Chapter 6

In This Chapter, We Will Address the Following Questions

1. How do consumer characteristics influence buying behavior?
2. What major psychological processes influence consumer responses to the marketing program?
3. How do consumers make purchasing decisions?
4. In what ways do consumers stray from a deliberative, rational decision process?

LEGO has programs in place to help it stay close to its customers—especially the more devoted and loyal ones.

Analyzing Consumer Markets

The aim of marketing is to meet and satisfy target customers' needs and wants better than competitors. Marketers must have a thorough understanding of how consumers think, feel, and act and offer clear value to each and every target consumer.

LEGO of Billund, Denmark, may have been one of the first mass customized brands. Every child who has ever had a set of the most basic LEGO blocks has built his or her own unique and amazing creations, brick by plastic brick. When LEGO decided to become a lifestyle brand and launch theme parks; its own lines of clothes, watches, and video games; and products such as Clikits craft sets designed to attract more girls to the brand franchise, it neglected its core market of five- to nine-year-old boys. Plunging profits led to layoffs of almost half its employees as the firm streamlined its brand portfolio to emphasize its core businesses. To better coordinate new product activities, LEGO revamped its organizational structure into four functional groups managing eight key areas. One group was responsible for supporting customer communities and tapping into them for product ideas. LEGO also set up what was later renamed LEGO Design byME, which let customers design, share, and build their own custom LEGO products using LEGO's freely downloadable Digital Designer 3.0 software. The creations that result can exist—and be shared with other enthusiasts—solely online, or, if customers want to build them, the software tabulates the pieces required and sends an order to LEGO's Enfield, Connecticut, warehouse. Customers can request step-by-step building guide instructions and even design their own box to store the pieces.[1]

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

What Influences Consumer Behavior?

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

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

Cultural Factors

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

TABLE 6.1 American Consumer Almanac

Expenditures		
Average U.S. outlays for goods and services in 2009		
	$	%
Housing	$16,920	34.1%
Transportation	$8,758	17.6%
Food	$6,133	12.4%
Personal insurance and pensions	$5,336	10.7%
Healthcare	$2,853	5.7%
Entertainment	$2,698	5.4%
Apparel and services	$1,881	3.8%
Cash contributions	$1,821	3.7%
Education	$945	1.9%
Miscellaneous	$808	1.6%
Personal care products and services	$588	1.2%
Alcoholic beverages	$457	.9%
Tobacco products and smoking supplies	$323	0.7%
Reading	$118	0.2%
Ownership		
Percentage of households with at least one vehicle owned or leased		77.0%
Percentage of households that own homes		67%
Percentage of households that own their homes “free and clear”		23%
Time use on an average workday for employed persons ages 25–54 with children in 2008		
Working and related activities	8.8 hours	
Sleeping	7.6 hours	
Leisure and sports	2.6 hours	
Caring for others	1.3 hours	
Eating and drinking	1.0 hours	
Household activities	1.0 hours	
Other	1.7 hours	
Monthly users’ time spent in hours: Minutes per user aged 2+ years—Q1 2009		
	# of Americans	Average minutes per day spent
Watching TV in the home	285,574,000	153 minutes
Watching time-shifted TV	79,533,000	8 minutes
Using the Internet	163,110,000	29 minutes
Watching video on the Internet	131,102,000	3 minutes
Mobile subscribers watching video on a mobile phone	13,419,000	4 minutes

Sources: Bureau of Labor Statistics, *Consumer Expenditure Survey*, www.bls.gov/cex; AC Nielsen, *A2 M2 Three Screen Report*, 1st Quarter 2009, http://blog.nielsen.com/nielsenwire/wp-content/uploads/2009/05/nielsen_threescreenreport_q109.pdf.

achievement and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, external comfort, humanitarianism, and youthfulness.[3] A child growing up in another country might have a different view of self, relationship to others, and rituals. Marketers must closely attend to cultural values in every country to understand how to best market their existing products and find opportunities for new products.

Each culture consists of smaller **subcultures** that provide more specific identification and socialization for their members. Subcultures include nationalities, religions, racial groups, and geographic regions. When subcultures grow large and affluent enough, companies often design specialized marketing programs to serve them.

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

Social class members show distinct product and brand preferences in many areas, including clothing, home furnishings, leisure activities, and automobiles. They also differ in media preferences; upper-class consumers often prefer magazines and books, and lower-class consumers often prefer television. Even within a category such as TV, upper-class consumers may show greater preference for news and drama, whereas lower-class consumers may lean toward reality shows and sports. There are also language differences—advertising copy and dialogue must ring true to the targeted social class.

Social Factors

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

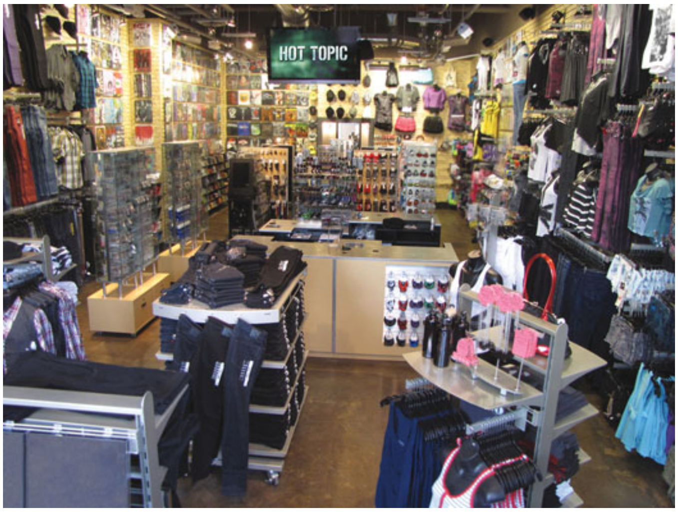
REFERENCE GROUPS A person's **reference groups** are all the groups that have a direct (face-to-face) or indirect influence on their attitudes or behavior. Groups having a direct influence are called **membership groups**. Some of these are **primary groups** with whom the person interacts fairly continuously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

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

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

Clothing companies such as Hot Topic, which hope to appeal to the fickle and fashion-conscious youth market, have used music in a concerted effort to monitor opinion leaders' style and behavior.

Hot Topic With over 600 stores in malls in 49 states and Puerto Rico, Hot Topic has been hugely successful at using anti-establishment style in its fashions. The chain also sells books, comics, jewelry, CDs, records, posters, and other paraphernalia. Hot Topic's slogan, "Everything about the music," reflects its operating premise: Whether a teen is into rock, pop-punk, emo, acid rap, rave, or rockabilly—or even more obscure musical tastes—Hot Topic has the right T-shirt. To keep up with music trends, all Hot Topic staffers, from the CEO to the music-obsessed salespeople (80 percent of whom are under 25), regularly attend concerts by up-and-coming and established bands to scout who's wearing what. Each store looks more like a campus student center



Hot Topic works hard to stay on top of what's new and what matters with its core youth audience—especially in music.

than a shop—loud music plays and dark walls have bulletin boards displaying concert flyers and staff music picks. Hot Topic also hosts free acoustic shows, called Local Static, showcasing local bands and has created a music-related social network site, ShockHound.com. Hot Topic can catch trends and launch new hip clothing and hard-to-find pop culture merchandise in six to eight weeks, literally months before traditional competitors using off-shore suppliers.[6]

FAMILY The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group.[7] There are two families in the buyer's life. The **family of orientation** consists of parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics and a sense of personal ambition, self-worth, and love.[8] Even if the buyer no longer interacts very much with his or her parents, parental influence on behavior can be significant. Almost 40 percent of families have auto insurance with the same company as the husband's parents.

