

Summary Marketing Lectures - End-Term - Pre-Master- Tilburg University

geschreven door

PreMasterHalen



An advertisement for the ICON campaign. It features a young man with blonde hair smiling. A teal and pink ribbon graphic sweeps across the right side of the image. In the top left corner, the word "ICON" is written in white. The main text on the left reads: "Omdat ik kan studeren en tegelijk ook wat verdienen." Below this, smaller text says: "Doe ook mee aan geneesmiddelenonderzoek. Kijk wat jij kunt doen en meld je aan." At the bottom left is a pink button with the text "geneesmiddelenonderzoek.nl/student". A QR code is located at the bottom center.

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Summary Marketing Lectures

End-Term Pre-Master

Tilburg University

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Lecture 1: Introduction

Learning Objectives:

- **Illustrate; The position of Consumer Behavior in Marketing Management**
 - **Understand; A sneak preview of how Consumers and Marketing interact**
 - **Convince; The importance of really understanding Consumer Behavior**
-

• Marketing

– Inside-out and Outside-in

– Consumer Behavior

• Marketing for Pre-Masters

– Structure

– Assessment

• Consumer Insight

– Knowledge versus Understanding

– Correlation versus Causality

Additional Context/Summary



Marketing= the social & managerial process by which individuals & groups obtain what they need & want through creating & exchanging products and value with others.

Marketing's positioning in a company is the relationship between the consumer & the business.

Marketing is an inside-out – outside-in concept, in the sense that Marketing has two strategies: Marketing Management that is from;

- **Inside-Out** from the Business to the Consumer, which implies focusing on the strengths & capabilities within the Business.

- **Outside-In** is based on focusing on Consumer Behavior, that is the link from the Consumer to the Business, and consists of [Motivation, Capacity (Ability), Opportunity & Social Influences.]

[**Consumer Behavior**= the totality of consumer decisions with respect to the consumption of an offering by (human) decision making units over time.

Consumption: Acquisition, Usage, Disposition.

Offering: goods, services, activities, experiences, people, ideas and places.

Decision Making Units: decision maker, buyer, information gatherer

Over time: days, weeks, months, years.]

[**Why do we need Consumer Behavior?:**

- misconception #1: consumers are sales numbers.
- misconception #2: we can rely on our intuition.
- misconception #3: we know what consumers want.

#1 Consumers are real people with emotions & needs, thus not data points nor dead sales figures.

#2-3 We are often wrong with assumptions & intuition about what consumers want, think & feel.

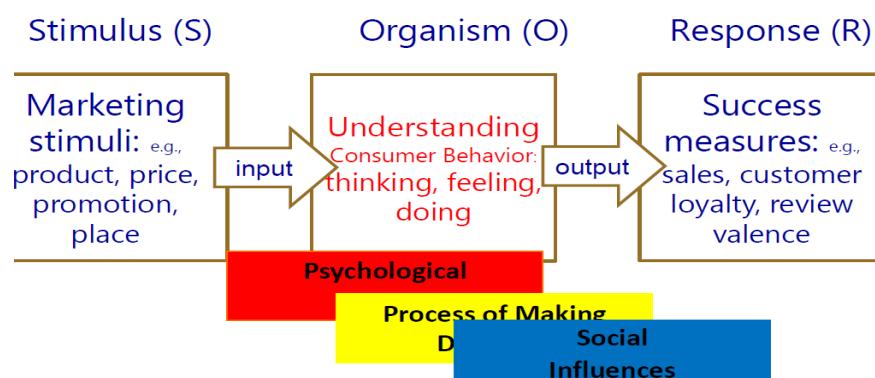
-Marketing Managers need to really understand their consumers to create value for them.

-Consumers act upon perception and not on objective reality

-Objective product benefits = not the same as personal benefits.]

The mistake companies make= they focus on the stimulus as a direct cause to response, while skipping the organism (consumers) in the process.

What is consumer behavior all about?





Omdat ik kan studeren en tegelijk ook wat verdienen.

Doe ook mee aan geneesmiddelenonderzoek.
Kijk wat jij kunt doen en meld je aan.

Iedereen gebruikt weleens een medicijn. Maar het is niet vanzelfsprekend dat die er zijn. Daar is inzet voor nodig van artsen en wetenschappers. En van mensen zoals jij!

Meedozen aan geneesmiddelenonderzoek doe je om verschillende redenen. Om patiënten een beter leven te geven. Omdat je tijdens het onderzoek veel tijd hebt voor jezelf om zinvol of leuk te besteden of omdat je een leuke vergoeding ontvangt. Belangrijk werk, mooie verdienste.

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The Organism is the **Consumers**, how they think, feel & act. (**behavior**)

Which consists of 1) the Psychological Core, 2) Decision Making Process, 3) Social Influences.

1) The Psychological core;

- Motivation, Ability, Opportunity (MAO)
- Internal Information: learning & memory (knowledge)
- External Information: attention & perception
- Understanding: comprehension & categorization (knowledge structure / associative network)
- Attitudes: cognition & affect

2) Decision Making Process:

- Problem Recognition & Information Search
- Alternatives Evaluation & Decision Making
- Choice Reflection & Post-Decision Evaluation

3) Social Influences:

- Conformity
- Compliance
- Obedience & Authority

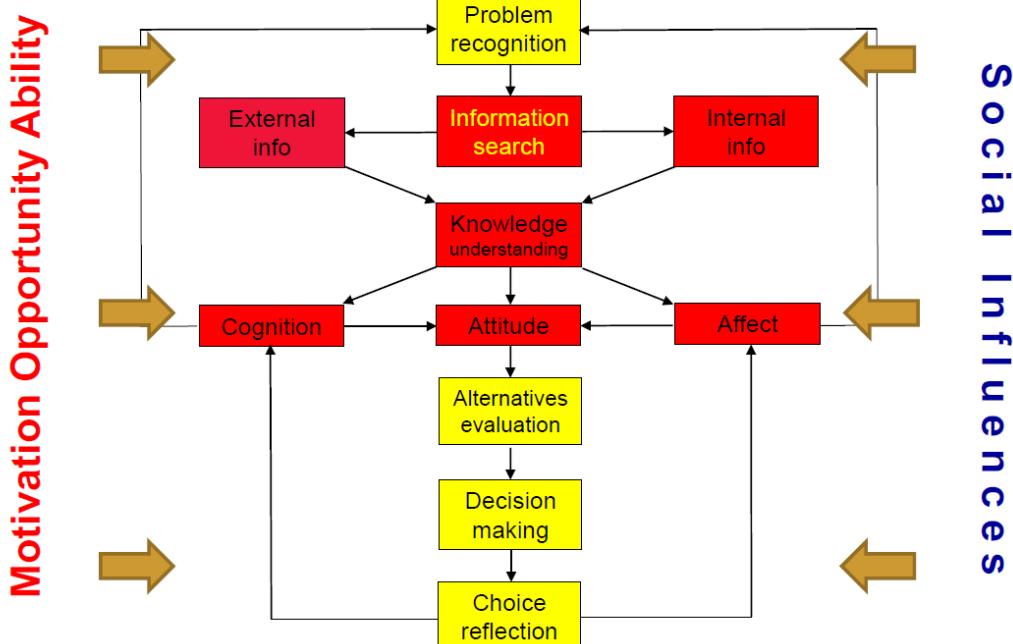
Marketing for Pre-Masters

Structure

- Topic 1. Introduction
- Topic 2. Motivation
- Topic 3. Problem recognition and information search
- Topic 4. External information
- Topic 5. Knowledge and understanding
- Topic 6. Attitudes
- Topic 7. Evaluation of alternatives and decision making
- Topic 8. Choice reflection
- Topic 9. Social influence



Consumer Behavior Process Model



Consumer Insight:

Knowledge versus Understanding:

Knowledge are the facts spread all around like the stars.

Understanding is taking those stars and turning it into 1 whole star-sign.

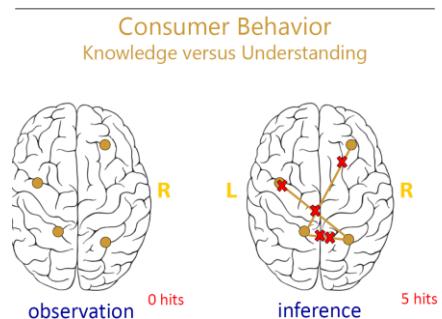
Ex. You know how to do the math, but don't understand what it actually does.

An understanding is a mental construct, an abstraction made by the human mind to make sense of many pieces of knowledge.



Correlation vs Causality

- Correlation does not mean causality
- Causality is always based on correlation (relationship of 2 data, observed same time)
- To demonstrate causality need to show a directional relationship with no alternative explanation. Where dependent variable is the result of the independent variable.
- Example of Ice Cream Sales & Shark Attacks, Correlation but no Causation.



Causal Research has two main objectives:

- Identifying which variables are the 'cause' & which variables are the effect.
- Understanding the nature of the relationship between the cause & effect variables.
+Is Experimental in nature, must be defined correctly, else prone to bias & lack credibility.
- In order to manage customers, we need to really understand (not just know) how/why/when/where they process information and make decisions, and look back on them
- Decisions are often complex and difficult. To make decisions quickly and efficiently, consumer may use **heuristics** (i.e., cognitive shortcuts)
- Heuristics can lead to systematic errors and biases; mistakes people repeat over-and-over again (i.e., not always rational but sometimes predictably irrational)
- Understanding both rational and irrational behavior is important for consumers, managers and policy makers in e.g., financial decision making, HR management, product pricing, marketing strategy, health policies, et cetera.



The position of Consumer Behavior in Marketing Management;

- As marketings' position in a company= the bridge (of the relationship) between consumers & the business, meaning that the position of Consumer Behavior is central in Marketing Management, to properly understand the consumer, to make use of the right channels, communication, and know how to apply the 4p's of the marketing mix.
- That's why there are 2 strategies; Inside-out & Outside In, where the latter is a Consumer Behavior focussed approach, and therefore a key strategy in Marketing Management

How Consumers & Marketing Interact:

- **S O R**
=Stimulus -> Organism -> Response
Input -> processing > output (-> becomes input again= cycle)
Stimulus are the marketing mix, consisting of marketing stimuli which are inputs for the Organism (consumers) that think, feel & act (behavior), which lead to a Response, which we measure (sales, reviews, consumer loyalty), which serves as input for new Stimulus, and therefore a constant cycle.

The Importance of Really Understanding Consumer Behavior;

- Consumer Behavior is a broad concept with the main themes being, the psychological core, the decision making processes & social influences.
& in order to understand Consumers we need to dive into each of these dimensions.
- **Why?**=because as marketers we need to know how to create value for the consumers, and often we assume wrongly how consumers might behave (think, feel & act), while consumers usually don't even use logic (rationale) for their choices, rather they use emotions which can be influenced internally & externally.
→ Meaning that, consumers can use heuristics for choices, base decisions on social influences, develop attitudes due to perception & depending on their level of MAO (motivation, ability & opportunity), which can be High or Low.
- Therefore, know that Consumer Behavior is the totality of consumer decisions, regarding acquisition, consumption (usage), & disposition of offerings (goods, services, activities, experiences, people, places, and ideas) by (human) decision-making units over time.
=that is what marketers need to understand for proper marketing management.

Difference between Knowledge & Understanding= ex. of stars & star sign / mid-term v end-term

Difference between causal & correlation= ex. ice cream & shark attacks

2 main objectives of Causal Research=

- 1) identify cause & effect variables, 2) Understand nature of the relationship between these variables



Topic 2: Motivation, Ability & Opportunity (MAO)

Learning Objectives:

- *Illustrate*; How Motivation, Ability, Opportunity, affects Consumer Behavior in Multiple Process Stages
 - *Understand*; What are the antecedent (drives) of motivation and what are its successors (consequences)
 - *Convince*; Why more knowledge on consumer motivation helps us become better managers
-

- **MAO (Motivation, Ability and Opportunity)**

- **Motivation**

- Dimensions and Types
- Needs and Goals

- **Connections**

- **Sources**

- Theories

- **Need theories**

- **Process theories**



The Different Impacts of High vs Low MAO on the Process Stages (Recall the Process Model)

Process Stage	High MAO	Low MAO
Problem Recognition	Actively identifies problems & gaps between: current & desired states.	Problem recognition may occur passively or through external triggers.
External Information Search	Extensive and conscious search for detailed, accurate & relevant data.	Minimal search; relies on easily available or prominent information.
Internal Information Search	Deep recall of prior knowledge and experiences; effortful and thorough.	Limited recall; relies on top-of-mind or frequently encountered information.
Comprehension	Thoughtfully interprets messages; engages in effortful meaning-making.	Interprets messages using simple, automatic patterns or rules of thumb.
Cognitive-Based Attitude Forming	Forms attitudes through logical evaluation of arguments, features, and benefits.	Forms attitudes based on heuristics, such as brand familiarity or endorsements.
Affective-Based Attitude Forming	Emotional processing of ads and stimuli; strong, stable emotional responses.	Superficial emotional reactions; driven by simple appeals or emotional triggers.
Alternative Evaluations	Carefully compares and evaluates multiple options based on relevant criteria.	Quick, heuristic-based evaluation; influenced by defaults or context effects.
Decision-Making	Engages in complex, effortful decision-making, weighing pros and cons.	Relies on shortcuts, defaults, or context to make decisions quickly.

Other Factors:

Exposure	Actively seeks out information and stimuli of interest.	Passively exposed to information and stimuli in the environment.
Attention	Focuses intently on key details and messages; avoids distractions.	Attention is selective/weak; attracted to salient or simple cues.
Perception	Processes sensory and marketing cues deeply and thoroughly.	Processes cues superficially or automatically.
Memory	Strong encoding and long-term retention of brand/product-related details.	Weak encoding; relies on recognizable or previously encountered stimuli.
Part of Brain-Process	Central- Route	Peripheral route



Example of MAO

“Elderly: a growing market for internet services”

Motivation: to learn and avoid social exclusion & feeling younger

Drivers;

- Personal Relevance
 - Consistency with Self-Values, Needs, Goals & Emotion
 - Moderate inconsistency with Attitudes (challenging beliefs)
 - Perceived Risk

Ability: to work with Technology

- More educated & prefer visual aids

Drivers;

- Product Knowledge & Experience = more Able = Ability
 - Cognitive Style
 - Intelligence Education, Age
 - Money

Opportunity: to take advantage

- Development of apps & simplification of devices, easier for elder target group; whatsapp

Drivers;

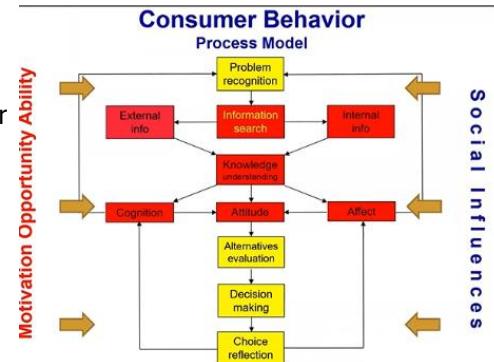
- Time
 - Distraction
 - Information; Amount, Complexity & Repetition
 - *Reduce complexity by chunking (ex. 1365124)

Motivation: Why should I Care? Why is it important

- It affects on the different stages consumer behavior model
 - Consequences: highly motivated willing to spend more time on info search; **involvement**
 - Motivation high: more eager to learn alternatives
 - Motivation low; attention is voluntarily allocated to stimuli other than the brand or ad
 - Motivation to enhance attention; introduce intrinsic hedonic needs (ex. Appetite appeals, duo pennotti) using novel stimuli (unusual ads) or enhancing curiosity (metaphors)
 - hedonic gifts (voluntarily) v utilitarian gifts (obligation)
 - Consumers attribute higher levels of pro-eco behavior & motivation, but lower levels of ability to themselves than other actors.

Challenges of Understanding Motivation;

- Reasons underlying consumer motivation (drivers) are not always ‘obvious’
 - People don’t always want to disclose reasoning for actions
 - People don’t always know why they act =unconscious
 - Motivation changes over time; Age affects what motivates you, family increase overtime, goals decrease overtime



Definition Motivation;

- The force within the individual that account for the direction (1), intensity (2), and persistence of effort expended.
- The biological, rational, emotional, and/or social force that initiates & directs behavior.

----- Dimension & Types vs Goals & Needs -----

- The inferred process within an individual that causes that organism to move towards a goal.
- The internal process leading to behavior to satisfy needs

Dimensions & Types: Directions, Intensity, persistence

- **Direction** (Directs Behavior); goals, organization of effort & reaching equilibrium (end goal)
- **Intensity** (Energizes Behavior); Drives, Compulsions, Disequilibrium
- **Persistence** (Sustains Behavior); maintaining motivation, ability to change course, importance of feedback

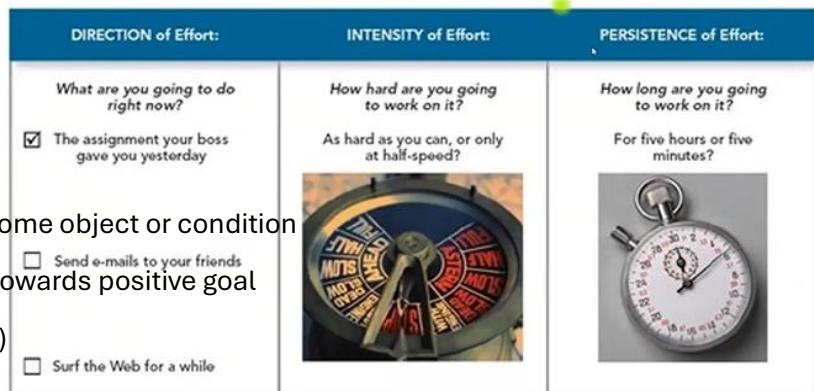
MOTIVATION DETERMINES THE ...

Types: Positive vs Negative

Approach v Avoidance

Positive;

- Motivation; a driving force towards some object or condition
- Approach a goal; directed behavior towards positive goal
(Ex. Joining a Gym to get fit for Boxing)



Negative:

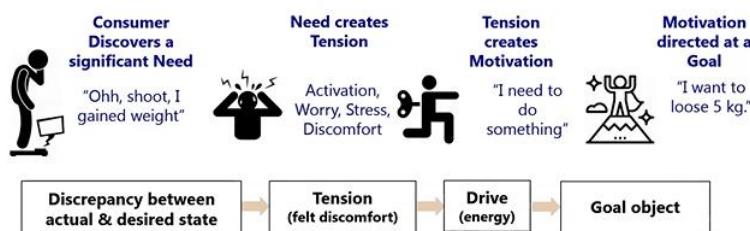
- Motivation; a driving force away from some object or condition
- Avoidance Goal: a negative goal from which behavior is directed away (Ex. Joining Gym to avoid health problems)

Intrinsic vs Extrinsic; Internal Motivation vs External Motivation ; Food vs Social Acceptance

Ex: Study Success: Internal= Pride, Achievement, Curiosity vs External= Praise, Punishment

Rational vs Emotional: Value for Money vs I'm Lovin' it.

Goals & Needs: Desired state & Discrepancy between actual state & desired state.

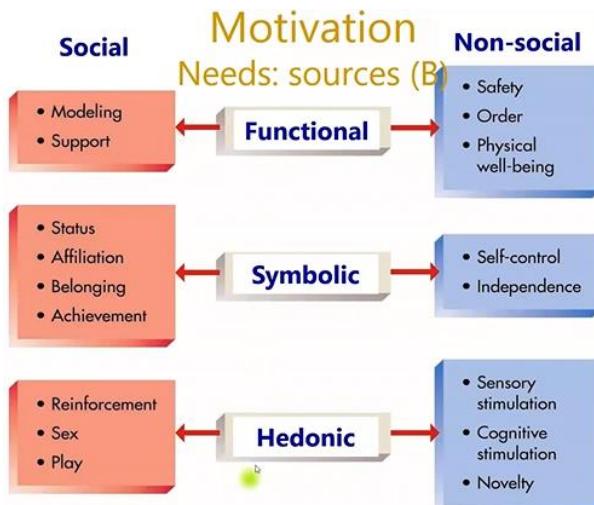


Sources of Needs: Innate vs Learned; Water v Social Norms (Fresh&Fit)

Ex; Lawn Mower=

Ex; iPhone 14=

Ex; Hair dresser=

**Motivation Theories;** 4 Need (what) vs 3 Process (how)**Needs theories (what)**

- Maslow's hierarchy of needs
- Herzberg's two factor theory
- Alderfer's ERG theory
- McClelland's human motivation theory

Maslow's Hierarchy of Needs; a more descriptive theory

-Each individual has needs, or feelings of deficiency that drive their behavior

Needs are in a Hierarchy that individuals moves up as they satisfy their need level

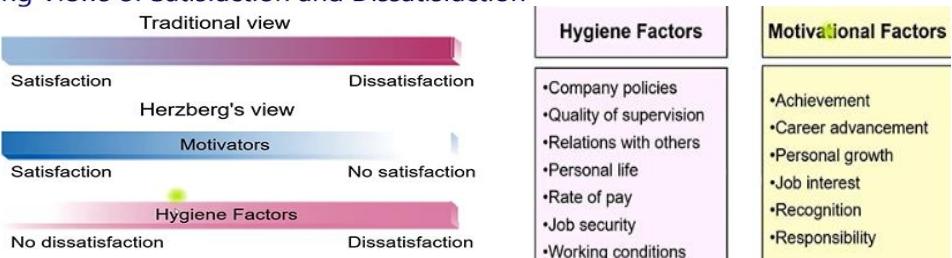
- Once a need is satisfied, then it is no longer motivating
- Only if physiological need is satisfied will we go up
- If there is no safety there is no social, egoistic etc.

**Herzberg's Two-Factor Theory;** a more prescriptive theorySatisfiers vs Dissatisfiers

- Refers to Hygiene Factors & Motivating Factors
- Hygiene Factors do not act as motivators, only the higher order needs act as motivators
- Hygiene Factors may cause dissatisfaction but not satisfaction
- Motivational Factors make cause satisfaction but usually not dissatisfaction

Question on the Exams: What would be typical satisfiers & dissatisfiers?

Good answer: Attentiveness, Care is about people(software) so satisfier. Integrity, Rules Regulation (Hardware) thus dissatisfier. Thus, people can make you satisfied, & rules dissatisfy

Contrasting Views of Satisfaction and Dissatisfaction

Alderfer's ERG Theory

- Distinguishes 3 categories of needs that influence behavior; **existence, relatedness & growth**
- A person may move to higher level needs without satisfying lower level needs (progression not hierarchy, comparing to Maslow)
- He/She may regress to previous need levels if the higher level needs are not satisfied (frustration)

Existence needs; desire for physiological & material well-being

Relatedness needs; desire for satisfying interpersonal relationships

Growth needs; desire for continued personal growth & development

McClelland's Human Motivation Theory

- Need for Achievement ($n\ Ach$)= self
- Need for Power ($n\ Pow$)= control
- Need for Affiliation ($n\ Aff$)= social

- **Need for Achievement ($n\ Ach$)**

- Want to take personal responsibility for solving problems.
- Goal oriented; set moderate, realistic, attainable goals.
- Seek challenge, excellence, and individuality.
- Take calculated, moderate risk.
- Desire concrete feedback on their performance.
- Willing to work hard.

