6 Analyzing Consumer Markets

Marketers must have a thorough understanding of how consumers think, feel, and act and offer clear value to each and every target consumer. In an award-winning marketing campaign, Domino's decided how to deal with negative consumer attitudes about its pizza.[1]

Known more for the speed of its delivery than for the taste of its pizza, Domino's decided to address negative perceptions head on. A major communication program themed "Oh Yes We Did" featured documentary-style TV ads that opened with Domino's employees at corporate headquarters reviewing written and videotaped focus group feedback from customers. The feedback contains biting comments, such as "Domino's pizza crust to me is like cardboard" and "The sauce tastes like ketchup." Company president Patrick Doyle is shown stating that these results are unacceptable, and the ads then show Domino's chefs and executives in their test kitchens proclaiming that their pizza is new and improved with a bolder, richer sauce; a more robust cheese combination; and an herb-and-garlic-flavored crust. Many critics were stunned by the company's admission that its number-two-ranked pizza had, in effect, been inferior for years. Others countered by noting that the new product formulation and unconventional ads were addressing a widely held, difficult-to-change negative belief that was dragging the brand down and required decisive action. Doyle summed up consumer reaction: "Most really like it, some don't. And that's OK." Subsequent events proved Doyle right. Backed by additional ads and social media campaigns—and the reformulated pizza—Domino's found itself improving its image and gaining share in the following years. From the end of 2009, when Domino's announced its plans, until the end of 2011, the stock gained 233 percent, compared with 37 percent for its key rival, Papa John's. In recent years, sales have been further spurred by marketing innovations such as a mobile-optimized Web site for online ordering, new audible formats for the chain's popular Pizza Tracker, smart-phone and table apps for ordering, and the Pizza Hero game for the iPad.

Adopting a holistic marketing orientation requires fully understanding customers—gaining a 360-degree view of both their daily lives and the changes that occur during their lifetimes so the right products are always marketed to the right customers in the right way. This chapter explores individual consumers' buying dynamics; the next chapter the buying dynamics of business buyers.

What Influences Consumer Behavior?

Consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.[2] Marketers must fully understand both the theory and the reality of consumer behavior. Table 6.1 provides a snapshot profile of U.S. consumers.

A consumer's buying behavior is influenced by cultural, social, and personal factors. Of these, cultural factors exert the broadest and deepest influence.

CULTURAL FACTORS

Culture, subculture, and social class are particularly important influences on consumer buying behavior. **Culture** is the fundamental determinant of a person's wants and behavior. Through family and other key institutions, a child growing up in the United States is exposed to values such as achievement and success, activity, efficiency

TABLE 6.1 U.S. Consumer Almanac

Expenditures	
Average U.S. outlays for goods and services in 2013	
	$
Housing	$17,148
Transportation	$9,004
Food	$6,602
Personal insurance and pensions	$5,528
Health care	$3,631
Entertainment	$2,482
Apparel and services	$1,604
Cash contributions	$1,834
All other	$3,267
Total average annual expenditures	$51,100
Time use on an average workday for employed persons ages 25–54 with children in 2013	
Working and related activities	8.7 hours
Sleeping	7.7 hours
Leisure and sports	2.5 hours
Caring for others	1.3 hours
Eating and drinking	1.0 hours
Household activities	1.1 hours
Other	1.7 hours
Average time spent per person per day—Q4 2013	
	Hours
Watching TV in the home	5.04
Watching time-shifted TV	0.32
Video games	0.12
DVD playback	0.09

Sources: Bureau of Labor Statistics, *Consumer Expenditure Survey*, www.bls.gov, September 9, 2014; Bureau of Labor Statistics, *American Time Use Survey*, www.bls.gov, June 18, 2014; AC Nielsen, "An Era of Growth: The Cross-Platform Report: Q4 2013," www.nielsen.com, March 5, 2014.

Source: © Blend Images/Alamy

Cultural values differ by countries and markets.

and practicality, progress, material comfort, individualism, freedom, external comfort, humanitarianism, and youthfulness.[3] A child growing up in another country might have a different view of self, relationship to others, and rituals.

Marketers must closely attend to cultural values in every country to understand how to best market their existing products and find opportunities for new products. Each culture consists of smaller **subcultures** that provide more specific identification and socialization for their members. Subcultures include nationalities, religions, racial groups, and geographic regions. When subcultures grow large and affluent enough, companies often design specialized marketing programs to serve them.

Virtually all human societies exhibit *social stratification,* most often in the form of **social classes**, relatively homogeneous and enduring divisions in a society, hierarchically ordered and with members who share similar values, interests, and behavior. One classic depiction of social classes in the United States defined seven ascending levels: (1) lower lowers, (2) upper lowers, (3) working class, (4) middle class, (5) upper middles, (6) lower uppers, and (7) upper uppers.[4] Social class members show distinct product and brand preferences in many areas.

SOCIAL FACTORS

In addition to cultural factors, social factors such as reference groups, family, and social roles and statuses affect our buying behavior.

REFERENCE GROUPS A person's **reference groups** are all the groups that have a direct (face-to-face) or indirect influence on their attitudes or behavior. Groups having a direct influence are called **membership groups**. Some of these are **primary groups** with whom the person interacts fairly continuously and informally, such as family, friends, neighbors, and coworkers. People also belong to **secondary groups**, such as religious, professional, and trade-union groups, which tend to be more formal and require less continuous interaction.

Reference groups influence members in at least three ways. They expose an individual to new behaviors and lifestyles, they influence attitudes and self-concept, and they create pressures for conformity that may affect product and brand choices. People are also influenced by groups to which they do *not* belong. **Aspirational groups** are those a person hopes to join; **dissociative groups** are those whose values or behavior an individual rejects.

Where reference group influence is strong, marketers must determine how to reach and influence the group's opinion leaders. An **opinion leader** is the person who offers informal advice or information about a specific product or product category, such as which of several brands is best or how a particular product may be used.[5] Opinion leaders are often highly confident, socially active, and frequent users of the category. Marketers try to reach them by identifying their demographic and psychographic characteristics, identifying the media they read, and directing messages to them.[6]

CLIQUES Communication researchers propose a social-structure view of interpersonal communication.[7] They see society as consisting of *cliques,* small groups whose members interact frequently. Clique members are similar, and their closeness facilitates effective communication but also insulates the clique from new ideas. The challenge is to create more openness so cliques exchange information with others in society. This openness is helped along by people who function as liaisons and connect two or more cliques without belonging to either and by *bridges,* people who belong to one clique and are linked to a person in another.

Best-selling author Malcolm Gladwell claims three factors work to ignite public interest in an idea.[8] According to the first, "The Law of the Few," three types of people help to spread an idea like an epidemic. First are *Mavens,* people knowledgeable about big and small things. Second are *Connectors,* people who know and communicate with a great number of other people. Third are *Salesmen,* who possess natural persuasive power. Any idea that catches the interest of Mavens, Connectors, and Salesmen is likely to be broadcast far and wide. The second factor is "Stickiness." An idea must be expressed so that it motivates people to act. Otherwise, "The Law of the Few" will not lead to a self-sustaining epidemic. Finally, the third factor, "The Power of Context," controls whether those spreading an idea are able to organize groups and communities around it.

Not everyone agrees with Gladwell's ideas.[9] One team of viral marketing experts cautions that although influencers or "alphas" start trends, they are often too introspective and socially alienated to spread them. They advise marketers to cultivate "bees," hyperdevoted customers who are not satisfied just knowing about the next trend but live to spread the word.[10] More firms are in fact finding ways to actively engage their passionate brand evangelists. LEGO's Ambassador Program targets its most enthusiastic followers for brainstorming and feedback.[11] Some firms are exploring ways to identify the most influential and potentially lucrative customers online.[12]

SCORING CONSUMERS ONLINE To better profile and market to customers, firms are exploring different ways to score consumers online. *E-scores* go beyond personal credit reports to estimate a consumer's buying power. They take into account factors such as occupation, salary, and home value as well as the amount and nature of luxury and non-luxury purchases. Independent suppliers like EBureau amass the personal information and combine it with a company's customer database to score a customer from 0 (unprofitable) to 99 (likely to return an investment). Another area of online scoring is influence measurement. A pioneer in the field, Klout measures the clout a person has online with its *Klout Scores*. Klout Scores range from 0 to 100 and are based on analysis of 400 different factors—and 12 billion pieces of data a day—like how influential your followers are and how many people retweet or respond to your messages. President Obama scored a near-perfect 99; singer Justin Bieber scored an impressive 92. Companies like Chevrolet pay Klout to identify and contact influencers for auto purchases. Those people targeted by Chevrolet are given special perks, like a three-day test drive of a Volt, in hopes that they will talk up the car on social media.

Of course, much word-of-mouth is offline person-to-person communication—face to face or over the phone. One of the most valuable sources of information is almost always "people I know and trust."[13] Some word-of-mouth tactics walk a fine line between acceptable and unethical. One controversial tactic, sometimes called *shill marketing* or *stealth marketing*, pays people to anonymously promote a product or service in public places without disclosing their financial relationship to the sponsoring firm.

To launch its T681 mobile camera phone, Sony Ericsson hired actors dressed as tourists to approach people at tourist locations and ask to have their photo taken. Handing over the mobile phone created an opportunity to discuss its merits, but many found the deception distasteful.[14] Shill marketing is also a problem online, where the legitimacy of a customer or so-called expert reviewer may be hard to verify.

FAMILY The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group.[15] There are two families in the buyer's life. The **family of orientation** consists of parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics and a sense of personal ambition, self-worth, and love.[16] Even if the buyer no longer interacts very much with his or her parents, parental influence on behavior can be significant. Almost 40 percent of families have auto insurance with the same company as the husband's parents.

A more direct influence on everyday buying behavior is the **family of procreation**—namely, the person's spouse and children. In the United States, in a traditional husband–wife relationship, engagement in purchases has varied widely by product category. The wife has usually acted as the family's main purchasing agent, especially for food, sundries, and staple clothing items. Now traditional purchasing roles are changing, and marketers would be wise to see both men and women as possible targets.

For expensive products and services such as cars, vacations, or housing, the vast majority of husbands and wives engage in joint decision making.[17] Men and women may respond differently to marketing messages, however. Research has shown that women value connections and relationships with family and friends and place a higher priority on people than on companies. Men, on the other hand, relate more to competition and place a high priority on action.[18] Marketers have taken direct aim at women with new products such as Quaker's Nutrition for Women cereals and Crest Rejuvenating Effects toothpaste.

Source: © Directphoto Collection / Alamy

Many of Disney's successful products for kids involve tie-ins with their popular TV or movie franchises.

Another shift in buying patterns is an increase in the amount of dollars spent by and the direct and indirect influence wielded by children and teens. Direct influence describes children's hints, requests, and demands—"I want to go to McDonald's." Indirect influence means parents know the brands, product choices, and preferences of their children without hints or outright requests—"I think Jake and Emma would want to go to Panera."

Research has shown that more than two-thirds of 13- to 21-year-olds make or influence family purchase decisions on audio/video equipment, software, and vacation destinations.[19] In total, these teens and young adults spend more than $120 billion a year. They report that to make sure they buy the right products, they watch what their friends say and do as much as what they see or hear in an ad or are told by a salesperson in a store.

Television can be especially powerful in reaching children, and marketers are using it to target them at younger ages than ever before with product tie-ins for just about everything—*Disney Princess* character pajamas, retro G.I. Joe toys and action figures, *Dora the Explorer* backpacks, and *Toy Story* playsets.

By the time children are about 2 years old, they can often recognize characters, logos, and specific brands. They can distinguish between advertising and programming by about ages 6 or 7. A year or so later, they can understand the concept of persuasive intent on the part of advertisers. By 9 or 10, they can perceive the discrepancies between message and product.[20]

ROLES AND STATUS We each participate in many groups—family, clubs, organizations—and these are often an important source of information and help to define norms for behavior. We can define a person's position in each group in terms of role and status. A **role** consists of the activities a person is expected to perform. Each role in turn connotes a **status**. A senior vice president of marketing may have more status than a sales manager, and a sales manager may have more status than an office clerk. People choose products that reflect and communicate their role and their actual or desired status in society. Marketers must be aware of the status-symbol potential of products and brands.

PERSONAL FACTORS

Personal characteristics that influence a buyer's decision include age and stage in the life cycle, occupation and economic circumstances, personality and self-concept, and lifestyle and values. Because many of these have a direct impact on consumer behavior, it is important for marketers to follow them closely. See how well you do with "Marketing Memo: The Average U.S. Consumer Quiz."

AGE AND STAGE IN THE LIFE CYCLE Our taste in food, clothes, furniture, and recreation is often related to our age. Consumption is also shaped by the *family life cycle* and the number, age, and gender of people in the household at any point in time. U.S. households are increasingly fragmented—the traditional family of four with a husband, wife, and two kids makes up a much smaller percentage of total households than it once did. The 2010 census revealed that the average U.S. household size was 2.6 persons.[21]

In addition, *psychological* life-cycle stages may matter. Adults experience certain passages or transformations as they go through life.[22] Their behavior during these intervals, such as when becoming a parent, is not necessarily fixed but changes with the times.