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

For expensive products and services such as cars, vacations, or housing, the vast majority of husbands and wives engage in joint decision making.[9] Men and women may respond differently to marketing messages, however.[10] Research has shown that women value connections and relationships with family and friends and place a higher priority on people than on companies. Men, on the other hand, relate more to competition and place a high priority on action.[11]

Marketers are taking more direct aim at women with new products such as Quaker's Nutrition for Women cereals and Crest Rejuvenating Effects toothpaste. In 2003, Sherwin-Williams launched a Dutch Boy easy-to-use "Twist and Pour" paint can targeted specifically at women. Priced $2 higher than the same paint in traditional metal containers, the new product helped the company triple its revenue.[12]

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

Research has shown that more than two-thirds of 13- to 21-year-olds make or influence family purchase decisions on audio/video equipment, software, and vacation destinations.[13] In total, these teens and young adults spend over $120 billion a year. They report that to make sure they buy the right products, they watch what their friends say and do as much as what they see or hear in an ad or are told by a salesperson in a store.[14]

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

By the time children are around 2 years old, they can often recognize characters, logos, and specific brands. They can distinguish between advertising and programming by about ages 6 or 7. A year or so later, they can understand the concept of persuasive intent on the part of advertisers. By 9 or 10, they can perceive the discrepancies between message and product.[15]

ROLES AND STATUS We each participate in many groups—family, clubs, organizations. Groups often are an important source of information and help to define norms for behavior. We can define a person's position in each group in terms of role and status. A **role** consists of the activities a person is expected to perform. Each role in turn connotes a **status**. A senior vice

marketing Memo

The Average U.S. Consumer Quiz

Listed below is a series of statements used in attitude surveys of U.S. consumers. For each statement, estimate what percent of U.S. men and women agreed with it in 2009 and write your answer, a number between 0 percent and 100 percent, in the columns to the right. Then check your results against the correct answers in the footnote.*

Statements	Percent of Consumers Agreeing: % Men	Percent of Consumers Agreeing: % Women
1. It's more important to fit in than to be different from other people.	____	____
2. Material things like the car I drive and the house I live in are really important to me.	____	____
3. Religion doesn't provide the answers to many of today's problems.	____	____
4. Businesses care more about selling me products and services that already exist rather than coming up with something that really fits my lifestyle.	____	____
5. Most of the time, the service people that I deal with don't care much about me or my needs.	____	____
6. I wish there were clearer rules about what is right and wrong.	____	____
7. I am comfortable with a certain amount of debt.	____	____
8. It is risky to buy a brand you are not familiar with.	____	____
9. I try to have as much fun as I can now and let the future take care of itself.	____	____
10. No matter how hard I try, I never seem to have enough time to do all the things I need to do.	____	____

Note:

Results are from a nationally representative sample of 4,147 respondents surveyed in 2009.

Source: The Futures Company Yankelovich MONITOR (with permission). Copyright 2009, Yankelovich, Inc.

*Answers:

1. M = 27%, W = 20%; 2. M = 47%, W = 39%; 3. M = 53%, W = 45%; 4. M = 72%, W = 66%; 5. M = 60%, W = 57%; 6. M = 47%, W = 45%; 7. M = 54%, W = 46%; 8. M = 49%, W = 46%; 9. M = 56%, W = 46%; 10. M = 63%, W = 69%

Source: The Futures Company/Yankelovich Monitor. Copyright 2009, Yankelovich, Inc.

president of marketing may be seen as having more status than a sales manager, and a sales manager may be seen as having more status than an office clerk. People choose products that reflect and communicate their role and their actual or desired status in society. Marketers must be aware of the status-symbol potential of products and brands.

Personal Factors

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

AGE AND STAGE IN THE LIFE CYCLE Our taste in food, clothes, furniture, and recreation is often related to our age. Consumption is also shaped by the *family life cycle* and the number, age, and gender of people in the household at any point in time. U.S. households are increasingly fragmented—the traditional family of four with a husband, wife, and two kids makes up a much smaller percentage of total households than it once did. The average U.S. household size in 2008 was 2.6 persons.[16]

In addition, *psychological* life-cycle stages may matter. Adults experience certain "passages" or "transformations" as they go through life.[17] Their behavior as they go through these passages, such as becoming a parent, is not necessarily fixed but changes with the times.

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

Newlyweds Newlyweds in the United States spend a total of about $70 billion on their households in the first year after marriage—and they buy more in the first six months than an established household does in five years! Marketers know marriage often means two sets of shopping habits and brand preferences must be blended into one. Procter & Gamble, Clorox, and Colgate-Palmolive include their products in "Newlywed Kits," distributed when couples apply for a marriage license. JCPenney has identified "Starting Outs" as one of its two major customer groups. Marketers pay a premium for name lists to assist their direct marketing because, as one noted, newlywed names "are like gold."[18]

One well-defined and attractive target market for many firms is newlyweds.

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

As the recent recession clearly indicated, both product and brand choice are greatly affected by economic circumstances: spendable income (level, stability, and time pattern), savings and assets (including the percentage that is liquid), debts, borrowing power, and attitudes toward spending and saving. Luxury-goods makers such as Gucci, Prada, and Burberry are vulnerable to an economic downturn. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and reprice their products or introduce or increase the emphasis on discount brands so they can continue to offer value to target customers. Some firms—such as Snap Fitness—are well-positioned to take advantage of good and bad economic times to begin with.

Snap Fitness Although some gym chains struggled in the recession—Bally's Total Fitness filed for bankruptcy twice—24-hour Snap Fitness actually expanded the number of its clubs, and its revenue doubled. The franchise chain did all this despite charging members only $35 per month with easy cancellation fees. Its secret? A no-frills approach reinforced by the motto, "Fast, Convenient, Affordable." The small gyms—only 2,500 square feet—typically have five treadmills, two stationary bikes, five elliptical machines, and weight equipment. What's important is what they *don't* have—no classes, spa rooms, on-site child care, or juice bars. Few clubs have showers, and most are staffed only 25 to 40 hours a week. The sweet spot of their target market is married 35- to 55-year-olds with kids who live nearby and are busy enough that they cannot afford more than an hour a day to go to the gym.[19]

No-frills Snap Fitness was perfectly positioned to weather the latest economic recession.

PERSONALITY AND SELF-CONCEPT Each person has personality characteristics that influence his or her buying behavior. By **personality**, we mean a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli (including buying behavior). We often describe personality in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.[20]

Personality can be a useful variable in analyzing consumer brand choices. Brands also have personalities, and consumers are likely to choose brands whose personalities match their own. We define **brand personality** as the specific mix of human traits that we can attribute to a particular brand.

Stanford's Jennifer Aaker researched brand personalities and identified the following traits:[21]

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

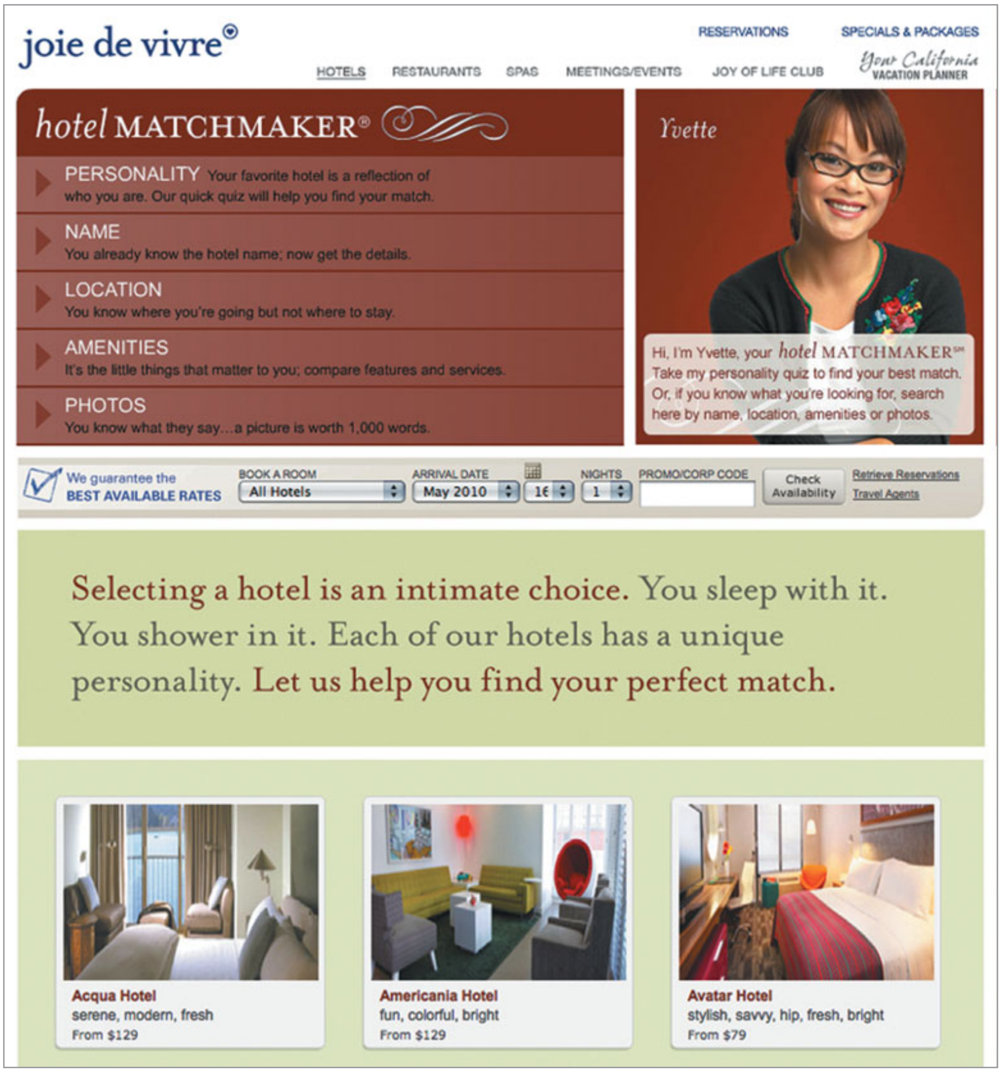
Aaker analyzed some well-known brands and found that a number tended to be strong on one particular trait: Levi's on "ruggedness"; MTV on "excitement"; CNN on "competence"; and Campbell's on "sincerity." These brands will, in theory, attract users high on the same traits. A brand personality may have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