- **Need for Power ($n\ Pow$)**

- Want to control the situation.
- Want influence of control over others.
- Enjoy competition and winning; do not like to lose.
- Willing to confront others.

- **Need for Affiliation ($n\ Aff$)**

- Seek close relationship with others.
- Want to be liked by others.
- Seek to belong; join groups and organizations
- Enjoy lots of social activities.

4 Need Theories Matrix:

Maslow Hierarchy of Needs Theory	Alderfer ERG Theory	Herzberg Two-Factor Theory	McClelland Human Motivation Theory
Self-actualization			Power
Esteem	Growth	Motivators	Achievement
Social	Relatedness		Affiliation
Safety		Hygiene	
Physiological	Existence		



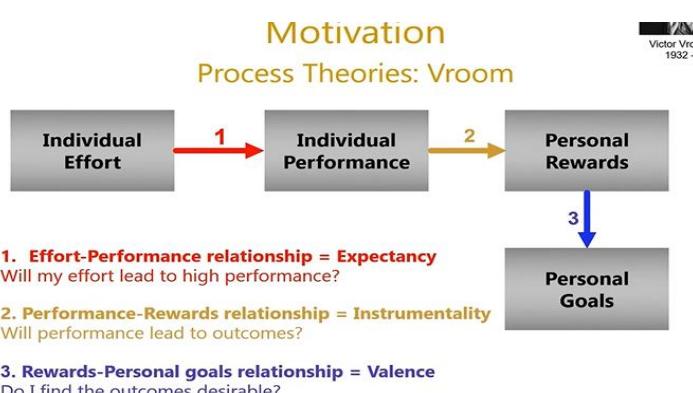
Process theories (how)

- Vroom's expectancy theory
- Skinner's reinforcement theory
- Adam's equity theory

Vroom's Expectancy Theory; focus on **outcomes** rather than needs (Maslow & Herzberg)

- A person will be motivated to put forth a higher level of input if they believe their efforts will result in higher output and thus better rewards. (Hard work pays off!)
- When deciding among behavioral options, individuals select the option with the greatest amount of motivational force.

4 Stages & 3 Steps



(Ex. 1 million dollar if you memorize textbook tomorrow. (CONCLUSION: No motivation)

Expectancy= effort- performance link. $E=0$

Instrumentality= performance-reward link $I=0$ (Henk ain't got no million)

Valence= rewards- personal goals link $V=1$ (positive obviously if you get a millie))

Skinner's Reinforcement Theory; Behavioral Learning Theory (vs cognitive)

- More productive to study observable behavior rather than internal mental events
- The best way to understand behavior is looking at causes and consequences of an action (operant conditioning or instrumental conditioning =same)
- Skinner set out to identify the processes which made certain operant behaviors more or less likely to occur.
- **Positive reinforcement**= increasing the frequency of a behavior through Contingent **Presentation** of a **Pleasant** Consequence
- **Negative Reinforcement**= increasing the frequency of a behavior through the Contingent **Removal** of an **Unpleasant** Consequence
- **Positive Punishment**= decreasing the frequency of a behavior through the Contingent **Presentation** of an **Unpleasant** Consequence



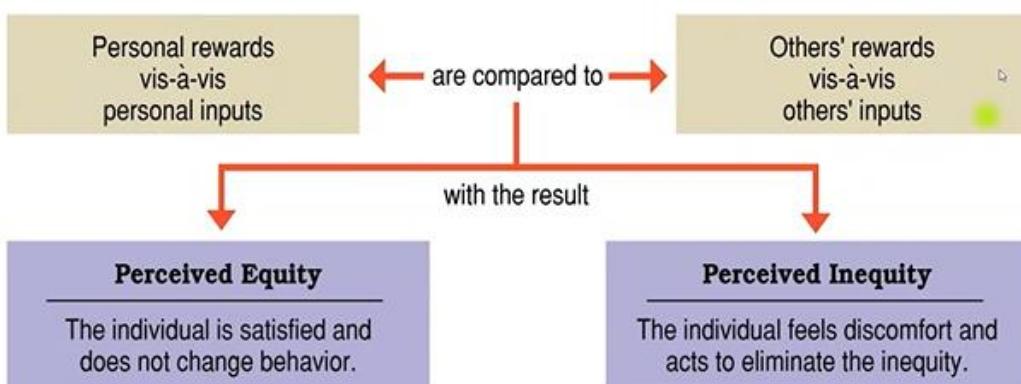
- **Negative Punishment**= decreasing the frequency of a behavior through the Contingent **Removal** of a **Pleasant** Consequence

Adam's Equity Theory;

Comparing Inputs & Outputs with **Others** to Respond to **Eliminate Inequality**

- The higher an individual's perception of equity, the more motivated a person will be
- If someone perceives an unfair environment, that person will be demotivated.
- People who perceive themselves in an inequitable situation seek to reduce this by altering inputs/outputs

To reach Equilibrium:



- **Distributive Justice:** the perceived fairness of how resources & rewards are distributed (concerns the fairness of outcomes) “Who got What”
- **Procedural Justice:** the perceived fairness of the process & procedures used to make distribution decisions. (concerning the methods used to determine outcomes) “How was who gets what decided”
- **Interactional Justice:** the perceived fairness of the decision maker’s behavior in the process of decision making. (How one is treated/Valence “Was I treated well?”)

Process theories (how)

- Vroom's expectancy theory
- Skinner's reinforcement theory
- Adam's equity theory



Key Takeaways:

- Motivation, Ability & Opportunity Drive Consumer Behavior
- Motivation, Goals & Needs Have Strong Connections
- Consumers Often Need to Satisfy Multiple Needs & Goals, and Search for Products they Believe will Perform best on these
- Understanding How the Different Types of Motivations, Goals & Needs Interact and Drive Consumer Behavior may Help Marketing, Production or HR Managers to do a better Job.
- Over Time, a Consumer's Motivation may Change with changing Needs & Goals. Marketing Managers need to Adapt their Strategies to these Dynamics.

Exam question example

Erase what is wrong about Operant (a.k.a. Instrumental) Conditioning:

- Positive reinforcement: decreases/increases* the frequency of a behavior through the contingent presentation/removal* of a pleasant/unpleasant* consequence.
- Negative reinforcement: decreases/increases* the frequency of a behavior through the contingent presentation/removal* of a pleasant/unpleasant* consequence.
- Punishment: decreases/increases* the frequency of a behavior through the contingent presentation/removal* of a pleasant/unpleasant* consequence.
- Extinction: decreases/increases* the frequency of a behavior through the contingent presentation/removal* of a pleasant/unpleasant* consequence.



Topic 3: Problem Recognition & Information Search

Learning Objectives:

- *Apprehend*; How consumers deal with problems and what motivates them to solve these.
 - *Comprehend*; What kind of information is needed in problem solving and which sources are used.
 - *Understand*; How Learning & Memory Interact and Guide us through Internal Information Search.
-

- **Problem Recognition**

- Influencing Factors
- Motivational Arousal

- **Information Search**

- Amount and Intensity
- Learning
- Memory

Additional Context / Summary

Problem Recognition: a significant discrepancy between desired state & the actual state.

Active vs Inactive; Aware vs Unaware of problem.

Active-Marketing-Strategy; Only require marketer to convince consumer that its brand is the superior brand.

In-Active-Marketing-Strategy: Marketers must convince consumers that they have the problem and that their brand is a superior solution. (Encourage Dissatisfaction)

Once a consumer problem is identified, the manager may structure the marketing mix to solve the problem;

- Developing a new Product (or altering existing one)
- Modifying channels of Distribution
- Changing Pricing Policy
- Revising Advertising Strategy

Factors Influencing Actual & Desired State (HOW):

- **Situational Influences;**
 - culture/social class (status, iPhone)
 - Reference groups
 - Major Personal Changes (marriage, newborn child)
 - Product Consumption (running out of gas)
 - Change in Financial Status:
- **Consumer Influences;** Motives & Needs (hygiene factors sufficiently guaranteed)
 - Moods & Emotions (hedonic seeking trying to escape boredom)
 - Previous Purchase Decision (avoid regret)
 - Physiological Factors (hunger)
- **Marketing Influences;**
 - Helping consumers recognizing problems
 - Point to problems associated with the actual state (encourage dissatisfaction)
 - Highlight solutions to attain a more desirable state
 - Responding to consumer problems (developing new product)
 - Suppressing Consumers Recognizing Problems (loyalty program)

Significance; Desire to Resolve a particular problem depends on:

The **Motivational Arousal** incl;

- The magnitude of the discrepancy between desired & actual state
 - The relative importance of the problem
- =Generally, importance is determined by how critical the problem is to maintain desired lifestyle.

Motivational Arousal (Arousal Theory of Motivation)

- Each person has a unique arousal level that is right for them. When our arousal levels drop below these personalized optimal levels, we seek some sort of stimulation to elevate them. Optimal Stimulation (Arousal) Level. Under stimulated= friends. Over stimulated= relax nap.
- **Key Assumption:** we are motivated to pursue actions that help us maintain an ideal balance



Different Benefit Motives;

- To optimize satisfaction
- To prevent possible future problems
- To escape from an issue
- To resolve a conflict
- To maintain the status quo

Change is Triggered by: external inputs (adv), internal inputs (hunger)

Information Search;

- info collected by consumers is the basis for evaluation & choice behavior.
- What are my Desired Benefits & Undesired Costs (Pains & Gains) Approach/Avoidance Demand (What do I want?)
- What are the salient product attributes that might satisfy my (un)desired need. Supply (what is available.)
- Who offers the Best Match between these & will be my finest choice Match (Which product fits my desires best?)
- **Therefore, its important for marketers to know;**
Why consumers search for info, Where they will look for this, What info & How extensive

Internal vs External (Topic 4)

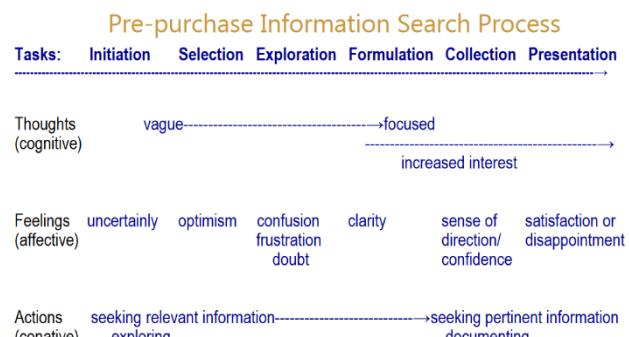
- Internal Search; based on existing info in memory (brands, attributes, evaluations, experiences)
Info Quantity, Quality, Relevance & Currency
Expertise Consumer: expert vs newbie
- External Search- the search of info beyond one's memory. (online, tv, friends)
Personal Sources (friends) & Impersonal Sources (ads)

Pre-Purchase vs Post-Purchase (gathering info before vs gathering info after)

In both cases; direct searches, browsing (no intent/ongoing search), accidental search

Amount & Intensity

- Market Characteristics
- Product Characteristics
- Consumer Characteristics
- Situation Characteristics

**READ THE SLIDES REGARDING THIS^**

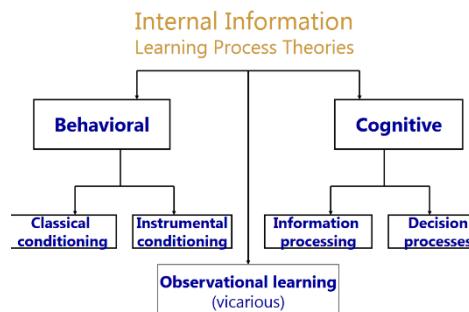
Learning; Relatively Permanent Changes in thoughts, feelings & behavior.

Learning is a result of:

- Controlled, effortful acquisition & processing of info (intentional/explicit learning)
- Casual, unintentional acquisition of knowledge (incidental/implicit learning)
- Own past experience (consumer) / external information (environment)

Learning is an ongoing process: constantly revised,
simple association/complex activity (recalling logo, writing essay)

Learning Process Theories			
Learning theories	Level of consciousness	Specific processes	Behavioral indicators
Behavioral learning	Less conscious	Classical conditioning Operational conditioning	Forming associations Preference, habit formation
Observational learning		Social conditioning	Observation, imitation
Cognitive learning	Fully conscious	Information processing Decision processes	Understanding Problem solving



Behavioral Learning Theories:

- Assume that learning happens when a correct response is demonstrated following the presentation of a specific environmental stimulus
- Learning takes place as the result of responses to external events
- Emphasis is on observable & measurable behaviors (Classical & Instrumental Conditioning)
- People's experiences shaped by feedback they receive as they go through life
- Actions result in rewards & punishments, which influences future responses to similar act.

Cognitive Learning Theories:

- Learner is Assumed as an Active Participant in the learning process
- Learning is a change of knowledge state
- Knowledge acquisition= a mental activity that entails internal coding & structuring by learner.
- Emphasis is on the building blocks of knowledge (identifying relationship of content=understanding) organizing & sequencing info to facilitate optimal processing
- 1) Information Processing. 2) Decision Processes
- Learning results when information is stored in memory in an organized meaningful way

Memory: an Internal Record or Representation of some Prior Event or Experience.

= A set of mental processes that receives, encodes, organizes, alters & retrieves info over time.

Two Common Memory Models:

- 1) Traditional Three-Stage Memory Model
- 2) Encoding, Storage & Retrieval Approach

1) Sensory Memory (up to 20 seconds of sensual info through 5 senses) -> Encoding into Short Term Memory (processing, chunking up to 5-9 items for 60 secs before forgotten or transferred into LTM) -> Encoding into Long Term Memory (permanent storage of info) where the associative networks get formed & activated on which we base our retrievals from the LTM into STM (working memory) which results in a response.

- Discursive Processing (ex. A P P E L)
- Imagery Processing (ex. Sweet, red, Sour, green)
- LTM= unlimited capacity
- Declarative Memory= facts & experiences (semantic; facts & episodic; recall of event)
- Procedural Memory= habits & skills, and Conditioned Associations



2) Encoding – Storage – Retrieval

Establishment of memory representations – retention of memory representations over time – recovery of memory representations

Short term:

Encoding= selective attention as a filter; note; info overload

Storage= short lived; enhance through recirculation/rehearsal, chunking.

^Varies with involvement

Retrieval= no problem (because info is already active)

Long term:

Encoding= selective attention as a filter; endless memory

Storage= long-lived; enhance through elaboration, visualization, unlimited capacity

- Details of memory may change due to re-encoding
- Our brain fabricates missing details

Retrieval= spreading of activation keeps information strong & active.



How Consumers deal with problems & What Motivates them to solve these?

First understand that, in order to have a problem and wanting to solve it, we need to first recognize the problem =

happens when there is a *discrepancy between the current & ideal state*, that stems internally or from external triggers.

The discrepancy needs to be large enough to trigger the motivation of really solving it *remember the picture of the 2 cars from during the lessons*

Problem Recognition however has **2 types: active vs inactive**, meaning being aware vs unaware.

Therefore, marketers can use **2 strategies**:

- **Active-Marketing**; convincing the brand is superior for solving the discovered need
- **In-active-Marketing**: convince people they have a problem (while they might be unaware or there is no need)= encourage dissatisfaction of their actual state.

& marketers use the marketing mix to create value by either:

- Developing new products, Change prices, renew ads-strategys, change distribution channels
- ➔ 4p's: product, price, promotion, place

Now that the problem is recognized, it needs to be solved -> which happens through information search -> **internally** (recall from memory & experiences) or **externally** (search engines, people, etc.)

But how were consumers motivated to have this new ideal state & in what way will they solve it?

=There are 3 types of influences: 1) **Situational**, 2) **Consumer** & 3) **Marketing**

Situational:

- Social Pressure (ex. status: newest iPhone while you have a Nokia 2008)
- Reference groups: people you observe and take as an example for behavior & attitude.
- Major personal changes (you got a new born child so now you have a completely different goal)
- Product consumption (running out of gas for your car)
- Change in financial situation (you won the lottery, so instead of being motivated to work you have the need to live like billionaires, you buy an island and chill with a coconut drink at the beach)

Consumer; Motives & Needs that occur when hygiene factors are somewhat met (Remember Maslow),

- Moods & Emotions: hedonic needs; escaping boredom
- Previous purchase decisions; avoid regret
- Physiological factors; quenching thirst

Marketing (external from marketers onto consumers);

- Encouraging dissatisfaction (manipulate or just make consumers aware of a problem, while they were unaware in their current state)



This was all about **HOW** a consumer gets to the point of recognizing a problem, however being motivated to solve it depends on the Motivational Arousal= How critical is it? and How big is the perceived difference between actual & desired state. = **AROUSAL THEORY OF MOTIVATION!***

=Each consumer has a unique level of an **optimal arousal level**, think about a rollercoaster, consumers don't like extremes, we don't want to fall from the top, or stay at the bottom, therefore:

Necessary assumption is that consumers like to reach balance; depending on the position of the rollercoaster top=relax & bottom=stimulation

Now that the motivation is significant enough to start solving it by searching for information: in 2 ways: internally & externally (topic 4) AND at 2 different times!= Pre-Purchase vs Post-Purchase!

The info collected= the necessary base of consumers' evaluations & choices, especially regarding: costs/benefits & prominent (**salient**) product attributes- > to determine which brand has best offer.

Therefore marketers need to know: WHY, WHERE, WHAT & HOW consumers look for info.

What kind of searches happen in both Pre-Purchase search & Post-Purchase search?

- **Directed search;** meaning to specifically search for info to help solve a specific problem
- **Browsing;** just searching around with no real intent of solving anything, also known as ongoing search; just staying up-to-date.
- **Accidental search;** not actively looking, but stumbled upon something then makes a note.



Moving on to the **Amount & Intensity of Information search; Internal Search**

4 types of influencing factors that could increase/decrease the amount & the intensity of search:
Market, Product, Consumer & Situational characteristics.

Always keep in mind that, if info is ambiguous/unclear -> increase amount search.

Purchasing gift for self vs others = if the purchase is for yourself the amount of search decreases, as the personal stakes are lower in comparison to when you buy for your loved ones.

Meaning that when the stakes—whether financial, emotional, social, or contextual—are **higher**, consumers will put in more effort and search for more information. On the other hand, **low stakes or constraints** (e.g., time/energy) reduce the intensity of the search.

<u>Three Learning Theories</u>	<u>Level of Consciousness</u>	<u>Specific Processes</u>	<u>Behavioral Indicators</u>	<u>Examples</u>
Behavioral Learning	Less	1. Classical conditioning 2. Operant/instrumental conditioning	Forming Associations Preference habit formation	1. Pavlov' dogs salivating when hearing bell 2. dog learning to sit for a treat (pos. reinforcement)
Observational Learning = Vicarious	X	Social Conditioning (reference groups)	Observation, imitation	A child learning from parents behaviors & imitate them
Cognitive Learning	Fully	1. Information Processing 2. Decision processes	Understanding Problem Solving	1. researching product reviews 2. Deciding whether to buy based on reviews

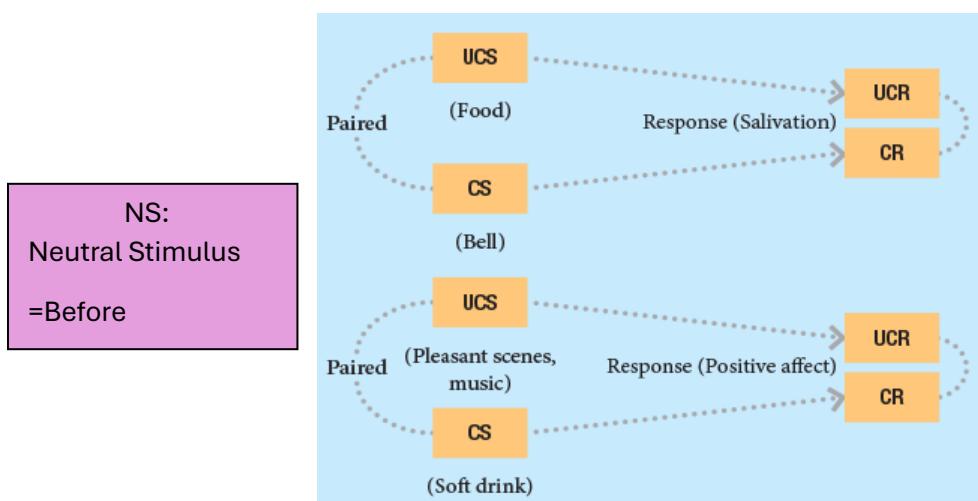


In behavior learning the difference between classical & operant/instrumental condition is:

Classical Conditioning is about learning associations between two stimuli that lead to an involuntary response (e.g., Pavlov's dogs salivating at the sound of a bell).

Operant Conditioning involves learning through consequences, where a behavior is either reinforced (increased) or punished (decreased) based on the outcome of the action (rat pressing lever for food)

Aspect	Classical Conditioning	Operant (Instrumental) Conditioning
Type of Behavior	Involuntary (reflexive responses)	Voluntary (actively chosen behaviors)
Learning Process	Associating two stimuli (stimulus-stimulus association)	Associating behavior with consequences (stimulus-response association)
Stimuli Involved	Neutral stimulus paired with an unconditioned stimulus	Behavior followed by a consequence (reinforcement/punishment)
Response	Automatic/Uncontrolled (e.g., salivation)	Controlled/Active (e.g., pressing a lever for food)
Example	Pavlov's dogs (bell and food)	Skinner's box (rat and lever pressing)
Nature of Learning	Learning is passive (response occurs naturally)	Learning is active (response occurs because of expected outcomes)



Classical Conditioning: ^Understanding this & differences is important!



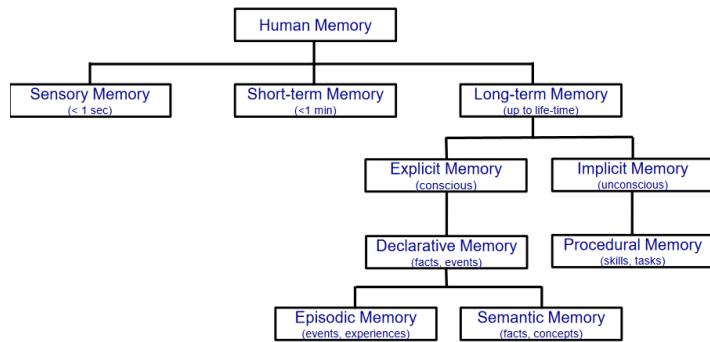
Finally we have the last part of topic 3= Memory;

=which is an internal record of prior events/experiences, that we can retrieve when needed.

Regarding Memory, there are Two Common Models;

Three-Stages Model:

(attention->) Encoding -> Storing -> Retrieving:



Short Term Memory;

E= The process by which information is converted into a format that can be stored in the brain. Often involves auditory or visual information and is influenced by attention.

Example: Repeating a phone number to remember it long enough to dial it.

S= can hold a limited amount of information for a short period (usually up to 20 seconds). The information is temporarily held, but without rehearsal, it is quickly forgotten.

Example: Holding a phone number in your mind just long enough to dial it.

R= The process of accessing the information stored in STM when needed. Retrieval is typically easy as long as the information has been properly encoded. However, if it's not rehearsed, it might be forgotten quickly.

Example: Recalling the phone number you just looked at to dial.

