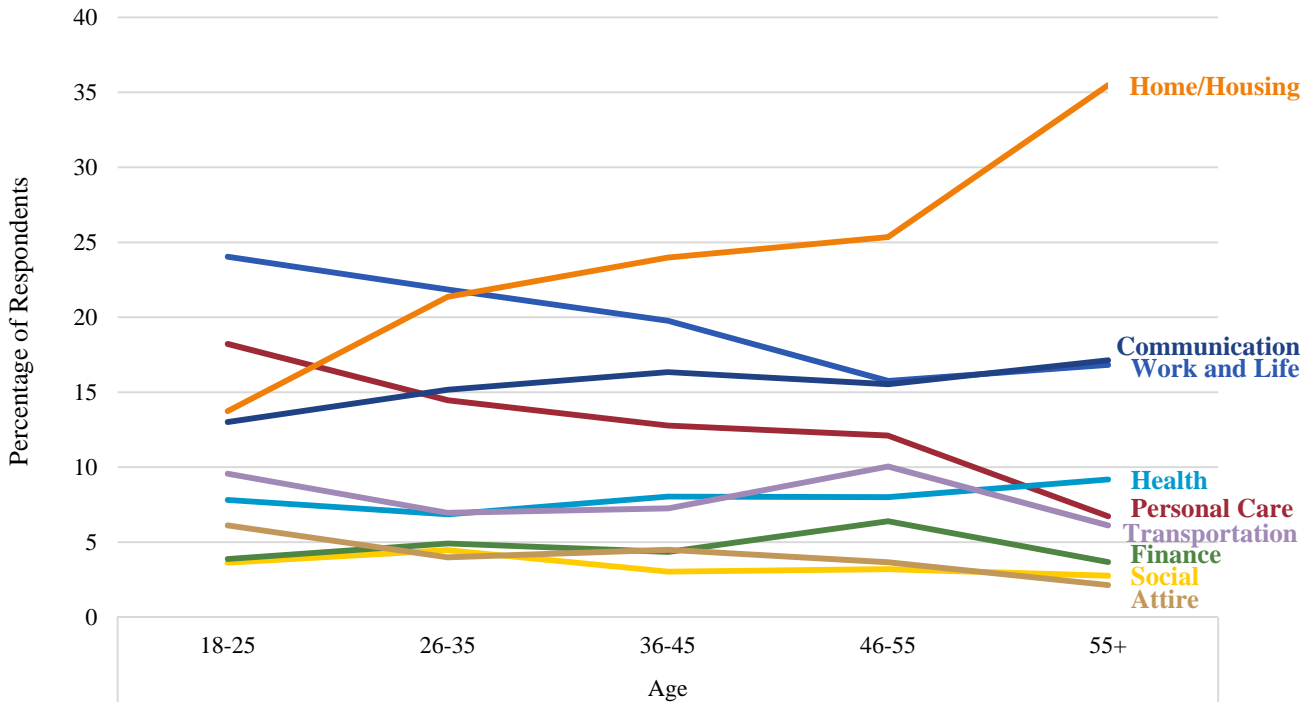


**Key Finding:** Though men and women share some problems, for the most part they differ drastically in the problems they want to solve.

**Implication:** These findings are critical because they reveal that gender differences in purchasing are preceded by gender differences in problems. This highlights the extraordinary potential of the CPS to be a leading indicator of consumer marketplace activity.

*Consumer Problems by Age.* How do consumers' problems change as they age? Analysis of the CPS data reveals several prominent patterns. Consumers become more concerned with homes as they age, Home/Housing problems are only 14 % of the problems experienced by 18-25 year olds, but nearly 36 % of the problems experienced by those 55 and over. There are smaller upticks in the frequency of Communication problems and health problems. In contrast, there are dramatic drops in personal care and attire problems as we age.

