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## ::: 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.<sup>1</sup> Marketers must fully understand both the theory and reality of consumer behavior. Table 6.1 provides a brief profile of the major South Asian markets, namely, Bangladesh, India, Pakistan, and Sri Lanka. Table 6.2 provides the data for private consumption expenditure in India for the year 2005–2006.

A consumer's buying behavior is influenced by cultural, social, and personal factors. 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. The growing child acquires a set of values, perceptions, preferences, and behaviors through his or

TABLE 6.1

Profile of Major South Asian Markets

	Bangladesh	India	Pakistan	Sri Lanka
1. Population (Million, 2005)	142	1,095	156	20
2. Area (1,000 sq. km)	144	3,287	796	66
3. Distribution of Gross Domestic Product (% , 2004)				
■ Agriculture	21	21	22	18
■ Industry	27	27	25	27
■ Services	52	52	53	55
4. Gross National Product (GNP) at Factor cost (\$, Billion, 2005)	66	793	107	23
5. GNP Per capita (\$, 2005)	470	720	690	1160
6. Inflation Rate (Average Annual, 2000–2005)	4.3	3.8	6.0	–
7. Households with Television (% , 2004)	29	37	39	32
8. Mobile Phone (per 1,000 persons, 2004)	31	44	33	114
9. Personal Computers (per 1,000 persons, 2004)	12	12	5	27
10. Internet Usage (per 1,000 persons, 2004)	2	32	13	14
11. Share of Income/Consumption (% , 1995–2003)				
■ Richest 20%	41	43	40	42
■ Poorest 20%	09	09	09	08
12. Adult Illiteracy Rate (% , 2004)	–	39	50	09
13. Population in Poverty (% , <\$1 PPP a day, 1990–2004)	36	35	17	06
14. Human Development Index, Rank (2004)	137	128	134	93

Source: Statistical Outline of India 2006–2007 (Mumbai: Tata Services Ltd., 2007)

her family and other key institutions. A child growing up in the United States is exposed to the following values: achievement and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, external comfort, humanitarianism, and youthfulness.<sup>2</sup> A child growing up in a traditional middle-class family in India is exposed to the following values: respect and care for elders, honesty and integrity, hard work, achievement and success, humanitarianism, and sacrifice.

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.

Food and Beverages	7,379
Of which:	
■ Cereals, pulses	1,301
■ Sugar and gas	429
■ Oil and oil seeds	441
■ Fruits, vegetables, and tubers	1,662
■ Milk and products	1,230
■ Beverages, pan, tobacco	675
Clothing and footwear	943
Rent, fuel, and power	2,206
Transport and Communication	3,581
Others	4,609
Total	18,718

Source: Statistical Outline of India 2006–2007 (Mumbai: Tata Services, 2007) p. 28

TABLE 6.2

The Per Capita Private Consumption Expenditure in India (In Rupees, for 2005–2006 at current prices)

## POPULATION SERVICES INTERNATIONAL, BANGLADESH<sup>1</sup>

Population Services International's (PSI) social-marketing project, started in Bangladesh in the mid-80s, showed mixed results. While its Raja brand condoms sold quite well, the oral contraceptive pill branded Maya had very low acceptance among women. Later analysis suggested that while people associated condoms as an over-the-counter consumer product, a pill was associated with birth control and perceived as a powerful drug. Other important aspects that contributed to the lack of popularity of the pills were the cultural yearning for a male child, the main buyers being men (this was true for pills also), and the role of physicians and traders.

*Multicultural marketing* grew out of careful marketing research, which revealed that different ethnic and demographic niches did not always respond favorably to mass-market advertising.

Companies have capitalized on well-thought-out multicultural marketing strategies in recent years (see "Marketing Insight: Marketing to Cultural Market Segments"). As countries become more culturally diverse, however, many marketing campaigns targeting a specific cultural target can spill over and positively influence other cultural groups.<sup>4</sup>

Virtually all human societies exhibit *social stratification*. Stratification sometimes takes the form of a caste system where the members of different castes are reared for certain roles and cannot change their caste membership. More frequently, it takes the form of **social classes**, relatively homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behavior. One classic depiction of social classes in the United States defined seven ascending levels, as follows: (1) lower lowers, (2) upper lowers, (3) working class, (4) middle class, (5) upper middles, (6) lower uppers, and (7) upper uppers.<sup>5</sup> Indian marketers use a term called socioeconomic classification (SEC), which uses a combination of the education and occupation of the chief wage earner of the household to classify buyers in the urban areas. This classifies all the urban households into eight broad categories, namely, A1, A2, B1, B2, C, D, E1, and E2; with A1 signifying the highest purchase potential and E2 signifying the lowest. For the rural areas, the system uses the occupation of the chief wage earner of the household and the type of house to classify households into four broad categories from R1 to R4 in the descending order of purchase potential (see Tables 6.3 and 6.4).

Social classes have several characteristics. First, those within each class tend to behave more alike than persons from two different social classes. Social classes differ in dress, speech patterns, recreational preferences, and many other characteristics. Second, persons are perceived as occupying inferior or superior positions according to social class. Third, social class is indicated by a cluster of variables—for example, occupation, income, wealth, education, and value orientation—rather than by any single variable. Fourth, individuals can move up or down the social-class ladder during their lifetimes. The extent of this mobility varies according to how rigid the social stratification is in a given society.