Marketers should also consider *critical life events or transitions*—marriage, childbirth, illness, relocation, divorce, first job, career change, retirement, death of a spouse—as giving rise to new needs. These should alert service providers—banks, lawyers, and marriage, employment, and bereavement counselors—to ways they can help.

marketing memo — The Average U.S. Consumer Quiz

Listed below is a series of statements used in attitude surveys of U.S. consumers. For each statement, estimate what percent of U.S. men and women agreed with it in 2012 and write your answer, a number between 0 percent and 100 percent, in the columns to the right. Then check your results against the correct answers in the footnote.*

	Percent of Consumers Agreeing	
Statements	**% Men**	**% Women**
1. Most companies today are becoming too inhuman and impersonal when it comes to connecting with their customers	_____	_____
2. Even if others might find it offensive, it is always OK to speak what is on your mind	_____	_____
3. I appreciate the influence that other cultures are having on the American way of life	_____	_____
4. One of the reasons this country is losing its leadership position in the world is because parents don't push their kids hard enough to succeed	_____	_____
5. The food and beverage industry should take more responsibility for helping solve the obesity problem in the U.S.	_____	_____
6. I believe I will become rich in my lifetime	_____	_____
7. I could not get by without my cell phone/smart phone (among those who have a cell phone)	_____	_____
8. I'd really like to start my own business	_____	_____
9. I feel that I have to take whatever I can get in this world because no one is going to give me anything	_____	_____
10. Protecting my personal information and privacy is more of a concern now than it was a few years ago	_____	_____

Note: Results are from a nationally representative sample of more than 4,000 respondents surveyed in 2012.
Source: The Futures Company Yankelovich MONITOR (with permission). Copyright 2012, Yankelovich, Inc.
*Answers

1. M = 81%, W = 81%; 2. M = 61%, W = 49%; 3. M = 67%, W = 63%; 4. M = 64%, W = 58%; 5. M = 61%, W = 60%; 6. M = 42%, W = 30%; 7. M = 45%, W = 51%;
8. M = 47%, W = 34%; 9. M = 66%, W = 52%; 10. M = 91%, W = 93%

Not surprisingly, the baby industry attracts many marketers given the enormous amount parents spend—it's estimated to be a $36 billion market annually—and its life-changing nature.[23]

THE BABY MARKET Although they may not yet have reached their full earning potential, expectant and new parents seldom hold back when spending on their loved ones, making the baby industry more recession-proof than most. Spending tends to peak between the second trimester of pregnancy and the 12th week after birth. First-time mothers-to-be are especially attractive targets given the fact they will be unable to use many hand-me-downs and will need to buy the full range of new furniture, strollers, toys, and baby supplies. Recognizing the importance of reaching expectant parents early to win their trust—industry pundits call it a "first in, first win" opportunity—marketers use a variety of media including direct mail, inserts, space ads, e-mail marketing, and Web sites. Product samples are especially popular; kits are often given at childbirth education classes and other places. Many hospitals have banned the traditional bedside gift bag, though, concerned with privacy and potentially adverse effects on a vulnerable audience (for example, distributing baby formula may discourage new mothers from breast-feeding). Avenues of access still exist. Partnering with a company that sells baby bedside photos, Disney Baby hands out playful Disney Cuddly Bodysuits and solicits sign-ups for e-mail alerts from DisneyBaby.com. Not all expenditures go directly to the baby. Going through such a fundamental life change, expectant or new parents have a whole new set of needs that has them thinking differently about life insurance, financial services, real estate, home improvement, and automobiles.

OCCUPATION AND ECONOMIC CIRCUMSTANCES Occupation also influences consumption patterns. Marketers try to identify the occupational groups that have above-average interest in their products and services and even tailor products for certain occupational groups: Computer software companies, for example, design different products for brand managers, engineers, lawyers, and physicians.

As the recent prolonged recession clearly indicated, both product and brand choice are greatly affected by economic circumstances like spendable income (level, stability, and pattern over time), savings and assets (including the percentage that is liquid), debts, borrowing power, and attitudes toward spending and saving. Although luxury-goods makers such as Gucci, Prada, and Burberry may be vulnerable to an economic downturn, some luxury brands did surprisingly well in the latest recession.[24] If economic indicators point to a recession, marketers can take steps to redesign, reposition, and reprice their products or introduce or increase the emphasis on discount brands so they can continue to offer value to target customers.

Source: Paul Bradbury/Getty Images

The baby market, targeting expectant and new parents, is highly lucrative for marketers.

PERSONALITY AND SELF-CONCEPT By **personality**, we mean a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli including buying behavior. We often describe personality in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.[25]

Brands also have personalities, and consumers are likely to choose brands whose personalities match their own. We define **brand personality** as the specific mix of human traits that we can attribute to a particular brand. Stanford's Jennifer Aaker researched brand personalities and identified the following traits:[26]

1. Sincerity (down to earth, honest, wholesome, and cheerful)
2. Excitement (daring, spirited, imaginative, and up to date)
3. Competence (reliable, intelligent, and successful)
4. Sophistication (upper-class and charming)
5. Ruggedness (outdoorsy and tough)

Aaker analyzed some well-known brands and found that a number tended to be strong on one particular trait: Levi's on "ruggedness"; MTV on "excitement"; CNN on "competence"; and Campbell's on "sincerity." These brands will, in theory, attract users high on the same traits. A brand personality may have several attributes: Levi's suggests a personality that is also youthful, rebellious, authentic, and American.

A cross-cultural study exploring the generalizability of Aaker's scale outside the United States found three of the five factors applied in Japan and Spain, but a "peacefulness" dimension replaced "ruggedness" in both countries, and a "passion" dimension emerged in Spain instead of "competence."[27] Research on brand personality in Korea revealed two culture-specific factors—"passive likeableness" and "ascendancy"—reflecting the importance of Confucian values in Korea's social and economic systems.[28]

Consumers often choose and use brands with a brand personality consistent with their *actual self-concept* (how we view ourselves), though the match may instead be based on the consumer's *ideal self-concept* (how we would like to view ourselves) or even on *others' self-concept* (how we think others see us).[29] These effects may also be more pronounced for publicly consumed products than for privately consumed goods.[30] On the other hand, consumers who are high "self-monitors"—that is, sensitive to the way others see them—are more likely to choose brands whose personalities fit the consumption situation.[31]

Finally, multiple aspects of self (serious professional, caring family member, active fun-lover) may often be evoked differently in different situations or around different types of people. Some marketers carefully orchestrate brand experiences to express brand personalities. Here's how San Francisco's Joie de Vivre does this.[32]

JOIE DE VIVRE Joie de Vivre Hotels operates a chain of boutique hotels and resorts in the San Francisco area as well as Arizona, Illinois, and Hawaii. Each property's unique décor, quirky amenities, and thematic style are loosely based on popular magazines. For example, The Hotel del Sol—a converted motel bearing a yellow exterior and surrounded by palm trees wrapped in festive lights—is described as "kind of *Martha Stewart Living* meets *Islands* magazine." The

Source: Image provided by Commune Hotels + Resorts. Photo by Kelly Ishikawa.

Each of Joie de Vivre's hotel properties has a personality loosely based on a popular magazine, as with the *Rolling Stone*-inspired Phoenix hotel.

Phoenix, represented by *Rolling Stone,* is, like the magazine, described as "adventurous, hip, irreverent, funky, and young at heart." Each one of Joie de Vivre's more than 30 hotels is an original concept designed to reflect its location and engage the five senses. The boutique concept enables the hotels to offer personal touches, such as vitamins in place of chocolates on pillows.

LIFESTYLE AND VALUES People from the same subculture, social class, and occupation may adopt quite different lifestyles. A **lifestyle** is a person's pattern of living in the world as expressed in activities, interests, and opinions. It portrays the "whole person" interacting with his or her environment. Marketers search for relationships between their products and lifestyle groups. A computer manufacturer might find that most computer buyers are achievement-oriented and then aim the brand more clearly at the achiever lifestyle.

Lifestyles are shaped partly by whether consumers are *money constrained* or *time constrained.* Companies aiming to serve the money-constrained will create lower-cost products and services. By appealing to thrifty consumers, Walmart has become the largest company in the world. Its "everyday low prices" have wrung tens of billions of dollars out of the retail supply chain, passing the larger part of savings along to shoppers in the form of rock-bottom bargain prices.

Consumers who experience time famine are prone to **multitasking**, doing two or more things at the same time. They will also pay others to perform tasks because time is more important to them than money. Companies aiming to serve them will create products and services that offer multiple time-saving benefits. For example, multitasking blemish balm (BB) skin creams offer an all-in-one approach to skin care—incorporating moisturizer, anti-aging ingredients, sunscreen, and maybe even whitening.[33]

In some categories, notably food processing, companies targeting time-constrained consumers need to be aware that these very same people want to believe they're *not* operating within time constraints. Marketers call those who seek both convenience and some involvement in the cooking process the "convenience involvement segment," as Hamburger Helper discovered.[34]

HAMBURGER HELPER Launched in 1971 in response to tough economic times, the inexpensive pasta-and-powdered-mix Hamburger Helper was designed to quickly and inexpensively stretch a pound of meat into a family meal. With an estimated 44 percent of evening meals prepared in under 30 minutes and given strong competition from fast-food drive-through windows, restaurant deliveries, and precooked grocery store dishes, it might seem that Hamburger Helper's days of prosperity are numbered. Market researchers found, however, that some consumers don't want the fastest microwaveable solution possible—they also want to feel good about how they prepare a meal. In fact, on average, they prefer to use at least one pot or pan and 15 minutes of time. To remain attractive to this segment, marketers of Hamburger Helper are always introducing new flavors and varieties such as Tuna Helper, Asian Chicken Helper, and Whole Grain Helper to tap into evolving consumer taste trends. Not surprisingly, the latest economic downturn saw brand sales steadily rise.

Consumer decisions are also influenced by **core values**, the belief systems that underlie attitudes and behaviors. Core values go much deeper than behavior or attitude and at a basic level guide people's choices and desires over the long term. Marketers who target consumers on the basis of their values believe that with appeals to people's inner selves, it is possible to influence their outer selves—their purchase behavior.

Key Psychological Processes

The starting point for understanding consumer behavior is the stimulus-response model shown in Figure 6.1. Marketing and environmental stimuli enter the consumer's consciousness, and a set of psychological processes combine with certain consumer characteristics to result in decision processes and purchase decisions. The marketer's task is to understand what happens in the consumer's consciousness between the arrival of the outside marketing stimuli and the ultimate purchase decisions. Four key psychological processes—motivation, perception, learning, and memory—fundamentally influence consumer responses.

MOTIVATION

We all have many needs at any given time. Some needs are *biogenic*; they arise from physiological states of tension such as hunger, thirst, or discomfort. Other needs are *psychogenic*; they arise from psychological states of tension such as the need for recognition, esteem, or belonging. A need becomes a **motive** when it is aroused to a sufficient level of intensity to drive us to act. Motivation has both direction—we select one goal over another—and intensity—we pursue the goal with more or less vigor.

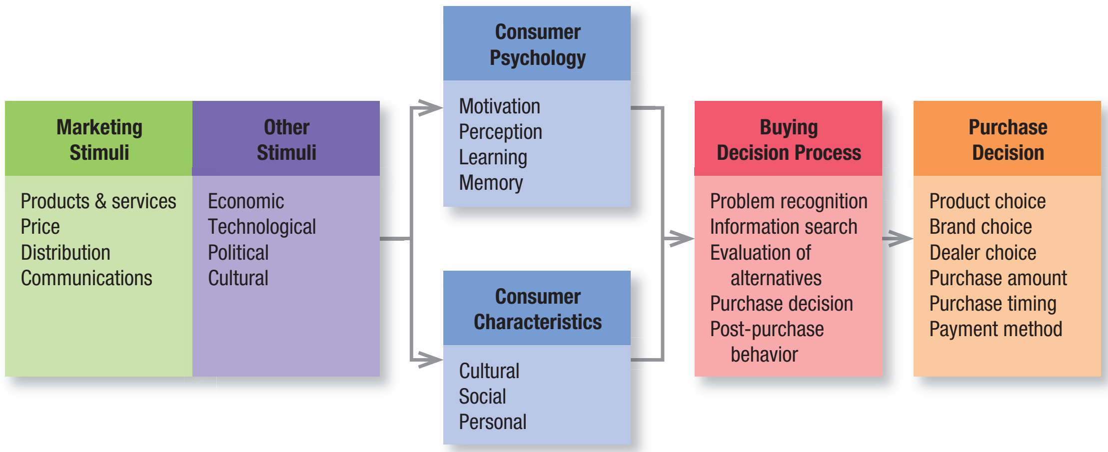
Three of the best-known theories of human motivation—those of Sigmund Freud, Abraham Maslow, and Frederick Herzberg—carry quite different implications for consumer analysis and marketing strategy.