**Chart 6. Frequency of Problem Categories by Age**

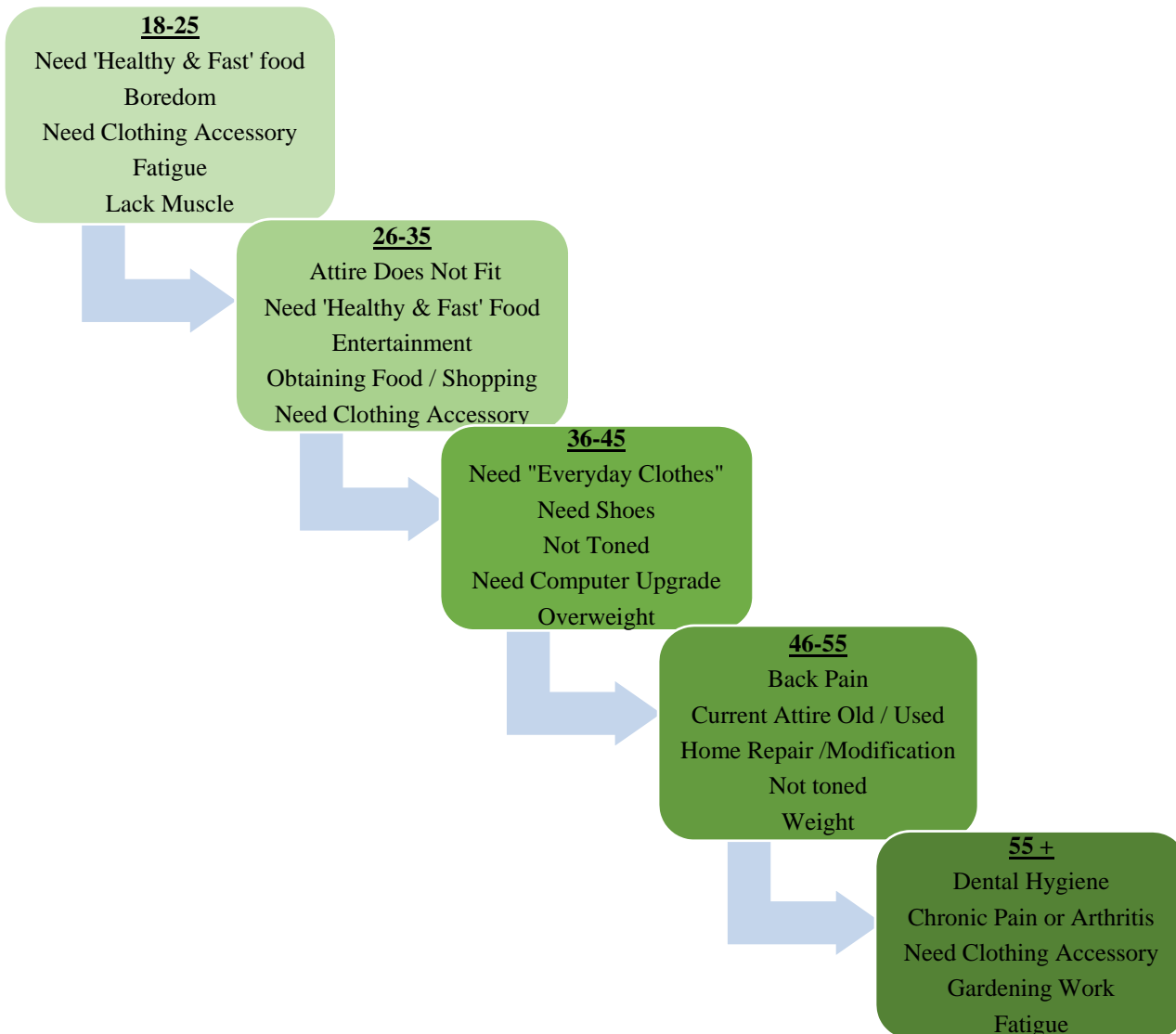


**Implication:** The results can be viewed as a measurement of consumers’ interests by age segment. For instance, the young are interested in their personal appearance and work while the old become interested in their homes and communication.

What are the specific problems experienced by those in different age groups? Chart 7. displays the progression of most common problems experienced by consumers across age segments.