A cross-cultural study exploring the generalizability of Aaker's scale outside the United States found three of the five factors applied in Japan and Spain, but a "peacefulness" dimension replaced "ruggedness" both in Japan and Spain, and a "passion" dimension emerged in Spain instead of "competence."[22] Research on brand personality in Korea revealed two culture-specific factors—"passive likeableness" and "ascendancy"—reflecting the importance of Confucian values in Korea's social and economic systems.[23]

Consumers often choose and use brands with a brand personality consistent with their *actual self-concept* (how we view ourselves), although the match may instead be based on the consumer's *ideal self-concept* (how we would like to view ourselves) or even on *others' self-concept* (how we think others see us).[24] These effects may also be more pronounced for publicly consumed products than for privately consumed goods.[25] On the other hand, consumers who are high "self-monitors"—that is, sensitive to how others see them—are more likely to choose brands whose personalities fit the consumption situation.[26] Finally, often consumers have multiple aspects of self (serious professional, caring family member, active fun-lover) that may be evoked differently in different situations or around different types of people. Some marketers carefully orchestrate brand experiences to express brand personalities. Here's how San Francisco's Joie de Vivre chain does this.[27]

Joie de Vivre Joie de Vivre Hospitality operates a chain of boutique hotels, restaurants, and resorts in the San Francisco area. Each property's unique décor, quirky amenities, and thematic style are often loosely based on popular magazines. For example, The Hotel del Sol—a converted motel bearing a yellow exterior and surrounded by palm trees wrapped with festive lights—is described as "kind of *Martha Stewart Living* meets *Islands* magazine." The Phoenix, represented by *Rolling Stone,* is, like the magazine, described as "adventurous, hip, irreverent, funky, and young at heart." Joie de Vivre's goal is to stimulate each of the five senses in accordance with the five words chosen for each hotel. The boutique concept enables the hotels to offer personal touches, such as vitamins in place of chocolates on pillows. There's even an online personality matchmaker to help match guests to the most fitting hotels. Joie de Vivre now owns the largest number of independent hotel properties in the Bay Area.

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



Boutique hotel chain Joie de Vivre uniquely positions each of its properties and then offers an online matchmaker to help consumers find the hotel that best fits their interests.

LOHAS

LOHAS

Consumers who worry about the environment, want products to be produced in a sustainable way, and spend money to advance their personal health, development, and potential have been named "LOHAS," an acronym for *lifestyles of health and sustainability.* One estimate placed 19 percent of the adults in the United States, or 41 million people, in the LOHAS or "Cultural Creatives" category.[28] The market for LOHAS products encompasses organic foods, energy-efficient appliances and solar panels, alternative medicine, yoga tapes, and ecotourism. Taken together, these account for an estimated $209 billion market. Table 6.2 breaks the LOHAS demographic into six segments with estimated size, and product and service interests.

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

Consumers who experience time famine are prone to **multitasking**, doing two or more things at the same time. They will also pay others to perform tasks because time is more important to them than money. Companies aiming to serve them will create convenient products and services for this group.

TABLE 6.2 LOHAS Market Segments

Personal Health	**Natural Lifestyles**
Natural, organic products	Indoor & outdoor furnishings
Nutritional products	Organic cleaning supplies
Integrative health care	Compact fluorescent lights
Dietary supplements	Social change philanthropy
Mind body spirit products	Apparel
U.S. Market—$118.03 billion	*U.S. Market—$10.6 billion*
Green Building	**Alternative Transportation**
Home certification	Hybrid vehicles
Energy Star appliances	Biodiesel fuel
Sustainable flooring	Car sharing programs
Renewable energy systems	*U.S. Market—$6.12 billion*
Wood alternatives	
U.S. Market—$50 billion	
Eco-Tourism	**Alternative Energy**
Eco-tourism travel	Renewable energy credits
Eco-adventure travel	Green pricing
U.S. Market—$24.17 billion	*U.S. Market—$380 million*

Source: Reprinted by permission of LOHAS, http://www.lohas.com/.

In some categories, notably food processing, companies targeting time-constrained consumers need to be aware that these very same people want to believe they're *not* operating within time constraints. Marketers call those who seek both convenience and some involvement in the cooking process the "convenience involvement segment."[29]

Hamburger Helper

Hamburger Helper Launched in 1971 in response to tough economic times, the inexpensive pasta-and-powdered mix Hamburger Helper was designed to quickly and inexpensively stretch a pound of meat into a family meal. With an estimated 44 percent of evening meals prepared in under 30 minutes and strong competition from fast-food drive-through windows, restaurant deliveries, and precooked grocery store dishes, Hamburger Helper's days of prosperity might seem numbered. Market researchers found, however, that some consumers don't want the fastest microwaveable solution possible—they also want to feel good about how they prepare a meal. In fact, on average, they prefer to use at least one pot or pan and 15 minutes of time. To remain attractive to this segment, marketers of Hamburger Helper are always introducing new flavors to tap into changing consumer taste trends. Not surprisingly, the latest economic downturn saw sales of the brand rise 9 percent in 2009.[30]

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

Key Psychological Processes

The starting point for understanding consumer behavior is the stimulus-response model shown in Figure 6.1. Marketing and environmental stimuli enter the consumer's consciousness, and a set of psychological processes combine with certain consumer characteristics to result in decision processes and purchase decisions. The marketer's task is to understand what happens in the consumer's consciousness between the arrival of the outside marketing stimuli and the ultimate purchase decisions. Four key psychological processes—motivation, perception, learning, and memory—fundamentally influence consumer responses.[31]

Motivation: Freud, Maslow, Herzberg

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

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

FREUD'S THEORY Sigmund Freud assumed the psychological forces shaping people's behavior are largely unconscious, and that a person cannot fully understand his or her own motivations. Someone who examines specific brands will react not only to their stated capabilities, but also to other, less conscious cues such as shape, size, weight, material, color, and brand name. A technique called *laddering* lets us trace a person's motivations from the stated instrumental ones to the more terminal ones. Then the marketer can decide at what level to develop the message and appeal.[32]

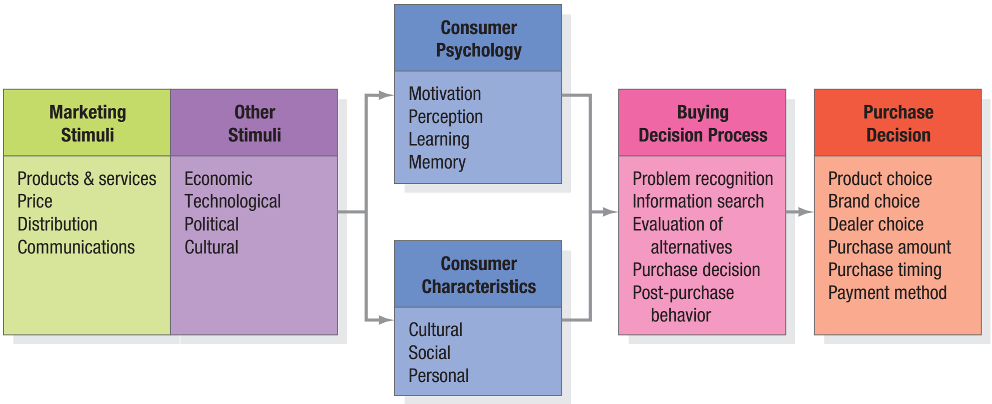
Motivation researchers often collect in-depth interviews with a few dozen consumers to uncover deeper motives triggered by a product. They use various *projective techniques* such as word association, sentence completion, picture interpretation, and role playing, many pioneered by Ernest Dichter, a Viennese psychologist who settled in the United States.[33]

Today, motivational researchers continue the tradition of Freudian interpretation. Jan Callebaut identifies different motives a product can satisfy. For example, whiskey can meet the need for social relaxation, status, or fun. Different whiskey brands need to be motivationally positioned in one of these three appeals.[34] Another motivation researcher, Clotaire Rapaille, works on breaking the "code" behind product behavior.[35]