FREUD'S THEORY Sigmund Freud assumed the psychological forces shaping people's behavior are largely unconscious and that a person cannot fully understand his or her own motivations. Someone who examines specific brands will react not only to their stated capabilities but also to other, less conscious cues such as shape, size, weight, material, color, and brand name. A technique called *laddering* lets us trace a person's motivations from the stated instrumental ones to the more terminal ones. Then the marketer can decide at what level to develop the message and appeal.[35]

Motivation researchers often collect in-depth interviews with a few dozen consumers to uncover deeper motives triggered by a product. They use various *projective techniques* such as word association, sentence completion, picture interpretation, and role playing, many pioneered by Ernest Dichter, a Viennese psychologist who settled in the United States.[36]

Dichter's research led him to believe that for women, pulling a cake out of the oven was like "giving birth." Because having women only add water to a cake mix could seem to marginalize their role, Dichter's research suggested having them also add an egg, a symbol of fertility, a practice used to this day.[37]

Another motivation researcher, cultural anthropologist Clotaire Rapaille, works on breaking the "code" behind product behavior—the unconscious meaning people give to a particular market offering. Rapaille worked with Boeing on its 787 "Dreamliner" to identify features in the airliner's interior that would have universal appeal. Based



| Fig. 6.1 |

Model of Consumer Behavior

In-depth motivational research on product meaning helped Boeing design its 787 Dreamliner.

Source: © John Keates / Alamy

in part on his research, the Dreamliner has a spacious foyer; larger, curved luggage bins closer to the ceiling; larger, electronically dimmed windows; and a ceiling discreetly lit by hidden LEDs.[38]

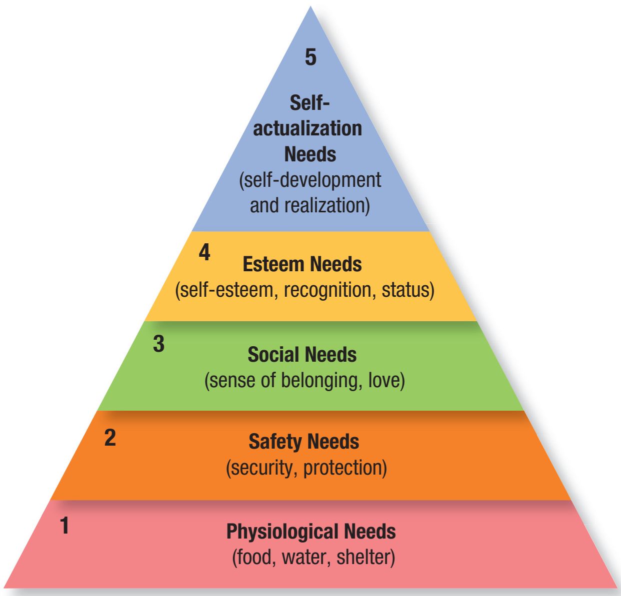
MASLOW'S THEORY Abraham Maslow sought to explain why people are driven by particular needs at particular times.[39] His answer is that human needs are arranged in a hierarchy from most to least pressing—from physiological needs to safety needs, social needs, esteem needs, and self-actualization needs (see Figure 6.2). People will try to satisfy their most important need first and then move to the next. For example, a starving man (need 1) will not take an interest in the latest happenings in the art world (need 5), nor in the way he is viewed by others (need 3 or 4), nor even in whether he is breathing clean air (need 2), but when he has enough food and water, the next most important need will become salient.

HERZBERG'S THEORY Frederick Herzberg developed a two-factor theory that distinguishes *dissatisfiers* (factors that cause dissatisfaction) from *satisfiers* (factors that cause satisfaction).[40] The absence of dissatisfiers is not enough to motivate a purchase; satisfiers must be present. For example, a computer that does not come with a warranty is a dissatisfier. Yet the presence of a product warranty does not act as a satisfier or motivator of a purchase because it is not a source of intrinsic satisfaction. Ease of use is a satisfier.

| Fig. 6.2 |

Maslow's Hierarchy of Needs

Source: A. H. Maslow, *Motivation and Personality*, 3rd ed. (Upper Saddle River, NJ: Prentice Hall, 1987). Printed and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.



Herzberg's theory has two implications. First, sellers should do their best to avoid dissatisfiers (for example, a poor training manual or a poor service policy). Although these things will not sell a product, they might easily unsell it. Second, the seller should identify the major satisfiers or motivators of purchase in the market and then supply them.

PERCEPTION

A motivated person is ready to act—*how* is influenced by his or her perception of the situation. In marketing, perceptions are more important than reality because they affect consumers' actual behavior. **Perception** is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world.[41] Consumers perceive many different kinds of information through their senses, as reviewed in "Marketing Memo: The Power of Sensory Marketing."

marketing memo — The Power of Sensory Marketing

Sensory marketing has been defined as "marketing that engages the consumers' senses and affects their perception, judgment and behavior." In other words, sensory marketing is an application of the understanding of sensation and perception to the field of marketing. All five senses may be engaged with sensory marketing: sight, sound, smell, taste, and feel. In a 2012 *Journal of Consumer Psychology* article, Aradhna Krishna offers an excellent review of the rapidly accumulating academic research on this topic.

In doing so, she notes, "Given the gamut of explicit marketing appeals made to consumers every day, subconscious 'triggers' which may appeal to the basic senses may be a more efficient way to engage consumers." In other words, consumers' own inferences about a product's attributes may be more persuasive, at least in some cases, than explicit claims from an advertiser.

Krishna argues that sensory marketing's effects can be manifested in two main ways. One, sensory marketing can be used subconsciously to shape consumer perceptions of more abstract qualities of a product or service (say, different aspects of its brand personality such as its sophistication, ruggedness, warmth, quality, and modernity). Two, sensory marketing can also be used to affect the perceptions of specific product or service attributes such as its color, taste, smell, or shape.

Marketers certainly appreciate the importance of sensory marketing. Many hotels, retailers, and other service establishments use signature scents to set a mood and distinguish themselves. Westin's White Tea scent was so popular it began to sell it for home use. Although NBC, Intel, and Yahoo! have trademarked their brand jingles (or yodels), Harley-Davidson was unsuccessful trademarking its distinctive engine roar. In packaging, companies try to find shapes that are pleasing to the touch, and in food advertising, visual and verbal depictions try to tantalize consumers' taste buds.

Based on Krishna's review of academic research in psychology and marketing, we next highlight some key considerations for each of the five senses.

Touch (haptics)

Touch is the first sense to develop and the last sense we lose with age. People vary in their need for touch, and Peck and Childers have developed a scale to capture those differences. In one application, high need-for-touch (NFT) individuals were more confident and less frustrated about their product evaluations when they could actually touch a product than when they could only see it. For low NFT individuals, touching did not matter one way or another. Written product descriptions helped alleviate the NFT's level of frustration, though only for more concrete product attributes (such as the weight of a cell phone).

Smell

Scent-encoded information has been shown to be more durable and last longer in memory than information encoded with other sensory cues. People can recognize scents after very long lapses of time, and using scents as reminders can cue all kinds of autobiographical memories. Pleasant scents have also been show to enhance evaluations of products and stores. Consumers also take more time shopping and engage in more variety seeking in the presence of pleasant scents.

Sound (audition)

Marketing communications by their very nature are often auditory in nature. Even the sounds that make up a word can carry meanings. One study showed that Frosh-brand ice cream sounded creamier than Frish-brand ice cream. Language too can have its own associations. In bilingual cultures where English is the second language—such as Japan, Korea, Germany, and India—use of English in ads signals modernity, progress, sophistication, and a cosmopolitan identity. Ambient music in a store has also been shown to influence consumer mood, time spent in a location, perception of time spent in a location, and spending.

Taste

Humans can distinguish only five pure tastes: sweet, salty, sour, bitter, and umami. Umami comes from Japanese food researchers and stands for "delicious" or "savory" as it relates to the taste of pure protein or monosodium glutonate (MSG). Taste perceptions themselves depend on all the other senses—the way a food looks, feels, smells, and sounds to eat. Thus many factors have been shown to affect taste perceptions, including physical attributes, brand name, product information (ingredients, nutritional information), product packaging, and advertising. Foreign-sounding brand names can improve ratings of yogurt, and ingredients that sound unpleasant (balsamic vinegar or soy) can affect consumers taste perceptions if disclosed before product consumption.

Vision

Visual effects have been studied in detail in an advertising context. Many visual perception biases or illusions exist in day-to-day consumer behavior. For example, people judge tall thin containers to contain more volume than short fat ones, but after drinking from the containers, people actually feel they have consumed more from short fat containers than tall thin containers, over-adjusting their expectations. Even something as simple as the way a mug is depicted in an ad can affect product evaluations. A mug photographed with the handle on the right side was shown to elicit more mental stimulation and product purchase intent from right-handed people than if shown with the handle on the left side.

Sources: Aradhna Krishna, *Sensory Marketing: Research on the Sensuality of Products* (New York: Routledge, 2010); Aradhna Krishna, "An Integrative Review of Sensory Marketing: Engaging the Senses to Affect Perception, Judgment and Behavior," *Journal of Consumer Psychology* 22 (July 2012), pp. 332–51; Joann Peck and Terry L. Childers, "To Have and to Hold: The Influence of Haptic Information on Product Judgments," *Journal of Marketing* 67 (April 2003), pp. 35–48; Joann Peck and Terry L. Childers, "Individual Differences in Haptic Information Processing: On the Development, Validation, and Use of the 'Need for Touch' Scale," *Journal of Consumer Research* 30 (December 2003), pp. 430–42; Joann Peck and Terry L. Childers, "Effects of Sensory Factors on Consumer Behaviors," Frank Kardes, Curtis Haugtvedt, and Paul Herr, eds., *Handbook of Consumer Psychology* (Mahwah, NJ: Erlbaum, 2008), pp. 193–220; Aradhna Krishna, May Lwin, and Maureen Morrin, "Product Scent and Memory," *Journal of Consumer Research* 37 (June 2010), pp. 57–67; Eric Yorkston and Geeta Menon, "A Sound Idea: Phonetic Effects of Brand Names on Consumer Judgments," *Journal of Consumer Research* 31 (June 2004), pp. 43–45; Aradhna Krishna and Rohini Ahluwalia, "Language Choice in Advertising to Bilinguals: Asymmetric Effects for Multinationals versus Local Firms," *Journal of Consumer Research* 35 (December 2008), pp. 692–705; Richard F. Yalch and Eric R. Spangenberg, "The Effects of Music in a Retail Setting on Real and Perceived Shopping Times," *Journal of Business Research* 49 (August 2000), pp. 139–47; France Leclerc, Bernd H. Schmitt, and Laurette Dube, "Foreign Branding and Its Effect on Product Perceptions and Attitudes," *Journal of Marketing Research* 31 (May 1994), pp. 263–70; Priya Raghubir and Aradhna Krishna, "Vital Dimensions: Antecedents and Consequences of Biases in Volume Perceptions," *Journal of Marketing Research* 36 (August 1994), pp. 313–26; Ryan S. Elder and Aradhna Krishna, "The 'Visual Depiction Effect' in Advertising: Facilitating Embodied Mental Simulation through Product Orientation," *Journal of Consumer Research* 38 (April 2012), pp. 988–1003.

Perception depends not only on physical stimuli but also on the stimuli's relationship to the surrounding environment and on conditions within each of us. One person might perceive a fast-talking salesperson as aggressive and insincere, another as intelligent and helpful. Each will respond to the salesperson differently.

People emerge with different perceptions of the same object because of three perceptual processes: selective attention, selective distortion, and selective retention.

SELECTIVE ATTENTION Attention is the allocation of processing capacity to some stimulus. Voluntary attention is something purposeful; involuntary attention is grabbed by someone or something. It's estimated that the average person may be exposed to more than 1,500 ads or brand communications a day. Because we cannot possibly attend to all these, we screen most stimuli out—a process called **selective attention**. Selective attention means that marketers must work hard to attract consumers' notice. The real challenge is to explain which stimuli people will notice. Here are some findings:

1. ***People are more likely to notice stimuli that relate to a current need.*** A person who is motivated to buy a smart phone will notice smart phone ads and be less likely to notice non-phone-related ads.
2. ***People are more likely to notice stimuli they anticipate.*** You are more likely to notice laptops than portable radios in a computer store because you don't expect the store to carry portable radios.
3. ***People are more likely to notice stimuli whose deviations are large in relationship to the normal size of the stimuli.*** You are more likely to notice an ad offering $100 off the list price of a computer than one offering $5 off.

Though we screen out much, we are influenced by unexpected stimuli, such as sudden offers in the mail, over the Internet, or from a salesperson. Marketers may attempt to promote their offers intrusively in order to bypass selective attention filters.

SELECTIVE DISTORTION Even noticed stimuli don't always come across in the way the senders intended. **Selective distortion** is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.

For a stark demonstration of the power of consumer brand beliefs, consider that in blind taste tests, one group of consumers samples a product without knowing which brand it is while another group knows. Invariably, the groups have different opinions, despite consuming *exactly the same product*.

When consumers report different opinions of branded and unbranded versions of identical products, it must be the case that their brand and product beliefs, created by whatever means (past experiences, marketing activity for the brand, or the like), have somehow changed their product perceptions. We can find examples for virtually every

Source: © valery121283/Fotolia

The size and shape of the glass and the color and smell of the liquid are all cues which may affect consumer perceptions and evaluations when drinking a glass of orange juice.

type of product. When Coors changed its label from "Banquet Beer" to "Original Draft," consumers claimed the taste had changed even though the formulation had not.

Selective distortion can work to the advantage of marketers with strong brands when consumers distort neutral or ambiguous brand information to make it more positive. In other words, coffee may seem to taste better, a car may seem to drive more smoothly, and the wait in a bank line may seem shorter, depending on the brand.