Long-Term Memory

E= The process of transferring information from STM to LTM, which involves deeper processing, making the information meaningful, and often linking it with existing knowledge.

Example: Remembering someone's name by associating it with a visual image or a past experience.

S= LTM has an enormous capacity to store information over a long period (from hours to a lifetime). Information can remain in LTM, but retrieval might be affected by how well the information was encoded or organized.

Example: Your memories of childhood or a well-learned skill like riding a bike.

R= The process of accessing the stored information from LTM. Retrieval is easier when information is well-encoded and when cues are provided. Retrieval may also depend on the context or mood.

Example: Remembering a past event or fact, like the name of your first pet.



Marketing Implications:

- =Marketers often deliberately associate offering with common positive stimuli to increase recall.
- =Marketers often monitor reviews posted online & social media for negative recall experiences.
- =^try to overcome consumer inhibition by highlighting nonrecalled attributes to differentiate.

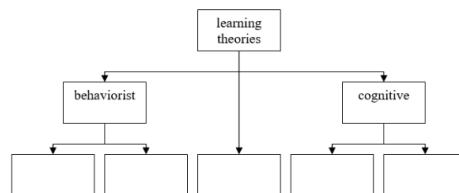
Key Takeaways:

- problem recognition triggers consumer search; managers can either influence the actual or ideal state to facilitate problem recognition
- consumers first search info internally (based on memory) & then externally.
- for brands it is crucial to become part of a consumers' consideration set; top-of-mind brands
- consumers can use a variety of external sources to gather info; companies need to identify relevant touchpoints.
- Memory processes & existing knowledge drive decision making; make sure to stay positive & top-of-mind.

Exam example

Consumers learn about how to evaluate, buy and use products in different ways. Researchers have made a distinction between behavioral learning and cognitive learning.

- a) Place the following concepts in the corresponding boxes in the figure below:
 Classical conditioning, Decision processes, Information processing,
 Operant conditioning, Vicarious learning



- b) Consumers who are about to purchase ducktape or toiletpaper follow the principles of operant conditioning for this "low effort judgment and low effort decision making process." Explain why and correctly use the words : "reinforcement", "punishment", "repetition", "motivation", "opportunity", and "ability" for this.



Topic 4: External Information (on information search)

Learning Objectives:

Understand; Why external stimuli transform into information in our mind

Recognize; Which factors influence **perception & attention processes**

Comprehend; How managers can influence customers **perception** in general & **attention** in particular

Perception= a process by which individuals organize & interpret their sensory impressions in order to give meaning to their environment (ex. 6 v 9 or Boat! Vs Land!)

Why?= it gives meaning, so we can interpret the world around us.

^Because people's behavior is based on their perception of reality rather than on reality itself. Hence, it affects the outcome of our behavior, because we act on the basis of what we perceive.

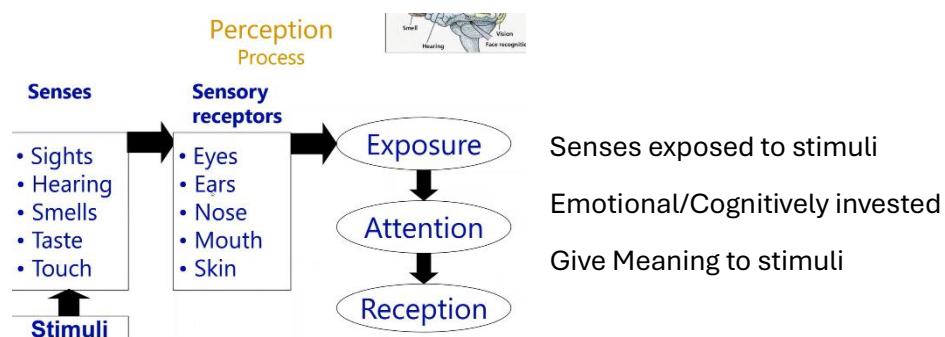
^Recognition of the difference between the perceptual world & TRW is vital to the understanding & controlling of (consumer) behavior.

Characteristic: While perception depends upon the senses of raw data, cognitive processes filter & modify this data.

^Perception plays a very important role in shaping the personality of an individual.

Example of Black Dog Syndrome; perception causes black dogs to be last adopted. (2-ordinary)

Process of Perception



Hemispheric Lateralization; left side vs right side brain

Left-Hemisphere= right-eye= best at processing units; counting, words, forming sentences

- Logical, Facts, Realism, Planned & Orderly, Math & Science, Non-Fiction preference

Right-Hemisphere= left-eye= best at processing holistic info; music, pictures, spatial info

- Emotional, Art & Creativity, Dreams & Imagination, Absent-minded, Fiction, Creative Stories



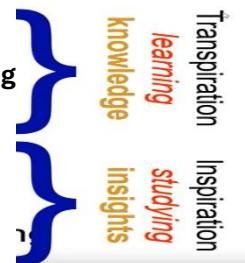
Exposure= an initial stage of perception during which some sensations come within range of consumers' sensory receptors.

Attention= the assignment of (mental) processing activity to selected stimuli

Reception= the stage in which the consumer takes the stimuli in & gives meaning to it

Perception process... of a Scene.

- Low-Level= features; **specifications**; characteristics of the objects = **Watching**
- Medium-Level= objects; **semantics**; meaning of the objects = **Recognizing**
- High-Level= scene; **syntaxis**; meaning of the scene = **Understanding**



Stimuli & Senses; registration of stimuli by 1 of these 5-senses, the way its organized, interpreted & consciously experienced

*Ex. Check the slide of Senses

Perception Characteristics:

Weber's Law; The stronger the initial stimulus, the stronger the additional stimulus must be to produce a jnd (noticeable difference) in sensory experiences.

Sensory Thresholds;

Change Blindness!

^reflection of church

=because of eye-pattern

*Recognition

Changes Sensory Thresholds

Price Price increase: < JND
Price decrease: > JND

Sales promotion Coupons: > JND

Product Size reductions (food products): < JND
Use of word "new": product modifications > JND

Packaging Package styling and logo update: < JND
Image update: > JND

Distribution Shelf adjustments: < JND

*Hope= We taste what we think we will taste (foods with descriptive names sell 27% more)

Conclusion Characteristics:

- Perceptions are subjective & can be unreliable
- People watch very sloppy and are looking for patterns in order to **organize**.
- Draw conclusions too fast & too easy.
- Are blind to small changes (change blindness)
- Observe & Perceive what they Expect or Hope they will see, hear, taste, or feel
- Are frequently & significantly affected & influenced by their social environment.

SELF STUDY: GESTALT THEORY!!!= The whole is greater than the sum of its parts

- we process the gestalte rather than the parts. (*How consumers interpret brands, ads etc.*)

It emphasizes how individuals tend to group elements based on certain principles, like similarity, proximity, continuity, closure, and figure-ground.

(Ex. Apple's products have minimalistic designs, to create sense of simplicity = clean, innovative, thus stands out on a shelfe)



Attention= the assignment of (mental) processing activity to selected stimuli.

Why Attention for Attention?

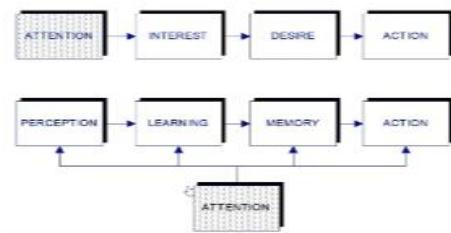
- Family, colleagues, work, friends, external stimuli ask for our attention the whole day
 - Our Attention is limited & restricted; consequently very selective
- Therefore, most of the requested attention needed for an offering/stimuli will not be noticed
- without attention-> no interest, desire or action
- *Important for Marketers; to some extent, action can be controlled & managed

Attention Conceptualization: AIDA Model vs PLMA

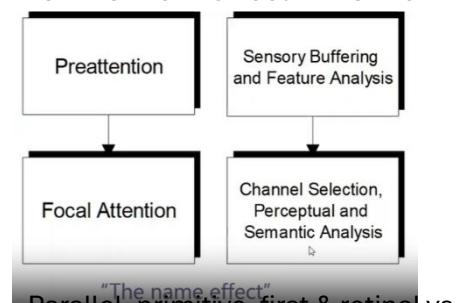
- **Stage vs Function:** it improves the accuracy & speed of perception, and action & maintenance of processing over time. Therefore, attention is necessary in every stage of the process (Function)

Attention as a Stage= AIDA model= attention -> Interest -> Desire -> Action

Attention as a Function = Function is the base for Perception, Learning, Memory & Action which then follow a stage model of Perception -> Learning -> Memory -> Action



Pre-Attention vs Focal Attention

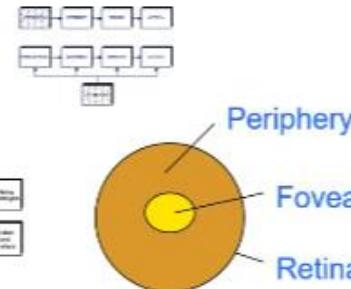


- Parallel, primitive, first & retinal vs
- Serial, detailed, second & foveal.

Attention Conceptualization

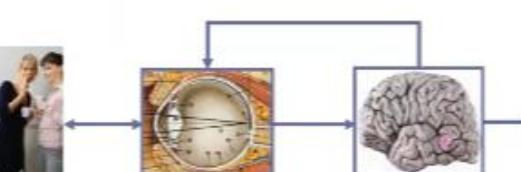
• Stage vs. Function

- It improves the accuracy and speed of perception and action and the maintenance of processing over time (LaBerge 1995)



• Pre-attention vs. Focal Attention

- Parallel, primitive, first and retinal vs.
Serial, detailed, second and foveal



• Overt vs. Covert Attention

- Eyes/ears versus brain
 - Covert but tight coupling

Covert attention is the act of mentally focusing on a particular stimulus.
Overt attention is the act of directing our eyes or ears towards a stimulus source.

Pieters, 2009



Attention Characteristics;

- Limited

20 minutes per day (Full attention)

Multi-tasking is very hard (unless automatic, practiced, little effort)

Too many new things results in limited attention & attention blocking

- Restricted

- Selective

- Divided

- Makes clear in our consciousness

- We tend to shift easily from one to another; attracted by distraction & what stands-out.

^Salience of the target stimulus is a function of:

1) The distinction of the target & 2) heterogeneity of the distractor.

Marketing Implications: How can we Amplify Attention?

Stimulus factors (color & originality)

-Attractive images (stand out!)

-Position (Front-page, eye-level shelf, top left to bottom right (ads))

-Contrast/Separation

-Originality

- Emotions (Fear & Humor)

- Appeal (entertaining, attractiveness, curiosity)

- Easy to Process

Individual factors (involvement & expertise)

- Involvement

- Product Knowledge & Expertise (Experts; facts, attributes vs Novices; benefits, consequences)

- Gender

- Moods

- Age

Situational factors (time & distraction)

- Time (less time = negative info & emphasis)

- Distraction - Umfelt (environment)

Attention Measurement: Aggregated v Individual & Questionnaire v Observation

Observation*:

- Eye Tracking

Managerial Implications:

- Consumers appreciate innovations after 3 years, hence marketers of atypical car designs keep innovative products on the market long enough for consumers to be exposed multiple times to develop a positive impression (think of it)
- Marketers adapt their websites for smaller screens, enabling consumers a seamless experience on mobile and other devices.
- Marketers found alternatives for example James Bond drinking Heineken in movie Skyfall
- Ask rhetorical questions
- Personal Relevant
- Positive link
- Humor, Attractive Models, Music
- Unexpectedness, Uniqueness
- Easy Processable

Key Takeaways:

- for a marketing stimulus to have an impact, consumers must be exposed to it, allocate some attention to it & perceive it
- consumers need a basic level of attention to perceive a stimulus, before they can use additional mental resources to process the stimulus on higher levels (i.e. comprehension)
- perceptual thresholds are important when investigating whether a change in a stimulus (price, package size) will be noticed by the consumer (**Weber's Law**)
- **people are inclined to complete incomplete stimuli & to make the whole more than the sum of the parts (gestalt theory) -> self-study**
- Numerous empirical studies have shown how to manage these important stimulus, individual & situational drivers, showing that "nothing is more practical than a good theory."

Exam question example

Explain why people often do not notice differences in stimuli, such as the manipulation of the bar in the picture below ... even when they can take sufficient time and give full attention.



Topic 5: Knowledge & Understanding

Lecture Objectives:

Convince; How knowledge & understanding are different but related.

Recognize; When consumers use inferential processing to better understand what they believe they know. (Inferences)

Comprehend; Why categorization is a useful practise for both consumers & managers.

What do we need to *understand* about **Knowledge**:

- Associations & Schemas (Storing & Organizing Knowledge)
- Why is Knowledge important?
- Marketer POV
- Consumer POV
- What connections to other concepts?

What do we need to *know* about **Understanding**:

- **Difference** between **Knowledge & Understanding** & How Related?
- **Means – End Chains** (Attributes, Consequences, Values)
Why is this ^ important?
- **Consumer** Inferences
 - Descriptive Beliefs
 - Informational Beliefs
 - Inferential Beliefs
- **Categorization**
 - Assimilation versus Accommodation
 - Functions & Implications
- What connections to other concepts?
- Marketer POV
- Consumer POV



Knowledge: totality of information stored in memory, regarding past experiences, facts, which serves as input for understanding, forming attitudes and behaving. (Knowledge = what & how?)

- **Associations & Schemas (Storing & Organizing Knowledge)**

Knowledge is stored in the form of **associations** in the brain, forming **schemas**—mental networks connecting attributes, benefits, uses, and contexts.

Schema Type	Definition	Example	Rule of Thumb	Importance
Product & Brand	Associations to identify the specific product or brand	Nike: "swoosh" logo, "Just Do It" slogan & association with athletes. (ex. Neymar)	"What comes to mind when you hear the brand name?"	Enables quick brand recognition & differentiation, shaping consumer preferences.
Action (scripts)	Scripts on how events unfold (like a manual)	Ordering at a McDrive: drive up → order → pay → receive food at window.	What steps are expected?	Guides behavior in familiar settings, reducing cognitive load & speeds-up decisions.
Category	Groupings that help classify products	Soda belongs to "beverage" = assimilation ; sparkling water, may require accommodation (is it soda or water?).	If it matches, it fits; if not, the category adapts	Helps consumers categorize products quickly (easy evaluation)
Self	How individuals see themselves & align products with their identity.	You identify as a vegan, so you buy only vegan products, like tofu	"Does this product fit with who I am?"	Reinforces personal identity & values, guiding product choices that feel authentic
Perceptual	Frameworks guiding interpretation of (marketing) stimuli.	Rolls-Royce ad showing design and luxury logo suggests prestige and wealth .	How does it make me feel, at first sight?	Shapes immediate impressions & emotional responses, influencing quick judgments.

5 different types of Schema's (Product & Brand, Self, Category, Action, & Perceptual)

- **Why is Knowledge important?**

=Knowledge serves as the foundation for decision-making, interpreting information, evaluating products, and making informed choices.

- **Marketer's POV:** influencing consumer decision-making by shaping associations through campaigns that reinforce positive attributes/ benefits.(ads health-benefits= more desirable)
By understanding consumer knowledge structures, marketers can position products in ways that align with familiar schemas (ex. self-schema, vegan, sustainability)

- **Consumer's POV:** knowledge simplifies choices & enhances decision-making. It helps navigating complex options by allowing quickly recalling relevant information, compare alternatives, and confidently select products that align with their needs or preferences.

What Connections to Other Concepts?

Memory: Knowledge is central to internal information searches.

Attitudes: Beliefs shaped by knowledge influence attitudes.

Motivation: Gaps in knowledge can trigger information searches,



What do we need to know about **Understanding**:

- **Difference** between **Knowledge & Understanding** & How Related?
 - Knowledge consists of scattered facts, while **understanding** connects these facts into meaningful insights. (ex. stars vs a star-sign, the stars serve as input to form a star-sign)

Aspect	Knowledge	Understanding
Definition	Facts & Info stored in memory	Connecting facts > meaningful insight
Nature	Factual, Isolated, Random	Dynamic & Contextual
Example	Knowing how to do Hypothesis-Test	Understanding what a H-T does
Depth	Surface level recognition/storage	Deeper grasps of connections/implications
Application	Enables recalling of data/attributes	Enables reasoning & decision-making
Relation to Actions	May or may not lead to informed actions	Often results in purposeful & informed actions
Marketing	Focus= on communicating features	Connecting attributes to personal benefits

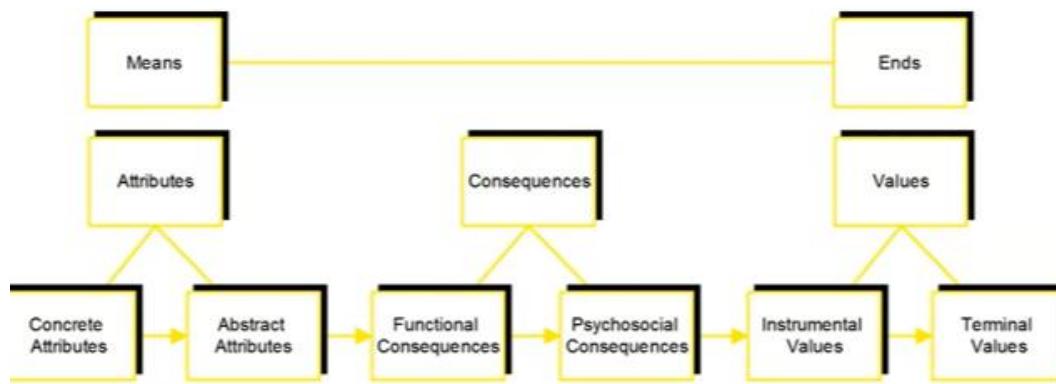
Means – End Chains (Attributes, Consequences, Values)

=a cognitive process, where consumers make connections of offerings, especially by linking attributes to consequences (i.e. benefits), and whether those benefits match their values, (instrumental vs terminal), so does the means (attributes) lead to the end (terminal values)

Aspect	Means-End Chain
Importance	Is a cognitive process, where consumers make connections of offerings, especially by linking attributes to consequences (i.e. benefits), and whether those benefits match their values, (instrumental vs terminal), so does the means (attributes) lead to the end (terminal values)
Objective	To show how attributes lead to consequences (functional and psychological) and fulfill deeper values or life goals
Marketing POV	Marketing is about a natural fit between offering & consumer
ACV	The Means-End Chain consists of Attributes (product features), Consequences (benefits/outcomes of offering), and Values (personal goals/values fulfilled by offering).
Marketing POV	Connecting attributes to personal benefits
Important Note for Exam + How to Produce	In the A-C-V: ONLY! The Attributes are in control of the company/marketer, therefore if the foundation is gone/changed, the rest is gone/changed +Laddering, building blocks & links = are they valid?
Example Attribute (product characteristics) - concrete-attributes - abstract-attributes Consequences (cost & benefit) - Psychosocial - Functional Values (utility) - Instrumental-Value - Terminal-Value	Rolls Royce Concrete (physical) = High-Quality Car Abstract (non-physical) = Prestige Psychosocial (how do I/Others perceive Me) = Higher Social Status Functional (what is it supposed to do for me) = Comfort, Safety, Reliability Instrumental Value (what is important to me as a consumer) : Self-Expression Terminal Value (what is important to me in my life) : Fulfillment (temporarily tho, if that's your goal)



Means-End Chain; Helpful Tool; Ways to achieve Goals (Means 2 Ends)



Pampers Example:

Means-End Chains

Values (utility):

- Terminal
- Instrumental

Consequences (cost & benefits):

- Psychosocial
- Functional

Attributes (product characteristics):

- Abstract *dimensions*
- Concrete *cues*

A-C-V keten:

- Happy family
- Harmony
- Caring parent
- Dry but
- Absorption
- Gel grains

Consumer

Controllable
by Company

Marketing is about making a natural fit between the product & the consumer. That is why means-end chain is frequently used in marketing [management & analytics context]

Attributes -> Consequences -> Values (Personal) A-C-V keten : (Dairy Example)

Under control of organization: Low Fat -> Healthy -> Self-Respect Wisdom

Consumer Inferences ^

What are the management implications if we change/delete the foundations? (meaning the concrete & abstract attributes controlled by the organization)

COULD BE INTERESTING EXAM QUESTION ^

Objective of Means End Theory= understand what makes products relevant to consumer

Result: a hierarchical value map showing the salient links between a-c-v for a consumer-group.

How to Produce Means-End Chains? = Laddering (building blocks & links -> Are they valid, meaning inferred correctly)



Understanding: Teachers' Examples

Means-End Chains: laddering

Steps

1. determine a representative set of brands
2. elicit meaningful distinctions between brands
 - direct elicitation
 - free-sort task
 - triad task
- use findings from academic research
3. select key distinctions to ladder
→ *attributes*
4. repeated questions of the form: "why is this important to you?"
→ *consequences* → *values*



Triad-Task= bundle then odd-1-out

^more preferred due to more info.

<Concrete Attributes

"Why are you using products from The Bodyshop?"

Attribute

"These products are not tested on animals"

"Why?"



Consequence

"The usage of these products harms neither nature nor the world"



Value

"Why?"

"I want my children to grow up in a world full of beauty and love" = TERMINAL VALUE

Organization can choose from a fixed set of terminal & instrumental values (more possible)

TERMINAL VALUES

INSTRUMENTAL VALUES

- True Friendship
- Mature Love
- Self-Respect
- Happiness
- Inner Harmony
- Equality
- Freedom
- Pleasure
- Social Recognition
- Wisdom
- Salvation
- Family Security
- National Security
- A Sense of Accomplishment
- A World of Beauty
- A World at Peace
- A Comfortable Life
- An Exciting Life

- Cheerfulness
- Ambition
- Love
- Cleanliness
- Self-Control
- Capability
- Courage
- Politeness
- Honesty
- Imagination
- Independence
- Intellect
- Broad-Mindedness
- Logic
- Obedience
- Helpfulness
- Responsibility
- Forgiveness

Means-End Chains: psychosocial consequences

	Anticipated	Outcome
Positive gains e.g. Satisfaction	Challenge: Enthusiast Eager Hopeful Excited Self confident	Delight: Delighted Pleasure Happy Relieved Self assured
Negative pains e.g. dissatisfaction	Threat: Anxious Afraid Worried Uncomfortable Uneasy	Harm: Depressed Angry Frustrated Regretful Disappointed



Consumer Inferences;

Beliefs: the extent to which the consumer perceives/believes that a product possesses as a particular attribute/property

Inference/Believe Type	Description	Example	Rule of Thumb
Descriptive (observed by you)	Based on direct observation/cues of offerings' properties (concrete attributes)	Observing that the car is made in Germany (label)	I see it so, I know it
Informational (referred by other)	Beliefs obtained from external sources	Friend or this Consumer Reports says: "German cars are reliable,"	If others say it's true= true
Inferential (inferred/concluded by you)	Connecting simple facts into bigger conclusion	Observing the car is German-made, knowing German products are reliable, so you infer that the car must be reliable.	Conclusion; based on what I know

Processing types:

1. Correlation inference or interattribute rule (piece meal inferences)

Piece Meal inferences= Consumers evaluate attributes individually & link them (prize & size)= Correlation Inference / Inter-Attribute Rule

Is based on **Kelley's covariation** estimation paradigm:

- **Distinctiveness**; is it specific to context or universal?
- **Consistency over time**; is it consistently the case over time?
- Consistency over modality**; is it the same with other people/context?
- Consensus**; do other people agree?