Chrysler

Chrysler When Chrysler decided to offer a new sedan, it had already done a great deal of traditional market research that suggested U.S. consumers wanted excellent gas mileage, safety, and prices. However, it was only through qualitative research that Chrysler discovered what cultural anthropologist Clotaire Rapaille calls "the code"—the unconscious meaning people give to a particular market offering. First, interviewers took on the role of "a visitor from another planet," asking participants to help them understand the product in question. Then, participants told stories about the product, and finally, after a relaxation exercise, they wrote about their first experiences with it. In this way, Chrysler learned that "cookie-cutter" sedans were "off-code," and it used information from the sessions to create the PT Cruiser. With its highly distinctive retro design, this sedan was one of the most successful U.S. car launches in recent history.[36]

MASLOW'S THEORY Abraham Maslow sought to explain why people are driven by particular needs at particular times.[37] His answer is that human needs are arranged in a hierarchy from most to least pressing—physiological needs, safety needs, social needs, esteem needs, and self-actualization



|Fig. 6.1|

Model of Consumer Behavior

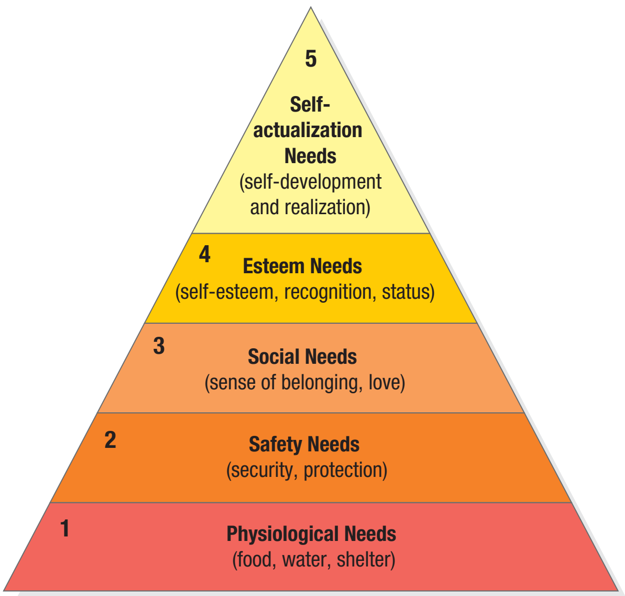
needs (see Figure 6.2). People will try to satisfy their most important need first and then try to satisfy the next most important. For example, a starving man (need 1) will not take an interest in the latest happenings in the art world (need 5), nor in how he is viewed by others (need 3 or 4), nor even in whether he is breathing clean air (need 2), but when he has enough food and water, the next most important need will become salient.

HERZBERG'S THEORY Frederick Herzberg developed a two-factor theory that distinguishes *dissatisfiers* (factors that cause dissatisfaction) from *satisfiers* (factors that cause satisfaction).[38] The absence of dissatisfiers is not enough to motivate a purchase; satisfiers must be present. For example, a computer that does not come with a warranty would be a dissatisfier. Yet the presence of a product warranty would not act as a satisfier or motivator of a purchase, because it is not a source of intrinsic satisfaction. Ease of use would be a satisfier.

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

Perception

A motivated person is ready to act—*how* is influenced by his or her perception of the situation. In marketing, perceptions are more important than reality, because perceptions affect consumers' actual behavior. **Perception** is the process by which we select, organize, and interpret information



|Fig. 6.2|

Maslow's Hierarchy of Needs

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

inputs to create a meaningful picture of the world.[39] It depends not only on physical stimuli, but also on the stimuli's relationship to the surrounding environment and on conditions within each of us. One person might perceive a fast-talking salesperson as aggressive and insincere; another, as intelligent and helpful. Each will respond to the salesperson differently.

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

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

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

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

SELECTIVE DISTORTION Even noticed stimuli don't always come across in the way the senders intended. **Selective distortion** is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.[40]

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

When consumers report different opinions of branded and unbranded versions of identical products, it must be the case that their brand and product beliefs, created by whatever means (past experiences, marketing activity for the brand, or the like), have somehow changed their product perceptions. We can find examples with virtually every type of product.[41] When Coors changed its label from "Banquet Beer" to "Original Draft," consumers claimed the taste had changed even though the formulation had not.

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

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

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

Learning

When we act, we learn. **Learning** induces changes in our behavior arising from experience. Most human behavior is learned, although much learning is incidental. Learning theorists believe learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement. Two popular approaches to learning are classical conditioning and operant (instrumental) conditioning.

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

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

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

Emotions

Consumer response is not all cognitive and rational; much may be emotional and invoke different kinds of feelings. A brand or product may make a consumer feel proud, excited, or confident. An ad may create feelings of amusement, disgust, or wonder.

Here are two recent examples that recognize the power of emotions in consumer decision making.

- For years, specialty foam mattress leader Tempur-Pedic famously used infomercials showing that a wine glass on its mattress did not spill even as people bounced up and down on the bed. To create a stronger emotional connection, the company began a broader-based media campaign in 2007 that positioned the mattresses as a wellness brand and "the nighttime therapy for body and mind."[44]
- Reckitt Benckiser and Procter & Gamble launched advertising approaches in 2009 for Woolite and Tide, respectively, that tapped not into the detergents' performance benefits but into the emotional connection—and challenges—of laundry. Based on research showing that one in three working women recognize they ruined some of their clothes in the wash over the last year, Reckitt Benckiser launched an online and in-store "Find the Look, Keep the Look" style guide for Woolite for "finding fashion and keeping it looking fabulous without breaking the bank." Based on the premise that a detergent should do more than clean, P&G positioned new Tide Total Care as preserving clothing and keeping the "7 signs of beautiful clothes," including shape, softness, and finish.[45]

Memory

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

Most widely accepted views of long-term memory structure assume we form some kind of associative model.[46] For example, the **associative network memory model** views LTM as a set of nodes and links. *Nodes* are stored information connected by *links* that vary in strength. Any type of information can be stored in the memory network, including verbal, visual, abstract, and contextual.

Woolite's style guide focuses on the emotional benefits of choosing and preserving the right look in clothes for women.

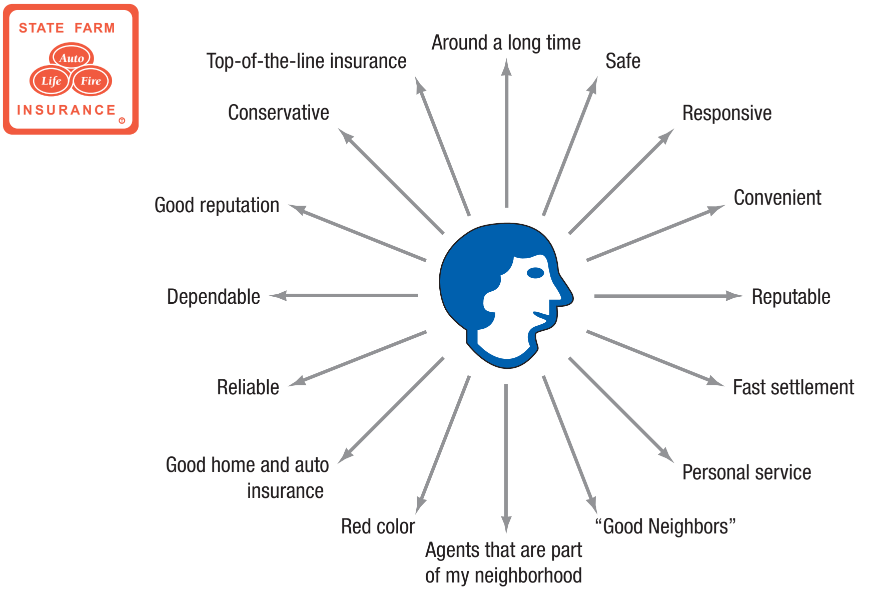
A spreading activation process from node to node determines how much we retrieve and what information we can actually recall in any given situation. When a node becomes activated because we're encoding external information (when we read or hear a word or phrase) or retrieving internal information from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

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

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

|Fig. 6.3| △

Hypothetical State Farm Mental Map



MEMORY PROCESSES Memory is a very constructive process, because we don't remember information and events completely and accurately. Often we remember bits and pieces and fill in the rest based on whatever else we know. "Marketing Insight: Made to Stick" offers some practical tips for how marketers can ensure their ideas—inside or outside the company—are remembered and have impact.

Memory encoding describes how and where information gets into memory. The strength of the resulting association depends on how much we process the information at encoding (how much we think about it, for instance) and in what way.[47] In general, the more attention we pay to the meaning of information during encoding, the stronger the resulting associations in memory will be.[48] Advertising research in a field setting suggests that high levels of repetition for an uninvolving, unpersuasive ad, for example, are unlikely to have as much sales impact as lower levels of repetition for an involving, persuasive ad.[49]

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

1. The presence of *other* product information in memory can produce interference effects and cause us to either overlook or confuse new data. One marketing challenge in a category crowded with many competitors—for example, airlines, financial services, and insurance companies—is that consumers may mix up brands.