SELECTIVE RETENTION Most of us don't remember much of the information to which we're exposed, but we do retain information that supports our attitudes and beliefs. Because of **selective retention**, we're likely to remember good points about a product we like and forget good points about competing products. Selective retention again works to the advantage of strong brands. It also explains why marketers need to use repetition—to make sure their message is not overlooked.

SUBLIMINAL PERCEPTION The selective perception mechanisms require consumers' active engagement and thought. **Subliminal perception** has long fascinated armchair marketers, who argue that marketers embed covert, subliminal messages in ads or packaging. Consumers are not consciously aware of them, yet they affect behavior. Although it's clear that mental processes include many subtle subconscious effects,[42] no evidence supports the notion that marketers can systematically control consumers at that level, especially enough to change strongly held or even moderately important beliefs.[43]

LEARNING

When we act, we learn. **Learning** induces changes in our behavior arising from experience. Most human behavior is learned, though much learning is incidental. Learning theorists believe learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement.

A **drive** is a strong internal stimulus impelling action. **Cues** are minor stimuli that determine when, where, and how a person responds. Suppose you buy an HP laptop computer. If your experience is rewarding, your response to the laptop and HP will be positively reinforced. Later, when you want to buy a printer, you may assume that because it makes good laptops, HP also makes good printers. In other words, you *generalize* your response to similar stimuli. A countertendency to generalization is discrimination. **Discrimination** means we have learned to recognize differences in sets of similar stimuli and can adjust our responses accordingly.

Learning theory teaches marketers that they can build demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement. A new company can enter the market by appealing to the same drives competitors use and providing similar cues because buyers are more likely to transfer loyalty to similar brands (generalization); or the company might design its brand to appeal to a different set of drives and offer strong cue inducements to switch (discrimination).

Some researchers prefer more active, cognitive approaches when learning depends on the inferences or interpretations consumers make about outcomes (Was an unfavorable consumer experience due to a bad product, or did the consumer fail to follow instructions properly?). The **hedonic bias** occurs when people have a general tendency to attribute success to themselves and failure to external causes. Consumers are thus more likely to blame a product than themselves, putting pressure on marketers to carefully explicate product functions in well-designed packaging and labels, instructive ads and Web sites, and so on.

EMOTIONS

Consumer response is not all cognitive and rational; much may be emotional and invoke different kinds of feelings. A brand or product may make a consumer feel proud, excited, or confident. An ad may create feelings of amusement, disgust, or wonder. Brands like Hallmark, McDonald's, and Coca-Cola have made an emotional connection with loyal customers for years.

Marketers are increasingly recognizing the power of emotional appeals—especially if these are rooted in some functional or rational aspects of the brand. Given it was released 10 years after *Toy Story 2*, Disney's *Toy Story 3* used social media to tap into feelings of nostalgia in its marketing.[44]

To help teen girls and young women feel more comfortable talking about feminine hygiene and feminine care products, Kimberly-Clark used four different social media networks in its "Break the Cycle" campaign for its new U by Kotex brand. With overwhelmingly positive feedback, the campaign helped Kotex move into the top spot in terms of share of word of mouth on feminine care for that target market.[45]

An emotion-filled brand story has been shown to trigger's people desire to pass along things they hear about brands, through either word of mouth or online sharing. Firms are giving their communications a stronger human appeal to engage consumers in their brand stories.[46]

Many different kinds of emotions can be linked to brands. A classic example is Unilever's Axe brand.[47]

Source: ASSOCIATED PRESS

Axe runs edgy promotional campaigns to connect with its young male target audience, like this Showerpooling event hosted by spokesperson and actress Nikki Reed.

AXE A pioneer in product development—it established the male body wash category—and in its edgy sex appeals, Unilever's Axe personal-care brand has become a favorite of young males all over the world. With scents employing different combinations of flowers, herbs, and spices, the Axe line includes deodorant body sprays, sticks, roll-ons, and shampoos. The brand was built on the promise of the "Axe Effect"—an over-the-top notion that using Axe products would get women to enthusiastically and sometimes even desperately pursue the user. For Axe, Unilever employs both traditional and nontraditional media with a heavy dose of sexual innuendo and humor. A recent social media–driven campaign gave a cheeky wink to environmentalism while advocating the practice of "showerpooling." As one ad proclaimed, "When you Showerpool, you can save water while enjoying the company of a like-minded acquaintance, or even an attractive stranger." Facebook promotions, YouTube videos, and other social media messages all helped to spread the word. By cleverly serving as the "wing man" for confidence in the "mating game" —especially for 18- to 24-year-old males—the brand has become a key player in the multibillion-dollar male grooming market. Axe has concentrated grassroots marketing efforts on college campuses with brand ambassadors who hand out products, host parties, and generate buzz. A Twitter account dispenses advice and giveaways.

Emotions can take all forms. Ray-Ban glasses and sunglasses' 75th anniversary campaign "Never Hide" showed a variety of stand-out hipsters and stylish people to suggest wearers will feel attractive and cool. Some brands have tapped into the hip-hop culture and music to market a brand in a modern multicultural way, as Apple did with its iPod.[48]

MEMORY

Cognitive psychologists distinguish between **short-term memory (STM)**—a temporary and limited repository of information—and **long-term memory (LTM)**—a more permanent, essentially unlimited repository. All the information and experiences we encounter as we go through life can end up in our long-term memory.

Most widely accepted views of long-term memory structure assume we form some kind of associative model. For example, the **associative network memory model** views LTM as a set of nodes and links. *Nodes* are stored information connected by *links* that vary in strength. Any type of information can be stored in the memory network, including verbal, visual, abstract, and contextual.

A spreading activation process from node to node determines how much we retrieve and what information we can actually recall in any given situation. When a node becomes activated because we're encoding external information (when we read or hear a word or phrase) or retrieving internal information from LTM (when we think about some concept), other nodes are also activated if they're associated strongly enough with that node.

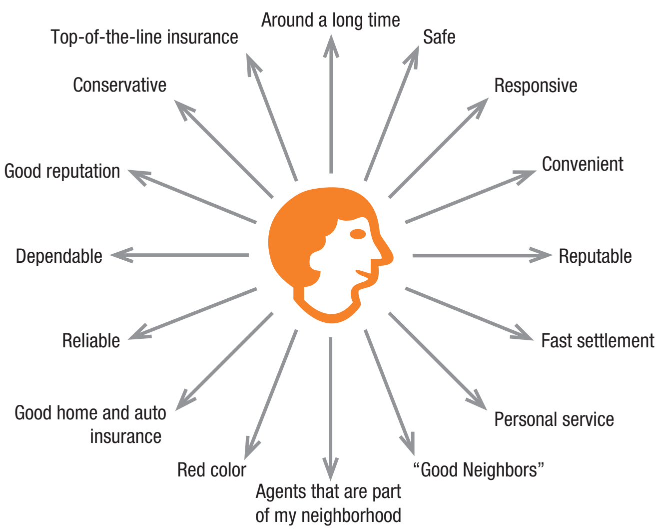
In this model, we can think of consumer brand knowledge as a node in memory with a variety of linked associations. The strength and organization of these associations will be important determinants of the information we can recall about the brand. **Brand associations** consist of all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and so on, that become linked to the brand node.

In this context we can think of marketing as a way of making sure consumers have product and service experiences that create the right brand knowledge structures and maintain them in memory. Companies such as Procter & Gamble like to create mental maps of consumers that depict their knowledge of a particular brand in terms of the key associations likely to be triggered in a marketing setting and their relative strength, favorability, and uniqueness to consumers. Figure 6.3 displays a very simple mental map highlighting some brand beliefs for a hypothetical consumer for State Farm insurance.

MEMORY PROCESSES

Memory is a very constructive process because we don't remember information and events completely and accurately. Often we remember bits and pieces and fill in the rest based on whatever else we know.

Memory encoding describes how and where information gets into memory. The strength of the resulting association depends on how much we process the information at encoding (how much we think about it, for instance) and in what way.[49] In general, the more attention we pay to the meaning of information during encoding, the stronger the resulting associations in memory will be. Advertising research in a field setting suggests that high levels of repetition for an uninvolving, unpersuasive ad, for example, are unlikely to have as much sales impact as lower levels of repetition for an involving, persuasive ad.[50]



| Fig. 6.3 |

Hypothetical State Farm Mental Map

StateFarm®

Source: Courtesy of State Farm Mutual Automobile Insurance Co.

Memory retrieval is the way information gets out of memory. Three facts are important about memory retrieval.

1. The presence of *other* product information in memory can produce interference effects and cause us to either overlook or confuse new data. One marketing challenge in a category crowded with many competitors—for example, airlines, financial services, and insurance companies—is that consumers may mix up brands.
2. The time between exposure to information and encoding has been shown generally to produce only gradual decay. Cognitive psychologists believe memory is extremely durable, so once information becomes stored in memory, its strength of association decays very slowly.
3. Information may be *available* in memory but not be *accessible* for recall without the proper retrieval cues or reminders. The effectiveness of retrieval cues is one reason marketing *inside* a supermarket or any retail store is so critical—the product packaging and use of in-store mini-billboard displays remind us of information already conveyed outside the store and become prime determinants of consumer decision making. Accessibility of a brand in memory is important for another reason: People talk about a brand when it is top-of-mind.[51]

The Buying Decision Process: The Five-Stage Model

The basic psychological processes we've reviewed play an important role in consumers' actual buying decisions. Table 6.2 provides a list of some key consumer behavior questions marketers should ask in terms of who, what, when, where, how, and why.

Smart companies try to fully understand customers' buying decision process—all the experiences in learning, choosing, using, and even disposing of a product. Marketing scholars have developed a "stage model" of the

TABLE 6.2 Understanding Consumer Behavior
Who buys our product or service?
Who makes the decision to buy the product or service?
Who influences the decision to buy the product or service?
How is the purchase decision made? Who assumes what role?
What does the customer buy? What needs must be satisfied? What wants are fulfilled?
Why do customers buy a particular brand? What benefits do they seek?
Where do they go or look to buy the product or service? Online and/or offline?
When do they buy? Any seasonality factors? Any time of day/week/month?
How is our product or service perceived by customers?
What are customers' attitudes toward our product or service?
What social factors might influence the purchase decision?
Do customers' lifestyles influence their decisions?
How do personal, demographic, or economic factors influence the purchase decision?

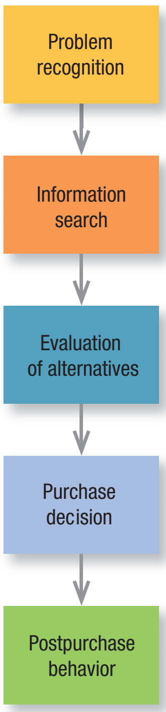
Source: Based in part on figure 1.7 from George Belch and Michael Belch, *Advertising and Promotion: An Integrated Marketing Communications Perspective*, 8th ed. (Homewood, IL: Irwin, 2009).

process (see Figure 6.4). The consumer typically passes through five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior.

Clearly, the buying process starts long before the actual purchase and has consequences long afterward.[52] Some consumers passively shop and may decide to make a purchase from unsolicited information they encounter in the normal course of events.[53] Recognizing this fact, marketers must develop activities and programs that reach consumers at all decision stages. Consider how Procter & Gamble launched a new CoverGirl "Smokey Eye Look" makeup kit.[54]

P&G COVERGIRL To create awareness at product launch, P&G sent makeup bloggers "Makeup Master" kits with packs of mascara, eyeliner, and eye shadow along with application instructions, blogging tips, product photographs, and a CoverGirl-emblazoned director's chair before the product was available in stores. At stores, CoverGirl created attention and interest with live product demonstrations, co-branded print ads with Walmart, and cardboard trays displaying product features and the product kits themselves. After they bought, purchasers were encouraged via Facebook and other online campaigns to provide feedback and write reviews to influence others. The brand's Facebook page featured testimonies from celebrities Ellen DeGeneres and Sofia Vergara. CoverGirl is one of P&G's most digitally supported brands, recognizing the high level of consumer involvement and the need to stay up to date. P&G is also supporting CoverGirl via mobile marketing through targeted ads and a microsite with experts' tips and video on proper application.

Consumers don't always pass through all five stages—they may skip or reverse some. When you buy your regular brand of toothpaste, you go directly from the need to the purchase decision, skipping information search and evaluation. The model in Figure 6.4 provides a good frame of reference, however, because it captures the full range of considerations that arise when a consumer faces a highly involving or new purchase. Later in the chapter, we will consider other ways consumers make decisions that are less calculated.



| Fig. 6.4 |

Five-Stage Model of the Consumer Buying Process

PROBLEM RECOGNITION

The buying process starts when the buyer recognizes a problem or need triggered by internal or external stimuli. With an internal stimulus, one of the person's normal needs—hunger, thirst, sex—rises to a threshold level and becomes a drive. A need can also be aroused by an external stimulus. A person may admire a friend's new car or see a television ad for a Hawaiian vacation, which inspires thoughts about the possibility of making a purchase.

Marketers need to identify the circumstances that trigger a particular need by gathering information from a number of consumers. They can then develop marketing strategies that spark consumer interest. Particularly for discretionary purchases such as luxury goods, vacation packages, and entertainment options, marketers may need to increase consumer motivation so a potential purchase gets serious consideration.

Source: © Vladyslav Starozhylov / Alamy

P&G engages consumers at every stage of the buying process for its Cover Girl brand.