Processing Type	Description	Example	Rule of Thumb
1. Correlation Inference / Inter-Attribute Rule	Inferring relation between attributes, often based on patterns (correlation)	Assuming higher price, means higher quality.	If A & B are related, then higher A means higher B.
2. Attribute-Level Consistency	Attributes combines to improve overall performance	Wifi & GPS working well together in a phone	Related Attributes work better together.
3. Analogical Reasoning	Inferring based on analogy between categories/dimensions	If banking is reliable, insurance is also reliable	If it's similar, it works the same way.
4. Overall Evaluative Consistency= (Halo-Effect)	Judging missing dimensions based on overall positive evaluation	Bradley Martin is 260 lbs, so he knows how to fight	Good overall, means good in detail.
5. Schema-Based Inference Rule= (Dual-Effect)	Assuming an offering matches category norms	5-star hotel is expected to give luxury towels, room service etc.	What fits the category, shares the same traits.

Dual-Effect= "Abstract impressions shape specific expectations, and strong performance then reinforces the abstract impression."

Categorization: labelling/identifying a new stimulus based on its similarity to what we know

Why? Too much info, it helps us learn, we like to do it, we're good at it, just enough info needed.

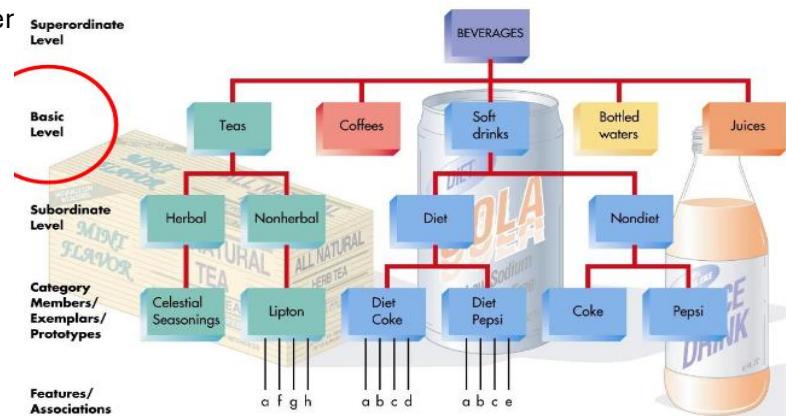
Taxonomic-categories= an orderly classification of similar objects within same category

Graded structure vs prototypicality (Which is a stronger representation?)

- Shared associations, Frequency, Pioneer brand
- Example: Coca Cola > Pepsi > Dr. Pepper

Hierarchical Structure:

- Superordinate level (Beverages)
- Basic Level (Tea)
- Subordinate level (herbal v non herbal)
- Prototypicality/Category members (Jacob Hooy v Lipton)



Goal-derived categories= contains things we view as relevant to the goal.

- Ex. Picnic; Sushi, Seats, Water, Tooth-pick, Flowers (random, but serve same goal)

Prototypicality; brand that is top-of-mind (ex. Cola; Coca Cola)

What constitutes a basic-level category?

- **Perception;** gestalt perception, fast-identification
- **Communication:** neutral, first to be learned by children, shorter, first to enter lexicon
- **Function:** general motor program
- **Knowledge Organization:** most attributes of category members stored at this level

ASSIMILATION VS ACCOMODATION DIFFERENCE

Concept	Assimilation	Accommodation
Definition	New offering fits closely with existing category, thus small differences absorbed	New offering differing too much from existing category, creates new sub-category
Example	AH-Cola, Freeway, Dr.Pepper being included in same category as Coca Cola, due to similarity.	Toyota Prius vs Tesla, both electric but Tesla differs so much in terms of luxury, that it becomes a sub-category
Rule of Thumb	"If the product is close enough to the prototype, it will be easily assimilated."	"If the product is too different, a new category will need to be created."
Perception Transfer	Cognitive & Affective perception of Consumer for category is transferred for this new offering.	Consumer notices difference so there is no transfer, rather a new feeling is formed.



Teacher's Examples:**Assimilation**

The schema of the category will be transferred to the new product; the product is close to the category's prototype. Missing characteristics, including the affective, are also transferred to the new product. Small differences or inconsistencies will be mitigated.

Accommodation

Existing schema(s) cannot be applied; the product deviates too much from the prototype. A new (sub-) category needs to be created in the consumer's mind. Missing characteristics -including the affect- cannot be transferred. Differences will be magnified (i.e., contrast effect) and remembered well.

• Assimilation:

- Slightly different
- Generic schema is applied
- Both cognitive and affective transfer
- Me-too products

• Accommodation:

- Subtyping
- Strong deviation
- Deviating aspects are remembered well/are important
- Different categories evolve over time (experience)

Categorization: Assimilation or Accommodation

- Complexity of the product class
- Degree of experience with the product class (specialization)
- Involvement of the consumer
- Ability of the consumer
- Motivation to process information
- Cognitive style of the consumer

Marketing Implications :

- Marketers can strongly influence what consumers subjectively perceive by designing a message to be consistent with their prior knowledge.
- Marketers can improve objective comprehension by repeating the message; stating it multiple times within the same communication and repeating it on multiple occasions.
- Marketers may use brand names and symbols to create subjective comprehension and inferences., e.g. by using alphanumeric brand names like BMW's X6, which tends to be associated with technological sophistication.
- Marketers may stress specific features, such as giving nutritional information about a product since consumers are more likely to see it as healthier this way.



Key Takeaways:

- People constantly connect new knowledge with existing knowledge, while revising what they know & filling-in what they don't know. (Constant Cycle of Learning)
- These associations often result in associative networks and other schema's, including scripts & category schemas
- Schemas are important representations of consumers associations with an offering.

Ex: Brand image= schema of what a brand stands for from consumer' pov.

- Means-End Chains are very useful when trying to visualize how consumers infer meaning from the product attributes they observe; trying to comprehend "what's in it for me?".
 - Consumers organize objects based on how similar (& different) they are compared to other members of a category, i.e. it's degree of equivalence.
 - Prototypicality of a brand influences decision making
-

Exam question example

Next to (causal) relationships, people learn and remember using categories

In order to understand how consumer translate knowledge into meaning, we can create Means-End Chains or A-C-V chains.

a) What is the difference between (a) taxonomic categories and (b) goal-derived categories, and give a good example explaining each?

a) What do we mean with these A, C and V?

b) Why is categorization, from a cognitive perspective, a very useful tool when a marketing manager wants to introduce and position a new "fast-food" brand in The Netherlands (e.g., Five Guys or Carl's jr.)?

A simple definition of marketing is the development of a natural bridge (fit) between the organization and its customers. In this respect, these A-C-V chains can be useful since they visualize how the product and the consumer interact.

b) Which part of the A-C-V chain the "domain of the organization" and which part is the "domain of the customer?" Explain.

- c) Develop a Means-End Chain with at least 3 ladders for Efteling (or Disneyland) and
- d) Define where exactly in this chain the connection between the customer and organization takes place (tick the correct box).

	antwoord c.	antw. d.
V		
C		
A		



Topic 6: Attitude

Learning Objectives:

Convince; Why Consumer Attitudes are important in understanding Consumer Behavior

Comprehend; How Cognition & Affect interact in the Consumer Attitude Formation Process

Understand; What the established Methods & Techniques are to Measure & Manage Consumer Attitudes

Attitudes;

- Concept
 - Dimensions & Functions
 - Hierarchy of Effects: FCB & ELM
 - Theories on Attitude Forming & Change
- Content
 - Cognitive-component
 - Affective-component
- Control
 - Attitude Management
 - Persuasion principles

Why are Attitudes important in understanding Consumer Behavior?

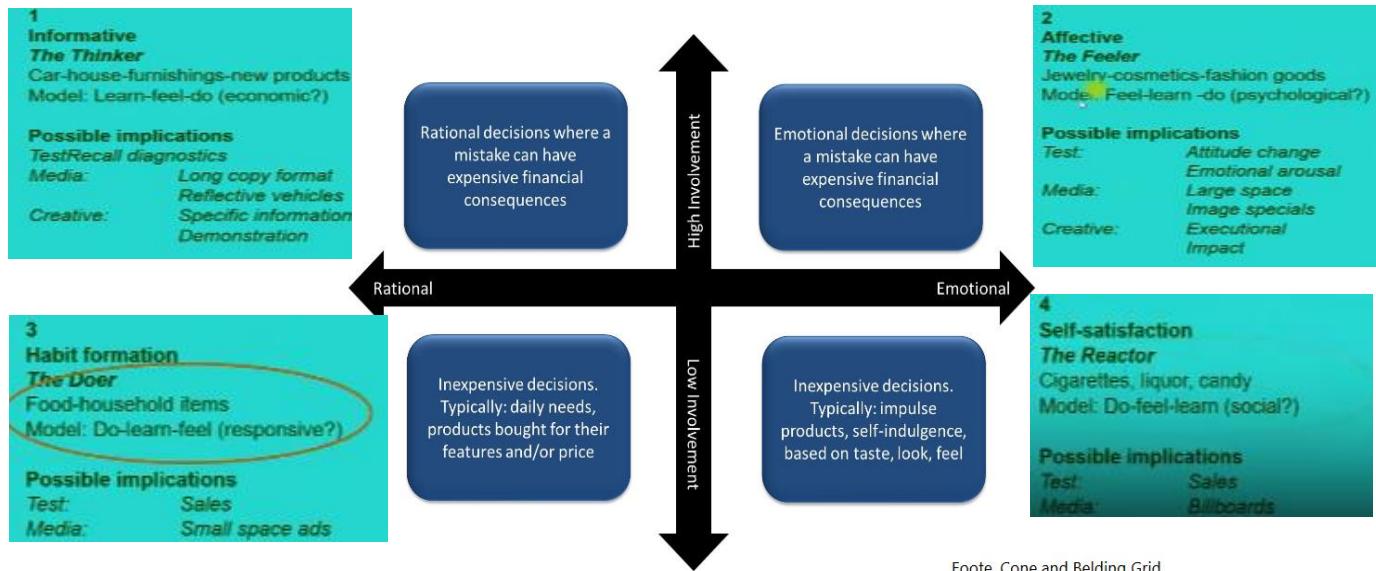
- Marketing & Consumer POV



Attitude Concept:

Concept	Attitude
Definition	an overall evaluation that expresses how much we like/dislike an offering (object, issue, person or action)
Properties	<ul style="list-style-type: none"> - Attitudes are <u>learned</u> & tend to <u>persist over time</u> - Attitudes are a mix of (thinking, feeling & doing) cognitive, affective & conative components
Attitude Towards Objects (i.e. Offering; Ao)	How we feel towards offering; (brands, company, product form & product class)
Attitude Towards Act/Behavior	<p style="text-align: center;">Ab/Aact:</p> <p style="text-align: center;">How we feel towards actions/behavior</p>
Importance (mainly 2 reasons)	<ol style="list-style-type: none"> 1. Attitudes are based on beliefs consumers hold about the attributes/features of the offerings being evaluated. <i>=these attributes form the basis for marketing strategies development</i> 2. Attitudes are primary causes of behaviors which makes them very relevant to marketers who want to understand why consumers buy or do not buy their products
Functions; (why we develop Attitudes)	<ul style="list-style-type: none"> - Utilitarian based (i.e. pains/gains from offering) - Self-Value Expressive (What does it say about me?) - Ego-Defensive; against external influence & internal insecurity - Organizing Beliefs
Why Cognitive Important?	Cognitive attitudes influence consumers by shaping their rational decisions based on knowledge, logic, and reasoning, guiding them towards behaviors that are in line with their beliefs and information.
Why Affective Important?	Attitudes have a motivational quality , they might <u>propel</u> a consumer towards a particular behavior or <u>repel</u> the consumer away from a particular behavior.
Marketing POV	<ul style="list-style-type: none"> - We want consumers to hold positive attitudes about us - We want to change consumer attitudes to be positive - We measure consumers attitudes all the time
Dimensions	<ul style="list-style-type: none"> - Valence: Whether Attitude is Positive, Negative or Neutral - Extremity: The Intensity of Liking or Disliking - Confidence: Belief that Attitude is Correct - Accessibility: How easily is attitude retrievable from memory - Resistance; to what extent is the attitude you hold immune to change
Note:	<p style="text-align: center;"><u>Predicting is different with Ao & Ab;</u></p> <p style="text-align: center;"><i>Predicting them requires different approaches because attitudes do not always translate directly into behaviors.</i></p>
Example:	Ao buying Mercedes Positive (good car-brand), Ab buying Mercedes Negative (high costs)
*Important for Exam	<p>*Attitudes are a mix of thoughts, feelings and behavioral components, and are important to us as they, <u>guide</u> our <u>thoughts</u> (cognitive), <u>influence</u> our <u>feelings</u> (affective) & <u>impact</u> our <u>behavior</u> (conative function)</p> <p>“Attitudes act as a filter, shaping how we perceive and interpret information based on our initial beliefs and feelings.”</p>



Attitude Concept: Hierarchy of Effects: Cognitive, Affective, Conative**Foote Cone & Belding Grid (Four Hierarchies of Effect);****Which order?****Which products?**

Foote, Cone and Belding Grid

- FCB predicts the decision-making sequence (what comes first; think, feel, behave)
- Sequence of attitude formation based on product type (rational/emotional) & involvement level

Fill-in the Blanks:

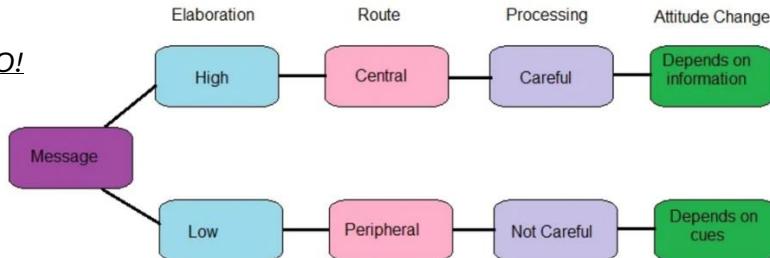
- 1. The Thinker**
 - This consumer is _____ involved and makes _____ decisions.
 - They prioritize _____ before making a choice.
 - Example: Buying a _____.
 - **Sequence:** This consumer typically _____ first, then _____, and finally _____.
- 2. The Feeler**
 - This consumer is highly involved but makes _____ decisions.
 - They focus on their _____ towards a product.
 - Example: Choosing a _____.
 - **Sequence:** This consumer typically _____ first, then _____, and finally _____.
- 3. The Doer**
 - This consumer has _____ involvement and makes _____ decisions.
 - They are driven by a _____ to act quickly.
 - Example: Buying a _____.
 - **Sequence:** This consumer typically _____ first, then _____, and finally _____.
- 4. The Reactor**
 - This consumer has _____ involvement and makes _____ decisions.
 - Their choices are influenced by _____ cues like branding or packaging.
 - Example: Picking a _____.
 - **Sequence:** This consumer typically _____ first, then _____, and finally _____.

Answers: page 84

Factors Influencing Information Processing (Hierarchy of Effects)

Tenets of Elaboration:

Depends on level of MAO!



Elaboration Likelihood Model (ELM); explains how attitudes are formed and changed. It suggests that there are two main routes through which persuasive messages can lead to attitude change:

Concept	Description	Example	Rule of Thumb
ELM	Attitudes can be formed/changed based on the amount & nature of thinking (cognitive process) & if we can change a specific attitude towards a behavior, then we can change the actual behavior	Figure above^	
Elaboration Continuum	A range from low to high thinking effort when processing information.	Simple ad (low effort) vs Research Study (high effort)	The more effort we put into thinking, the higher the elaboration.
Central-Route	Involves high elaboration, where the person actively thinks about the message, evaluates the arguments, and forms an opinion based on logical reasoning.	Researching which crypto to buy	Central route = stronger, long-lasting attitude change.
^CR-Properties HIGH MAO	<ul style="list-style-type: none"> - Systematic Processing - Strong Arguments; produce positive shifts in attitude resulting in change; that is: Persistent over time – Resists Counter-Persuasion & Predicts Future Behavior - Weak Arguments have boomerang effect 		High MAO
Peripheral-Route	Low elaboration. Relies on external cues like emotions, attractiveness, or social influence.	Buying Nespresso because of George Clooney Ad	Peripheral route = temporary attitude change, easily influenced by other factors
^PR-Properties LOW MAO	<ul style="list-style-type: none"> - Heuristic Processing - Cues include tangible rewards, source credibility & celebrity endorsement - Almost Automatic 		Low MAO
Notes Teacher	<ul style="list-style-type: none"> - Degree of elaboration is determined Motivation, Ability, & Opportunity to do so. - Information process= continuum of elaboration with different levels of processing (low v high) - Depending where people fall on the continuum (elaboration degree), variables influence else 		



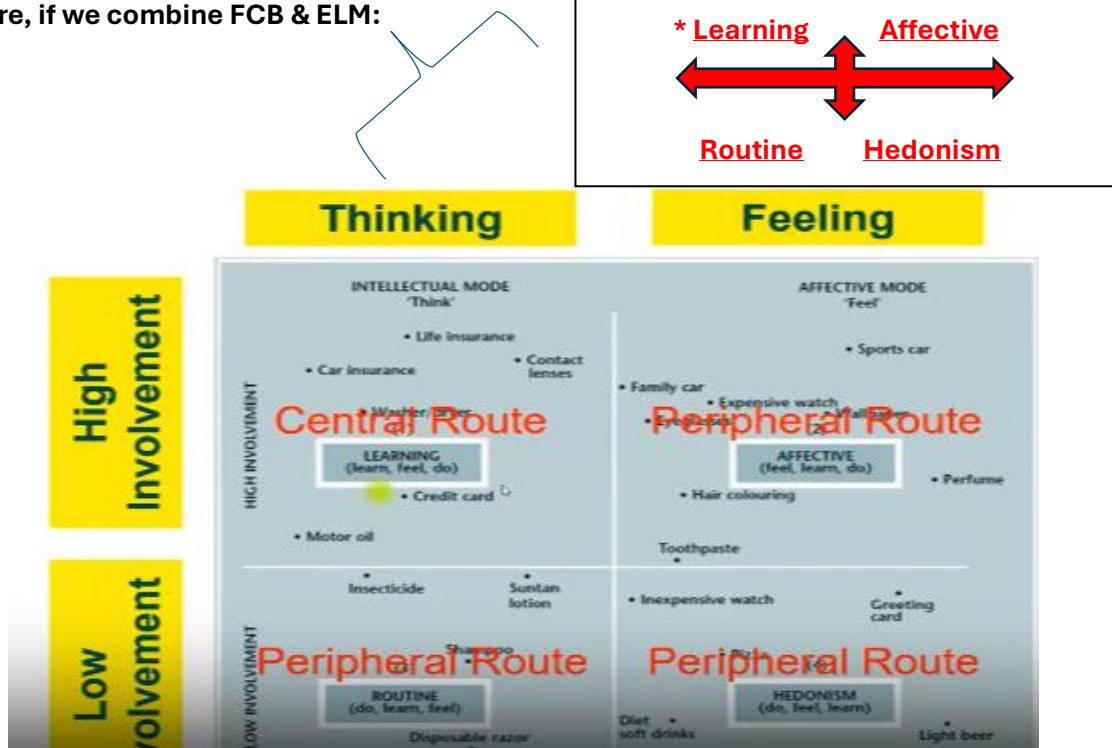
ELM: Stimulus → Organism → Response (2-Routes)

1. Persuasive communication → High MAO → Central-Route

(deep processing info, rational & critical → Permanent attitude formation/change)

2. Persuasive Communication → Low MAO → Peripheral Route → Temporary Attitude formation/change

Therefore, if we combine FCB & ELM:



Most Important from this graph, is that **Central Route** is only applicable in the

High Thinking & Involvement Section (Up-Left)

&
Marketing POV:

FCB predicts the decision-making order (think, feel, act) based on the product type.

ELM identifies how the message is processed (central or peripheral) depending on consumer involvement.

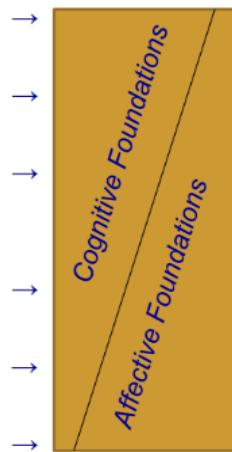
Therefore, they complement each other:

Use **FCB to define the decision-making order** (think, feel, act) and **ELM to craft the right communication strategy** (central vs. peripheral route).



Theories on Attitude Formation & Attitude Change (Strategies)

- Expectancy Value Theory



Cognitive (extreme-end)

- Social Judgment Theory

Mainly cognitive + some affective

- Balance Theory

- Classical conditioning

Affective (extreme-end)

- Attitude toward the ad (likeability)

- Mere exposure effect

1. Expectancy Value Theory= a

cognitive theory that explains how consumers form attitudes pre-action by combining their **beliefs** about an object's attributes with the **importance** they place on those attributes. This theory predicts attitudes towards objects or behaviors based on a rational evaluation process.

2. Social Judgement Theory= a cognitive theory that claims; People evaluate new information by comparing it to their initial attitude (anchor), deciding to accept, reject, or remain neutral

3. Balance Theory= mostly cognitive, with some affective nature, that focuses on the triad model. This model includes the observer (O), an attitude object (X), and another person or entity (P). It suggests that people strive for consistency in their relationships between these elements and feel motivated to restore balance if inconsistencies arise. (Mostly using celebrity endorsers, in ads)

4. Classical Conditioning Theory

- Behaviors are learned by connecting a neutral stimulus with a positive one, such as when Pavlov's dogs heard a bell (neutral) and expected food (positive)

5. Attitude Towards the Ad (A ad); Dual effect Mediation

- Hedonic Dimension – Likeable Ads

6. Mere Exposure Effect Theory

Research shows that;

- Repeated exposure -> familiarity -> liking
- Repetition increases believability of claims
- High levels of ad repetition can build brand preferences, even (perhaps specifically) when consumers aren't paying much attention
- People can develop positive attitudes even if they cannot articulate reasons why

See below table of the important 3 cognitive Theories



Aspect	1. Expectancy Theory	2. Social Judgment Theory	3. Balance Theory
Type of Process	Cognitive (Extreme) $A_O = \sum b_i e_i$	Cognitive	Mainly Cognitive + some affective
Description	Attitudes= based on the belief of offerings' attributes * importance of attributes	People evaluate new information by comparing it to their initial attitude (anchor), deciding to accept, reject, or remain neutral.	People prefer balanced relationships between themselves, attitude objects, and others, avoiding conflict or inconsistency.
Use	(Behavioral Beliefs * Evaluation of Results) -> Attitude Towards Object -> Behavior	Attitude= not a single point, rather it's a <i>latitude destination</i> , we have: - Latitude of acceptance - Latitude of rejection - Latitude of non-commitment; neither accept/reject	<p>Balanced state: multiplication of 3 signs = positive</p>
Example	Consumer evaluates car based on safety (belief strength: 8/10) & fuel efficiency (importance: 9/10) before purchasing.	Healthy person accepts ads for organic snacks but rejects fast-food campaigns that don't align with their beliefs	Ronaldo endorses Nike; fans of Ronaldo align positively with Nike. However, a disliked celebrity could create imbalance and harm the brand.
ROT & Marketer POV	Focus on relevance: Highlight the most important attributes to your target audience & address their belief systems.	High Involvement: - Narrow latitude of non-commitment (& acceptance) - Wide latitude of rejection Low involvement: - Narrow latitude of Rejection - Wide latitude of non-acceptance	Typically used when using celebs for ads Use endorsements or associations to align consumers' perceptions with the product or brand positively.
Criticism	Does not include external influence Nor does it account for actual behavior.	Ignores how <i>emotions</i> can override <i>cognitive</i> evaluations High-involvement consumers are hard to persuade.	Assumes attitudes form in triads, but real-life decisions often involve multiple factors and variables outside the model.
Solution	This theory evolved -> TORA, to include social influence & further evolved into TOPB, adding perceived control.	Match attitude levels: For critical consumers, provide strong arguments; for less involved consumers, focus on light, relatable appeals.	Ensure the relationship triads feel intuitive and relevant to consumers.
Consumer POV	What matters most to me?	Sees Attitudes as a Frame of Reference to Judge New Information; Assimilation Effect = acceptance Contrast Effect = Reject	"Do I like what this person or product represents?" Consumers resolve conflicting attitudes to maintain consistency.

