“Discovering the values of generation X and millennial consumers in Indonesia”

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Abstract

Millennials and Generation X (Gen-X) are the fastest-growing market segment in Indonesia. The study aims to discover the salient values of those generations and to investigate their value differences. Data were obtained via questionnaires from 200 respondents of each generation. The questionnaires measure the importance of the values of each generation, consisting of nine values from the List of Values established by Kahle (1986), namely Sense of belonging, Excitement, Being well respected, Fun and enjoyment, Security, Self-fulfillment, Self-respect, Warm relationships with others, and Sense of accomplishment. This study employed factor analysis to identify sets of values representing their underlying values. This method resulted in three inherent values of Gen X and two of Millennials. Gen X shows the importance of Achievement, Family enjoyment, and Social relationship. Meanwhile, the Millennials are conspicuous by the values of Social recognition and Self-pleasing. Companies that choose Gen X as their target market can use their above-mentioned values to be expressed in their marketing strategies. Meanwhile, those who choose Millennials may use the two inherent values of this generation. This study fills a research gap on the characters of the emerging young generation segments in the country that can be adopted to generate market segment characters in the country.

Keywords

consumer behavior, factor analysis, generational cohort, market segmentation, personal values

JEL Classification

C38, M31, M39

INTRODUCTION

Understanding the personal values of a consumer is vital. According to Vinson et al. (1977), these values might influence the behavior of a person in evaluating or choosing persons, objects, and ideas. Homer and Kahle (1988) and Sheth et al. (1991) argued that consumer choices could be predicted by evaluating their personal values. Kim and Chung (2011) reported that consumer values affect consumer purchasing intentions. At the same time, Karababa and Kjeldgaard (2013) showed the relations between personal consumer values and consumption behavior. Personal values will continue to explain human behavior generally and consumer behavior specifically (Kahle & Xie, 2018).

One of the potential consumer segments is the consumer segment born between 1982 and the 2000s referred to as the “Millennial” (Generation-Y). There is a lack of study into Indonesia's consumer behaviors concerning this segment. Data from the Indonesian Statistic Agent shows that the country’s population in 2020 is 270.20 million. Its workforce reached 191.08 million, 21.88 percent of which is Gen X. In contrast, the Millennials in the country are 25.87 percent of the population. This data shows that domestic market segments are dominated by Millennials. However, Gen X is also still numerous, and as consumers, their purchasing ability is still very high.
Millennials are a unique and influential consumer group whose behaviors need to be analyzed (Smith, 2012). Gen X takes benefits from their careers and increases in disposable income, while Millennials are just starting their careers and enjoying the benefits of significant raises in their unlimited earnings (Reisenwitz & Iyer, 2009). An analysis of Millennials’ behavior versus Gen X is needed.

Williams and Page (2011) stated that each generation has its own set of aspirations, experiences, generational history, lifestyles, beliefs, and demographics, businesses may tailor a marketing strategy to them. They are branding strategy (Wellner, 2003), price strategy (Gauzente & Roy, 2012), distribution strategy (Parment, 2013), and product strategy (Chaney et al., 2017). Kahle and Xie (2018) noted that many researchers had learned a lot about applying values to all marketing mix elements, however, there are still important aspects to uncover, and the quest will most likely be fruitful. The aim of marketing research should be to gain a better understanding of each generation’s consumption habits. Marketers can become more aware and attentive to their consumers’ desires and behaviors if they are receptive to the different generations.

Howel (2012) urged that to work efficiently, marketers must have a clear understanding of generational cohort segmentation. Hence, the aim of this study is to find answers to the following questions: What are the salient values of Generation X? What are the salient values of Millennials? How do the values of Generation X differ from Millennials? This study contributes to marketing research in discovering the conspicuous personal values of Generation X and Millennials in Indonesian markets.

1. LITERATURE REVIEW

Marketing scholars suggest that culture is one of the determinants of underlying consumer behavior (Henry, 1976). On the one hand, culture is made up of various components, like values (Hofstede, 1984). On the other, value is described as a person’s or another social entity’s desire for trans-situational goals that serve as a guiding principle in their lives (Schwartz, 1994). De Mooij (2019) bridges between values and consumer behaviors stating that consumer preference on product and brand is related to their value orientations.

Rokeach (1968) describes value as a deeply held, long-lasting conviction that guides behavior and decisions in a variety of circumstances and beyond short-term objectives to more long-term life outcomes. At the same time, Lascu et al. (1996) characterized values as transcendental and internalized in humans to guide behavior as unconscious or conscious. Personal values play crucial roles in studying behavior across diverse cultures, as well as in quantifying psychographic and demographic motivation (Watkins & Gnoth, 2014). Rokeach (1989) reported that various combinations of embraced values become differentiators between genders, employment types, social status, religious followers, party members, etc.