INFORMATION SEARCH

Surprisingly, consumers often search for only limited information. Surveys have shown that for durables, half of all consumers look at only one store, and only 30 percent look at more than one brand of appliances. We can distinguish between two levels of engagement in the search. The milder search state is called *heightened attention.* At this level a person simply becomes more receptive to information about a product. At the next level, the person may enter an *active information search:* looking for reading material, phoning friends, going online, and visiting stores to learn about the product.

Marketers must understand what type of information consumers seek—or are at least receptive to—at different times and places.[55] Unilever, in collaboration with Kroger, the largest U.S. retail grocery chain, has learned that meal planning goes through a three-step process: discussion of meals and what might go into them; choice of exactly what will go into a particular meal, and finally purchase. Mondays turn out to be critical days for planning for the week. Conversations at breakfast time tend to focus on health, but later in the day, at lunch, discussion centers more on how meals could possibly be repurposed for leftovers.[56]

INFORMATION SOURCES
Major information sources to which consumers will turn fall into four groups:

- ***Personal.*** Family, friends, neighbors, acquaintances
- ***Commercial.*** Advertising, Web sites, e-mails, salespersons, dealers, packaging, displays
- ***Public.*** Mass media, social media, consumer-rating organizations
- ***Experiential.*** Handling, examining, using the product

The relative amount of information and influence of these sources vary with the product category and the buyer's characteristics. Generally speaking, although consumers receive the greatest amount of information about a product from commercial—that is, marketer-dominated—sources, the most effective information often comes from personal or experiential sources or public sources that are independent authorities.[57]

Each source performs a different function in influencing the buying decision. Commercial sources normally perform an information function, whereas personal sources perform a legitimizing or evaluation function. For example, physicians often learn of new drugs from commercial sources but turn to other doctors for evaluations. Many consumers alternate between going online and offline (in stores) to learn about products and brands.

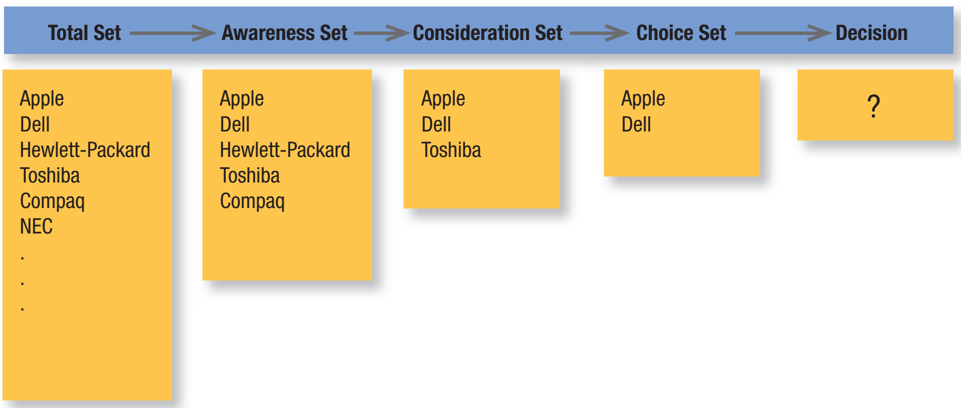
SEARCH DYNAMICS
By gathering information, the consumer learns about competing brands and their features. The first box in Figure 6.5 shows the *total set* of brands available. The individual consumer will come to know a subset of these, the *awareness set*. Only some, the *consideration set,* will meet initial buying criteria. As the consumer gathers more information, just a few, the *choice set,* will remain strong contenders. The consumer makes a final choice from these.[58]

Marketers need to identify the hierarchy of attributes that guide consumer decision making in order to understand different competitive forces and how these various sets get formed. This process of identifying the hierarchy is called **market partitioning**. Years ago, most car buyers first decided on the manufacturer and then on one of its car divisions (*brand-dominant hierarchy*). A buyer might favor General Motors cars and, within this set, Chevrolet. Today, many buyers decide first on the nation or nations from which they want to buy a car (*nation-dominant hierarchy*). Buyers may first decide they want to buy a German car, then Audi, and then the A4 model of Audi.

The hierarchy of attributes also can reveal customer segments. Buyers who first decide on price are price dominant; those who first decide on the type of car (sports, passenger, hybrid) are type dominant; those who

| Fig. 6.5 |

Successive Sets Involved in Consumer Decision Making



choose the brand first are brand dominant. Type/price/brand-dominant consumers make up one segment; quality/service/type buyers make up another. Each may have distinct demographics, psychographics, and mediagraphics and different awareness, consideration, and choice sets.

Figure 6.5 makes it clear that a company must strategize to get its brand into the prospect's awareness, consideration, and choice sets. If a food store owner arranges yogurt first by brand (such as Dannon and Yoplait) and then by flavor within each brand, consumers will tend to select their flavors from the same brand. However, if all the strawberry yogurts are together, then all the vanilla, and so forth, consumers will probably choose the flavors they want first and then choose the brand name they want for that particular flavor.

Search behavior can vary online, in part because of the manner in which product information is presented. For example, product alternatives may be presented in order of their predicted attractiveness for the consumer. Consumers may then choose not to search as extensively as they would otherwise.[59]

The company must also identify the other brands in the consumer's choice set so that it can plan the appropriate competitive appeals. In addition, marketers should identify the consumer's information sources and evaluate their relative importance. Asking consumers how they first heard about the brand, what information came later, and the relative importance of the different sources will help the company prepare effective communications for the target market.

EVALUATION OF ALTERNATIVES

How does the consumer process competitive brand information and make a final value judgment? No single process is used by all consumers or by one consumer in all buying situations. There are several processes, and the most current models see the consumer forming judgments largely on a conscious and rational basis.

Some basic concepts will help us understand consumer evaluation processes. First, the consumer is trying to satisfy a need. Second, the consumer is looking for certain benefits from the product solution. Third, the consumer sees each product as a bundle of attributes with varying abilities to deliver the benefits. The attributes of interest to buyers vary by product—for example:

1. ***Hotels***—Location, cleanliness, atmosphere, price
2. ***Mouthwash***—Color, effectiveness, germ-killing capacity, taste/flavor, price
3. ***Tires***—Safety, tread life, ride quality, price

Consumers will pay the most attention to attributes that deliver the sought-after benefits. We can often segment the market for a product according to attributes and benefits important to different consumer groups.

BELIEFS AND ATTITUDES Through experience and learning, people acquire beliefs and attitudes. These in turn influence buying behavior. A **belief** is a descriptive thought that a person holds about something. Just as important are **attitudes**, a person's enduring favorable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea. People have attitudes toward almost everything: religion, politics, clothes, music, or food.

Attitudes put us into a frame of mind: liking or disliking an object, moving toward or away from it. They lead us to behave in a fairly consistent way toward similar objects. Because attitudes economize on energy and thought, they can be very difficult to change. As a general rule, a company is well advised to fit its product into existing attitudes rather than try to change attitudes. If beliefs and attitudes become too negative, however, more active steps may be necessary.

EXPECTANCY-VALUE MODEL The consumer arrives at attitudes toward various brands through an attribute-evaluation procedure, developing a set of beliefs about where each brand stands on each attribute.[60] The **expectancy-value model** of attitude formation posits that consumers evaluate products and services by combining their brand beliefs—the positives and negatives—according to importance.

Suppose Linda has narrowed her choice set to four laptops (A, B, C, and D). Assume she's interested in four attributes: memory capacity, graphics capability, size and weight, and price. Table 6.3 shows her beliefs about how each brand rates on the four attributes. If one computer dominated the others on all the criteria, we could predict that Linda would choose it. But, as is often the case, her choice set consists of brands that vary in their appeal. If Linda wants the best memory capacity, she should buy C; if she wants the best graphics capability, she should buy A; and so on.

If we knew the weights Linda attaches to the four attributes, we could more reliably predict her choice. Suppose she assigned 40 percent of the importance to the laptop's memory capacity, 30 percent to graphics capability, 20 percent to size and weight, and 10 percent to price. To find Linda's perceived value for each laptop according to

TABLE 6.3 A Consumer's Brand Beliefs about Laptop Computers

Laptop Computer	Attribute			
	Memory Capacity	Graphics Capability	Size and Weight	Price
A	8	9	6	9
B	7	7	7	7
C	10	4	3	2
D	5	3	8	5

Note: Each attribute is rated from 0 to 10, where 10 represents the highest level on that attribute. Price, however, is indexed in a reverse manner, with 10 representing the lowest price, because a consumer prefers a low price to a high price.

the expectancy-value model, we multiply her weights by her beliefs about each computer's attributes. This computation leads to the following perceived values:

$$\text{Laptop A} = 0.4(8) + 0.3(9) + 0.2(6) + 0.1(9) = 8.0$$
$$\text{Laptop B} = 0.4(7) + 0.3(7) + 0.2(7) + 0.1(7) = 7.0$$
$$\text{Laptop C} = 0.4(10) + 0.3(4) + 0.2(3) + 0.1(2) = 6.0$$
$$\text{Laptop D} = 0.4(5) + 0.3(3) + 0.2(8) + 0.1(5) = 5.0$$

An expectancy-model formulation predicts that Linda will favor laptop A, which (at 8.0) has the highest perceived value.[61]

Suppose most laptop buyers form their preferences the same way. Knowing this, the marketer of laptop B, for example, could apply the following strategies to stimulate greater interest in brand B:

- ***Redesign the laptop.*** This technique is called *real repositioning*.
- ***Alter beliefs about the brand.*** Attempting to alter beliefs about the brand is called *psychological repositioning*.
- ***Alter beliefs about competitors' brands.*** This strategy, called *competitive depositioning*, makes sense when buyers mistakenly believe a competitor's brand is higher quality than it actually is.
- ***Alter the importance weights.*** The marketer could try to persuade buyers to attach more importance to the attributes in which the brand excels.
- ***Call attention to neglected attributes.*** The marketer could draw buyers' attention to neglected attributes, such as styling or processing speed.
- ***Shift the buyer's ideals.*** The marketer could try to persuade buyers to change their ideal levels for one or more attributes.[62]

PURCHASE DECISION

In the evaluation stage, the consumer forms preferences among the brands in the choice set and may also form an intention to buy the most preferred brand. In executing a purchase intention, the consumer may make as many as five subdecisions: brand (brand A), dealer (dealer 2), quantity (one computer), timing (weekend), and payment method (credit card).

NONCOMPENSATORY MODELS OF CONSUMER CHOICE

The expectancy-value model is a compensatory model, in that perceived good things about a product can help to overcome perceived bad things. But consumers often take "mental shortcuts" called **heuristics** or rules of thumb in the decision process.

With **noncompensatory models** of consumer choice, positive and negative attribute considerations don't necessarily net out. Evaluating attributes in isolation makes decision making easier for a consumer, but it also increases the likelihood that she would have made a different choice if she had deliberated in greater detail. We highlight three choice heuristics here.[63]

1. Using the **conjunctive heuristic**, the consumer sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets the minimum standard for all attributes. For example, if Linda decided all attributes had to rate at least 5, she would choose laptop B.
2. With the **lexicographic heuristic**, the consumer chooses the best brand on the basis of its perceived most important attribute. With this decision rule, Linda would choose laptop C.
3. Using the **elimination-by-aspects heuristic**, the consumer compares brands on an attribute selected probabilistically—where the probability of choosing an attribute is positively related to its importance—and eliminates brands that do not meet minimum acceptable cutoffs.

Our brand or product knowledge, the number and similarity of brand choices and time pressures present, and the social context (such as the need for justification to a peer or boss) all may affect whether and how we use choice heuristics.

Consumers don't necessarily use only one type of choice rule. For example, they might use a noncompensatory decision rule such as the conjunctive heuristic to reduce the number of brand choices to a more manageable number and then evaluate the remaining brands.

One reason for the runaway success of the Intel Inside campaign in the 1990s was that it made the brand the first cutoff for many consumers—they would buy only a personal computer that had an Intel microprocessor. Leading personal computer makers at the time, such as IBM, Dell, and Gateway, had no choice but to support Intel's marketing efforts.

A number of factors will determine the manner in which consumers form evaluations and make choices. University of Chicago professors Richard Thaler and Cass Sunstein show how marketers can influence consumer decision making through what they call the *choice architecture*—the environment in which decisions are structured and buying choices are made.

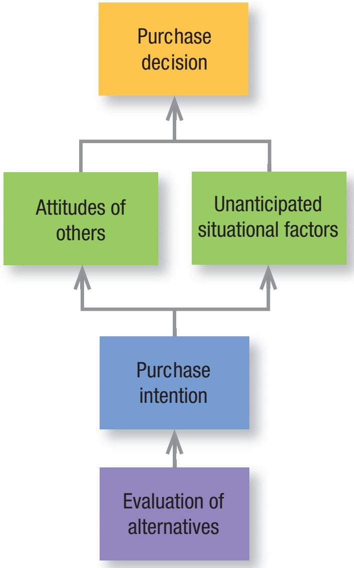
According to these researchers, in the right environment, consumers can be given a "nudge" via some small feature in the environment that attracts attention and alters behavior. They maintain Nabisco is employing a smart choice architecture by offering 100-calorie snack packs, which have solid profit margins, while nudging consumers to make healthier choices.[64]

INTERVENING FACTORS Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision (see Figure 6.6). The first factor is the *attitudes of others.* The influence on us of another person's attitude depends on two things: (1) the intensity of the other person's negative attitude toward our preferred alternative and (2) our motivation to comply with the other person's wishes.[65] The more intense the other person's negativism and the closer he or she is to us, the more we will adjust our purchase intention. The converse is also true.