Marketing Insight

Made to Stick

Picking up on a concept first introduced by Malcolm Gladwell in his *Tipping Point* book, brothers Chip and Dan Heath set out to uncover what makes an idea sticky and catch on with an audience. Considering a wide range of ideas from diverse sources—urban legends, conspiracy theories, public policy mandates, and product design—they identified six traits that characterize all great ideas and used the acronym "SUCCES" to organize them:

1. *Simple*—find the core of any idea. Take an idea and distill it down, whittling away everything that is not essential. "Southwest Airlines is THE low-fare airline."
2. *Unexpected*—grab people's attention by surprising them. Nordstrom's customer service is legendary because it unexpectedly exceeds customer's already high expectations by going beyond helping them buy to address their personal situations—ironing shirts before meetings, keeping cars warm while they shop, or wrapping presents they actually bought at Macy's.
3. *Concrete*—make sure any idea can be easily grasped and remembered later. Boeing successfully designed the 727 airplane by giving its thousands of engineers a very specific goal—the plane had to seat 131 passengers, be able to fly nonstop from New York to Miami, and land on runway 4-22 at LaGuardia, which could not be used by large planes.
4. *Credibility*—give an idea believability. Indian overnight delivery service Safexpress was able to overcome doubts about its capabilities by describing to a Bollywood film studio how it had flawlessly delivered 69,000 copies of the latest *Harry Potter* novel to bookstores all over the country by 8 AM on the morning of its release.
5. *Emotion*—help people see the importance of an idea. Research on fact-based versus appeal-to-emotion antismoking ads has demonstrated that emotional appeals are more compelling and memorable.
6. *Stories*—empower people to use an idea through narrative. Research again shows how narratives evoke mental stimulation, and visualization of events makes recall and further learning easier.

The Heaths believe great ideas are made, not born, via these traits. One example is the Subway ad campaign starring Jared—who lost 100 pounds in three months by eating two subs a day—that helped to raise Subway's sales 18 percent in one year. According to the Heaths, the idea scores high on all six dimensions of stickiness.

1. *Simple*—weight loss
2. *Unexpected*—weight loss by eating fast food
3. *Concrete*—weight loss by eating two Subway subs daily
4. *Credibility*—a documented loss of 100 pounds
5. *Emotion*—a triumph over difficult weight problems
6. *Stories*—a personal account of how eating two Subway Subs lead to an incredible weight loss.

Sources: Chip Heath and Dan Heath, *Made to Stick: Why Some Ideas Survive and Others Die ...* (New York: Random House, 2007); Malcolm Gladwell, *The Tipping Point: How Little Things Can Make a Big Difference* (New York: Little, Brown and Company, 2000); Barbara Kiviat, "Are You Sticky?" *Time*, October 29, 2006; Justin Ewers, "Making It Stick," *U.S. News & World Report*, January 21, 2007; Mike Hofman, "Chip and Dan Heath: Marketing Made Sticky," *Inc*, January 1, 2007.

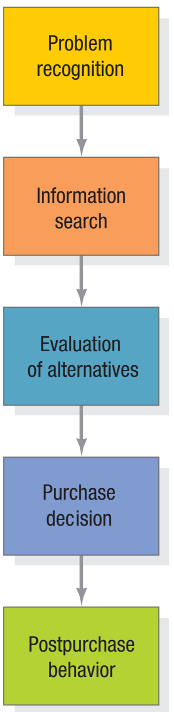
TABLE 6.3 Understanding Consumer Behavior
Who buys our product or service?
Who makes the decision to buy the product?
Who influences the decision to buy the product?
How is the purchase decision made? Who assumes what role?
What does the customer buy? What needs must be satisfied?
Why do customers buy a particular brand?
Where do they go or look to buy the product or service?
When do they buy? Any seasonality factors?
How is our product perceived by customers?
What are customers' attitudes toward our product?
What social factors might influence the purchase decision?
Do customers' lifestyles influence their decisions?
How do personal or demographic factors influence the purchase decision?

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

2. The time between exposure to information and encoding has been shown generally to produce only gradual decay. Cognitive psychologists believe memory is extremely durable, so once information becomes stored in memory, its strength of association decays very slowly.[50]
3. Information may be *available* in memory but not be *accessible* for recall without the proper retrieval cues or reminders. The effectiveness of retrieval cues is one reason marketing *inside* a supermarket or any retail store is so critical—the actual product packaging, the use of in-store mini-billboard displays, and so on. The information they contain and the reminders they provide of advertising or other information already conveyed outside the store will be prime determinants of consumer decision making.

|Fig. 6.4|

Five-Stage Model of the Consumer Buying Process



The Buying Decision Process: The Five-Stage Model

The basic psychological processes we've reviewed play an important role in consumers' actual buying decisions.[51] Table 6.3 provides a list of some key consumer behavior questions marketers should ask in terms of who, what, when, where, how, and why.

Smart companies try to fully understand customers' buying decision process—all the experiences in learning, choosing, using, and even disposing of a product.[52] Marketing scholars have developed a "stage model" of the process (see Figure 6.4). The consumer typically passes through five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. Clearly, the buying process starts long before the actual purchase and has consequences long afterward.[53]

Consumers don't always pass through all five stages—they may skip or reverse some. When you buy your regular brand of toothpaste, you go directly from the need to the purchase decision, skipping information search and evaluation. The model in Figure 6.4 provides a good frame of reference, however, because it captures the full range of considerations that arise when a consumer faces a highly involving new purchase.[54] Later in the chapter, we will consider other ways consumers make decisions that are less calculated.

Problem Recognition

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

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

Information Search

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

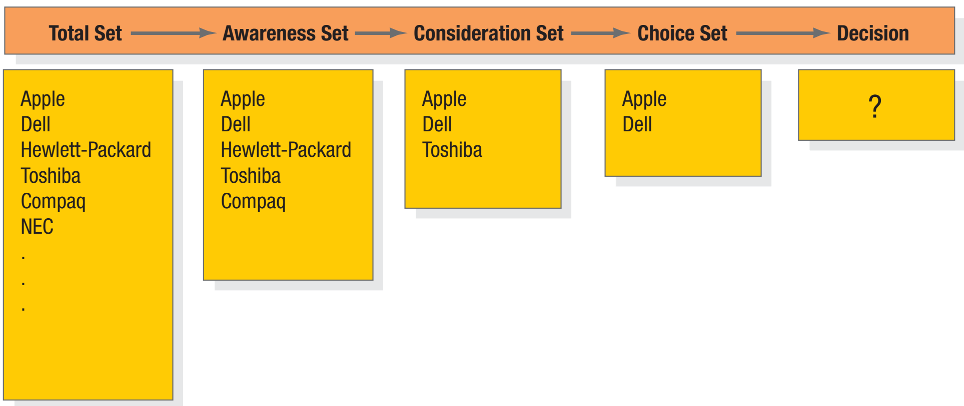
INFORMATION SOURCES Major information sources to which consumers will turn fall into four groups:

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

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

Each source performs a different function in influencing the buying decision. Commercial sources normally perform an information function, whereas personal sources perform a legitimizing or evaluation function. For example, physicians often learn of new drugs from commercial sources but turn to other doctors for evaluations.

SEARCH DYNAMICS By gathering information, the consumer learns about competing brands and their features. The first box in Figure 6.5 shows the *total set* of brands available. The individual consumer will come to know a subset of these, the *awareness set*. Only some, the *consideration set,* will meet initial buying criteria. As the consumer gathers more



|Fig. 6.5|

Successive Sets Involved in Consumer Decision Making information, just a few, the *choice set,* will remain strong contenders. The consumer makes a final choice from these.[55]

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

The hierarchy of attributes also can reveal customer segments. Buyers who first decide on price are price dominant; those who first decide on the type of car (sports, passenger, hybrid) are type dominant; those who choose the brand first are brand dominant. Type/price/brand-dominant consumers make up one segment; quality/service/type buyers make up another. Each may have distinct demographics, psychographics, and mediagraphics and different awareness, consideration, and choice sets.[56]

Figure 6.5 makes it clear that a company must strategize to get its brand into the prospect's awareness, consideration, and choice sets. If a food store owner arranges yogurt first by brand (such as Dannon and Yoplait) and then by flavor within each brand, consumers will tend to select their flavors from the same brand. However, if all the strawberry yogurts are together, then all the vanilla, and so forth, consumers will probably choose which flavors they want first, and then choose the brand name they want for that particular flavor. Australian supermarkets arrange meats by the way they might be cooked, and stores use more descriptive labels, such as "a 10-minute herbed beef roast." The result is that Australians buy a greater variety of meats than U.S. shoppers, who choose from meats laid out by animal type—beef, chicken, pork, and so on.[57]

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

Evaluation of Alternatives

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

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

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

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

BELIEFS AND ATTITUDES Through experience and learning, people acquire beliefs and attitudes. These in turn influence buying behavior. A **belief** is a descriptive thought that a person holds about something. Just as important are **attitudes**, a person's enduring favorable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea.[58] People have attitudes toward almost everything: religion, politics, clothes, music, food.