As consumers age, their problems reflect the stereotypical changes that occur. The top problem for 18-25 year olds was the need of “healthy & fast” food, reflecting the recent trends toward healthy eating mixed with an on-the-go lifestyle. At the same time, without the full responsibilities that structure the lives of adults, they are simultaneously bored and fatigued. As these youngsters age they will find that they still need “healthy & fast food,” but the lack of this commodity they experienced earlier has caused their old clothes to no longer fit. As either young professionals or young families, they find themselves searching for food and entertainment, although their lifestyle undoubtedly dictates whether this means baby food and cartoons, or dining with friends and nights on the town.

**Chart 7. Top Problems Through the Years**

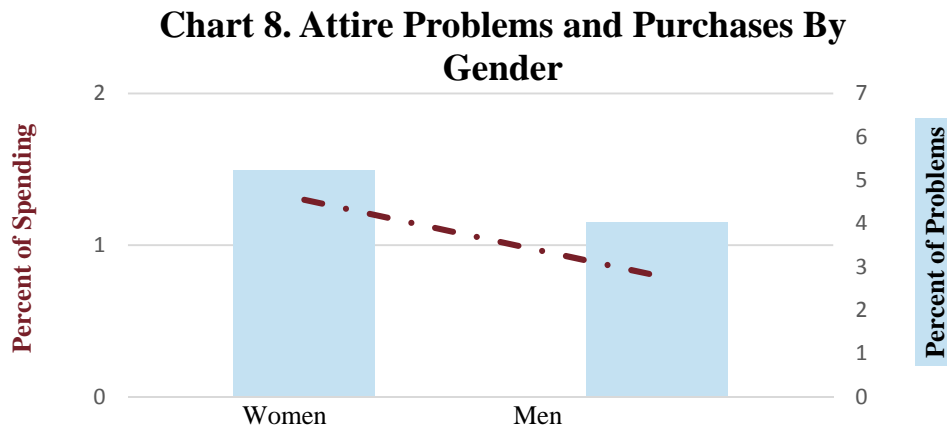


Mid-life brings an onslaught of practical realities, consumers find themselves out of shape, untoned, and just trying to update their everyday wardrobe or computer. The empty nester years bring early signs of old age, people still find themselves to be out of shape, which possibly brings on their back-pain. They have not had time to shop for clothes for a while, their attire is old; but they are finally getting around to fixing up their homes. Upon approaching retirement, consumers seem to take up gardening as a hobby despite the likelihood of arthritis, dental issues, and fatigue.

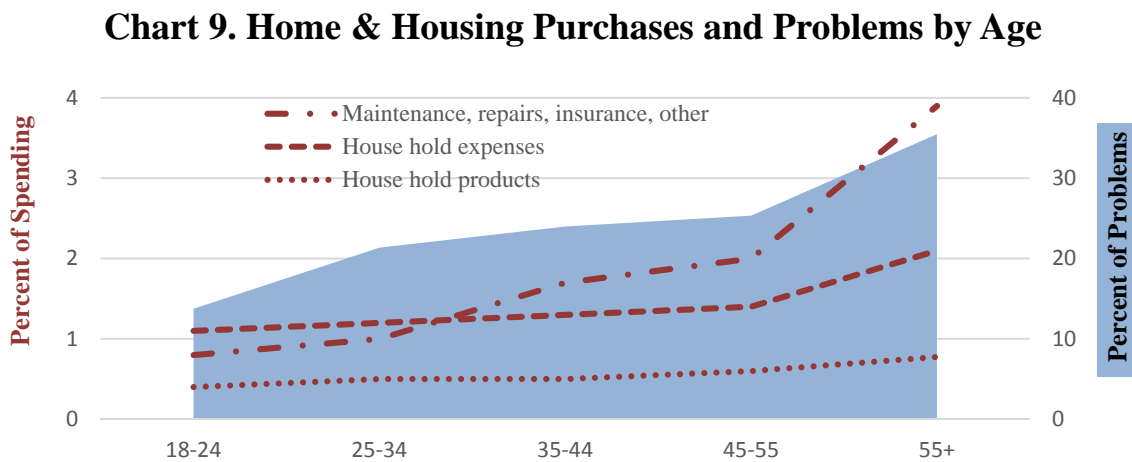
**Key Finding:** Problems change as we age, revealing the story behind why consumers' purchasing patterns change throughout their lives.