Related to the attitudes of others is the role played by infomediaries' evaluations: *Consumer Reports,* which provides unbiased expert reviews of all types of products and services; J. D. Power, which provides consumer-based ratings of cars, financial services, and travel products and services; professional movie, book, and music reviewers; customer reviews of books and music on such sites as Amazon.com; and the increasing number of chat rooms, bulletin boards, blogs, and other online sites like Angie's List where people discuss products, services, and companies.[66]

Consumers are undoubtedly influenced by these external evaluations, as evidenced by the runaway success of the movie *Ted.*[67]

TED With a modest production budget of $50 million, the R-rated comedy *Ted* became a summer blockbuster in 2012, eventually grossing more than a staggering $530 million worldwide, thanks to favorable reviews by critics and moviegoers and a carefully constructed online marketing campaign. Edgy videos and a Twitter feed with raunchy advice from Ted, the often-crude teddy bear star, created much online buzz. Fans of the movie's Facebook page approached 3 million, Twitter followers reached 400,000, and a "Talking Ted" iPhone app was downloaded 3.5 million times. Universal Pictures' marketing campaign also included several different theater trailers to attract different types of audiences. Social media targeted fans of the *Family Guy* television show, whose creator, Seth McFarlane, directed *Ted* and provided the voice of the title character. After the first trailer went online, the studio picked up much online chatter with a song, "Thunder Buddies," that the other star of the movie, Mark Wahlberg, sang to Ted while in bed. To capitalize on the buzz, the studio put out a remixed version of the song on the movie's Web site, e-cards with lyrics on Facebook, Thunder Buddy pajamas from CafePress.com, and a 30-second video clip of the song.



| Fig. 6.6 |

Steps between Evaluation of Alternatives and a Purchase Decision

Source: ASSOCIATED PRESS

Ted became a summer blockbuster due to strong positive word-of-mouth and a well conceived and executed social media campaign.

The second factor is *unanticipated situational factors* that may erupt to change the purchase intention. Linda might lose her job before she purchases a laptop, some other purchase might become more urgent, or a store salesperson may turn her off. As Chapter 15 discusses, much marketing occurs at the point of purchase: online or in the store.

Preferences and even purchase intentions are not completely reliable predictors of purchase behavior. A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by one or more types of *perceived risk*:[68]

1. ***Functional risk***—The product does not perform to expectations.
2. ***Physical risk***—The product poses a threat to the physical well-being or health of the user or others.
3. ***Financial risk***—The product is not worth the price paid.
4. ***Social risk***—The product results in embarrassment in front of others.
5. ***Psychological risk***—The product affects the mental well-being of the user.
6. ***Time risk***—The failure of the product results in an opportunity cost of finding another satisfactory product.

The degree of perceived risk varies with the amount of money at stake, the amount of attribute uncertainty, and the level of consumer self-confidence. Consumers develop routines for reducing the uncertainty and negative consequences of risk, such as avoiding decisions, gathering information from friends, and developing preferences for national brand names and warranties. Marketers must understand the factors that provoke a feeling of risk in consumers and provide information and support to reduce it.

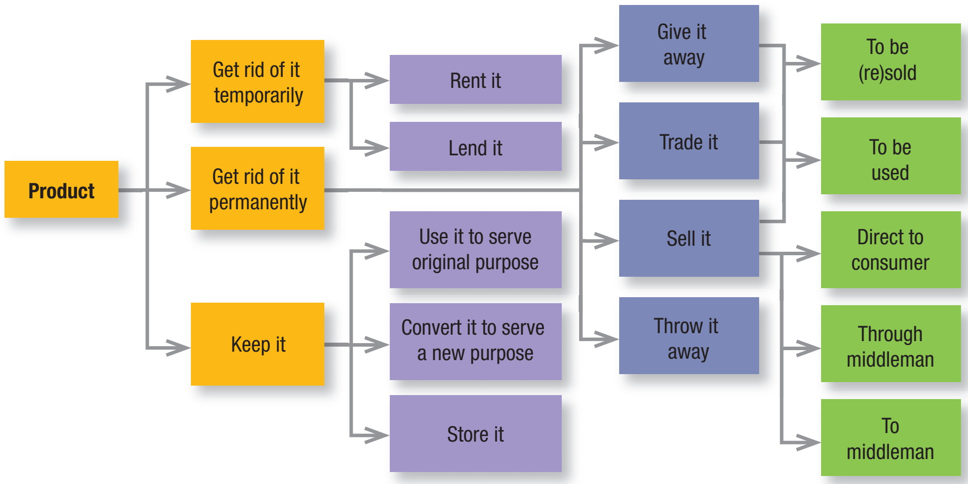
POSTPURCHASE BEHAVIOR

After the purchase, the consumer might experience dissonance from noticing certain disquieting features or hearing favorable things about other brands and will be alert to information that supports his or her decision. Marketing communications should supply beliefs and evaluations that reinforce the consumer's choice and help him or her feel good about the brand. The marketer's job therefore doesn't end with the purchase. Marketers must monitor postpurchase satisfaction, postpurchase actions, and postpurchase product uses and disposal.

POSTPURCHASE SATISFACTION Satisfaction is a function of the closeness between expectations and the product's perceived performance.[69] If performance falls short of expectations, the consumer is *disappointed;* if it meets expectations, the consumer is *satisfied;* if it exceeds expectations, the consumer is *delighted.* These feelings make a difference in whether the customer buys the product again and talks favorably or unfavorably about it to others.

The larger the gap between expectations and performance, the greater the dissatisfaction. Here the consumer's coping style comes into play. Some consumers magnify the gap when the product isn't perfect and are highly dissatisfied; others minimize it and are less dissatisfied.

POSTPURCHASE ACTIONS A satisfied consumer is more likely to purchase the product again and will also tend to say good things about the brand to others. Dissatisfied consumers may abandon or return the product. They may seek information that confirms its high value. They may take public action by complaining to the company, going to a lawyer, or complaining directly to other groups (such as business, private, or government agencies) or to many others online. Private actions include deciding to stop buying the product (*exit option*) or warning friends (*voice option*).[70]



| Fig. 6.7 |

How Customers Use or Dispose of Products

Source: Jacob Jacoby, et al., "What about Disposition?," *Journal of Marketing* (July 1977), p. 23. Reprinted with permission from the *Journal of Marketing*, published by the American Marketing Association.

Chapter 5 described CRM programs designed to build long-term brand loyalty. Postpurchase communications to buyers have been shown to result in fewer product returns and order cancellations. Computer companies, for example, can send a letter to new owners congratulating them on having selected a fine new tablet computer. They can place ads showing satisfied brand owners. They can solicit customer suggestions for improvements and list the location of available services. They can write intelligible instruction booklets. They can send owners e-mail updates describing new tablet applications. In addition, they can provide good channels for speedy redress of customer grievances.

POSTPURCHASE USES AND DISPOSAL Marketers should also monitor how buyers use and dispose of the product (Figure 6.7). A key driver of sales frequency is product consumption rate—the more quickly buyers consume a product, the sooner they may be back in the market to repurchase it.

Consumers may fail to replace some products soon enough because they overestimate product life.[71] One strategy to speed replacement is to tie the act of replacing the product to a certain holiday, event, or time of year (such as promoting changing the batteries in smoke detectors when Daylight Savings ends).

Another strategy is to provide consumers with better information about either (1) the time they first used the product or need to replace it or (2) its current level of performance. Batteries have built-in gauges that show how much power they have left; razors have color in their lubricating strips to indicate when blades may be worn; and so on. Perhaps the simplest way to increase usage is to learn when actual usage is lower than recommended and persuade customers that more regular usage has benefits, overcoming potential hurdles.

If consumers throw the product away, the marketer needs to know how they dispose of it, especially if—like batteries, beverage containers, electronic equipment, and disposable diapers—it can damage the environment. There also may be product opportunities in disposed products: Air Salvage International is the largest plane dismantler in Europe and a major player in the booming secondhand market for aircraft parts, which totaled $2.5 billion from 2009 to 2011; vintage clothing shops, such as Savers, resell 2.5 billion pounds of used clothing annually; Diamond Safety buys finely ground used tires and then makes and sells playground covers and athletic fields.[72]

Source: © Jim West / Alamy

Air Salvage International is a market leader in the booming business of selling used aircraft parts.

MODERATING EFFECTS ON CONSUMER DECISION MAKING

The path by which a consumer moves through the decision-making stages depends on several factors, including the level of involvement and extent of variety seeking.

LOW-INVOLVEMENT CONSUMER DECISION MAKING The expectancy-value model assumes a high level of **consumer involvement**, or engagement and active processing the consumer undertakes in responding to a marketing stimulus.

Richard Petty and John Cacioppo's *elaboration likelihood model,* an influential model of attitude formation and change, describes how consumers make evaluations in both low- and high-involvement circumstances.[73] There are two means of persuasion in their model: the *central route*, in which attitude formation or change stimulates much thought and is based on the consumer's diligent, rational consideration of the most important product information; and the *peripheral route*, in which attitude formation or change provokes much less thought and results from the consumer's association of a brand with either positive or negative peripheral cues. *Peripheral cues* for consumers include a celebrity endorsement, a credible source, or any object that generates positive feelings.

Consumers follow the central route only if they possess sufficient motivation, ability, and opportunity. In other words, they must want to evaluate a brand in detail, have the necessary brand and product or service knowledge in memory, and have sufficient time and the proper setting. If any of those factors is lacking, consumers tend to follow the peripheral route and consider less central, more extrinsic factors in their decisions.

We buy many products under conditions of low involvement and without significant brand differences. Consider salt. If consumers keep reaching for the same brand in this category, it may be out of habit, not strong brand loyalty. Evidence suggests we have low involvement with most low-cost, frequently purchased products.

Marketers use four techniques to try to convert a low-involvement product into one of higher involvement. First, they can link the product to an engaging issue, as when Crest linked its toothpaste to cavity prevention. Second, they can link the product to a personal situation—for example, fruit juice makers began to include vitamins such as calcium to fortify their drinks. Third, they might design advertising to trigger strong emotions related to personal values or ego defense, as when cereal makers began to advertise to adults the heart-healthy nature of cereals and the importance of living a long time to enjoy family life. Fourth, they might add an important feature—for example, when GE lightbulbs introduced "Soft White" versions. These strategies at best raise consumer involvement from a low to a moderate level; they do not necessarily propel the consumer into highly involved buying behavior.

If consumers will have low involvement with a purchase decision regardless of what the marketer can do, they are likely to follow the peripheral route. Marketers must give consumers one or more positive cues to justify their brand choice, such as frequent ad repetition, visible sponsorships, and vigorous PR to enhance brand familiarity. Other peripheral cues that can tip the balance in favor of the brand include a beloved celebrity endorser, attractive packaging, and an appealing promotion.

VARIETY-SEEKING BUYING BEHAVIOR Some buying situations are characterized by low involvement but significant brand differences. Here consumers often do a lot of brand switching. Think about cookies. The consumer has some beliefs about cookies, chooses a brand without much evaluation, and evaluates the product during consumption. Next time, the consumer may reach for another brand out of a desire for a different taste. Brand switching occurs for the sake of variety rather than from dissatisfaction.

The market leader and the minor brands in this product category have different marketing strategies. The market leader will try to encourage habitual buying behavior by dominating the shelf space with a variety of related product versions, avoiding out-of-stock conditions, and sponsoring frequent reminder advertising. Challenger firms will encourage variety seeking by offering lower prices, deals, coupons, free samples, and advertising that tries to break the consumer's purchase and consumption cycle and presents reasons for trying something new.

Behavioral Decision Theory and Behavioral Economics

As you might guess from low-involvement decision making and variety seeking, consumers don't always process information or make decisions in a deliberate, rational manner. One of the most active academic research areas in marketing over the past three decades has been *behavioral decision theory* (BDT). Behavioral decision theorists have identified many situations in which consumers make seemingly irrational choices. Table 6.4 summarizes some provocative findings from this research.[74]

What all these and other studies reinforce is that consumer behavior is very constructive and the context of decisions really matters. Understanding how these effects show up in the marketplace can be crucial for marketers.