Expectancy-Value Theory → TORA (adds subjective norms) → TOPB (adds perceived control).



Content; Cognitive & Affective Component

Cognition: The collection of mental processes & activities used in perceiving, pattern recognition, categorization, learning, thinking, reasoning & remembering.

Affect: (moods/emotions) influences our thought & behavior

- The kind of thought we have is affected by affect (Mood congruity)
- The way we process information (narrow vs broad, much v little processing effort)
- What we think about things (emotion/mood as information/ belief anchor)
- How we learn & adapt (Emotion/affect as social reinforcement, intrinsic reinforcement, control)

Why important?

Consumers in a positive mood: heuristic processing, more creative problem-solving, more gullible,..

Happy consumers (emotion); healthier choices etc.

When do people rely on affect (vs their cognition)

- Distraction, cognitive load or time pressure
- Low motivation
- Ambiguous info
- Lack of expertise in target domain
- Experiential rather than instrumental motive
- Decision for self v others

What is Affect?= general term for feelings, emotions or moods

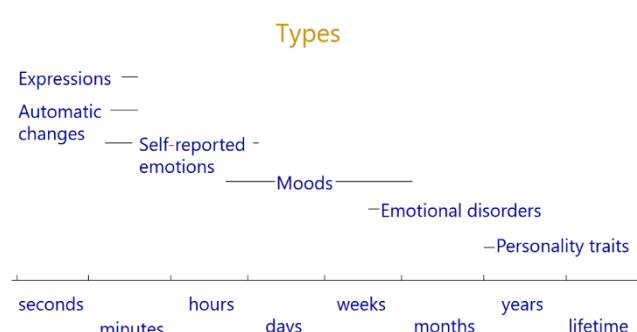
Distinguished by: time (short v long-term), influence (unnoticed v dominant), cause (specific v)

Affect types classified by time;

- short-term: **emotions** (dominant, specific)
- medium-term: **moods** (unnoticed, diffuse)
- & long-term: **personality** (dominant)

What Influences Affect: Influencing Factors

1. Personality
2. Day of the Week, Time of the Day
3. Weather
4. Stress
5. Social activities
6. Sleep. 7. Exercise 8. Age. 9. Gender



Mood: feelings that tend to be less intense & longer-lasting than emotions, and often lack a contextual stimulus. Therefore **Moods:**

- People seem to experience a positive mood when they; good sleep, clean slate, no stress
 - Can be caused by many different aspects of life
 - Have certain effects on people as a whole
 - Usually considered a state without an identified cause
 - Do not have specific start & stop dates
 - Affect preferences
 - Can bias attitudes in a **mood-congruent** direction
- ***Mood-Congruent Effect real affect**

Mood and Preferences

Both are positive products, but which product fits which situation best?



or

	High arousal	Low arousal
Positive mood	e.g. excited 	e.g. relaxed
Negative mood	e.g. stressed 	e.g. bored

congruency
between current state and product choice

incongruity
between current state and product choice

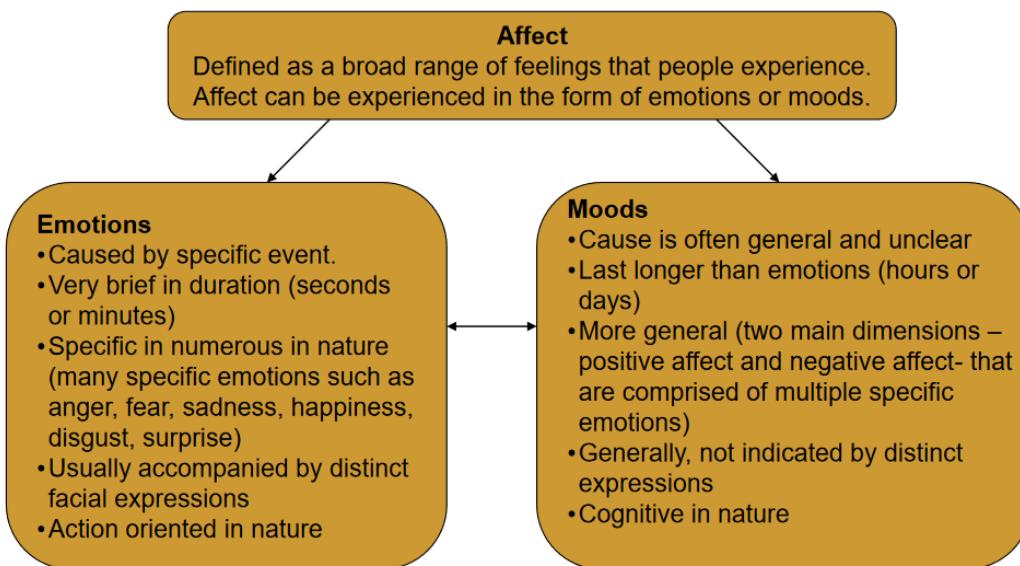
Emotion; complex, patterned reaction= Appraisal Theory

Emotions:

- Are associated with autonomic physiological activity
- Arise from highly negative or positive appraisals
- Express themselves in involuntary facial displays
- Always includes an environmental factor, present or past
- Have an object
- Give rise to a tendency to action
- Involves perception and memory

Differences:

Emotions



Emotions: Components

- Feelings:** private & subjective, consciously experienced
- Actions:** send biological action signals to your body's organs & muscles (fleeing/fighting)
- Physiological arousal:** states of arousal defined by bodily responses (laughing-benefits)
- Motivational programs:** motivate behavior by preparing you for action

Therefore, different types of emotions & functions:

Discrete:

8 basic emotions – 4 opposites (if one felt, other not possible as a combination)

- Joy	- Sadness	Emotion	Objective	Behavior
- Trust	- Disgust	Joy	reproduction	mate
- Anger	- Fear	Trust	incorporation	groom
- Anticipation	- Surprise	Fear	protection	escape
		Surprise	orientation	stop
		Sadness	reintegration	cry
		Disgust	rejection	vomit
		Anger	destruction	attack
		Anticipation	exploration	map

Dimensions: 3 PAD (Mehrabian & Russell)

- Valence;** pleasure – displeasure (positive – negative dimension)
 - Arousal:** the excited - calm or active - passive dimension;
 - Dominance:** the powerful - weak or in control - no control dimension
- Can be combined; (ex. Joy = high valence, high arousal, high dominance)

Emotions and Consumer Behavior

- Sad people prefer enjoyable task first and anxious people prefer unenjoyable first
- Angry respondents chose the active vacation spot while sad respondents preferred the passive one (Rucker and Petty, 2004)
- Fearful people make pessimistic judgments while angry people make optimistic ones (Lerner and Keltner, 2000)
- Sadness makes choice prices exceed selling prices (reverses the endowment effect) (Lerner et al., 2004)
- Both pleasure and arousal have a positive influence on the money spent in store (Sherman et al., 1997)

What to Expect from People in High Arousal; Difficulty:

- | | |
|-------------------|------------------|
| - Thinking | - Hearing |
| - Decision Making | - Remembering |
| - Problem Solving | - Attention Span |
| - Concentrating | - etc. |

Emotion; Functions (How?)

- Mobilization;** physiological arousal; activation of central nervous system; flight/fight/free
- Information;** impression & interpretation of the arousal. Valence? What is cause of arousal?
- Communication;** expression or comm. of the emotion. (in)voluntary? Controllable or not?

Control; Attitude Management (What to change?)

Theory of Reasoned Action (TORA)

1. Change strength of attribute beliefs

Advantage: easier (use demonstrations or trustworthy sources)
why? = beliefs are not tied to a consumer's self-concept

Disadvantage: may involve changing the product

2. Add a new Attribute/Belief for Consideration

Advantage: easy when attitude is weakly held

- Stand out (attention, Salience)
- Scarcity

Disadvantage: may involve changing the product

- extensive promotional efforts (to get info to consumers)

3. Change Evaluations of Attributes

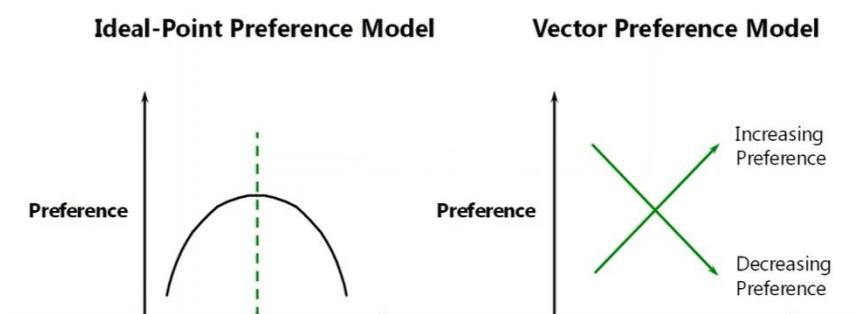
Advantage; no change in product needed

Disadvantage; very difficult

Why? = evaluation ratings often tied to the consumer's self-concept

Two-Preference Models (ideal-point preference model & vector preference model)

- Multi-attribute model can only work with vector



4. Influence perception of reference group's reaction to behavior

Advantage; reference groups have a large impact on intentions to behave

Disadvantage; motivation to comply may be very low

5. Change Normative Compliance Strength

Advantage; no need for product change

Disadvantage; may turn against the focal brand or product

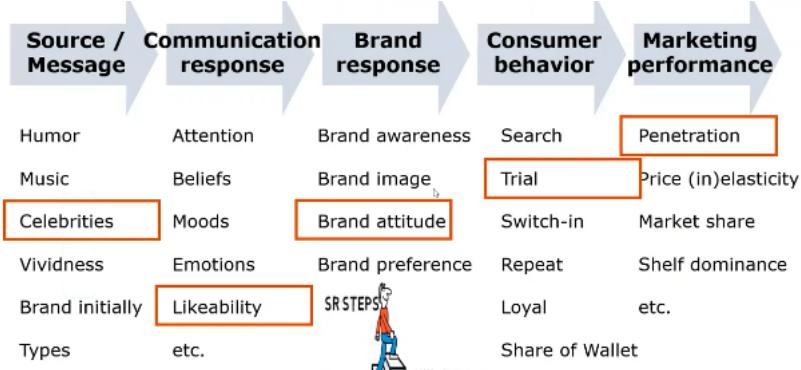


Control; Attitude Management (How to Change?) Y= Attitude X= variables (ex. media factors)

- Source factors; credibility & attractiveness
- Message factors; structure (complexity & vividness) appeals (fear & humor)
- Media factors
- Individual factors

Marketing Communication;

What can we do to get the desirable results, and what are the steps in between between the X variables and the Y variable



How to change?

FCB Grid	Cognitive	Affective
High Involvement	Source: <ul style="list-style-type: none">• credibility• reputation Message: <ul style="list-style-type: none">• complexity• two-sidedness• comparativeness• meaningfulness• order	Source: <ul style="list-style-type: none">• attractiveness• match-up Message: <ul style="list-style-type: none">• fear appeals• emotional appeal
Low Involvement	Source: <ul style="list-style-type: none">• credibility Message: <ul style="list-style-type: none">• number of arguments• one-sidedness• simple arguments• repetition	Source: <ul style="list-style-type: none">• attractiveness• likeability Message: <ul style="list-style-type: none">• fluency• music• humor• sex

Check slides per bullet-point to refresh & put in perspective.

& Marketing Implications

Best to do is make a specific summary from 1:25h onwards regarding the slides & explanation, of most important things that the prof. mentioned.

Source Factors, Message Factors, Media Factors & Individual Factors

Persuasion Principles; Knowledge Clip For Self-Study

= about the mental attitudes that make you say yes, and more importantly

About the mental attitudes that make you say

“yes,” and -more importantly- how this psychology of compliance actually works:

1 Reciprocity

2 Scarcity

3 Authority

4 Consistency (commitment)

5 Liking

6 Consensus (social proof)



Key Takeaways

- An attitude is a global and enduring evaluation of how much we like or dislike an object, brand, person or action
- Knowing how to influence attitudes is crucial for managers, as attitudes drive consumer behavior (i.e., purchases)
- Attitudes can be changed on cognition (i.e., thoughts) and/or affect (i.e., feelings / emotions)
- Cognitive models include an analytical process of attitude formation, in which consumers put in high effort to form their attitude (i.e., supporting arguments, counter arguments, and source derogation)
- Affective models are based on the experience that emotional reactions may serve as a powerful way of creating attitudes that are favorable, enduring, and resistant to change

DO SELF STUDY WITH THE CLIPS ETC.

Exam question example

We often use different theories when we study consumer behavior. It is important to understand these theories and apply them in the situation(s) they fit best.

Give a brief explanation of each of the theories below and describe a practical business situation in which you (as a marketing manager) would apply each of these theories.

- Theory of Reasoned Action
- Social Judgment Theory

Exam question example

- b) Specific emotions like "surprise" en "joy" are often used in insurance company commercials. To what extend are these emotions transferred to these brands' image?



- a) Both emotions and moods are specific types of affect. Show that you understand how they are different. Use the dimensions from the Table below.

	emotions	moods
cause		
duration		
specificity		
expression		
directedness		



Topic 7; Evaluation of Alternatives & Decision Making

Learning Objectives

Understand; How consumer evaluate different alternatives & make choices.

Insight; Why decision processes are often less rational than what people think.

Awareness; How different biases affect our assessments & decision making.

- **Evaluation of Alternatives;**

- Brands & Alternatives
- Choice Models

- **Decision Making**

- Mind-versus-Heart
- Issues & Biases

- **Prospect Theory (& related biases)**

- Asymmetric Dominance
- Framing
- Mental Accounting



Evaluation of Alternatives:

Information relevant when making a choice;

- Choice **alternatives** (ex. Brands)
- Choice **criteria** (ex. Product attribute)

What do they have in common?= **Core benefit** (Ex. coffee machine should be able to make coffee)

Information on Choice Alternatives may be :

- Externally available (stimulus-based)
- Internally, retrieved from memory (memory-based “consideration-set”)
- A mixture of both external & internal

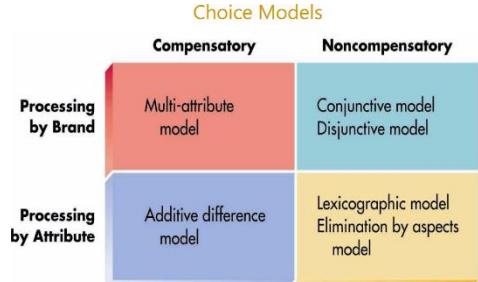
Information on Choice Criteria may be:

- Stimulus-based (ex. Now on Sale!)
- Memory-based (ex. I know that car-brands differ in reliability)
- A mixture of both stimulus-based as memory-based

What do we need to Evaluate?=

- Set of brands (ex. In a matrix)
- List of Criteria (ex. Attributes)
- Criteria Importance
- Brand beliefs on these criteria
- Choice Model (process for combining brand & attribute information= How will you combine in order to make a certain choice)

	weight	Toshiba	Dell	HP	Packard	Sony	Apple
Price	30%	5	3	3	4	2	1
Weight	25%	3	4	5	4	3	4
Processor	10%	5	5	5	2	5	5
Battery life	5%	1	3	1	3	1	5
After sales	10%	3	3	4	3	5	3
Display	20%	3	3	3	5	3	3

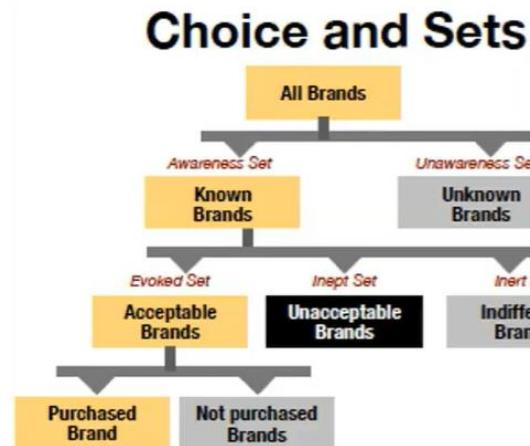


Evaluations of Alternatives; Brands & Criteria: brand set

Brand set= total set of available options

Awareness set= all known brands (to you)

(evoked set) Consideration set= *top-of-mind* desirable options to choose from



Evaluations of Alternatives; Brands & Criteria: Criteria List

Research shows; the various features a consumer looks for in response to a particular problem

Type of evaluative criteria; 7 types

The various features a consumer looks for in response to a particular type of problem

1. Core Function (Technical)
2. Financial & Behavioral Costs (economic)
3. Commanded & Obliged (legalistic, ex. You're parents give you a shopping list, stick to that list!)
4. Esteem & Self-Esteem (integrative, does it give me status, does it fit in my culture?)
5. Risk Reduciton (Adaptive, does it offer me more than the other options)
6. Liking (Intrinsic)
7. Moral

How much would you pay? ->



5eu, but why?



10, why?



25, why?



Evaluation of Alternatives; Brands & Criteria: Brand Beliefs

	Toshiba	Dell	HP	Packard	Sony	Apple
Price	5	3	3	4	2	1
Weight	3	4	5	4	3	4
Processor	5	5	5	2	5	5
Battery life	1	3	1	3	1	5
After sales	3	3	4	3	5	3
Display	3	3	3	5	3	3

Rated from 1 (very poor) to 5 (very good)

If **Disjunctive**; minimum require performance of ex. 5);

All brands that meet or exceed the performance level for any key attribute = acceptable

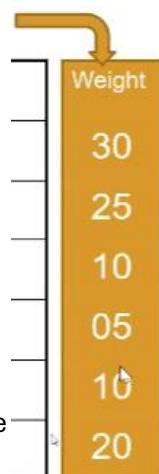
If **Multi-Attribute** (Expectancy value model)= sum of the weight x beliefs

Rating of Brands= Brand Beliefs

Adding the weight

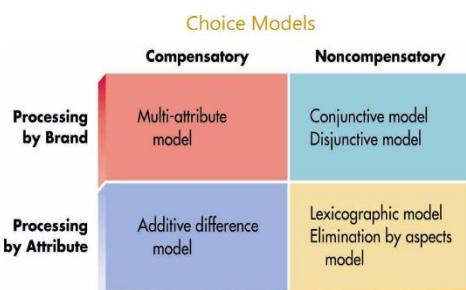
Helps you make the choice

BASED ON CHOICE MODELS:



Exercise for you: Which Brand will you choose if;

- Based on Multi-Attribute model ?=
- Based on Attribute-Difference Model?=?
- Based on Conjunctive model?=?
- Based on Disjunctive model?=?
- Based Lexicographic model?=?
- Based on Elimination by aspects model?=?



Tip: Recall book; **compensatory**= possible to compensate lacking attribute with strong attribute.

Non-compensatory= cut-off levels, therefore not possible to compensate for lacking attributes.

Important*

Low involvement evaluation= non-compensatory

High Involvement = often a staged process (compensatory)

Stage 1. Narrow the set of all alternatives to smaller consideration (evoked) set

- Often done based on meeting the threshold on one or a few attributes =**non-compensatory**

Stage 2. Choose the best alternative from consideration set

- Often done comparing weighted average score across brands = **Compensatory**



Final Summary of Choices ^

Multi-Attribute Model: Toshiba

ROT: This model sums up the weighted ratings for each attribute. Toshiba scored the highest in the multi-attribute calculation because it had a high score across all important attributes (especially in Price, Processor, and Battery Life). Toshiba offered a balanced performance in most categories.

Attribute-Difference Model: Toshiba

ROT: This model focuses on comparing the differences between brands on each attribute. In this case, Toshiba scored the highest on the most important attribute (Price). Toshiba's performance was consistently better across key attributes, particularly on Price, making it the best choice.

Conjunctive Model: Toshiba, Dell, HP, Packard

ROT: The Conjunctive Model requires that all brands meet a minimum threshold for each attribute. Since the cut-off level was set at 3 for each attribute, all brands except Sony and Apple met the requirements. Toshiba, Dell, HP, and Packard all performed above the cut-off level in each criterion.

Disjunctive Model: Toshiba, Dell, HP, Packard

ROT: The Disjunctive Model only requires meeting a minimum threshold for one key attribute, not all. Since Toshiba, Dell, HP, and Packard met the threshold for Price, Processor, or other important attributes, they were considered acceptable choices. Sony and Apple didn't meet the basic requirements on key attributes like Price or Processor, so they were eliminated.

Lexicographic Model: Toshiba

ROT: This model prioritizes the most important attribute, which in this case was Price (with the highest weight of 30). Toshiba received the highest score on Price (5), so it was selected without needing to consider other attributes.

Elimination-by-Aspects Model: Toshiba, Dell, HP

ROT: The Elimination-by-Aspects Model removes brands that do not meet the threshold for each key attribute, starting with the most important. After eliminating Sony and Apple based on their low Price ratings, the remaining brands (Toshiba, Dell, and HP) met the requirements across key attributes and remained as the top choices.



Decision Making; Focus on what decision making is all about.

What is making a good decision?