**Implication:** An evolving set of problems suggests that marketers must always be preparing for the next challenge a consumer will face. Don't wait for a consumer to realize they have back pain or arthritis to communicate your message. Instead, catch the ones emitting signs of poor health in the time leading up to the prime pain experiencing years.

## MATCHING CPS DATA TO EXPENDITURE DATA

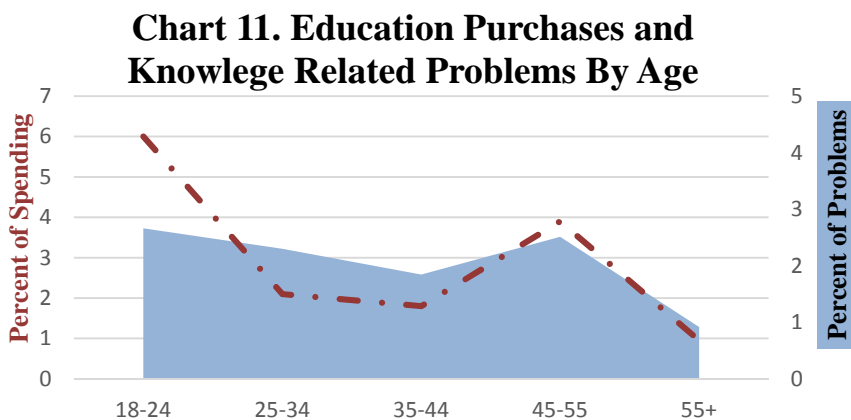
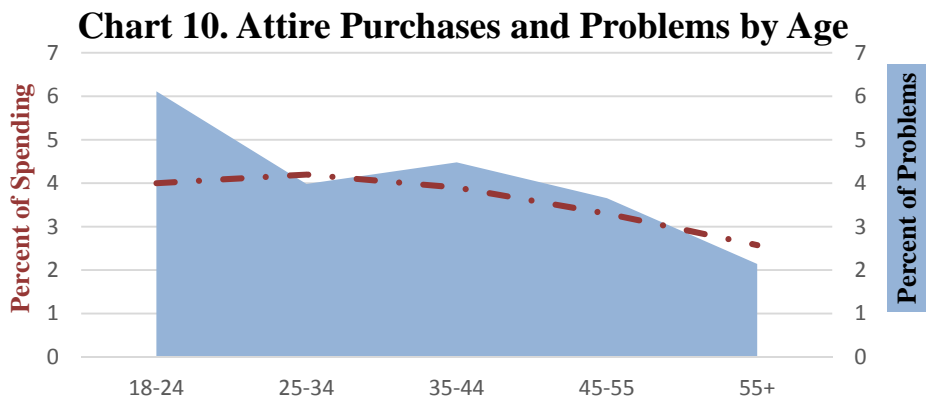


How well does CPS Data data match up to actual spending? Using data from the Bureau of Labor Statistics, we compare the proportion of consumer problems by demographic and category to the share of total spending on particular expenditures. For example, Chart 8 demonstrates the proportion of attire problems reported by men and women predict respective spending levels.



Do consumer's problems predict spending? To answer this we again compare CPS survey data to that of expenditure data from the NLB. Charts 9 displays how spending on home repairs, as well as house hold products and expenses increase with age, as do consumer's home and housing problems.