TABLE 6.4	Selected Behavioral Decision Theory Findings

- Consumers are more likely to choose an alternative (a home bread maker) after a relatively inferior option (a slightly better but significantly more expensive home bread maker) is added to the available choice set.
- Consumers are more likely to choose an alternative that appears to be a compromise in the particular choice set under consideration, even if it is not the best alternative on any one dimension.
- The choices consumers make influence their assessment of their own tastes and preferences.
- Getting people to focus their attention more on one of two considered alternatives tends to enhance the perceived attractiveness and choice probability of that alternative.
- The way consumers compare products that vary in price and perceived quality (by features or brand name) and the way those products are displayed in the store (by brand or by model type) both affect their willingness to pay more for additional features or a better-known brand.
- Consumers who think about the possibility that their purchase decisions will turn out to be wrong are more likely to choose better-known brands.
- Consumers for whom possible feelings of regret about missing an opportunity have been made more relevant are more likely to choose a product currently on sale than wait for a better sale or buy a higher-priced item.
- Consumers' choices are often influenced by subtle (and theoretically inconsequential) changes in the way alternatives are described.
- Consumers who make purchases for later consumption appear to make systematic errors in predicting their future preferences.
- Consumer's predictions of their future tastes are not accurate—they do not really know how they will feel after consuming the same flavor of yogurt or ice cream several times.
- Consumers often overestimate the duration of their overall emotional reactions to future events (moves, financial windfalls, outcomes of sporting events).
- Consumers often overestimate their future consumption, especially if there is limited availability.
- In anticipating future consumption opportunities, consumers often assume they will want or need more variety than they actually do.
- Consumers are less likely to choose alternatives with product features or promotional premiums that have little or no value, even when these features and premiums are optional (like the opportunity to purchase a collector's plate) and do not reduce the actual value of the product in any way.
- Consumers are less likely to choose products selected by others for reasons they find irrelevant, even when these other reasons do not suggest anything positive or negative about the product's values.
- Consumers' interpretations and evaluations of past experiences are greatly influenced by the ending and trend of events. A positive event at the end of a service experience can color later reflections and evaluations of the experience as a whole.
- When faced with a simple but important decision, consumers can actually make things more complicated than they should.

The work of these and other academics has also challenged predictions from economic theory and assumptions about rationality, leading to the emergence of the field of *behavioral economics*.[75] Here we review some of the issues in three broad areas: decision heuristics, framing, and other contextual effects.

DECISION HEURISTICS

Above we reviewed some common heuristics that occur with non-compensatory decision making. Other heuristics similarly come into play in everyday decision making when consumers forecast the likelihood of future outcomes or events.[76]

1. The **availability heuristic**—Consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind. If an example comes to mind too easily, consumers might overestimate the likelihood of its happening. For example, a recent product failure may lead consumers to inflate the likelihood of a future product failure and make them more inclined to purchase a product warranty.
2. The **representativeness heuristic**—Consumers base their predictions on how representative or similar the outcome is to other examples. One reason package appearances may be so similar for different brands in the

same product category is that marketers want their products to be seen as representative of the category as a whole.

3. The **anchoring and adjustment heuristic**—Consumers arrive at an initial judgment and then adjust it—sometimes only reluctantly—based on additional information. For services marketers, a strong first impression is critical to establishing a favorable anchor so subsequent experiences will be interpreted in a more favorable light.

Note that marketing managers also may use heuristics and be subject to biases in their own decision making.

FRAMING

Decision framing is the manner in which choices are presented to and seen by a decision maker. A $200 cell phone may not seem that expensive in the context of a set of $400 phones but may seem very expensive if other phones cost $50. Framing effects are pervasive and can be powerful.[77]

We find framing effects in comparative advertising, where a brand can put its best foot forward by comparing itself to another with inferior features; in pricing where unit prices can make the product seem less expensive ("only pennies a day"); in product information where larger units can seem more desirable (a 24-month warranty versus a two-year warranty); and with new products, where consumers can better understand a new product's functions and features by seeing how it compares with existing products.[78]

Marketers can be very clever in framing decisions. To help promote its environmentally friendly cars, Volkswagen Sweden incorporated a giant working piano keyboard into the steps next to the exit escalator of a Stockholm subway station. Stair traffic rose 66 percent as a result, a fact VW cleverly captured in a YouTube video seen more than 20 million times.[79]

MENTAL ACCOUNTING Researchers have found that consumers use a form of framing called "mental accounting" when they handle their money.[80] **Mental accounting** describes the way consumers code, categorize, and evaluate financial outcomes of choices. Formally, it is "the tendency to categorize *funds* or items of value even though there is no logical *basis* for the categorization, e.g., individuals often segregate their savings into separate accounts to meet different goals even though funds from any of the accounts can be applied to any of the goals."[81]

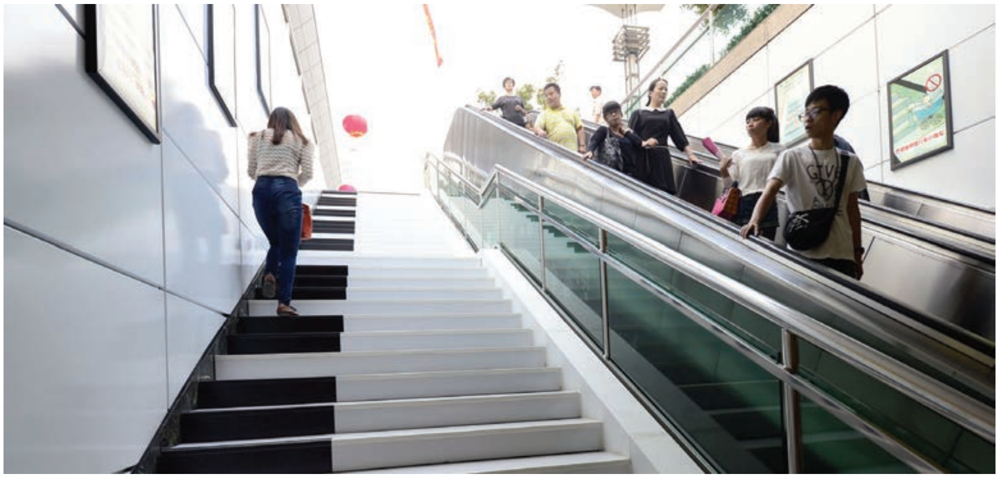
Consider the following two scenarios:

1. You spend $50 to buy a ticket for a concert.[82] As you arrive at the show, you realize you've lost your ticket. You decide to buy a replacement.
2. You decide to buy a ticket to a concert at the door. As you arrive at the show, you realize somehow you lost $50 along the way. You decide to buy the ticket anyway.

Which one are you more likely to do? Most people choose scenario 2. Although you lost the same amount in each case—$50—in the first case you may have mentally allocated $50 for going to a concert. Buying another ticket would exceed your mental concert budget. In the second case, the money you lost did not belong to any account, so you had not yet exceeded your mental concert budget.

Mental accounting has many applications to marketing.[83] According to the University of Chicago's Richard Thaler, it is based on a set of core principles:

In a clever promotion by VW to emphasize its environmental friendliness, more people used stairs when they were made into a piano keyboard coming out of a Stockholm subway station.



Source: Li Zhong/Xinhua/Photoshot/Newscom

1. Consumers tend to *segregate gains.* When a seller has a product with more than one positive dimension, it's desirable to have the consumer evaluate each dimension separately. Listing multiple benefits of a large industrial product, for example, can make the sum of the parts seem greater than the whole.
2. Consumers tend to *integrate losses.* Marketers have a distinct advantage in selling something if its cost can be added to another large purchase. House buyers are more inclined to view additional expenditures favorably given the already high price of buying a house.
3. Consumers tend to *integrate smaller losses with larger gains.* The "cancellation" principle might explain why withholding taxes from monthly paychecks is less painful than making large, lump-sum tax payments—the smaller withholdings are more likely to be overshadowed by the larger pay amount.
4. Consumers tend to *segregate small gains from large losses.* The "silver lining" principle might explain the popularity of rebates on big-ticket purchases such as cars.

The principles of mental accounting are derived in part from prospect theory. **Prospect theory** maintains that consumers frame their decision alternatives in terms of gains and losses according to a value function. Consumers are generally loss-averse. They tend to overweight very low probabilities and underweight very high probabilities.

Summary

1. Consumer behavior is influenced by three factors: cultural (culture, subculture, and social class), social (reference groups, family, and social roles and statuses), and personal (age, stage in the life cycle, occupation, economic circumstances, lifestyle, personality, and self-concept). Research into these factors can provide clues to reach and serve consumers more effectively.
2. Four main psychological processes that affect consumer behavior are motivation, perception, learning, and memory.
3. To understand how consumers actually make buying decisions, marketers must identify who makes and has input into the buying decision; people can be initiators, influencers, deciders, buyers, or users. Different marketing campaigns might be targeted to each type of person.
4. The typical buying process consists of the following sequence of events: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. The marketers' job is to understand the behavior at each stage.
5. Consumers will not necessarily go through the buying process in an orderly fashion and make skip and reverse stages and alternative between going online and offline.
6. The attitudes of others, unanticipated situational factors, and perceived risk may all affect the decision to buy, as will consumers' levels of postpurchase product satisfaction, use and disposal, and the company's actions.
7. Consumers are constructive decision makers and subject to many contextual influences. They often exhibit low involvement in their decisions, using many heuristics as a result.

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Applications

Marketing Debate

Is Target Marketing Ever Bad?

As marketers increasingly tailor marketing programs to target market segments, some critics have denounced these efforts as exploitive. They see the preponderance of billboards advertising cigarettes and alcohol in low-income urban areas as taking advantage of a vulnerable market segment. Critics can be especially harsh in evaluating marketing programs that target African Americans and other minority groups, claiming they often employ stereotypes and inappropriate depictions. Others counter that targeting and positioning is critical to marketing and that these marketing programs are an attempt to be relevant to a certain consumer group.

Take a position: Targeting minorities is exploitive *versus* Targeting minorities is a sound business practice.

Marketing Discussion

What Are Your Mental Accounts?

What mental accounts do you have in your mind about purchasing products or services? Do you have any rules you employ in spending money? Are they different from what other people do? Do you follow Thaler's four principles in reacting to gains and losses?

Marketing Excellence

>> Disney

Few companies have been able to connect with their audience as well as Disney has. From its founding by brothers Walt and Roy Disney in 1923, the Disney brand has always been synonymous with trust, fun, and quality entertainment for the entire family. Walt Disney once stated, "I am interested in entertaining people, in bringing pleasure, particularly laughter, to others, rather than being concerned with 'expressing' myself with obscure creative impressions."

The Walt Disney Company has grown into the worldwide phenomenon that today includes theme parks, feature films, television networks, theatre productions, consumer products, and a growing online presence. In its first two decades, however, it was a struggling cartoon studio that introduced the world to Mickey Mouse, who went on to become its most famous character.

Few believed in Disney's vision at the time, but the smashing success of cartoons with sound and of the first full-length animated film, *Snow White and the Seven Dwarfs*, in 1937 led to other animated classics throughout the 1940s, 1950s, and 1960s, including *Pinocchio*, *Bambi, Cinderella,* and *Peter Pan*, live-action films such as *Mary Poppins* and *The Love Bug,* and television series like *Davy Crockett*.

When Walt Disney died in 1966, he was considered the best-known person in the world. He had expanded the Disney brand into film, television, consumer products, and Disneyland in southern California, the company's first theme park. After Walt's death, Roy Disney took over as CEO and realized his brother's dream of opening the 24,000-acre Walt Disney World theme park in Florida. Roy died in 1971, and the company stumbled for several years without the leadership of its two founding brothers. It wasn't until the late 1980s that the company reconnected with its audience and restored trust and interest in the Disney brand.

It all started with the release of *The Little Mermaid*, which turned an old fairy tale into a magical animated Broadway-style movie that won two Oscars. Between the late 1980s and 2000, Disney entered an era known as the Disney Renaissance as it released groundbreaking animated films such as *Beauty and the Beast* (1991), *Aladdin* (1992), *The Lion King* (1994), *Toy Story* (with Pixar, 1995), and *Mulan* (1998). In addition, the company thought of creative new ways to target its core family-oriented consumers as well as expand into new areas to reach an older audience. It launched the Disney Channel, Touchstone Pictures, and Touchstone Television. Disney featured classic films during *The Disney Sunday Night Movie* and sold its classic films on video at extremely low prices, reaching a whole new generation of children. It tapped into publishing, international theme parks, and theatrical productions that helped reach a variety of audiences around the world.

Today, Disney consists of five business segments: Studio Entertainment, which creates films, recording labels, and theatrical performances; Parks and Resorts, which focuses on Disney's 11 theme parks, cruise lines, and other travel-related assets; Consumer Products, which sells all Disney-branded products; Media Networks, which includes Disney's television networks such as ESPN, ABC, and the Disney Channel; and Interactive.

Disney's greatest challenge today is keeping a 90-year-old brand relevant and current with its core audience while staying true to its heritage and core brand values. Disney's CEO Bob Iger explained, "As a brand that people seek out and trust, it opens doors to new platforms and markets, and hence to new consumers. When you deal with a company that has a great legacy, you deal with decisions and conflicts that arise from the clash of heritage versus innovation versus relevance. I'm a big believer in respect for heritage, but I'm also a big believer in the need to innovate and the need to balance that respect for heritage with a need to be relevant."

Internally, to achieve quality and recognition, Disney has focused on the *Disney Difference,* which stems from one of Walt Disney's most recognizable quotes: "Whatever you do, do it well. Do it so well that when people see you do it they will want to come back and see you do it again and they will want to bring others and show them how well you do what you do."

Disney works hard to connect with its customers on many levels and through every single detail. For example, at Disney World, "cast members" or employees are trained to be "assertively friendly" and greet visitors by waving big Mickey Mouse hands, hand out maps to adults and stickers to kids, and clean up the park so diligently that it's difficult to find a piece of garbage anywhere.

Every detail matters, right down to the behavior of custodial workers who are trained by Disney's animators to take their simple broom and bucket of water and quietly "paint" a Goofy or Mickey Mouse in water on the pavement. It's a moment of magic for guests that lasts just a minute before it evaporates in the hot sun.