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

Domino's Known more for the speed of its delivery than for the taste of its pizza, Domino's decided to address negative perceptions head on. A major communication program featured documentary-style TV ads that opened with Domino's employees at corporate headquarters reviewing written and videotaped focus group feedback from customers. The feedback contained biting and vicious comments, such as, "Domino's pizza crust to me is like cardboard" and "The sauce tastes like ketchup." After President Patrick Doyle is shown on camera stating these results were unacceptable, the ads proceeded to show Domino's chefs and executives in their test kitchens proclaiming that its pizza was new and improved with a bolder, richer sauce; a more robust cheese combination; and an herb-and garlic-flavored crust. Many critics were stunned by the admission of the company that their number 2 ranked pizza, in effect, had been inferior for years. Others countered by noting that the new product formulation and unconventional ads were addressing a widely held, difficult-to-change negative belief that was dragging the brand down and required decisive action. Doyle summed up consumer reaction as "Most really like it, some don't. And that's OK."[59]

Recognizing consumers' solidly entrenched beliefs, Domino's launched a bold ad campaign to transform its image.

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

Suppose Linda has narrowed her choice set to four laptop computers (A, B, C, and D). Assume she's interested in four attributes: memory capacity, graphics capability, size and weight, and price. Table 6.4 shows her beliefs about how each brand rates on the four attributes. If one computer dominated the others on all the criteria, we could predict that Linda would choose it. But, as is often the case, her choice set consists of brands that vary in their appeal. If Linda wants the best memory capacity, she should buy C; if she wants the best graphics capability, she should buy A; and so on.

If we knew the weights Linda attaches to the four attributes, we could more reliably predict her laptop choice. Suppose she assigned 40 percent of the importance to the laptop's memory capacity, 30 percent to graphics capability, 20 percent to size and weight, and 10 percent to price. To find Linda's perceived value for each laptop according to the expectancy-value model, we multiply her weights by her beliefs about each computer's attributes. This computation leads to the following perceived values:

$$\text{Laptop A} = 0.4(8) + 0.3(9) + 0.2(6) + 0.1(9) = 8.0$$

$$\text{Laptop B} = 0.4(7) + 0.3(7) + 0.2(7) + 0.1(7) = 7.0$$

TABLE 6.4 A Consumer's Brand Beliefs about Laptop Computers

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

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

$$\text{Laptop C} = 0.4(10) + 0.3(4) + 0.2(3) + 0.1(2) = 6.0$$

$$\text{Laptop D} = 0.4(5) + 0.3(3) + 0.2(8) + 0.1(5) = 5.0$$

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

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

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

Purchase Decision

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

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

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

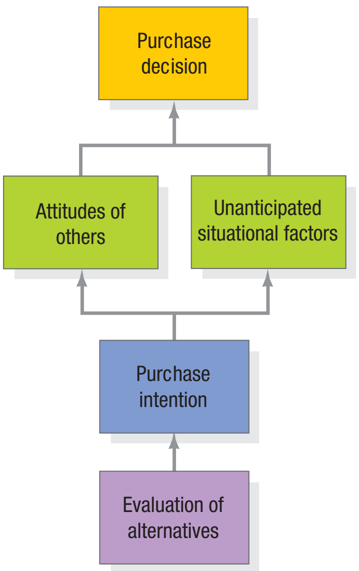
1. Using the **conjunctive heuristic**, the consumer sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets the minimum standard for all attributes. For example, if Linda decided all attributes had to rate at least 5, she would choose laptop computer B.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

Our brand or product knowledge, the number and similarity of brand choices and time pressures present, and the social context (such as the need for justification to a peer or boss) all may affect whether and how we use choice heuristics.[63]

Consumers don't necessarily use only one type of choice rule. For example, they might use a noncompensatory decision rule such as the conjunctive heuristic to reduce the number of brand choices to a more manageable number, and then evaluate the remaining brands. One reason for the runaway success of the Intel Inside campaign in the 1990s was that it made the brand the first cutoff for many consumers—they would buy only a personal computer that had an Intel microprocessor. Leading personal computer makers at the time such as IBM, Dell, and Gateway had no choice but to support Intel's marketing efforts.

|Fig. 6.6| △

Steps between Evaluation of Alternatives and a Purchase Decision



INTERVENING FACTORS Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision (see △ Figure 6.6).[64] The first factor is the *attitudes of others*. The influence of another person's attitude depends on two things: (1) the intensity of the other person's negative attitude toward our preferred alternative and (2) our motivation to comply with the other person's wishes.[65] The more intense the other person's negativism and the closer he or she is to us, the more we will adjust our purchase intention. The converse is also true.

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

Consumers are undoubtedly influenced by these external evaluations, as evidenced by the success of a small-budget movie such as *Paranormal Activity,* which cost only $15,000 to make but grossed over $100 million at the box office in 2009 thanks to a slew of favorable reviews by moviegoers and online buzz at many Web sites.[66]

The second factor is *unanticipated situational factors* that may erupt to change the purchase intention. Linda might lose her job, some other purchase might become more urgent, or a store salesperson may turn her off. Preferences and even purchase intentions are not completely reliable predictors of purchase behavior.

A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by one or more types of *perceived risk*:[67]

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

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

Every year there are hit movies, such as *Paranormal Activity*, that ride a wave of buzz and favorable consumer word of mouth to box-office success.

Postpurchase Behavior

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

POSTPURCHASE SATISFACTION Satisfaction is a function of the closeness between expectations and the product's perceived performance.[68] If performance falls short of expectations, the consumer is *disappointed;* if it meets expectations, the consumer is *satisfied;* if it exceeds expectations, the consumer is *delighted.* These feelings make a difference in whether the customer buys the product again and talks favorably or unfavorably about it to others.

The larger the gap between expectations and performance, the greater the dissatisfaction. Here the consumer's coping style comes into play. Some consumers magnify the gap when the product isn't perfect and are highly dissatisfied; others minimize it and are less dissatisfied.[69]

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

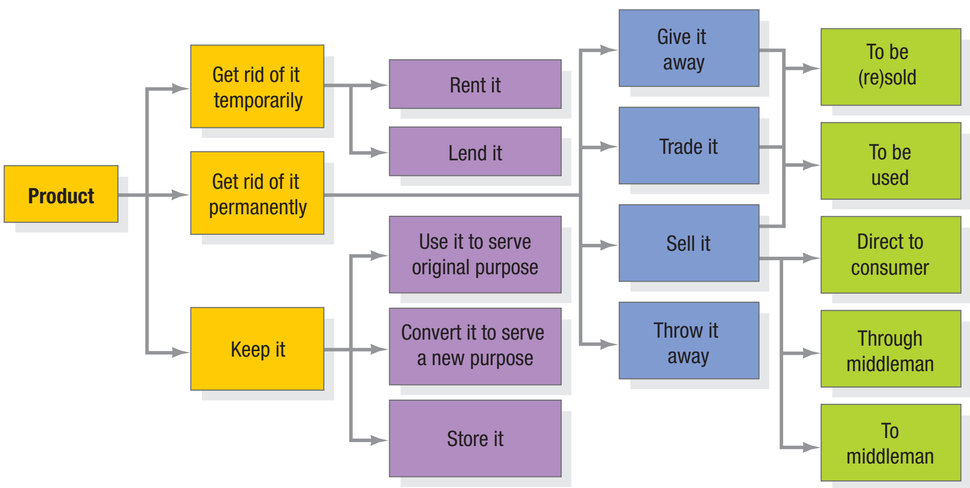
Chapter 5 described CRM programs designed to build long-term brand loyalty. Postpurchase communications to buyers have been shown to result in fewer product returns and order cancellations. Computer companies, for example, can send a letter to new owners congratulating them on having selected a fine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

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

Consumers may fail to replace some products soon enough because they overestimate product life.[71] One strategy to speed replacement is to tie the act of replacing the product to a certain holiday, event, or time of year.

|Fig. 6.7| △

How Customers Use or Dispose of Products



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

Oral B has tied toothbrush promotions to the springtime switch to daylight savings time. Another strategy is to provide consumers with better information about either (1) the time they first used the product or need to replace it or (2) its current level of performance. Batteries have built-in gauges that show how much power they have left; toothbrushes have color indicators to indicate when the bristles are worn; and so on. Perhaps the simplest way to increase usage is to learn when actual usage is lower than recommended and persuade customers that more regular usage has benefits, overcoming potential hurdles.