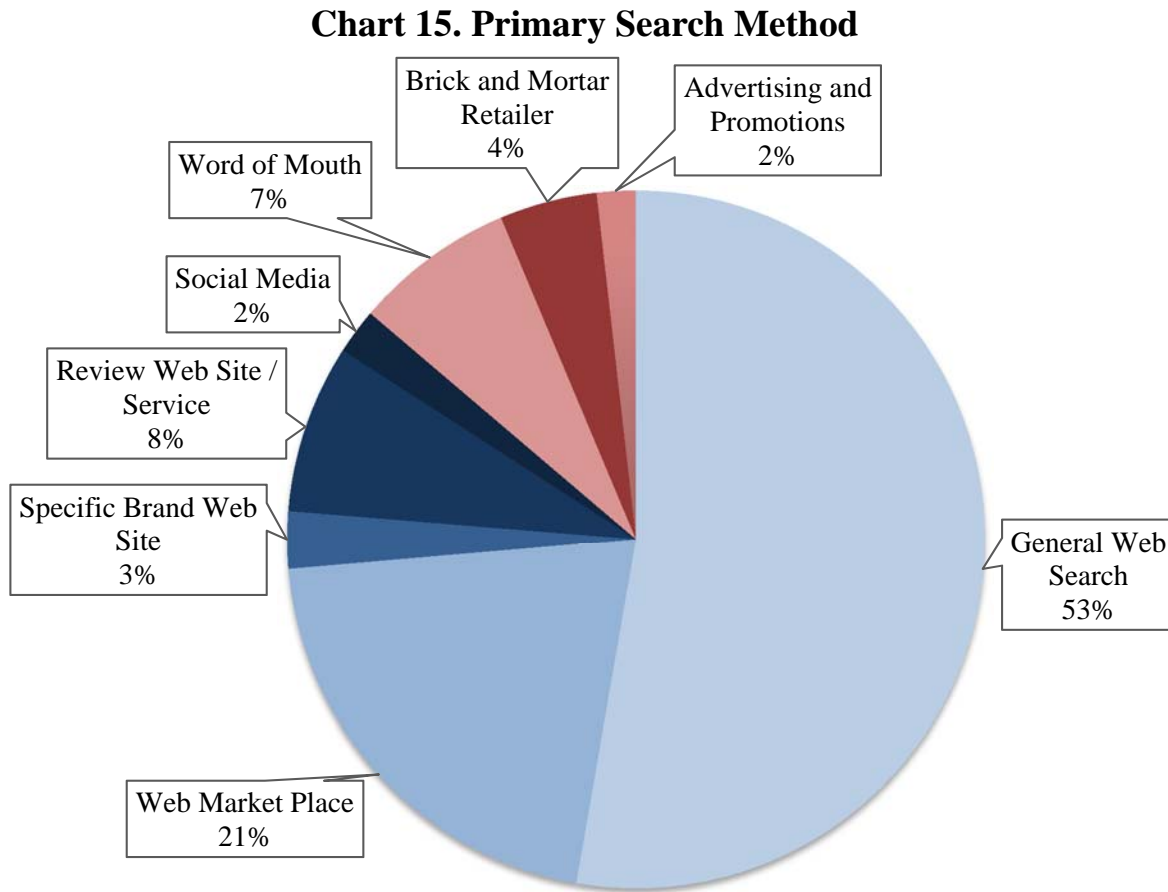
Charts 10 displays how spending on Attire, decreases with age, as do consumer's Attire problems.



Charts 11 displays how spending on education, decreases with age, as do consumer's Knowledge and information access problems.

## 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 15 shows where consumers primarily search for information. Nearly two thirds of consumers' search for information will be online (blue shaded).



**Key Finding:** Web based methods dominate the search for problem solutions, with over 85% of initial product search being done online.

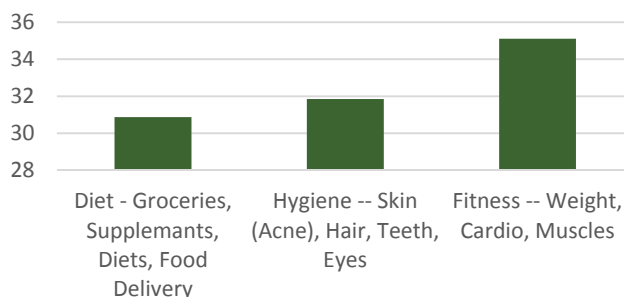
**Implication:** Information search heavily favors online domains; marketing budgets should reflect this balance to optimize ROI.

## BREAKING DOWN A PROBLEM CATEGORY

In this section of the Consumer Problem Survey Report, the data from one sub-category is dissected to demonstrate the full detail of analysis that can be conducted.