Disney's broad range of businesses allows the company to connect with its audience in multiple ways, efficiently and economically. *Hannah Montana* provides an excellent example. The company took a tween-targeted television show and moved it across several divisions to become a significant franchise for the company, including millions of CD sales, video games, popular consumer products, box office movies, concerts around the world, and ongoing live performances at international Disneyland resorts in Hong Kong, India, and Russia.

Recently, Disney acquired three huge brands: Pixar, Marvel, and LucasFilms. The company has started to leverage these properties, which include the Star Wars brand and superheroes such as Spiderman, Iron Man, and the Hulk, across many of its businesses in order to create sustainable character brands and new growth opportunities for the company.

Perhaps the most anticipated new product of 2013 was the Disney Infinity gaming platform, which crossed all Disney boundaries. Disney Infinity allowed consumers to play with many of the Disney characters at the same time, interacting and working together on different adventures. For example, Andy from *Toy Story* might join forces with Captain Jack Sparrow from *Pirates of the Caribbean* and several monsters from *Monsters, Inc*. to fight villains from outer space.

With so many brands, characters, and businesses, Disney uses technology to ensure that a customer's experience is consistent across every platform. The company connects with its consumers in innovative ways through e-mail, blogs, and its Web site. It was one of the first companies to begin regular podcasts of its television shows as well as to post news about its products and interviews with Disney's employees, staff, and park officials. Disney's Web site provides insight into its movie trailers, television clips, Broadway shows, and virtual theme park experiences.

Disney's marketing campaign in recent years has focused on how it helps make unforgettable family memories. The campaign, "Let the Memories Begin," features real guests throughout Disney enjoying different rides and magical experiences. Leslie Ferraro, executive vice president of global marketing, Disney Destinations, elaborated, "The inspiration for this effort came from our guests. Each and every day people are making memories at our parks, posting them online and sharing them with friends and family."

According to internal studies, Disney estimates that consumers spend 13 billion hours "immersed" with the Disney brand each year. Consumers around the world spend 10 billion hours watching programs on the Disney Channel, 800 million hours at Disney's resorts and theme parks, and 1.2 billion hours watching a Disney movie—at home, in the theater, or on their computer. Today, Disney is the 13th most powerful brand in the world, and its revenues topped $45 billion in 2013.

Questions

1. What does Disney do best to connect with its core consumers?
2. What are the risks and benefits of expanding the Disney brand in new ways, such as video games or superheroes?

Sources: "Company History," Disney.com; "Annual Reports," Disney.com; Richard Siklosc, "The Iger Difference," *Fortune*, April 11, 2008; Brooks Barnes, "After Mickey's Makeover; Less Mr. Nice Guy," *New York Times*, November 4, 2009; "World's Most Powerful Brands," *Forbes*, April 2012; Dorothy Pomerantz, "Five Lessons in Success from Disney's $40 Million CEO," *Forbes*, January 23, 2013; "Disney Launches Infinity Video Game That Costs More Than an iPad Mini," *Daily Mail*, January 16, 2013; Carmine Gallo, "Customer Service the Disney Way," *Forbes*, April 14, 2011; Hugo Martin, "Disney's 2011 Marketing Campaign Centers on Family Memories," *LA Times*, September 23, 2010; Elena Malydhina, "Disney Parks Campaign Borrows Family Memories," *Adweek*, September 23, 2010; Disney Annual Report 2013.

Marketing Excellence

>> IKEA

IKEA was founded in 1943 by a 17-year-old Swede named Ingvar Kamprad who sold pens, Christmas cards, and seeds out of a shed on his family's farm. The name IKEA was derived from Kamprad's initials (IK) and the first letters of the Elmtaryd farm and the village of Agunnaryd where he grew up (EA). Over the years, the company grew into a retail titan in home furnishings and a global cultural phenomenon, inspiring *BusinessWeek* to call it a "one-stop sanctuary for coolness" and "the quintessential cult brand."

IKEA inspires remarkable levels of interest and devotion from its customers. Each year more than 650 million visitors walk through its stores all over the world. Most need to drive 50 miles round-trip but happily make the effort in order to experience IKEA's unique value proposition: leading-edge design and functional home furnishings at extremely low prices.

IKEA's Scandinavian-designed products are well made and appeal to the masses. To stay relevant and fashionable, the company replaces approximately one-third of its product lines each year. Most have Swedish names, such as HEKTAR lamps, BILLY bookcases, and LACK side tables. Kamprad, who was dyslexic, believed it was easier to remember product *names* rather than codes or numbers.

Besides featuring fashionable and good-quality products, IKEA stands out in the industry because of its bargain prices. The company's vision is and always has been "to create a better everyday life for the many people." As Kamprad said, "People have very thin wallets. We should take care of their interests." A high percentage of its customers are college students and families with children.

IKEA continuously seeks out new ways to run its businesses more efficiently and pass those cost savings on to the customer. In fact, it reduces prices across its products by 1 percent to 3 percent annually. How can it do so? For starters, IKEA engages the consumer on many levels, including having the customer do all the shopping, shipping, and assembly.

IKEA's floor plan is designed in a winding, one-way format featuring different inspirational room settings, so consumers experience the entire store. Next, they can grab a shopping cart, pay for the items, visit the warehouse, and pick up their purchases in flat boxes. Consumers load the items in their car, take them home, and completely assemble the products themselves. This strategy makes storage and transportation easier and cheaper for the store.

IKEA has also implemented several company-wide strategies to keep operational costs low. The company buys in bulk, controls the supply chain, uses lighter packaging materials, and saves on electricity through solar panels, low-wattage light bulbs, and energy from its own wind farms in six different countries. Its stores are located a good distance from most city centers, which helps keep land costs down and taxes low.

When IKEA develops new products, its designers and product developers start with a low price tag first and then work with one of their 1,350 suppliers around the world to develop the product within that price range. Designs are efficient, and waste is kept to a minimum. Most stores resemble a large box with few windows and doors and are painted bright yellow and blue—Sweden's national colors.

Many of IKEA's products are sold uniformly throughout the world, but the company also caters to local and regional tastes. For example, stores in China stock specific items for each New Year. During the Chinese Year of the Rooster, IKEA stocked 250,000 plastic placemats with rooster themes, which quickly sold out. When employees realized U.S. shoppers were buying vases as drinking glasses because they considered IKEA's regular glasses too small, the company developed larger glasses for the U.S. market. After IKEA managers visited European and U.S. consumers in their homes, they learned that Europeans generally hang their clothes, whereas U.S. shoppers prefer to store them folded. As a result, IKEA designed wardrobes for the U.S. market with deeper drawers.

Showrooms in each country or region vary as well. For example, managers learned that many U.S. consumers thought IKEA sold only European-size beds. Beds are very important to U.S. consumers, so IKEA quickly changed its U.S. showrooms to feature king beds and a wide range of styles. After visiting Hispanic households in California, IKEA added more seating and dining space to its California stores, as well as brighter color palettes and more picture frames on the showroom walls. In China, IKEA set up its showrooms in small spaces to accurately reflect the small size of apartments in that country.

As the company expands globally, it is learning that attitudes towards its core DIY (do it yourself) delivery and assembly business model vary. In China, for example, consumers do not want to assemble products themselves and will pay a significant amount for home delivery and assembly. As a result, IKEA has added these services, and sales in Asia have taken off. The company plans to implement the same strategy in India, where DIY is also less common.

IKEA is known for its quirky marketing campaigns, which help generate excitement and awareness of its stores and brand. It ran a campaign inviting customers to be the "Ambassador of Kul" (Swedish for "fun"), but in order to collect the prize, the contestants had to live in an IKEA store for three full days before it opened, which they happily did.

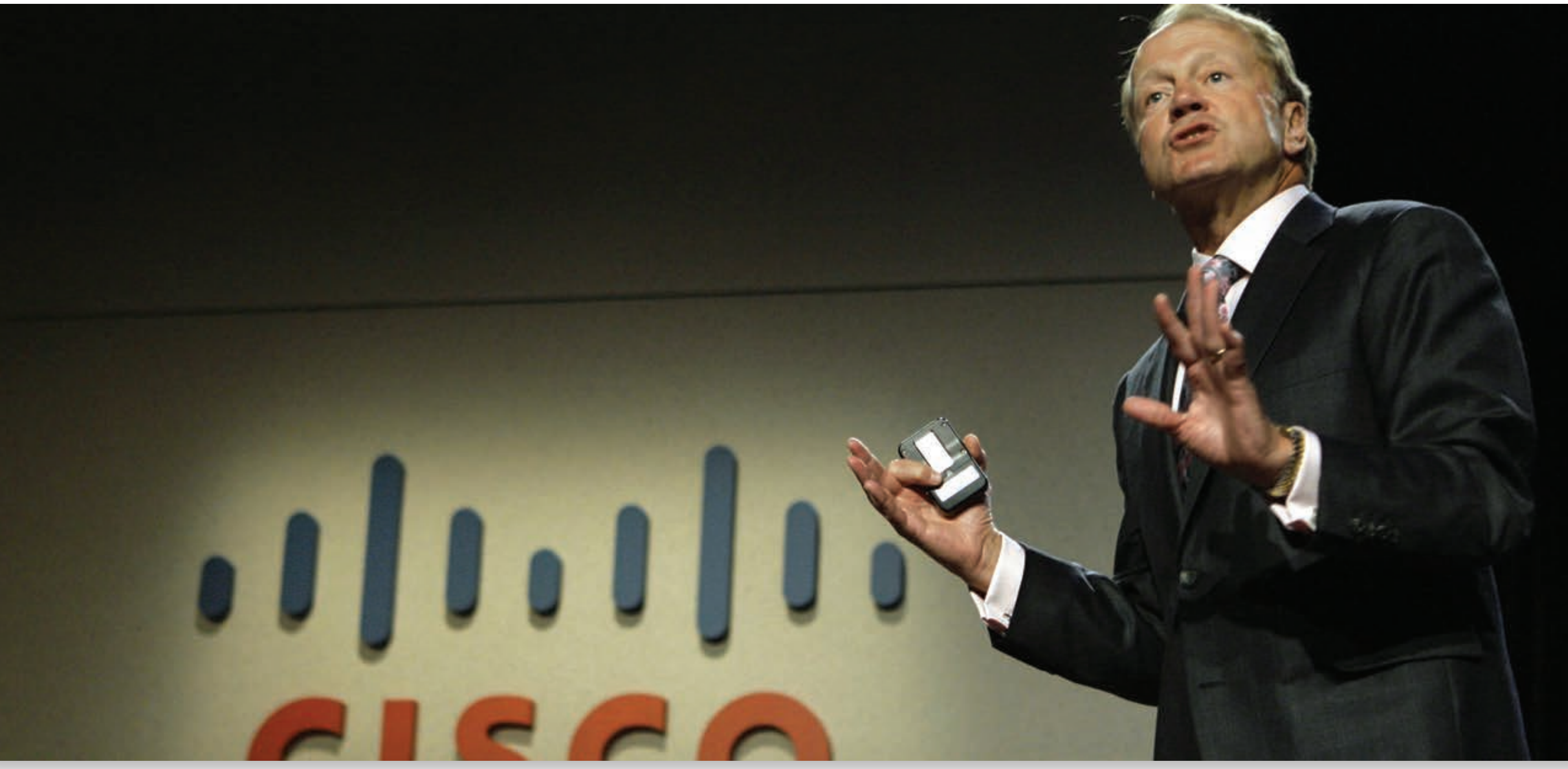
Thousands of people will line up for a chance to win prizes and IKEA furniture. In Sweden, IKEA launched a Facebook page for the manager of a new store. Anyone who could tag his or her name to an IKEA product on the profile page won that item. The promotion generated thousands of tags.

IKEA has evolved into the largest furniture retailer in the world, with approximately 350 stores in 43 countries and revenues topping €27.9 billion, or $36 billion, in 2013. The majority of sales still come from Europe, but the company has aggressive plans to expand the $11 billion brand further into Asia, India, and the United States.

Questions

1. What are some of the things IKEA is doing well to reach consumers in different markets? What else could it be doing?
2. IKEA has essentially changed the way people shop for furniture. Discuss the pros and cons of this strategy, especially as the company plans to continue to expand in places like Asia and India.

Sources: Kerry Capell, "IKEA: How the Swedish Retailer Became a Global Cult Brand," *BusinessWeek*, November 14, 2005, p. 96; "Need a Home to Go with That Sofa?," *BusinessWeek*, November 14, 2005, p. 106; Ellen Ruppel Shell, "Buy to Last," *Atlantic*, July/August 2009; Jon Henley, "Do You Speak IKEA?," *Guardian*, February 4, 2008; "Innovative Retailers: IKEA," Retailinsider.com/PCMS, March 29, 2012; Jenna Goudreau, "How IKEA Leveraged the Art of Listening to Global Dominance," *Forbes,* January 30, 2013; IKEA, www.ikea.com.



In This Chapter, We Will Address the Following **Questions**

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2. What buying situations do business buyers face? (p. 215)
3. Who participates in the business-to-business buying process? (p. 215)
4. How do business buyers make their decisions? (p. 220)
5. In what ways can business-to-business companies develop effective marketing programs? (p. 226)
6. How can companies build strong loyalty relationships with business customers? (p. 230)
7. How do institutional buyers and government agencies do their buying? (p. 233)

CEO John Chambers has helped transform Cisco to become an exemplary customer-focused organization.

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