Normative, descriptive and prescriptive decision models

- "good" = "has a good outcome?"
 - Sometimes yes: when all information potentially available
 - But not necessarily
- "good" = "rational?" or "feels good?"
 - How to define "rational?"
 - Should "rational" be defined as "consistent" across situations?
 - Should "rational" be defined as "cognitive" or "calculating?"
 - "affective" or "intuitive" processes have a wisdom of their own
- "good" = "used good process?"
 - Normative models all make simplifying assumptions
 - Different decision modes exist, beyond normative model
 - Use of appropriate modes → compatibility principle
 - Use of multiple modes → "sensitivity analysis"
- "good" = et cetera

Therefore, making a good decision is important, but it completely depends on^

A constant battle between brain (cognitive) & heart (affective)

Decision Making; Mind vs Heart

Mind: rational, reasoning based, explicit, controlled, large demand on working-memory

Heart: Emotional, intuitive, implicit, fast, non-compensatory, little demand on work-memory

Characteristic	Thinking (types)	Feeling (types)
Focus	Logic of situation, truth, organization principles	Human values and needs, harmony, feelings, emotions
Time orientation	Past, present, future	Past, future (through imagery)
Work environment	Businesslike, impersonal, treat others fairly, well organized	Naturally friendly, personal emphasizes harmony, care and concern for others
Strengths	Good at logical organizations, tends to be firm and tough-minded, rational, objective, predicts logical results of decisions	Enjoys pleasing others, sympathetic, loyal, draws out the feelings of others, takes interest in people as people
Possible weaknesses	Overly analytical, unemotional, too serious, often rigid, may try to impose ideas	Sentimental, may postpone unpleasant task, may avoid conflict

<Thinking people vs Feeling People

KEEP IN MIND: economic science is based on these assumptions; cognitive

- The problem is clear & unambiguous
- A single, well defined goal is to be achieved
- Preferences are clear, constant & stable
- There are no time/cost constraints

Cognitive Choices (thinking based):

- have pre-determined evaluative criteria,
- May require both external & internal search
- Complicated decision rules may be used

Affective Choices (feeling based): *more used*

- More holistic, an overall evaluation
- Based on how one feels about a purchase
- Not a single decision rule may be used



Decision Making; Mind vs Heart; Affective Choices

- With affective decision making, consumers make a decision based on **what feels right** rather than because they've made a detailed, systematic evaluation of offerings



= **Appraisal Theory**; how our emotions determine how we evaluate (appraise) our situation

- It affects our current (behavior) choices & future choices (**affective forecasting**)

Therefore, Anticipated Emotions (already feeling it until the future) v Outcome Emotions (now)

Imagery plays a key role in emotional decision making. (imagining trying that chocolate bar)

Adding info= it's easier to image things (vs leads to info-overload when cognitively processed)

Decision Making; Issues & Biases

The Truth About Relativity

When Williams-Sonoma introduced bread machines, sales were slow. When they added a "deluxe" version that was 50% more expensive, they started flying off the shelves since the first bread machine now appeared to be a bargain.

The Fallacy of Supply & Demand

Savador Assael, the Pearl King, single-handedly created the market for black pearls, which were unknown in the industry before 1973. His first attempt to market the pearls was an utter failure; he didn't sell a single pearl. So he went to his friend, Harry Winston, and had Winston put them in the window of his 5th Avenue store with an outrageous price tag attached. Then he ran full page ads in glossy magazines with black pearls next to diamonds, rubies, and emeralds. Soon, black pearls were considered precious.

The Cost of Zero Cost

In the real world, this effect was demonstrated by Amazon's free shipping. After Super Saver shipping was introduced, Amazon saw sales increases everywhere except for France. It turned out that the French division instead of free pricing, charged 1 franc (\$0.20) pricing. When this was changed to free, France saw the same sales increases as elsewhere. Another real-world example: People will wait in line for absurdly long times to get

The Truth About Relativity; introducing deluxe version spiked up sales for a company

The Fallacy of Supply & Demand; unknown offering -> create sense of scarcity & advertise heavy

Cost of Zero Cost; Amazon's **Free** Shipping success, except France priced .20 -> sales drops

Issues: Too much choice (ex. The Jam Study)

The Jam study

	6 jams	24 jams
Approach	40%	60%
Try	1.4	1.5
Buy	30%	3%

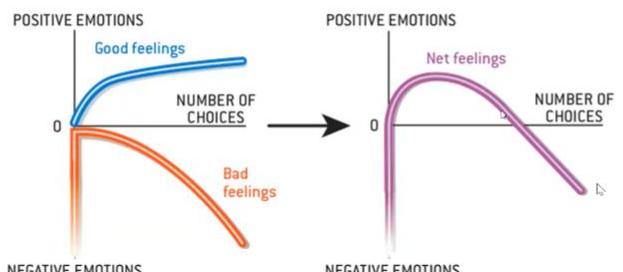
More choices= better chance finding what you want.

Ultimately more satisfaction & more freedom.

More time & effort,

Possible regret (opportunity cost) turning down other offering

REACTIONS TO INCREASING CHOICE



Uncertainty fuels stress (lack of control)

- Increased opportunity costs
- Unforeseen consequences
- Takes time & cognitive resources

Conclusion; less choice = better

More choice leads to higher chance of negative emotion

Risk Aversion limits our progress



Decision Making; Issues: Conflict

Thinking & Feeling may lead to different results

- Trade-off between being right & feeling good (about yourself/decision)
- Overconfidence
- Fundamental attribution error theory = attributing success to situation & failure to person/

Issues: Too Much Self-Focused

***False consensus Bias**= prediction of others closely anchored on our own

Upside= feeling central is good for our self-image. **Downside**= false beliefs & can become reality

Issues: Nudging

=manipulating choices without forbidding options or significantly changing economic status

Correct ex: putting fruit at eye level False ex: banning junk food

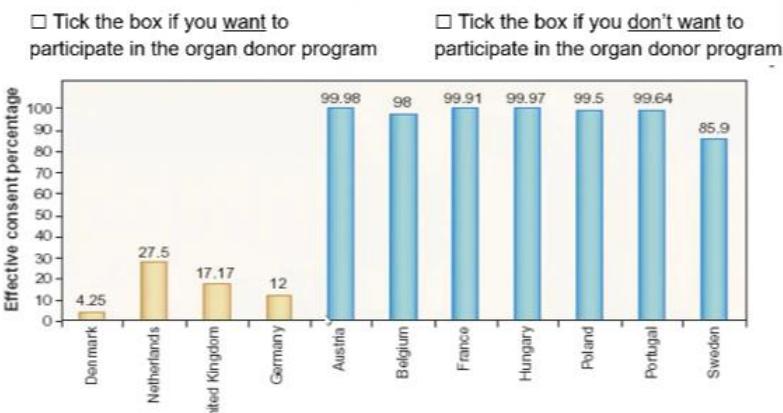
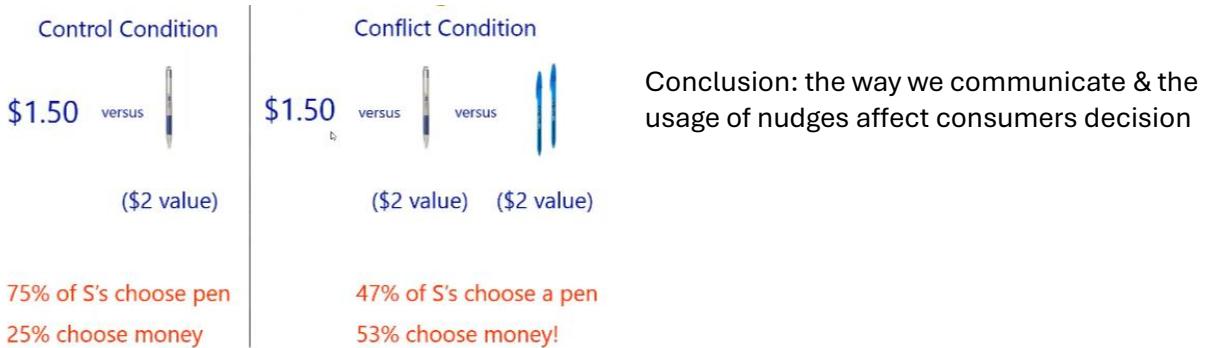
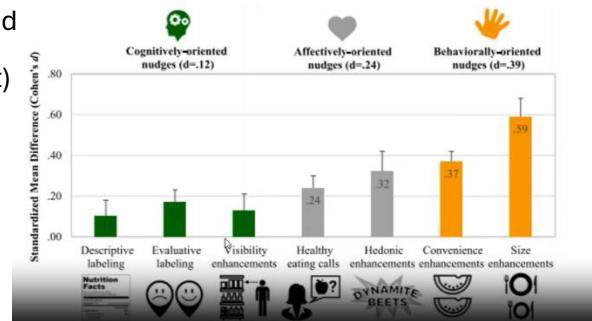
Cognitively; descriptive nutrition labelling or evaluative (0% Fat)

Affectively: signs saying; have a fresh salad

Behaviorally; grab & go section for healthier options

^ nudges works best.

What are the consequences on our decision making?



<<The default effect

Decision Making; Issues & Biases: Biases

- **cognitive bias**= a systematic error in thinking when processing info that affects decisions & judgements.

- Cognitive biases are often a result of the brain attempting to simplify information processing & often work as a rule of thumb to make sense of the world & reach decisions quickly.

- Some of these biases are related to memory & attention

Difference between logical fallacy & cognitive bias=

logical fallacy: stems from an error in logical argument

Cognitive bias= rooted in thought processing errors

Confirmation bias= looking for info that supports your existing belief

Anchoring bias= tendency to jump to conclusion (too early, also called first impression bias)

Overconfidence bias= too much faith in own knowledge & opinions (nothing will harm me)

Gamblers fallacy= expecting past events to influence the future (coin toss example)

Fundamental attribution error= tendency to blame others, rather than looking objectively

Fill-In Exercise

- Sarah believes that all car accidents are caused by reckless drivers. She ignores reports of accidents caused by mechanical failure or weather conditions.

Bias: _____

- Tom is certain that his favorite sports team will win the next game because they've won the last three. He doesn't consider the team's recent injuries or the strength of the opposing team.

Bias: _____

- Every time Maria buys a lottery ticket, she believes she's due for a win because she hasn't won in several months.

Bias: _____

- In a meeting, Jack strongly disagrees with a suggestion made by his colleague, even though the colleague has more experience in the area. He dismisses all supporting facts because they don't align with his current belief.

Bias: _____

- After meeting someone new at a party and noticing their smile, you immediately assume they are friendly and trustworthy, despite not having much information about them.

Bias: _____

- Emma is sure that she is the best at managing projects because she has completed several successful ones. She overlooks the challenges that others on her team helped overcome.

Bias: _____

- When her colleague misses a deadline, Linda blames them for being careless. She doesn't consider the possibility that there were external factors or misunderstandings that contributed.

Bias: _____ ([Answers, last page](#))



Prospect Theory; and related biases

=a behavioral theory that shows how people decide between alternatives involving risk & uncertainty (ex. % likelihood of gains/losses)

It demonstrates that people think in terms of expected value relative to a reference point (ex. current wealth) rather than absolute outcomes. (how will it evolve?)

= developed for framing risky choices

Example

<Choose; A, even though does not make sense

Would you play the following game?
A. 50% chance to lose \$50, otherwise win \$1000:

$$EV = -50(0.5) + 1000(0.5) = \$475$$

Expected Value at B is higher!

B. 50% chance to lose \$500, otherwise win \$1500:

$$EV = -500(0.5) + 1500(0.5) = \$500$$

Expected Value Theory ^

Non-Linear Decision Weights

Consider the following choice put to N = 66 people

- A. \$6000 at a .45 chance (EV = \$2700) 14% chosen
- B. \$3000 at a .90 chance (EV = \$2700) 86% chosen

Now consider the following problem put to N = 66 people

- C. \$6000 at a .001 chance (EV = \$6) 73% chosen
- D. \$3000 at a .002 chance (EV = \$6) 27% chosen

A versus B with larger probabilities, most people choose the larger probability
C versus D when the probabilities become so small as to be mere possibilities, most people choose the larger \$ amount

Why do we choose for the wrong option?

= we are risk-averse & choose stability (high - probability)

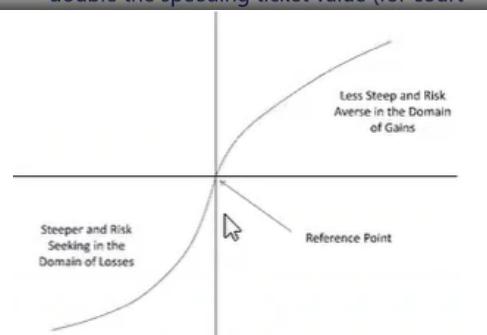
& we overvalue low probabilities, if certainty is left out.

We choose differently in options where there is a Winning + option & a Losing – Option

=Same effect when there is no money involved.

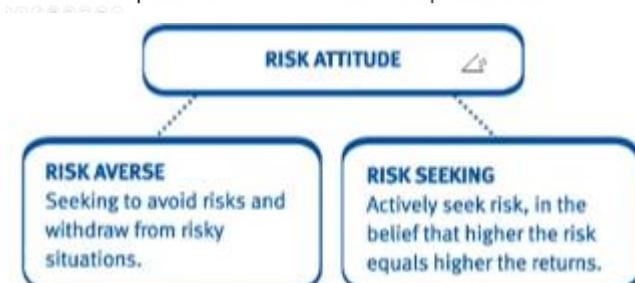
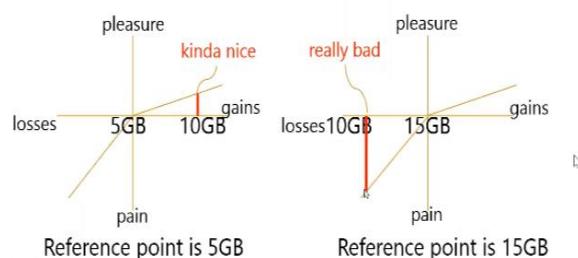
Reflection Effect:

- Lottery (gain: risk averse)
 - You have won \$100. Now your choice is to take your cash and leave or taking a bet with a 50-50 chance of making it "double or nothing."
- Fine (loss: risk seeking)
 - Just pay \$100 for a traffic ticket and be done with it, or challenge it, and take a 50-50 chance of getting it dismissed or paying double the speeding ticket value (for court)



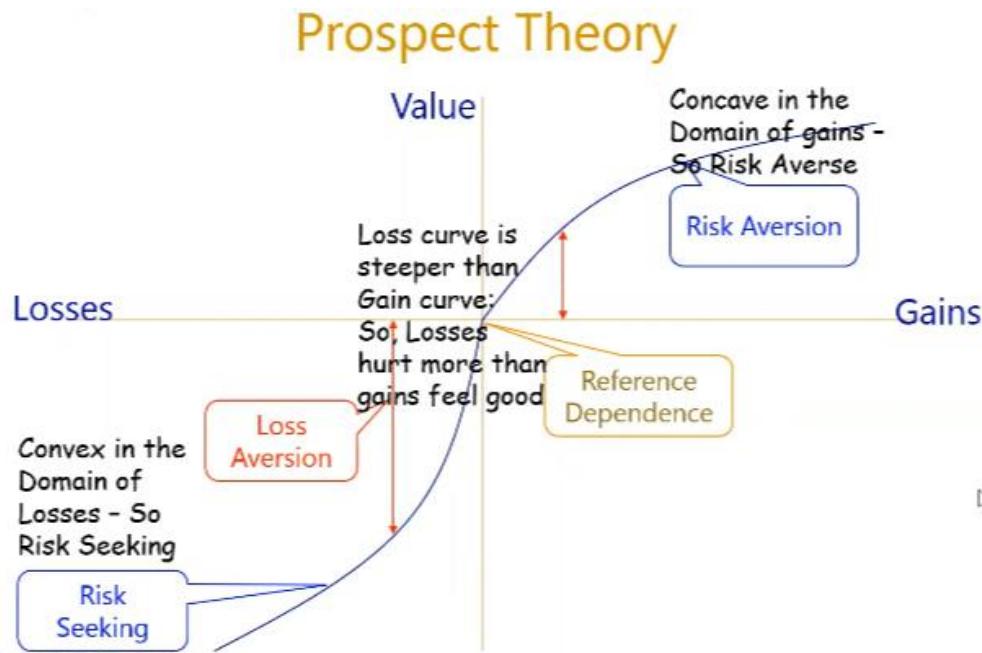
Reference point Effect

What would you think about having 10GB data?



The Prospect Value Function: defined by gains & losses from a reference point

- Is concave (positive) for gains (risk aversion) & convex (negative) for losses (risk seeking)= Reflection effect
- The value function is steepest near the point of reference
- Is steeper in the losses domain than in the gains domain= reference point effect
 - suggests a basic human mechanism (it is easier to make people unhappy than happy)
 - thus, the negative effect of a loss is larger than the positive effect of a gain



*Extra check on this

Rule of Thumb:

The **Prospect Value Function** describes how people perceive gains and losses relative to a reference point.

- **Losses > Gains:** People feel the pain of losing more than the joy of winning.
- **Risk averse for gains, risk seeking for losses**



Related Biases; Asymmetric dominance effect; consumers change their preference between two options when presented with a third option – the decoy – that is asymmetrically dominated

- When consumers are faced with many alternatives, they often experience choice overload
- Trying to reduce this anxiety, consumers tend to simplify the process by selecting only a couple of key criteria (price & quality) to determine the best value for the money
- Through manipulating these key choice attributes, a decoy steers you in a particular direction, while giving you the feeling of making a rational decision



Related Biases; Framing Effect

Which of the two programs would you support?

1. If Program A is adopted, 200 jobs will be **SAVED**.
2. If Program B is adopted, there is a one-third probability that 600 jobs will be **SAVED**, and a two-third probability that no jobs will be **SAVED**

Which of the two programs would you support?

1. If Program A is adopted, 400 people will be **FIRED**.
2. If Program B is adopted, there is a one-third probability that nobody will be **FIRED**, and a two-third probability that 600 will be **FIRED**.

Choosing:	Saving Frame	Firing Frame
Program A = sure (risk averse)	54%	19%
Program B = gamble (risk seeking)	46%	81%

Most people prefer A in the Saving frame, and B in the Firing frame

Save= Positive, therefore they picked A in the Saving Frame

IN the Firing Frame, you are sure to fire 400 people = bad so you avoid A, therefore choose B

- Decisions are influenced by the way info is presented (depending on features & word use)
- Our choices are influenced by the way options are framed (positive gain or negative loss)
- The framing effect can have both positive & negative effect on our lives

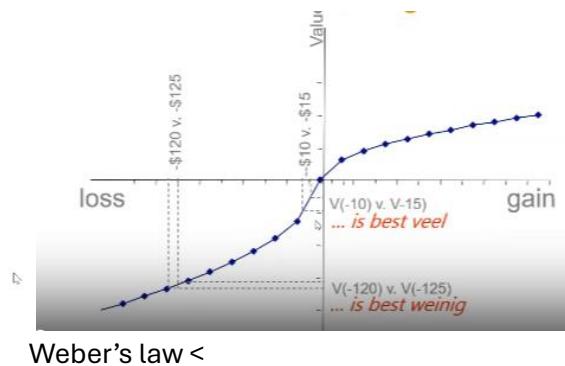


Related Biases; Mental Accounting

Imagine the following situations:

- A. you are about to purchase a jacket for \$125 and a calculator for \$15. Another customer mentions that the calculator is on sale for \$10 at another branch nearby.
- B. you are about to purchase a jacket for \$15 and a calculator for \$125. Another customer mentions that the calculator is on sale for \$120 at another branch nearby.

68% (N=88) of subjects were willing to go to the other store in A, but only 29% (N=93) in B



- Related to prospect theory & framing
- Accounting is process of categorizing money spending & financial events
- Mental accounting= a description of why people intuitively do these things, and how it impacts financial decision-making.

For example paying 1eu for a cola in the supermarket, but pay 3 eu for the same cola in a café

- Perceived cost to the consumer may vary, even when the financial cost is constant

Consequences:

- **Segregate gains:** don't wrap all your gifts in one box, spread it.
- **Integrate losses;** one big bill rather than several separate ones.

Related Biases; Sunk Cost Fallacy;

This effect is also called the dead loss effect & the concorde effect

When you already in loss, you tend to not care about a bigger lose, which is dumb because you can still save yourself more trouble.

our tendency to continue with an endeavor we've invested money, effort, or time into—even if the current costs outweigh the benefits, a cost that has already been done & can't be recovered.

Managerial Implications:

- Marketers can do several things to make sure that their brand serves as a positive anchor in anchoring and adjustment decisions, e.g. by focus consumers' attention on those attributes that place the brand as the best in its class
- Marketers can increase sales of a high-margin item simply by offering a higher-prices option (even if the higher-priced models aren't best sellers, they make the lower-priced model look like good deal)
- Marketers can try to switch consumers to using a compensatory strategy by stressing the reasons why the high-priced offering is worth the extra money so that consumers do not reject them on price alone
- Marketers must make an effort to reduce risks and potential losses, e.g. by offers such as full-money-back guarantee or no money down for 12 months with no interest
- Marketers often make use of the Prospect Theory principles, including the reflection effect, the reference point effect, and the certainty effect
- Marketers should be aware that most customers prefer a discount over a price decrease
- Marketers may introduce a decoy 'product within an assortment to stress the advantages of a particular offering
- Marketers use multiple framing options (positive gain or negative loss) through different wordings, reference points, and emphasis to deal with their customers tendency to avoid loss
- Marketers can make use of mental accounting principles by addressing new perspectives or shifting to other categories



Key Takeaways:

- Knowledge of which evaluation criteria are used and how the different alternatives are valued is crucial for marketers
- Purchase decisions are often the result of a trade-off between cognitive processes (thinking) and affective processes (feeling). Also in decision making, less may be more
- Decision making involves uncertainty, and uncertainty fuels consumer's distress
- Consumers are generally loss averse, risk averse in gain situations, and risk seeking is loss situations
- Decision making is often not (just) rational, but is influenced by many fallacies, effects and biases, including the gamblers fallacy, mental accounting and framing effects, and the confirmation bias

Exam question example

People take hundreds of decisions every day. Some of these decisions are the result of careful consideration, whereas some are not. Some decisions are driven by the mind, others by the heart.

- a) On what grounds are decisions from the mind different from those from the heart. Give as many characteristics as possible, using different perspectives.
- b) Over time, different decision rules have been developed. Categorize the following rules in the table below:

	compensatory	noncompensatory
processing by brand		
processing by attribute		
• Additive difference rule • Conjunctive rule • Disjunctive rule • Elimination by aspects rule • Lexicographic rule • Multi-attribute rule		

The "value function" of the Prospect Theorie has a peculiar curve (shape)

- a) Draw this curve and name the corresponding axes.
- b) Use this curve to explain how the "reflection effect" and the "reference point effect" are effective.



Topic 8: Choice Reflection (Consumer/Customer)

Learning Objectives;

Convince; The Importance of Post-Purchase Evaluations in Consumer Behavior

Understand; How to use Marketing Concepts as Tools in Marketing Management

Comprehend; The Consequence of Managing Consumer Experiences Poorly

Post-Purchase Concepts

- Perceived Quality
- Product Value
- Customer Satisfaction
- Brand Loyalty

Post-Purchase Consequences

- Consumer Referral Behavior
- Consumer Complaint Behavior



Post-Purchase Concepts;

Why is it important? Examples

- In order to compensate 1 negative incident, 12 positive events are needed
- Studies show that a 5% increase in 'customer retention' generates 25-125% extra profit
- Marriot estimated a 1% increase of customer retention to equal additional 50\$ million dollar

Customer satisfaction building customer loyalty; 70% of buying experiences are based on how customers feel treated

Customer satisfaction helping in customer retention; 2% increase in customer retention has the same effect as decreasing cost by 10%

Customer Satisfaction strengthening customer's re-purchase intentions; 1% gain in customer satisfaction index results in 100\$ million extra sales over 5 years (IBM)

Customer Satisfaction leading to superior business performance; 55% of consumers would pay more for a better customer experience

Short recall of pre-purchase concepts;

- Perceptions (marketing mix, memory & other stimuli like word-of-mouth/ reviews)
^have an effect on *brand beliefs* & *brand weights*>
- Brand Beliefs (brand evaluations)
- Belief Weights (importance weights)
Brand beliefs * Belief Weights= attitudes
- Attitudes -> leads to purchase decision
*all together lead to expectations about gains & pains = value

Post-Purchase concepts:

- Perceived Quality (experiences – expectations)
- Perceived Costs (experiences – expectations)
- Product Value (experiences – expectations)
- Customer Satisfaction (experiences – expectations)
- Brand Loyalty

1. What is Unique about each Concept^?

2. How are these Concepts Related? (Conceptual Relationship)

3. Can we Manage them?



Perceived Quality; why is it important?