Personal values influence a person’s behavior through attitudes, then influence their final behavior as consumers (Homer & Kahle, 1988). Some marketing scientists believed that personal values originate from the development of a person through their activities as citizens and their behavior as consumers (Leng, 2010). Consumer values are good predictors of customer buying intentions, so marketers should keep them in mind (Sheeraz et al., 2012).

Several approaches in measuring personal values have been formulated. Rokeach (1973) established the Rokeach Value Survey (RVS). Two sets of values are distinguished in the Rokeach Value Survey; the first is made up of 18 terminal values or desired end-states of existence, such as wisdom, equality, peace, or family security. The second consists of 18 instrumental values, or preferred behavioral patterns, for example, considering the value of being truthful, ambitious, forgiving, or rational.

Kahle et al. (1986) developed a shorter list to describe and measure personal values called List of Values (LOV). There are nine ideals in the LOV. These include internal values (Self-fulfillment, Self-respect, and Sense of accomplishment), external (Security, Sense of belonging, Warm relationships with others, and Being well respected), and interpersonal

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values (Fun and Enjoyment and Excitement). The ability of LOV to distinguish the effect of demographics and beliefs on customer behavior is one of its advantages (Kahle et al., 1986).

VALS (Values, Attitudes, and Lifestyles) is the third approach to measure values. VALS was introduced by Mitchell (1983) and a survey institute called Survey Research International (SRI). People are classified into one of nine lifestyle groups by VALS: survivors, sustainers, belongers, emulators, achievers, I-am-me, experiential, societally conscious, and integrated. Initially, VALS was proposed to explain the value and lifestyle of American society, as a result, it’s difficult to apply it across cultures (Hawkins et al., 1992).

Among the three approaches, LOV is mostly preferred (Shoham et al., 1998) by following rationales: it reveals validity and reliability in cross-cultural studies; it has been standardized to be easily applied in cross-cultural comparisons; it is easy to administer and analyze. According to other market studies, due to its strong connection with life roles such as leisure activities, daily use, job choice, and even marriage, the LOV best captures personal values (Kahle et al., 1986).

The consumer market can be segmented in various ways. An innovative and highly successful approach to segment the market is the generational cohort (Meredith & Schewe, 2004). The nature of the cohort is its members’ participation in a watershed event and the sharing of the subsequent interactions with others at a time when their values are being established (Scott & Zac, 1993; Solomon, 2010). Market segmentation by generational cohort aids advertisers in finding potential target audiences and consumers who are genuinely interested in the product or service (Howell, 2012).

In the post-World War, researchers have identified at least three age cohorts. Baby Boomers, Generation X, and Millennials are the three groups. The first classification includes those born between 1946 and 1964. Those born between 1965 and 1985 are known as Generation X, while those born between 1986 and 2002 are known as Generation Y (Solomon, 2010). Strauss and Howe (1992) studied Generation Y and Millennials and discovered great differences in this cohort from the previous one. Millennials and prior generations’ difference relates to a shift in millennial consumers’ values from previous cohorts (Hyllegard et al., 2011). Gurel-Atay (2010) presumed a significantly different ranking of values between older people than other age groups.

Generation X prioritized personal independence and demanding jobs, allowing for a work-life balance (Kupperschmidt 2000). This finding is reinforced by William & Page (2011) that Generation X values family, balancing work, and personal life. Furthermore, Generation X was identified to be strongly individualistic, financially self-sufficient, and risk-takers. (De Meuse et al., 2001). Meanwhile, Whitney et al. (2009) found Generation X to have a relatively high value on inner harmony and comfortable life. Their characteristic is hard work, openness, respect diversity, curiosity, and practicality (Bencsik & Machova, 2016). When it comes to consumer behavior, Chaney (2017) claimed that Generation X is a big spender, especially when it comes to housing, clothing, entertainment, and food.