If consumers throw the product away, the marketer needs to know how they dispose of it, especially if—like batteries, beverage containers, electronic equipment, and disposable diapers—it can damage the environment. There also may be product opportunities in disposed products: Vintage clothing shops, such as Savers, resell 2.5 billion pounds of used clothing annually; Diamond Safety buys finely ground used tires and then makes and sells playground covers and athletic fields; and, unlike the usual potato chip maker, which discards some of the spud, Pringles converts the whole potato into dehydrated potato flakes that are rolled and cut into chips.[72]

Moderating Effects on Consumer Decision Making

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

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

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

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

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

Marketers use four techniques to try to convert a low-involvement product into one of higher

Savers takes clothes consumers no longer want and sells them to other consumers who do want them—at the right price.

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

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

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

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

Behavioral Decision Theory and Behavioral Economics

As you might guess from low-involvement decision making and variety-seeking, consumers don't always process information or make decisions in a deliberate, rational manner. One of the most active academic research areas in marketing over the past three decades has been *behavioral decision theory* (BDT). Behavioral decision theorists have identified many situations in which consumers make seemingly irrational choices. Table 6.5 summarizes some provocative findings from this research.[74]

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

The work of these and other academics has also challenged predictions from economic theory and assumptions about rationality, leading to the emergence of the field of *behavioral economics*.[75] Here, we review some of the issues in three broad areas—decision heuristics, framing, and other contextual effects. "Marketing Insight: Predictably Irrational" summarizes one in-depth treatment of the topic.

Decision Heuristics

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

1. The **availability heuristic**—Consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind. If an example comes to mind too easily, consumers might overestimate the likelihood of its happening. For example, a recent

TABLE 6.5	Selected Behavioral Decision Theory Findings
•	Consumers are more likely to choose an alternative (a home bread maker) after a relatively inferior option (a slightly better, but significantly more expensive home bread maker) is added to the available choice set.
•	Consumers are more likely to choose an alternative that appears to be a compromise in the particular choice set under consideration, even if it is not the best alternative on any one dimension.
•	The choices consumers make influence their assessment of their own tastes and preferences.
•	Getting people to focus their attention more on one of two considered alternatives tends to enhance the perceived attractiveness and choice probability of that alternative.
•	The way consumers compare products that vary in price and perceived quality (by features or brand name) and the way those products are displayed in the store (by brand or by model type) both affect their willingness to pay more for additional features or a better-known brand.
•	Consumers who think about the possibility that their purchase decisions will turn out to be wrong are more likely to choose better-known brands.
•	Consumers for whom possible feelings of regret about missing an opportunity have been made more relevant are more likely to choose a product currently on sale than wait for a better sale or buy a higher-priced item.
•	Consumers' choices are often influenced by subtle (and theoretically inconsequential) changes in the way alternatives are described.
•	Consumers who make purchases for later consumption appear to make systematic errors in predicting their future preferences.
•	Consumer's predictions of their future tastes are not accurate—they do not really know how they will feel after consuming the same flavor of yogurt or ice cream several times.
•	Consumers often overestimate the duration of their overall emotional reactions to future events (moves, financial windfalls, outcomes of sporting events).
•	Consumers often overestimate their future consumption, especially if there is limited availability (which may explain why Black Jack and other gums have higher sales when availability is limited to several months per year than when they are offered year round).
•	In anticipating future consumption opportunities, consumers often assume they will want or need more variety than they actually do.
•	Consumers are less likely to choose alternatives with product features or promotional premiums that have little or no value, even when these features and premiums are optional (like the opportunity to purchase a collector's plate) and do not reduce the actual value of the product in any way.
•	Consumers are less likely to choose products selected by others for reasons they find irrelevant, even when these other reasons do not suggest anything positive or negative about the product's values.
•	Consumers' interpretations and evaluations of past experiences are greatly influenced by the ending and trend of events. A positive event at the end of a service experience can color later reflections and evaluations of the experience as a whole.

product failure may lead a consumer to inflate the likelihood of a future product failure and make him more inclined to purchase a product warranty.

2. The **representativeness heuristic**—Consumers base their predictions on how representative or similar the outcome is to other examples. One reason package appearances may be so similar for different brands in the same product category is that marketers want their products to be seen as representative of the category as a whole.

Marketing Insight

Predictably Irrational

In a new book, Dan Ariely reviews some of his own research, as well as that of others, that shows that although consumers may think they are making well-reasoned, rational decisions, that is not often the case. As it turns out, a host of mental factors and unconscious cognitive biases conspire to result in seemingly irrational decision making in many different settings. Ariely believes these irrational decisions are not random but are systematic and predictable. As he says, we make the same "mistake" over and over. Some of the thought-provoking research insights he highlights include:

- When selling a new product, marketers should be sure to compare it with something consumers already know about, even if the new product is literally new-to-the-world with little direct comparisons. Consumers find it difficult to judge products in isolation and feel more comfortable if they base a new decision at least in part on a past decision.
- Consumers find the lure of "free" almost irresistible. In one experiment, consumers were offered normally high-priced Lindt chocolate truffles for 15 cents and ordinary Hershey kisses for a penny. Customers had to pick one or the other, not both. Seventy-three percent of the customers went for the truffles. When the prices were cut to 14 cents for the truffles and free for the kisses, however, 69 percent of customers went for the kisses, even though the truffles were actually a better deal.
- The "optimism bias" or "positivity illusion" is a pervasive effect that transcends gender, age, education, and nationality. People tend to overestimate their chances of experiencing a good outcome (having a successful marriage, healthy kids, or financial security) but underestimate their chances of experiencing a bad outcome (divorce, a heart attack, or a parking ticket).

In concluding his analysis, Ariely notes, "If I were to distill one main lesson from the research described in this book, it is that we are all pawns in a game whose forces we largely fail to comprehend."

Sources: Dan Ariely, *Predictably Irrational* (New York: Harper Collins, 2008; Dan Ariely, "The Curious Paradox of Optimism Bias," *BusinessWeek*, August 24 and 31, 2009, p. 48; Dan Ariely, "The End of Rational Economics," *Harvard Business Review*, July–August 2009, pp. 78–84; "A Managers Guide to Human Irrationalities," *MIT Sloan Management Review* (Winter 2009), pp. 53–59; Russ Juskalian, "Not as Rational as We Think We Are," *USA Today*, March 17, 2008; Elizabeth Kolbert, "What Was I Thinking?" *New Yorker*, February 25, 2008; David Mehegan, "Experimenting on Humans," *Boston Globe*, March 18, 2008.

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

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

Framing

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

University of Chicago professors Richard Thaler and Cass Sunstein show how marketers can influence consumer decision making through what they call the *choice architecture*—the environment in which decisions are structured and buying choices are made. According to these researchers, in the right environment, consumers can be given a "nudge" via some small feature in the environment that attracts attention and alters behavior. They maintain Nabisco is employing a smart choice architecture by offering 100-calorie snack packs, which have solid profit margins, while nudging consumers to make healthier choices.[77]

MENTAL ACCOUNTING Researchers have found that consumers use mental accounting when they handle their money.[78] **Mental accounting** refers to the way consumers code, categorize, and evaluate financial outcomes of choices. Formally, it is "the tendency to categorize *funds* or items of value even though there is no logical *basis* for the categorization, e.g., individuals often segregate their savings into separate accounts to meet different goals even though funds from any of the accounts can be applied to any of the goals."[79]

Consider the following two scenarios:

1. Assume you spend $50 to buy a ticket for a concert.[80] As you arrive at the show, you realize you've lost your ticket. You decide to buy a replacement.
2. Assume you decided to buy a ticket to a concert at the door. As you arrive at the show, you realize somehow you lost $50 along the way. You decide to buy the ticket anyway.

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

According to Chicago's Thaler, mental accounting is based on a set of core principles:

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

Mental accounting principles help predict whether consumers will or will not go to a concert after having lost a ticket or some money.