= a strong forerunner of customer satisfaction & is better manageable

= assessment of product or service attributes

These attributes are connected with benefits (=gains)

Discrepancy between experienced & expectations

Degree of Excellence (relative measure)

Mainly cognitive in nature, subjective for usage.

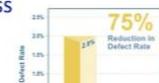
• Service Quality Attributes (Dimensions)

- Reliability
- Assurance
- Tangibles
- Empathy
- Responsiveness



• Product Quality Attributes (Dimensions)

- Performance
- Features
- Reliability
- Conformance
- Durability
- Serviceability
- Aesthetics



We can use the **means-end chain** (topic 5) to connect the product attributes with the consumer benefit (pain/gain)

Functional Consequence; Perceived Service Quality (RATER)

Concrete & Abstract Attributes

Functional Consequence: Perceived Service Quality

- | | |
|---|--|
| □ Reliability: | □ Assurance: |
| <ul style="list-style-type: none"> ❖ Providing service as promised ❖ Dependability in handling customers' service problems ❖ Performing services right the first time ❖ Providing services at the promised time ❖ Maintaining error-free records | <ul style="list-style-type: none"> ❖ Employees who instill confidence in customers ❖ Making customers feel safe in their transactions ❖ Employees who are consistently courteous ❖ Employees who have the knowledge to answer customer questions |
| □ Tangibles: | □ Empathy: |
| <ul style="list-style-type: none"> ❖ Modern equipment ❖ Visually appealing facilities ❖ Employees who have a neat, professional appearance ❖ Visually appealing materials associated with the service | <ul style="list-style-type: none"> ❖ Giving customers individual attention ❖ Employees who deal with customers in a caring fashion ❖ Having the customer's best interest at heart ❖ Employees who understand the needs of their customers ❖ Convenient business hours |
| □ Responsiveness: | |
| <ul style="list-style-type: none"> ❖ Keeping customers informed as to when services will be performed ❖ Prompt service to customers ❖ Willingness to help customers ❖ Readiness to respond to customers' requests | |

Source: Parasuraman, Zeithaml and Berry, 1988

Use this to measure perceived service quality

*increasing for example one of the mentioned attributes (safety), increases assurance which increases perceived service quality.



Difference between Perceived Quality & Perceived Cost

= get (gains) vs give (pains), therefore perceived quality are gains & perceived costs = pains

• Financial Costs Attributes (Dimensions)

- Price
- Opportunity

• Behavioral Costs Attributes (Dimensions)

- Time
- Effort
- Energy
- Physical
- Psychological



Product Value: Why important? = trade-off between quality & costs, and it is the mediator between quality & satisfaction

= assessment of product (service) attributes

- Cognitive in nature
- Relative measure
- Discrepancy between experiences & expectations
- Overall utility, i.e. trade-off benefits & offers (gains & pains)

Product Value: abstract attributes

	How (software)	What (hardware)
Get  e.g. quality	Reliability Empathy Responsiveness Competence Commitment	Performance Flexibility Durability Safety Usability
Give  e.g. cost	Behavioral costs: Time Effort Self-esteem	Financial costs: Money Opportunity

Customer Satisfaction: why important? Forerunner of brand word-of-mouth, loyalty, profit.

Mediator between thinking (cognitive) & doing (conative)

= all about the customer; self-evaluation

Discrepancy between experiences & expectations (in an unexpected way, surprise)

Also a consequence of emotions/moods, therefore affective (also cognitive)

Trade off between benefits & offers (gains – pains)

Interaction with object / subject necessary

Means-End Chain: Psy-soc Consequences

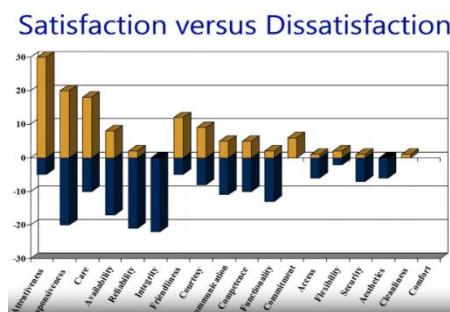
	Anticipated	Outcome
Emotions>	Positive Challenge: Enthusiast Eager Hopeful Excited Self confidence	Delight: Delighted Pleasure Happy Relieved Self assured
Emotions>	Negative Threat: Anxious Afraid Worried Uncomfortable Uneasy	Harm: Depressed Angry Frustrated Regretful Disappointed



What are typically satisfiers & what are typically dissatisfiers?

What is the BIG difference between satisfiers & dissatisfiers? =

People (Software) vs Hardware (procedures, rules, protocols)



Brand Loyalty: Why Important? = returning customers are more profitable (less costs)

Loyal customers are more engaged (Referral Behavior)

- Relation behavior (brand – customer)
- Long lasting (experience based)
- Experience with costs & benefits
- **Grounded on a positive feeling**
- Relative measure (competitive)
- Future orientation & action (what will you do next time, will you repurchase etc.)
cognitive + affective + conative

Comparison: quality (cognitive), satisfaction (cognitive + affective), loyalty (all three)

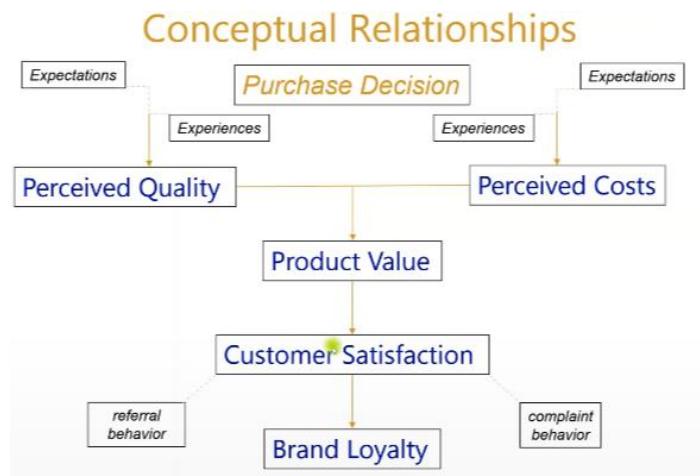
Attitudinal Loyalty	Behavioral Loyalty
<ul style="list-style-type: none"> • Refers to favorable customer intention to repurchase and recommend • Suggests loyalty to be a state of mind; a positive and preferential attitude towards the brand • Ready to pay a premium price; shows low price elasticity • Can be increased by improving quality and other experience elements of the brand 	<ul style="list-style-type: none"> • Refers to actual and repeat purchase behavior • Focusses on a customer's demeanor, irrespective of attitudes or preferences • Here the only measure is repurchase activity • Can be augmented by lowering costs and increasing sales promotion activities

Attitudinal loyalty is sometimes lacking in 'loyalty programs' (airmiles)

Meaning to include a positive image, feeling as that is necessary (foundation) for brand loyalty as we can see in the next figure)



Conceptual Relationships; "How"



"Please remember, the perceived quality & perceived costs are based on the expectations (pre-purchase) & experiences (post-purchase)."

Now we will focus on the referral behavior & complaint behavior of Customer Satisfaction

Post-Purchase Consequences: 1) Consumer Referral Behavior. 2) Complaint Behavior

Consumer Referral Behavior= consumers send WOM (Word-Of-Mouth) messages to friends/others, to inform them about their own experiences & recommendations. = affected by:

- Reward type, Reward Amount, Influence & Professionalism, Loyalty & Satisfaction

Example; Reviews, Referral Programs

Why do people write/read reviews:

- Online product reviews have a significantly greater influence on sales elasticities when they are delivered by a critic, appear on a non-seller website & include valence (positive/negative) info in the evaluation

Observations based on **review valence** have significantly *higher* sales elasticities *than* those based on **review volume**. Therefore, we know that:



Complaint Behavior; communication that alleges deficiencies during/after purchase.

Why People Complain:

To get improved service	39%
To get money/service eligible for	32%
To get an explanation	29%
To prevent same thing happening to others	28%
To get an apology	11%
To tell them what I thought of them	9%
To get compensation	7%
To vent anger/frustration	6%

What does this mean?

How should companies respond to your complaint?

Factor	Important factors	Single most important
Speed of response	52%	23%
Being kept informed	46%	17%
Fair investigation	40%	19%
Having a clear procedure	34%	10%
Friendliness and helpfulness	29%	6%
Named person dealing	25%	9%
Receiving written explanation	25%	5%
Receiving written apology	25%	5%
Investigation by senior staff	15%	5%
Receiving compensation	7%	2%

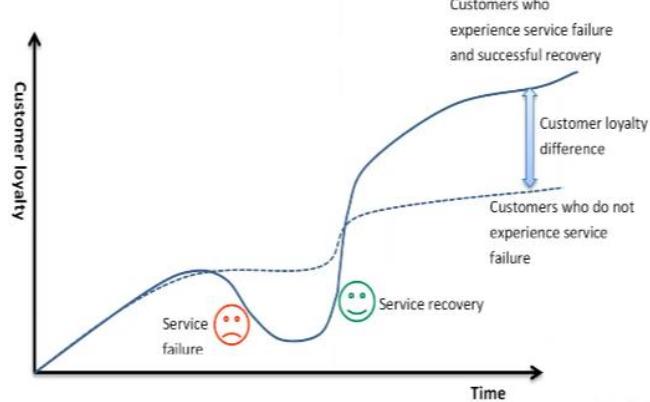
What does this mean? What is the big message behind these top 3 factors, what is the core message? Use your analytical skills to come up with an answer.

Example answer= respect.

Meaning that appropriate response to customer complains= essential to a business

A customer with a complaint that is resolved is more likely to return than a dissatisfied customer who doesn't voice any complaints.

The Service Recovery Paradox



If there is no failure, customer loyalty is quiet stable, nothing special.

If there is a failure and is recovered, the customer loyalty gets a huge boost and is higher than the one who never experienced a failure

Interesting facts:

The average customer with an unresolved complaint will tell 9 to 10 other people.

For every complaint received, the average company has 25 unhappy customers that don't complain (but will turn their back on you and go to a competitor)

= The Customer Complaint Iceberg

Therefore, complaints = opportunity



Marketing Implications:

- Marketers can help consumers reduce cognitive dissonance and regret by diminishing negative feelings related to the offering and contribute to positive brand attitudes
- Marketers constantly monitor customer satisfaction since research shows that satisfied customers spend more, become brand loyal, boosts company profitability, and can pay off in more stock recommendations to investors
- Marketers should make sure that customers' feelings after trying, buying and using their offerings are as positive as possible
- Marketers need to be responsive to negative word-of-mouth, make an effort to identify the reason for or source of difficulty, and take steps to rectify or eliminate the problem with restitution or communications

Key Takeaways:

- Monitoring post-purchase assessments is as important as monitoring pre-purchase assessments
- The conceptualization of concepts using conceptual dimensions, helps a better understanding and a better management of these concepts
- Customer satisfaction is one of the most important concepts in marketing as it connects antecedents like product quality (*what companies do*) with successors like brand loyalty (*what companies want to get back in return*)
- Negative post-purchase assessments, and especially not responding properly to these, causes customer to churn
- Taking customers -who voice their complaint- seriously (responsive, empathic, authentic and personal) is key

Exam question example

Marketing academics have studied post-purchase concepts like perceived (service)quality and customer satisfaction and dissatisfaction extensively. Apply your knowledge and understanding of Consumer Behavior to explain the following observations/conclusions:

- a) "It takes less to make customers dissatisfied than satisfied"
- b) "Speed of response, being kept informed, and a fair investigation are found to be the most important factors in handling a complaint"



Topic 9: Social Influences

Learning Objectives;

Understand; The Impact of Others on the Behavior of Consumers

Insight; The Desire to Process Accurate Social Perception & the Desire to be Liked or Accepted by Others.

Realize; The use of Compliance & Obedience as Customer Management Tools

- **Conformity**

- Informative versus Normative
- Social norms
- Mimicry

- **Compliance**

- Persuasion techniques

- **Obedience**

- Other social influences



Why Social Influence?

Both information & pressure from individuals, groups , and (mass) media have a large impact on our thoughts, feelings and behavior. (Cognitive, Affecitve & Conative) Because;

- The source provides us with information (ex. word-of-mouth from friend)
- The source is generally considered as very reliable (family more reliable than a billboard)
- The source determines specific norms about what is acceptable & unacceptable

Three Topics; Confirmity, Compliance & Obedience (+ additional social influences)

▪ **Conformity** - changing one's behavior in response to real or imagined pressure from others: e.g.,

• **Compliance** - responding favorably to an explicit request by another person: e.g.,

– **Obedience** - social influence in which the less powerful person in an unequal power relationship submits to the demands of the more powerful person.

Subtopic of Conformity

Subtopic of Compliance

All these different types differ in terms of;

- Pressure; open or secret (even sneaky)?
- Request; implicit or explicit? (direct v indirect ?)
- Threat; how much? (will you be expelled?)

Conformity= changing one's behavior/beliefs to match others, as a result of real or imagined, though unspoken group pressure.

Compliance= adjusting one's behavior because of an explicit or implicit request (ex. ads)

Obedience= less powerful person in unequal power relation submits to demand superior power

Conformity

Conformity: refers to adjusting our behavior or thinking to fit in with a group standard.

The power of Conformity has many components and forms, including



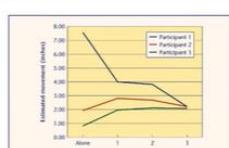
Informative vs Normative Social Influence:

Informative social influence= the influence of other people that results from taking their comments or actions as a source of information as to what is correct or proper.

Normative Social Influence; the influence of other people that comes from the desire to avoid their disapproval, harsh judgements, and other social sanctions.

Musafer Sherif's Conformity Research: Informative Influence

- Subjects in a darkened room were asked to look at a point of light projected on a black wall.
- Although the point of light was stationary, observers believed the light began to move (the **autokinetic effect**).
- When individuals discussed their estimate of the movement of light with each other, they converged on a common standard or norm.
- Although the data indicate that influence was present, subjects denied that they were influenced by others.



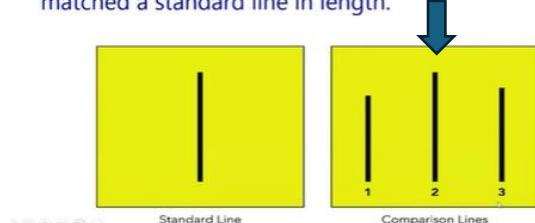
Autokinetic Effect



- The more subjects were uncertain about reality, the more they were influenced by others, especially confident others.
- Norms, once established by the group, were used by participants ... even when they were alone afterwards.

Solomon Asch's Conformity Research: Normative Influence

- Participants were asked to indicate which of three lines matched a standard line in length.



- Subjects were asked to pick which of 3 lines was same size as the standard line
 - Didn't realize that other subjects in panels were confederates
 - On 6 trials, confederates would choose the correct answer
 - But on 12 of the trials, created "social reality" by all confederates choosing the wrong line

Why did they Conform?

= **Public Confirmation**; they didn't believe, but saw it as socially desirable thing to do.

= **Private Acceptance**; saw others responses a legitimate evidence of reality, therefore convinced that their own perceptions were wrong, and changed their minds.

Difference Between Sherif & Asch!



Sherif

Asch



Why do People Conform?

- Informative Social Influence—based on the desire to possess accurate social perceptions
(we turn to members of a group to obtain accurate data)

- Value of other's opinions
- Generally useful source of information
- Adaptive advantage

- Normative Social Influence—based on the desire to be liked or accepted by others
(we go along with a group for acceptance)

- Need to be accepted by others
- Need to be approved of by others
- Fear of being disliked



=fear of being excluded

The Distress of Social Exclusion;

- Hurts like physical pain, feels cold (even if exclusion pays off)
- Increased Immune Activity & Hormone level

Social exclusion caused a substantial reduction in prosocial behavior.

Socially excluded people:

1. donated less money to a student fund,
2. were unwilling to volunteer for further lab experiments,
3. were less helpful after a mishap, and
4. cooperated less in a mixed-motive game with another student.

Twenge et al., JPSP, 2007

Socially excluded people sacrifice personal and financial well-being for the sake of social well-being.

Social excluded participants:

1. were more likely to buy a product symbolic of group membership (but not practical or self-gift items),
2. tailor their spending preferences to the preferences of an interaction partner,
3. spend money on an unappealing food item favored by a peer, and
4. report being willing to try an illegal drug, but only when doing so boosted their chances of commencing social connections.

Mead et al., JCR, 2011

Difference in Consumer Behavior

When do People Conform?

Informational Social Influence:	Normative Social Influence:
<ul style="list-style-type: none"> • Ambiguous situations • Need information right away • When immediate action is necessary • When we are afraid and need to ease our fears • Leads to private conformity 	<ul style="list-style-type: none"> • When meeting new people • At a party • When we want to be accepted • When we are seeking approval • Leads to public conformity

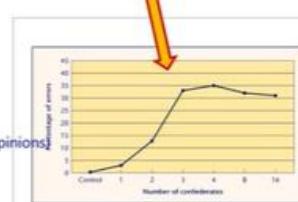


What Factors Affect & Promote Conformity (combining the when & what)

- **Informative Social Influence**; occurs when the reality is vague, and group info is used to justify conformity, which usually results in **private conformity**= truly believing the group is right.
- **Normative Social Influence**; occurs when reality is unambiguous but a desire for acceptance prompts one to go along with the group; which is usually **public conformity**, and the individual, but privately may believe the group is wrong. (follow along, because want to be part of the group)

Other Factors:

- Cohesiveness—the degree of attraction felt by an individual toward an influencing group
 - As cohesiveness increases, conformity increases
- Group size
 - As group size increases, conformity increases (min. 3)
- Age
 - Conformity decreases as we get older
- Culture (collectivist cultures -> higher conformity)
- Gender (women conform more in public, but not in private)
- Ambiguity (when something is less certain, rely more on other's opinions)
- Expertise and status



Why People NOT Conform?

- Individuation—people's need to be distinguishable from others in some respects
more conformity occurs in collectivistic cultures, regardless of group size
=being unique
- People's need to maintain control over their lives as the need for personal control increases, conformity decreases
=control/power
- Some people cannot conform
 - Due to physical, legal, or psychological reasons
=restrictions

Social Norms

- **Folkways**; everyday customs that may be violated (soft-norms, like burping in public)
- **Mores**: moral & ethically strongly held norms with serious consequences if violated
 - Taboos= strong mores that violation is considered extremely offensive & unmentionable.
- **Laws**; standardized norms that are enacted by legislatures & enforced by formal sanctions
 - Civil law deals with disputes among persons or groups.
 - Criminal law deals with public safety and well-being.
- **Situational**; Norms that change according to the situation (ex. sport-event vs classroom)

Social norms; dictate many areas of our lives, even how we greet each other (cultures)

Patterns of behavior accepted as normal

Individuals are expected to conform to norms

“rules” that govern behavior.

- Explicit vs Implicit (direct v indirect)
- Descriptive Norms vs Injunctive Norms

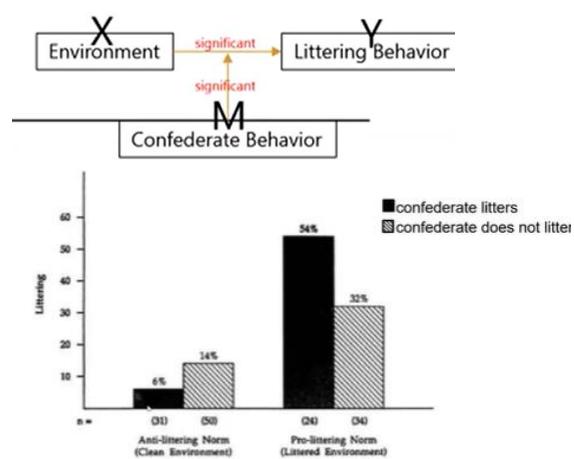


Descriptive Norms= what most people do in a given situation (common or actually done)

Injunctive Norms; specify what ought to be done/is accepted by others (what should be done)

Both can increase conformity= **Normative Focus Theory**:

- Predicts that people are likely to conform to injunctive norms when they are salient to them.
Explicit= written norms. Implicit= Unwritten norms



^= Environment has a great effect on behavior, will they conform yes or no.

Conformity; Mimicry; people are like sheep, following each-other's behavior.

- Tendency to mimic the behavior of one's interaction partner, in facial expressions, physical gestures and vocal tone.
- **Chameleon Effect;** unintentionally mirroring the other person (karate kid, cobra-kick scene)
- **Empathetic;** shifts in mood that fit the mood of people around us
 - People can conform on at least 3 levels:
 - **Internalization:** you go along, and change your own beliefs
 - **Identification:** you go along, because you admire the other person
 - **Compliance:** you go along, but you may keep your own beliefs (just like before)

Recall Expectancy Value Theory; TORA (topic 6)

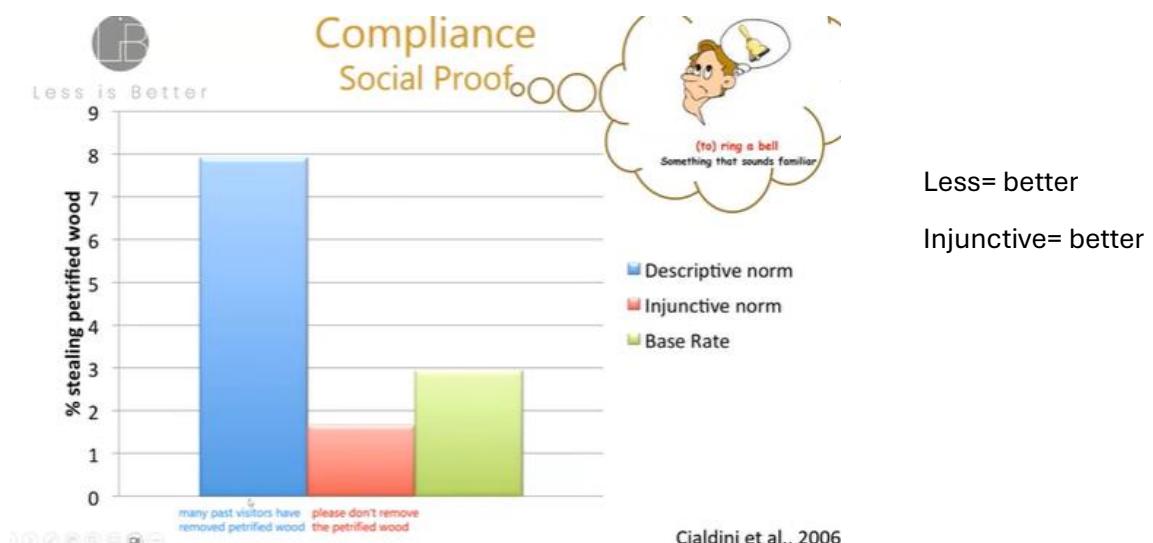
Adjusting one's behavior because of an explicit/implicit request= compliance

Compliance: the type of social influence involving direct requests from one person to another



Descriptive v Injunctive

What do you think is better?