Researchers have attempted to describe Millennials and found that Millennials’ value for true-friendship and accomplishment is higher than Generation X’s (Whitney et al., 2009). Millennials ranked leisure as a priority, crave status and recognition, however, compared to previ-

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Table 1. Kahle’s (1986) List of Values (LOV)

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of belonging</td>
<td>To be desired and welcomed by one's family, friends, or society</td>
</tr>
<tr>
<td>Excitement</td>
<td>To be stimulated and to have a good time</td>
</tr>
<tr>
<td>Being well respected</td>
<td>To be praised by others and to be acknowledged</td>
</tr>
<tr>
<td>Fun and Enjoyment</td>
<td>To live a happy and pleasurable life</td>
</tr>
<tr>
<td>Security</td>
<td>To be safe and secure from harm and assault</td>
</tr>
<tr>
<td>Self-fulfillment</td>
<td>To be at ease and to maximize your abilities</td>
</tr>
<tr>
<td>Self-respect</td>
<td>To be self-assured and proud of oneself</td>
</tr>
<tr>
<td>Warm relationship with other</td>
<td>To have a close relationship and companionship</td>
</tr>
<tr>
<td>Sense of accomplishment</td>
<td>To be successful in whatever you want to do</td>
</tr>
</tbody>
</table>
ous generations, they are less concerned with challenging themselves and seeking meaning at work (Twenge et al., 2010).

Kaifi et al. (2012) identified that focus on achievement is typical of the Millennials, shown by the excel and surpass in all their goals and aspirations. Trying to figure out what generation X is like, Chaney et al. (2017) established three distinct customer profiles. There are people who seek human contact and want a personalized relationship, people who seek independence and want to save time and effort, and people who seek parental guidance and depend heavily on their parents.

2. RESEARCH METHOD

This study employed a quantitative research method. The sample was derived from consumers in local markets, particularly from the Bandung Municipality Area, the fourth largest city in Indonesia. The sample represents Gen X (age 40-55) and Millennials (age 24-39). Data were collected through a survey of 200 respondents of each generation. The survey used a set of Likert scale questionnaires. The List of Values (LOV) concept defined by Kahle et al. (1986) was applied in this study. Respondents were asked to fill in their preferences on the internal, external, and interpersonal values.

The data were analyzed using factor analysis, including Principal Component Analysis (PCA) and Common Factor Analysis (CFA). This analysis uses a statistical method for exploring interrelationships between multiple variables and explaining them in terms of their common underlying dimensions (Hair et al., 2018). The statistical analysis was employed in this study to explore the groupings among the nine principal values of List of Values (LOV) as a reduction technique to identify each generation cohort’s underlying values.

3. RESULTS AND DISCUSSION

3.1. Factor analysis

27 statements were analyzed through Factor Analysis as indicators in measuring the significance of the List of Values nine values (LOV) derived from the questionnaire’s responses. The following steps describe such an analysis.

First, Kaiser–Mayer–Olkin (KMO) test and Bartlett’s test of sphericity were applied to ensure the appropriateness of collected data for conducting the analysis factor. The KMO test measures the sample’s adequacy in terms of distributing values for the execution of the analysis factor, in which the adequate values must be greater than 0.5. Bartlett’s test of sphericity was undertaken to conclude whether there was a large enough degree of correlation between numbers of the variables included. This study analyzed two data groups; the result of the KMO test of Millennials data was 0.724, and Gen X data was 0.828. Bartlett’s test of sphericity of the group was high; the Millennials’ data was 384.644, and the Gen X’s data was 276.553 (it was associated with a probability value of 0.000). Both tests demonstrated the appropriateness of using the analysis factor.

Second, the commonalities test was used for better measurement of the factor analysis. Communalities test for Gen X and Millennials data indicated that all the variables are highly represented by the questions, as the communalities of each group were greater than 0.4. Factor extraction was carried out to discover the underlying factors revealed the Gen X and Millennials’ values. This step indicated “total variance explained”, which demonstrated the extent to which each principal component clarifies the total variance of the surveyed variables. First-factor extraction for Gen X discovered that three elements with an absolute degree of eigenvalue are higher than 1; they contributed 50.202% of total variance components. Meanwhile, for Millennials, the factors extracted are two and contributed 50.20% of total variance components.

Factor extraction generated three components of Gen X and two factors of Millennials. In defining the content of each component, rotation of the factor was performed as the third step. The concept behind rotation is to reduce the number of variables on which the variables under investigation have large loadings. Its purpose is to facilitate the interpretation of the analysis. The post-rotation component matrix is presented in Table 2.
In the case of Gen X, based on the correlation involved in each component (Table 2), the component can be identified as Achievement (factor 1), Family enjoyment (factor 2), and Social relationship (factor 3). Meanwhile, the two components of Millennials can be called Social recognition (factor 1) and Self-pleasing (factor 2). The meanings of these factors are interpreted as follows.

3.2. The values of generation X and millennials

Gen X (who was born in the years 1965 to 1980 and is between the ages of 40 and 54 as of 2020) had reached mature-adulthood. Their priority values are achievements. The values are the articulation of their importance of accomplishment, excitement, self-respect, and security. The results describe that those mature adults have a high preference to ensure their lifetime achievement, establishing their pleasant lifestyle. Even though they have enthusiasm in sophistication, Gen X is more careful in living their lives, and security is their major concern.