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

Summary

1. Consumer behavior is influenced by three factors: cultural (culture, subculture, and social class), social (reference groups, family, and social roles and statuses), and personal (age, stage in the life cycle, occupation, economic circumstances, lifestyle, personality, and self-concept). Research into these factors can provide clues to reach and serve consumers more effectively.
2. Four main psychological processes that affect consumer behavior are motivation, perception, learning, and memory.
3. To understand how consumers actually make buying decisions, marketers must identify who makes and has input into the buying decision; people can be initiators, influencers, deciders, buyers, or users. Different marketing campaigns might be targeted to each type of person.
4. The typical buying process consists of the following sequence of events: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. The marketers' job is to understand the behavior at each stage. The attitudes of others, unanticipated situational factors, and perceived risk may all affect the decision to buy, as will consumers' levels of postpurchase product satisfaction, use and disposal, and the company's actions.
5. Consumers are constructive decision makers and subject to many contextual influences. They often exhibit low involvement in their decisions, using many heuristics as a result.

Applications

Marketing Debate

Is Target Marketing Ever Bad?

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

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

Marketing Discussion

Mental Accounts

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

Marketing Excellence

>>Disney

Few companies have been able to connect with a specific audience as well as Disney has. From its founding in 1923, the Disney brand has always been synonymous with quality entertainment for the entire family. The company, originally founded by brothers Walt Disney and Roy Disney, stretched the boundaries of entertainment during the 20th century to bring classic and memorable family entertainment around the world. Beginning with simple black-and-white animated cartoons, the company grew into the worldwide phenomenon that today includes theme parks, feature films, television networks, theatre productions, consumer products, and a growing online presence.

In its first two decades, Walt Disney Productions was a struggling cartoon studio that introduced the world to its most famous character ever, Mickey Mouse. Few believed in Disney's vision at the time, but the smashing success of cartoons with sound and the first-ever full-length animated film, *Snow White and the Seven Dwarfs*, in 1937 led, over the next three decades, to other animated classics including *Pinocchio*, *Bambi, Cinderella,* and *Peter Pan*, live action films such as *Mary Poppins* and *The Love Bug,* and television series like *Davy Crockett*.

When Walt Disney died in 1966, he was considered the best-known person in the world. By then the company had expanded the Disney brand into film, television, consumer products, and Disneyland in southern California, its first theme park, where families could experience the magic of Disney in real life. After Walt's death, Roy Disney took over as CEO and realized Walt's dream of opening the 24,000 acre Walt Disney World theme park in Florida. By the time of Roy's death in 1971, the two brothers had created a brand that stood for trust, fun, and entertainment that resonated with children, families, and adults through some of the most moving and iconic characters, stories, and memories of all time.

The company stumbled for a few years without the leadership of its two founding brothers. However, by the 1980s, The Walt Disney Company was back on its feet and thinking of new ways to target its core family-oriented consumers as well as expand into new areas that would reach an older audience. It launched the Disney Channel, Touchstone Pictures, and Touchstone Television. In addition, Disney featured classic films during *The Disney Sunday Night Movie* and sold classic Disney films on video at extremely low prices in order to reach a whole new generation of children. The brand continued to expand in the 1990s as Disney tapped into publishing, international theme parks, and theatrical productions that reached a variety of audiences around the world.

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

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

Internally, Disney has focused on the *Disney Difference*—"a value-creation dynamic based on high standards of quality and recognition that set Disney apart from its competitors." Disney leverages all aspects of its businesses and abilities to touch its audience in multiple ways, efficiently and economically. Disney's *Hannah Montana* provides an excellent example of how the company took a tween-targeted television show and moved it across its various creative divisions to become a significant franchise for the company, including millions of CD sales, video games, popular consumer products, box office movies, concerts around the world, and ongoing live performances at international Disneyland resorts like Hong Kong, India, and Russia.

Disney also uses emerging technologies to connect with its consumers in innovative ways. It was one of the first companies to begin regular podcasts of its television shows as well as release ongoing news about its products and interviews with Disney's employees, staff, and park officials. Disney's Web site provides insight into movie trailers, television clips, Broadway shows, virtual theme park experiences, and much more. And the company continues to explore ways to make Mickey Mouse and his peers more text-friendly and virtually exciting.

According to internal studies, Disney estimates that consumers spend 13 billion hours "immersed" with the Disney brand each year. Consumers around the world spend 10 billion hours watching programs on the Disney Channel, 800 million hours at Disney's resorts and theme parks, and 1.2 billion hours watching a Disney movie—at home, in the theatre, or on their computer. Today, Disney is the 63rd largest company in the world with revenues reaching nearly $38 billion in 2008.

Questions

1. What does Disney do best to connect with its core consumers?
2. What are the risks and benefits of expanding the Disney brand in new ways?

Sources: "Company History," Disney.com; "Annual Reports," Disney.com; Richard Siklosc, "The Iger Difference," Fortune, April 11, 2008; Brooks Barnes, "After Mickey's Makeover; Less Mr. Nice Guy," *New York Times*, November 4, 2009.

Marketing Excellence

>>IKEA

IKEA was founded in 1943 by a 17-year-old Swede named Ingvar Kamprad. The company, which initially sold pens, Christmas cards, and seeds from a shed on Kamprad's family farm, eventually grew into a retail titan in home furnishings and a global cultural phenomenon, what *BusinessWeek* called a "one-stop sanctuary for coolness" and "the quintessential cult brand."

IKEA inspires remarkable levels of interest and devotion from its customers. In 2008, 500 million visitors walked through IKEA stores, which are located all over the world. When a new location debuted in London in 2005, about 6,000 people arrived before the doors opened. A contest in Atlanta crowned five winners "Ambassador of Kul" (Swedish for "fun") who, in order to collect their prizes, had to live in the IKEA store for three full days before it opened, which they gladly did.

IKEA achieved this level of success by offering a unique value proposition to consumers: leading-edge Scandinavian design at extremely low prices. The company's fashionable bargains include products with unusual Swedish names such as Klippan loveseats for $279, BILLY bookcases for $60, and LACK side tables for $8. IKEA founder Kamprad, who was dyslexic, believed it was easier to remember product *names* rather than codes or numbers. The company is able to offer such low prices in part because most items come boxed and require the customer to completely assemble them at home. This strategy results in cheaper and easier transportation as well as more efficient use of store shelf space.

IKEA's vision is "to create a better everyday life for the many people." Its mission of providing value is predicated on founder Kamprad's statement that "People have very

thin wallets. We should take care of their interests." IKEA adheres to this philosophy by reducing prices across its products by 2 percent to 3 percent annually. Its focus on value also benefits the bottom line: IKEA enjoys 10 percent margins, higher than its competitors such as Target (7.7 percent) and Pier 1 Imports (5 percent). IKEA sources its products from multiple companies all over the world rather than a handful of suppliers as many furniture retailers do. This ensures the lowest price possible, and savings that are passed on to the consumer. Today, IKEA works with approximately 1,300 suppliers from 53 countries.

IKEA's stores are located a good distance from most city centers, which helps keep land costs down and taxes low. The average IKEA customer drives 50 miles round-trip to visit an IKEA store. Many stores resemble a large box with few windows and doors and are painted bright yellow and blue—Sweden's national colors. They save energy with low-wattage lightbulbs and have unusually long hours of operation; some are 24-hour stores. When a consumer walks through an IKEA store, it is a very different experience than most furniture retailers. The floor plan is designed in a one-way format, so the consumer experiences the entire store first, then can grab a shopping cart, visit the warehouse, and pick up the desired items in a flat box.

Many IKEA products are sold uniformly throughout the world, but the company also caters to local tastes.

- In China, it stocked 250,000 plastic placemats with "Year of the Rooster" themes, which quickly sold out after the holiday.
- When employees realized U.S. shoppers were buying vases as drinking glasses because they considered IKEA's regular glasses too small, the company developed larger glasses for the U.S. market.
- IKEA managers visited European and U.S. consumers in their homes and learned that Europeans generally hang their clothes, whereas U.S. shoppers prefer to store them folded. Therefore, wardrobes for the U.S. market were designed with deeper drawers.
- Visits to Hispanic households in California led IKEA to add seating and dining space in its California stores, brighten the color palettes, and hang more picture frames on the walls.

IKEA has evolved into the largest furniture retailer in the world with approximately 300 stores in 38 countries and revenues topping €21.5 billion in 2009. Its top countries in terms of sales include Germany, 16 percent; United States, 11 percent; France, 10 percent; United Kingdom, 7 percent; and Italy, 7 percent.

Questions

1. What are some of the things IKEA is doing right to reach consumers in different markets? What else could it be doing?
2. IKEA has essentially changed the way people shop for furniture. Discuss the pros and cons of this strategy.

Sources: Kerry Capell, "IKEA: How the Swedish Retailer Became a Global Cult Brand," *BusinessWeek*, November 14, 2005, p. 96; "Need a Home to Go with That Sofa?" *BusinessWeek*, November 14, 2005, p. 106; Ellen Ruppel Shell, "Buy to Last," *Atlantic*, July/August 2009; Jon Henley, "Do You Speak IKEA?" *Guardian*, February 4, 2008; IKEA, www.ikea.com.