**800** Respondents have reported a Personal Care Problem as their Most Pressing Recalled Problem. **266** of them specified the Sub-category “Fitness”. Fitness was rated the most severe Personal Care problem using a composite measure of problem attributes.

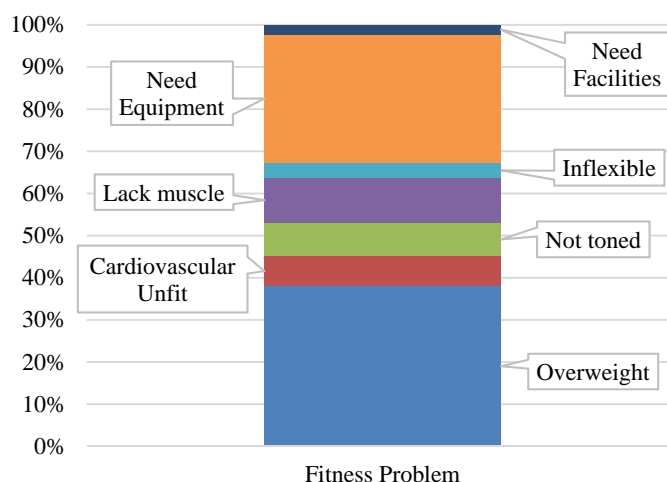
**Chart 12. Problem Severity**



There are **7** types of fitness problems that consumers were experiencing. Some focus on the physical items needed to maintain fitness levels, while others focus on the physical attributes of the consumer themselves.

The average age of a person with a fitness problem in our sample was **28.9** (sample mean 31.5), males were slightly more likely to report a fitness problem **59%** than females **41%** (55% - 45%). Fitness problems composed 4% of all problems. Some groups were more or less likely to report a fitness problem; 2.5% of African-Americans, 6% of Asians, 5% of Hispanics, and 4% of Whites reported a fitness problem. Those reporting a fitness problem were more likely to have completed college, **52%** (sample mean, 46%).

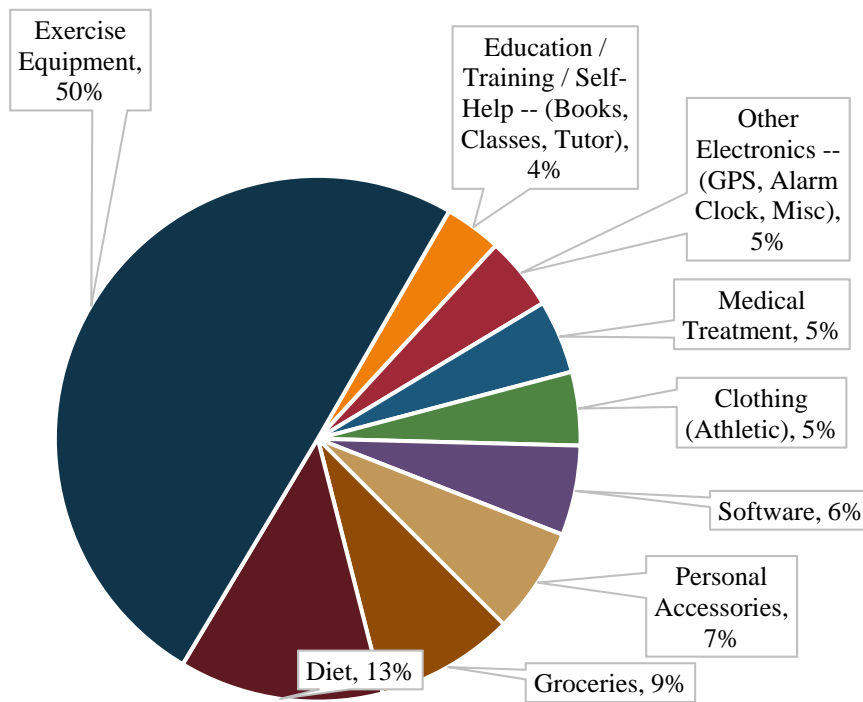
**Cart 13. Types of Fitness Problems**



**Key Finding:** Equipment purchases are the most common fitness problem solution to be reported, but they only make up 50% of purchases. The other 50% of purchases come from a variety of product categories.