Furthermore, Gen X is a family enjoyment generation. They prioritize a feeling of being accepted, having a good time, enjoying yourself, and feeling fulfilled. These facts indicated that this generation’s greatest importance is family happiness, since most of them are in the parenthood stage. Family responsibilities are essential to this generation.

Gen X also signifies the value of social excitement. They have a high expectancy of excitement in life and warm relationships with others. They actively participate in friendships. Hobbies, religions, or social activities appear to be meaningful for them. They prefer group activities that experience amusement.

Meanwhile, Millennials born in 1981–1996 and in the 24-39 age range as of 2020 showed their social recognition preferences. As young adults, they prefer high importance on self-respect and being well respected. At the same time, they also value a sense of belonging and accomplishment. These facts indicated that having social recognition is imperative for this segment. The importance of social recognition is reflected by the preference of connecting with their peers for friendship and recognition. This generation is highly image-driven, and they are obsessed with branded products and a ‘cool’ lifestyle that will articulate self-expression and social engagement.

Furthermore, young Millennials also indicated that they value self-pleasure preferences. They are transparent to seek excitement and the fun of life. Likewise, having a warm relation with others is also one of their priorities. Adventure, entertainment, uniqueness, and friendship appear to be important for them. They are obsessed with amusement and sensual gratification for themselves. Millennials expect novelty and sophistication to be associated with their activities or product choices. As they are extremely attached to the internet and mobile connections, they utilize various social media, digital utilities, and applications for their pleasure.

Table 2. Rotated component matrix

<table>
<thead>
<tr>
<th>Value</th>
<th>Component</th>
<th>Gen X</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Sense of belonging</td>
<td>0.168</td>
<td>0.675</td>
<td>0.112</td>
</tr>
<tr>
<td>Excitement</td>
<td>0.230</td>
<td>−0.125</td>
<td>0.746</td>
</tr>
<tr>
<td>Being well respected</td>
<td>0.191</td>
<td>0.440</td>
<td>0.554</td>
</tr>
<tr>
<td>Fun and enjoyment</td>
<td>−0.050</td>
<td>0.741</td>
<td>−0.009</td>
</tr>
<tr>
<td>Security</td>
<td>0.782</td>
<td>0.024</td>
<td>0.192</td>
</tr>
<tr>
<td>Self-fulfillment</td>
<td>0.463</td>
<td>0.527</td>
<td>0.100</td>
</tr>
<tr>
<td>Self-respect</td>
<td>0.681</td>
<td>0.175</td>
<td>0.119</td>
</tr>
<tr>
<td>Warm relation. with others</td>
<td>0.003</td>
<td>0.145</td>
<td>0.725</td>
</tr>
<tr>
<td>Sense of accomplishment</td>
<td>0.764</td>
<td>0.061</td>
<td>0.037</td>
</tr>
</tbody>
</table>

a. Rotation converged in 5 iterations a. Rotation converged in 3 iterations
CONCLUSION

Focusing on the consumer segment’s two-generational cohorts, Generation X and Millennials, this study discovers the salient personal values of the two most significant market segments in Indonesia. Based on previous findings and statistical analysis, the study identifies three conspicuous values for Gen X and two values for Millennials. Gen X has a set of values: Achievement, Family enjoyment, and Social relationship. This segment of the market has achieved maturity-adulthood that is very concerned about achieving something meaningful and admirable in their lives. Family commitments are vital to this generation, but having fun through friendship groups is also a priority. In the meantime, Millennials are revealed to have a high value on Social recognition and Self-pleasing. The values are embodied in the importance of entirely engaging with colleagues, participating in exciting events, and encouraging peer appreciation. They are also fascinated with the exhilarating lifestyle that gives them satisfaction.

Modern companies should consider marketing based on the generation preferences, then companies may develop product positioning and other marketing mix components (price, promotion, distribution, and price) that are the most appropriate for a particular generation. When targeting Gen X, companies may deliver a product positioning and marketing mix reflecting values of Achievement, Family enjoyment, and Social relationship resonating with this generation. Similarly, articulating the values of Social recognition and Self-pleasing is extremely important when marketing to Millennials.

This research has contributed to the knowledge of real Indonesian consumer behavior, especially when discussing personal value dynamics and cohort segmentation. For further research, it is suggested to expand the study to include cross-cultural topics such as gender and country differences.

AUTHOR CONTRIBUTIONS

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Funding acquisition: Vita Sarasi, Umi Kaltum.
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Software: Yogi Suherman.
Supervision: Arief Helmi, Yogi Suherman.
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Writing – review & editing: Arief Helmi, Vita Sarasi, Umi Kaltum.

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