Compliance; Persuasion Techniques (*knowledge clip on Canvas*)

- Liking (friendship) - "she seems genuine and nice"
- Commitment (consistency) - "I'm committed to the cause"
- Scarcity - "only one left"
- Reciprocity - "she helped me so I should return a favor"
- Social proof (validation/consensus) - "everyone else is doing it"
- Authority (power) - "he seems legitimate"



Foot-in-the-door technique; small request followed up with big request (easier accepted)

The Bystander Effect= too many people, likely nobody will help



Chance of Helping Bystander:



Could be an exam Q'..

Obedience; less powerful person submits to person with superior power in an unequal relation.

Most direct form of social-influence (you must obey, listen to me, pick this up!)

Persons readily obey commands, even those from a relatively powerless source of authority.

Many factors influence obedience;

- diffusion of responsibility
- perceived authority
- gradual escalation of commands
- rapid pace of situation (quickly)
- Several strategies can be used to REDUCE obedience

*Look up the Milgram's **Obedience** Study; YouTube

Why did so many obey?

- Experimenter said he was responsible (*diffusion*)
- commands were gradual in nature (levels of pain 15-460)
- participants had little time for reflection
- experimenter was perceived as an authority figure

- When orders are given by:
 - Someone with legitimate authority
 - Someone associated with a prestigious institution
 - Someone standing close by
- When the "learner"/victim is unknown or not visible (e.g., in another room).
- When other participants obey and/or no one disobeys (no role model for defiance)

The good news: Obedience can also strengthen heroism; soldiers and others risk or even sacrifice themselves, more so when under orders

The bad news: In war, some people at the beginning choose not to fight and kill, but after that, obedience escalates, even in killing innocent people.

Factors; Authority Resist; ways to resist obedience

- **Realize total submission is inappropriate**
{^except for total submission to Allah (God)} [41:33]

The essence of Islam is **submission**. Submit your will to Allah, and you'll **find peace**.

*Disclaimer; author of this summary is a Muslim & took the opportunity with love to invite you to research this beautiful religion as, sadly, the media portrays it negatively. All respect & love to whoever reads this. I pray to Allah that you may all pass the exam!

- **Increase awareness of the power of the situation**
- **Take responsibility for any harm produced**
- **“changing” authority; remove appearance of authority, as perception is enough to obey**
- **“changing” proximity; physical/psychological closeness can impact our willingness to obey**

“This was a previous exam question (might pop up in the future)”

Find the differences

Conformity (e.g. Asch)

- group of peers (us and them)
- imitation involved: acting as modelled
- implicit pressure
- influence denied by actor
- fear of exclusion
- public compliance, private dissent

social rationality: respect of others, it is costly to check everything oneself; moral community, 'crowd sourcing'
ego-rationality: need for affiliation; ostracism is distressing and avoided

Obedience (e.g. Milgram)

- social status hierarchy
- no imitation, doing as verbally told
- explicit command & request
- admitted influence of authority
- respect for authority, expectation of reward
- transfer of responsibility

social rationality: loyalty to legitimate authority; hierarchy as division of labour, efficient coordination
sub-rational identification with leader: 'I wanna be like you'

Other Social Influences:

Besides conformity and obedience, there are other ways that changes our behavior in the presence of others, or within a group; including:

- Social Facilitation
- Social Loafing
- Deindividuation
- Group Polarization
- Groupthink



Social Facilitation; individual performance is intensified when you are observed by others.

- If you are good at it, you excel. If you are already bad at it, it worsens your performance.

Why does it work well?= automatic arousal, extra motivation (adrenaline)

If you are bad at that specific task, you will get anxiety

Social loafing; tendency of people in a group to show less effort if not held accountable.

Why does social loafing happen?=

- when your contribution isn't rewarded/punished, you might not care what people think
- people may not feel their contributions are needed; ah the group will be fine
- people may feel free to "cheat" when they get an equal share of the rewards anyway. (freerider)

Deindividuation; Loss of Self-Awareness & Self-Restraint

- Examples; Riots, concerts, KKK rallies, identity-concealed only bullying

Happens when people are in group-situations involving; 1) Anonymity & 2) Arousal

Group Polarization; when people of similar views form a group together, discussion within the group makes their views more extreme (as it reinforces their ideas, confirmation bias)

- Thus, different groups become MORE different, more polarized (more extreme, like rivalling football teams Ajax vs PSV)

Groupthink; a pattern of thinking in which group members fail to realistically evaluate the wisdom of various options & decisions;

- In pursuit of social harmony (& avoidance of open disagreement), groups will make decisions without an open exchange of ideas.
- Likely when they place higher value on reaching decision/consensus than assuring decision is right.
- Best way to avoid is by encouraging diverse perspectives, and dissent to be expressed.

The Good News: despite all these forces of social influence, individuals still have power.

- Some people resist obeying & conforming
- Individuals can start social movements, and social forces, not just get caught up in them
- Groupthink can be prevented if individuals speak up when a group decision seems wrong.

Managerial Implications

- Marketers often make use of the Cialdini persuasion principles to stimulate consumer's compliance <https://www.youtube.com/watch?v=QvjT4DS1LUw>
- Marketers try to connect with experts in a product category and people with authority in their field (unit-relation) in order to create association leveraging effects (balance-theory)
- Marketers realize more and more that consumers make decisions in a social environment, instead of based on rationale and cognitive thinking only
- Marketing managers do a better job when they are working in a team with members who think "different"



Key Takeaways:

- Social influence has a large impact on consumer's thoughts, feelings and behavior since it provides credible information and guidelines of what is acceptable and ... what is not
- Research on why and when different types of social influence work, is essential for effective marketing management
- Obedience is the most direct form of social influence and whether people obey is highly dependent on the physical and social distance with the authority
- Consumer behavior changes in the presence of / being watched by other people for multiple reasons, including autonomic arousal, increased motivation, and the fear of failure and social exclusion

Exam question example

1) Which "compliance (*or persuasion*) technique" is used here:

- a) "flattery" (e.g., compliments) and explain how and why this technique works.
- b) "consumer reviews" (e.g., hotel review) and explain how and why this technique works.

2) Compare Asch's Conformity Research with Milgram's Obedience Research; and give at least 5 differences.

Lecture 10= exam preparation live-session; make sure to attend & take notes!

Notes;

-

Questions generated by ChatGPT based on; the syllabus exam-questions, the example exam-questions from the lectures, and based on the theory from this summary.

***Disclaimer; this content is intended to provide helpful insights and deepen your understanding of the theories discussed.**

However, these AI-generated questions & solutions are not guaranteed to represent actual exam content, nor are they sure to be 100% correct. Therefore, use this material as an additional preparation tool, not as a definitive guide for the exam. I would highly advice you to check the real previous exam-questions in the syllabus.

Questions: based on summary

Topic 1: Introduction to Consumer Behavior

1. Define the concept of "Consumer Behavior" and explain its importance for marketing strategy.
 2. Explain the differences between the "Inside-Out" and "Outside-In" approaches in marketing, and discuss how each can impact consumer perception of a brand.
-

Topic 2: Motivation, Ability & Opportunity (MAO)

3. Describe how motivation, ability, and opportunity (MAO) impact consumer engagement with a product, and provide an example of how a company might address each component in a marketing campaign.
 4. Explain how intrinsic and extrinsic motivation differ and discuss how each can affect consumer behavior differently.
-

Topic 3: Problem Recognition & Information Search

5. Define "problem recognition" in the context of consumer behavior and explain the difference between active and inactive problem recognition.
 6. Discuss the difference between internal and external information search and give examples of how each is used in decision-making.
-

Topic 4: External Information and Perception

7. Explain how perception influences consumer behavior and describe the role of selective attention in the perception process.
8. Describe how marketers use Weber's Law in advertising to influence consumer perception, and provide an example.



Topic 5: Knowledge & Understanding

9. Define the difference between "knowledge" and "understanding" in the context of consumer behavior, and explain how each affects decision-making.
 10. Explain the role of associative networks in consumer memory and describe how brands can use these networks to improve recall.
-

Topic 6: Attitudes

11. Define the three components of attitude (cognitive, affective, and conative) and explain how each influences consumer behavior.
 12. Explain the difference between the central and peripheral routes in the Elaboration Likelihood Model (ELM) and provide an example of each.
-

Topic 7: Evaluation of Alternatives & Decision Making

13. Discuss the concept of "evoked set" in decision-making and explain its significance in consumer choices.
 14. Describe the "compensatory" and "non-compensatory" decision models and give an example of each.
-

Topic 8: Choice Reflection

15. Explain the role of customer satisfaction in brand loyalty and discuss how companies can foster satisfaction to enhance loyalty.
 16. Describe the concept of the "Service Recovery Paradox" and explain how a well-handled service failure can impact customer loyalty.
-

Topic 9: Social Influences on Consumer Behavior

17. Compare and contrast the types of social influence studied by Sherif and Asch, and explain the implications of each for consumer behavior.
18. Explain how the principles of conformity and compliance differ, and provide a marketing example for each.



Draft Answers

Topic 1: Introduction to Consumer Behavior

1. **Consumer Behavior** is the study of how individuals make decisions regarding the purchase, use, and disposal of goods, services, ideas, or experiences. It is crucial for marketing strategy as it helps businesses understand consumer needs and preferences, allowing them to tailor products, services, and marketing messages to meet consumer expectations and build customer loyalty.
 2. The **Inside-Out** approach prioritizes the company's internal strengths and capabilities, focusing on optimizing resources and efficiency. In contrast, the **Outside-In** approach is customer-focused, adapting strategies to align with consumer needs and market trends. While the Inside-Out approach may lead to operational efficiency, the Outside-In approach enhances customer satisfaction by aligning products and messages more closely with consumer expectations, positively impacting brand perception.
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Topic 2: Motivation, Ability & Opportunity (MAO)

3. **MAO** significantly influences consumer engagement by determining the extent to which consumers are willing and able to engage with a product. Motivation drives consumers' interest, ability pertains to their capability to understand and use the product, and opportunity involves external factors such as time and accessibility. For example, a fitness app might increase motivation by highlighting health benefits, enhance ability through easy tutorials, and provide opportunities via free trials or discounts.
 4. **Intrinsic motivation** arises from personal satisfaction or enjoyment, while **extrinsic motivation** is driven by external rewards like discounts or rewards. Intrinsic motivation tends to create deeper, long-term engagement with a brand, as consumers are motivated by personal interest. In contrast, extrinsic motivation can spur immediate purchases but may not foster long-term loyalty if the external incentives are removed.
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Topic 3: Problem Recognition & Information Search

5. **Problem recognition** occurs when a consumer perceives a significant gap between their current state and a desired state. Active problem recognition happens when consumers are aware of a problem (e.g., running out of shampoo), while inactive problem recognition requires marketers to make consumers realize they have a problem, such as promoting hand sanitizer to highlight hygiene concerns.
6. **Internal information search** relies on memory and past experiences, such as recalling a favored restaurant when choosing where to dine. **External information search** involves gathering information from outside sources, like reviews or advertisements, to make a decision. Consumers often use internal search for familiar choices and external search when faced with unfamiliar options or high-stakes decisions.



Topic 4: External Information and Perception

7. **Perception** involves organizing and interpreting sensory information to make sense of the world. **Selective attention** allows consumers to focus on specific stimuli while ignoring others, often influenced by factors like relevance or novelty. For example, a bright advertisement might capture selective attention, enhancing the likelihood that consumers will notice and remember the brand.
 8. **Weber's Law** suggests that the noticeable difference in a stimulus depends on its initial intensity. Marketers use this by implementing just-noticeable changes, such as slight price increases, that consumers may not perceive. For instance, a slight reduction in product size at the same price might go unnoticed, allowing brands to maintain margins without altering consumer perception of value.
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Topic 5: Knowledge & Understanding

9. **Knowledge** consists of facts and information, while **understanding** involves connecting and interpreting that information. Knowledge allows consumers to recall product attributes, while understanding enables them to make decisions based on how those attributes align with personal needs. For example, knowing a phone's battery life is long is knowledge, but understanding how it benefits daily usage is deeper understanding.
 10. **Associative networks** are mental structures where related concepts, such as brand attributes, are linked together. Brands can leverage these by consistently associating themselves with positive attributes, like reliability or innovation, strengthening recall and recognition. For example, car brands often emphasize safety to build strong associative links with consumers' desire for security.
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Topic 6: Attitudes

11. The **cognitive component** involves beliefs and knowledge, the **affective component** reflects feelings and emotions, and the **conative component** relates to behavioral intentions. Together, these shape consumer behavior; for example, a consumer who believes a car brand is reliable (cognitive), feels positive about its design (affective), and intends to purchase it (conative) is likely to act in favor of the brand.
 12. In the **Elaboration Likelihood Model (ELM)**, the central route involves high involvement and careful scrutiny of messages, leading to lasting attitude change (e.g., a detailed ad explaining a product's health benefits). The peripheral route involves low involvement, relying on superficial cues (e.g., using celebrity endorsements) and leads to temporary attitude changes. Both are useful depending on the consumer's motivation to process information.
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Topic 7: Evaluation of Alternatives & Decision Making

13. The **evoked set** includes brands or products that come to mind as options when consumers face a purchase decision. This set is crucial as it determines which brands are seriously considered, highlighting the importance for marketers to ensure their brand is memorable and positively associated to secure a place in the consumer's evoked set.
 14. In the **compensatory model**, consumers weigh pros and cons, allowing strong attributes to compensate for weaker ones (e.g., choosing a smartphone with excellent camera quality but average battery life). In the **non-compensatory model**, a minimum standard must be met for each attribute (e.g., only considering hotels with a minimum 4-star rating), and failing any criterion results in rejection.
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Topic 8: Choice Reflection

15. **Customer satisfaction** reflects the extent to which a product meets or exceeds expectations, fostering brand loyalty when consumers are pleased with their experiences. Companies can enhance satisfaction through responsive customer service, consistent product quality, and clear communication, encouraging repeat purchases and positive word-of-mouth.
 16. The **Service Recovery Paradox** occurs when a well-resolved service failure results in higher customer satisfaction and loyalty than if the failure had not occurred. Effective resolution, such as a prompt apology and compensation, can reinforce customer trust, showcasing the brand's commitment to service and potentially increasing loyalty.
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Topic 9: Social Influences on Consumer Behavior

17. **Sherif's study** focused on informational social influence, where individuals conform because they believe others possess more accurate information, often resulting in private acceptance. **Asch's research** examined normative social influence, where people conform to fit in, even if they disagree privately. Marketers can leverage informational influence by sharing expert reviews and normative influence by highlighting popular trends.
18. **Conformity** involves altering behavior to align with group norms, driven by social pressure, while **compliance** involves agreeing to a direct request. An example of conformity is purchasing an eco-friendly product to align with societal values, whereas compliance might involve buying a product after seeing a "limited offer" prompt, triggering urgency and the desire to comply with the opportunity.



Questions: based on syllabus exam-questions

- 1. Describe the Gestalt law of closure and provide an example of how it might be used in product packaging to attract consumer attention.**
2. Explain how the introduction of a decoy product can alter consumer choices between two existing products and describe the implications for pricing strategy.
- 3. Describe the compromise effect in consumer decision-making and discuss its significance in product line design.**
4. Define the unconditioned and conditioned responses in classical conditioning and give an example of each in a TV advertisement.
- 5. Differentiate between classical conditioning and operant conditioning, and provide an example of how each can be used in a retail environment.**
6. Explain how the principle of "Reciprocity" works in marketing and provide an example of how this can increase customer engagement.
- 7. Describe the principle of "Liking" in Cialdini's framework and explain how a brand could use this principle to foster a loyal customer base.**
8. Discuss the difference between informational and normative social influence and how each can affect consumer behavior in an online review setting.
- 9. Provide an example of how a brand can leverage Asch's findings on conformity to enhance consumer interest in a new product line.**
10. Define perceived quality and customer satisfaction, and discuss how these concepts might diverge in consumer evaluations of a product.
- 11. Explain how the Service Recovery Paradox can lead to higher loyalty after a service failure, and provide a real-world example of this effect.**
12. Explain how social class can impact consumer preferences and purchasing decisions, particularly in luxury markets.
- 13. Describe how reference groups influence buying behavior and give an example of a primary and secondary reference group affecting a purchasing decision.**
14. Describe the compensatory model in consumer decision-making and provide an example of how a consumer might use this model in choosing a vacation destination.
- 15. Differentiate between the lexicographic rule and elimination-by-aspects rule in non-compensatory decision-making, and provide examples for each.**
16. Explain how cognitive dissonance might affect customer satisfaction after a purchase and describe a strategy companies can use to mitigate it.



Draft Solutions

1. The law of closure suggests that the mind fills in gaps to perceive a complete shape. A package design might use fragmented graphics or partial outlines of a logo, leading consumers to complete the image mentally, which can create intrigue and enhance brand recall.

2. A decoy effect occurs when an additional, asymmetrically dominated option is introduced to make another product more attractive. For example, adding a slightly cheaper but lower-quality version of Product B can make consumers favor Product A, as it appears superior by comparison. This strategy can shift consumer preferences towards higher-priced options.

3. The compromise effect implies that consumers are likely to choose a middle option between extremes, as it feels like a safer, balanced choice. By positioning a product between high- and low-end options, brands can steer consumers toward mid-range products, increasing the perceived value without leading them to the cheapest option.

4. In classical conditioning, an unconditioned response is a natural reaction to an unconditioned stimulus, like happiness when hearing a favorite song. In a TV ad, the song (unconditioned stimulus) evokes joy (unconditioned response). Over time, pairing the song with a product (conditioned stimulus) leads consumers to associate the product with joy (conditioned response).

5. Classical conditioning pairs a neutral stimulus with an unconditioned stimulus to evoke a response, like a scent reminding customers of positive experiences in-store. Operant conditioning, by contrast, reinforces behavior through rewards, like loyalty points for repeat purchases, encouraging customers to return.

6. The reciprocity principle suggests that people feel obliged to return favors. In marketing, offering free samples or valuable information creates a sense of indebtedness, encouraging consumers to reciprocate by making a purchase, enhancing engagement and loyalty.



7. The principle of liking indicates that people are more likely to be influenced by those they find likable. Brands often use relatable spokespeople or build a friendly, approachable social media presence to create a connection with consumers, fostering loyalty through perceived likability.
8. Informational social influence occurs when consumers adopt others' opinions as facts, such as trusting high ratings on a product for quality. Normative social influence, on the other hand, is driven by the desire to conform, like choosing popular products to align with social trends, even if personal opinions differ.
9. Asch's research suggests people often conform to group opinions. A brand could leverage this by displaying high levels of positive reviews or creating a sense of popularity, like "Join the thousands who love this product," influencing individuals to follow the majority preference.
10. Perceived quality reflects consumers' judgment about a product's excellence, whereas customer satisfaction measures contentment with the product experience. A product may have high perceived quality but lower satisfaction if it doesn't meet specific personal needs, highlighting the subjective nature of post-purchase evaluation.
11. The Service Recovery Paradox suggests that effective recovery from a service failure can result in higher loyalty than if the issue had never occurred. For example, a quick response to a delivery delay, with a sincere apology and discount, may foster stronger loyalty by demonstrating customer commitment.
12. Social class influences consumer behavior by shaping preferences and perceptions of what is desirable. Higher social classes may favor luxury brands to signal status, while middle classes may seek similar styles at affordable prices to emulate status without the expense, impacting brand segmentation strategies.
13. Reference groups provide standards for evaluating purchases. A primary group, like close friends, may directly influence a choice through conversations, while a secondary group, like a favorite sports team's fan base, can influence brand preferences indirectly by establishing trends.



14. In the compensatory model, consumers weigh the positives and negatives of each option, allowing strong attributes to offset weaker ones. For instance, a consumer might choose a vacation with beautiful scenery but average accommodations, as the scenic value compensates for lower hotel quality.
15. In the lexicographic rule, consumers choose the option with the highest value in the most important attribute. For example, choosing the hotel with the best view regardless of other features. Elimination-by-aspects involves setting criteria thresholds; a consumer might reject all hotels without free Wi-Fi before evaluating further.
16. Cognitive dissonance occurs when a purchase does not meet expectations, leading to discomfort. Companies can reduce this by providing post-purchase support, like follow-up emails reinforcing the product's value or satisfaction guarantees, helping customers feel reassured about their choice.



Answers Exercise Topic 6):

1. The Thinker

- This consumer is **highly** involved and makes **rational** decisions.
- They prioritize **thinking (cognitive)** before making a choice.
- Example: Buying a **car**.
- **Sequence:** This consumer typically **thinks** first, then **feels** based on logic, and finally **behaves** by making a decision.

2. The Feeler

- This consumer is highly involved but makes **emotional** decisions.
- They focus on their **feelings (affective response)** towards a product.
- Example: Choosing a **luxury watch**.
- **Sequence:** This consumer typically **feels** first, then **thinks** about how it aligns with their emotions, and finally **behaves** by making an emotional purchase.

3. The Doer

- This consumer has **low** involvement and makes **rational** decisions.
- They are driven by a **need or convenience** to act quickly.
- Example: Buying a **toothpaste**.
- **Sequence:** This consumer typically **thinks** first (based on need), then **behaves** by purchasing quickly, and may or may not **feel** much about the decision.

4. The Reactor

- This consumer has **low** involvement and makes **emotional** decisions.
- Their choices are influenced by **external cues** like branding or packaging.
- Example: Picking a **chocolate bar**.
- **Sequence:** This consumer typically **feels** first (based on emotional appeal), then **thinks** about the convenience or desire, and finally **behaves** by making the impulse purchase.

Purpose of the Sequence (Think, Feel, Behave):

- **The Thinker:** Thinks first, because they base decisions on **cognitive evaluation**.
- **The Feeler:** Feels first, making decisions based on **emotional appeal**.
- **The Doer:** Thinks first, behaves quickly, and may not focus on emotional aspects much.
- **The Reactor:** Feels first, driven by **external influences**, and acts on impulse.



Answers Topic 7: Fill-In Exercise

1. **Confirmation bias** - Sarah selectively looks for information that confirms her belief that car accidents are caused only by reckless drivers.
2. **Gamblers fallacy** - Tom believes the outcome of past games influences future ones, expecting his team to win just because they have won recently.
3. **Gamblers fallacy** - Maria expects a lottery win simply because she hasn't won recently, assuming the "odds" are in her favor.
4. **Confirmation bias** - Jack disregards information from his colleague that contradicts his own belief, only considering evidence that supports his opinion.
5. **Anchoring bias** - You jump to conclusions based on an initial impression (the smile), without enough information about the person.
6. **Overconfidence bias** - Emma is overly confident in her abilities, ignoring the contributions of others and downplaying potential areas for improvement.
7. **Fundamental attribution error** - Linda blames her colleague personally for missing the deadline, without considering other possible external factors.

Good Luck on the Exam ;)