**Implication:** To horizontally diversify product portfolios, brands should consider providing options in all the possible solutions categories.

**Chart 14. Solutions of Fitness Problems**

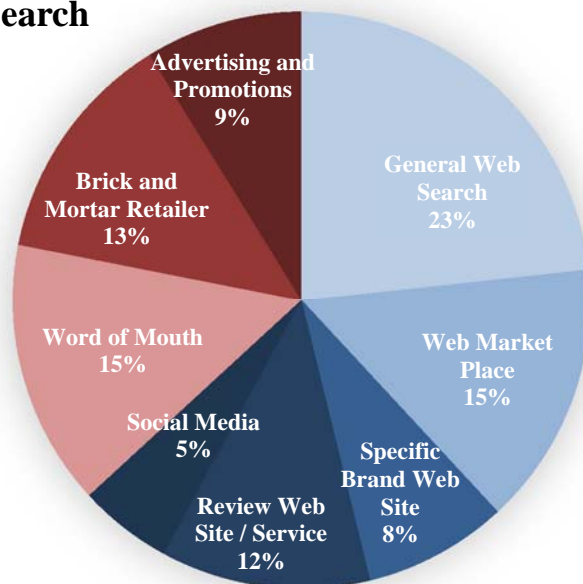


How do consumers plan to solve their fitness problems? **8** different types of solution were reported as proposed purchases.

Consumers typically plan to spend about **\$121** (median predicted purchase) to solve their fitness problem. The mean predicated purchase amount (**\$834**) indicates that many consumers plan to spend much more.

**Chart 15. Fitness Problem Information Search**

Where do consumers search for information regarding their fitness problem? For the answer, see Chart 11.





# CPS 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.

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

<b>Attire</b>	-Clothing / Accessories	<b>Personal Care</b>	-Fitness
	-Shopping and Selection		-Diet
	-Laundry, Cleaning, Alteration, Repair		-Hygiene
<b>Communication</b>		<b>Social</b>	
	-Phone, Smart Phone		-Current Relationships
	-Computer, Laptop, Tablet		-Child Care
	-Software / Data / Cloud Storage		-Desired Relationships
	-Router / Modem / Other Device		-Pet, Pet Supplies
	-Service Provider	<b>Transportation</b>	
	-Online Security		-Personal Auto and Commute
<b>Finance</b>			-Alternative Transportation (e.g. Bike)
	-Insurance		-Local Public Transportation
	-Banking		-Long Distance Transportation
	-Money Management		-Time / Sleep
	-Taxes	<b>Work and Life</b>	
<b>Health</b>			-Boredom / Entertainment
	-Acute Physical Problem		-Personal Progress
	-Chronic Physical Problem		-Professional / Work Problems
	-Mental		-Safety
<b>Home/Housing</b>			
	-Changing Homes / Moving		
	-Home Repair / Modification		
	-Housing Needs		
	-Home Maintenance		
	-Home Security		

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.

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 CPS SAMPLE**

6,482 respondents were surveyed from Amazon Mechanical Turk, an online crowdsourcing platform. Summary demographic statistics for the sample are as follows:

- Mean age: 31.5 years
- Mean income: \$49,558
- Gender: 55% Male, 45% Female
- Race: 77% Caucasian, 7% African American, 8% Asian, 6% Latino, and 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 from October 2013 to March of 2014.

## ABOUT THE GEORGETOWN INSTITUTE FOR CONSUMER RESEARCH (GICR)

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

The Consumer Problem Survey and this report were conceived, designed, conducted, and produced by:

- Kurt A. Carlson, PhD: Associate Professor of Marketing and Director of GICR at the Georgetown University McDonough School of Business
- Christopher Hydock, PhD: Researcher for GICR at the Georgetown University McDonough School of Business

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Find GICR on the web:

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

Find other GICR Research at: <http://consumerresearch.georgetown.edu/institute-findings/>

To see an infographic with findings from this survey:

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