Social classes show distinct product and brand preferences in many areas, including clothing, home furnishings, leisure activities, and automobiles. Social classes differ in media preferences, with upper-class consumers often preferring magazines and books and lower-class consumers often preferring television. Even within a media category, such as TV, upper-class consumers tend to prefer news and drama, and lower-class consumers tend to prefer soap operas and sports programs. There are also language differences among the social classes. Advertising copy and dialogue must ring true to the targeted social classes.

### 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

## MARKETING INSIGHT

## MARKETING TO CULTURAL MARKET SEGMENTS

**Hispanic Americans**

Hispanic Americans have become the largest minority in the country with annual purchasing power expected to reach \$1 trillion in 2010. The Hispanic American segment can be difficult for marketers. Roughly two dozen nationalities can be classified as "Hispanic American," including Cuban, Mexican, Puerto Rican, Dominican, and other Central and South American groups with a mix of cultures, physical types, racial backgrounds, and aspirations.

Nickelodeon has been hugely successful in creating a "Pan-Latina" character, the bilingual *Dora the Explorer*. Dora's creators enlisted the help of a team of consultants with Latin American backgrounds. As a result, kids might see Dora up in the Andes or with a cocky, a frog that's an important part of Puerto Rican folklore. The research paid off; the show, which airs on both Nick Jr. and sister network Noggin, is the most watched preschool show on commercial television, not only by Hispanic Americans but also by all preschoolers. Dora also soon became a licensing powerhouse, generating over \$30 million in 2005 from sales of more than 250 licensed items.

Despite their differences, Hispanic Americans often share strong family values, a need for respect, brand loyalty, and a keen interest in product quality. Marketers are reaching out to Hispanic Americans with targeted promotions, ads, or Web sites, but need to be careful to capture the nuances of cultural and market trends. Although Hispanic Americans share a common language, significant differences exist across regional and national dialects. For example, the word used in Argentina for insect is the same word that people from the Caribbean use to describe the male reproductive organ, which could have serious consequences for the maker of an insect repellent.

U.S.-born Hispanic Americans also have different needs and tastes than their foreign-born counterparts and, though bilingual, often prefer to communicate in English. To cater to this U.S.-born audience, which in 2006 comprised 60% of all Hispanic Americans, Toyota ran an ad for its hybrid cars during the 2006 Super Bowl that featured a Hispanic father and son in a bilingual conversation that compared the cars' use of gas and electricity to their family's use of Spanish and English.

Some marketers are partnering closely with Hispanic-based media. Miller Brewing's three-year, \$100 million deal with Spanish-language media giant Univision includes TV, radio, and online ads, numerous sponsorships, and significant brand integration.

**African Americans**

The purchasing power of the country's 36 million African Americans exploded during the prosperous 1990s and reached \$800 billion in

2006, or 8.4% of total U.S. buying power. Based on survey findings, African Americans are the most fashion conscious of all racial and ethnic groups and are strongly motivated by quality and selection. They're also more likely to be influenced by their children when selecting a product for purchase, and less likely to buy brands that are not familiar to them. African Americans watch television and listen to the radio more than other groups, and they buy more DVDs than any except Hispanics.

Many companies have been successful at tailoring products to meet the needs of African Americans. In 1987, Hallmark Cards launched its African American-targeted Mahogany line with only 16 greeting cards, today it offers 800 cards and a line of stationary. Sara Lee Corporation's L'eggs discontinued its separate line of pantyhose for black women, now shades and styles popular among black women make up half the company's general-focus sub-brands. Similarly, in 2004 L'Oreal launched its TrueMatch line of cosmetic foundation, designed to match any skin tone. L'Oreal's move reflected its understanding of the diversity of pigmentation not just across ethnic groups, but also within them.

**Asian Americans**

According to the U.S. Census Bureau, "Asian" refers to people having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent. Six countries represent 79% of the Asian U.S. population: China (21%), the Philippines (18%), India (11%), Vietnam (10%), Korea (10%), and Japan (9%). As a group, Asian Americans represented \$427 billion in purchasing power in 2006, or 4.5% of the total. Yet the Asian American market received only a small fraction—less than 2%—of the total multicultural marketing expenditure in the United States in 2004, with Hispanic Americans and African Americans garnering 68% and 30%, respectively. For this reason, many experts on Asian American marketing called it the "invisible market."

Asian Americans tend to be more brand conscious than other minority groups, yet are the least loyal to particular brands. They also tend to care more about what others think (for instance, whether their neighbors will approve of them). The most computer-literate group, Asian Americans are more likely to use the Internet on a daily basis. The diverse national identities that make up the Asian American ethnicity limit the effectiveness of pan-Asian marketing appeals. Bank of America prospered by targeting Asians in San Francisco with separate TV campaigns aimed at Chinese, Korean, and Vietnamese consumers.

Sources: Lisa Sanders, "How to Target Blacks? First You Gotta Spend," *Advertising Age*, July 3, 2006, p. 19; "The 'Invisible' Market," *Brandweek*, January 30, 2006; Samar Farah, "Latino Marketing Goes Mainstream," *Boston Globe*, July 9, 2006; Dianne Solis, "Latino Buying Power Still Surging," *Dallas Morning News*, September 1, 2006; Joseph Tarnowski, "Assimilate or Perish," *Progressive Grocer*, February 1, 2006; Pepper Miller and Herb Kemp, *What's Black about It? Insights to Increase Your Share of a Changing African American Market* (Ithaca, NY: Paramount Market Publishing, 2005); Paula Lyon Andrus, "Mass Appeal: 'Dora' Translates Well," *Marketing News*, October 13, 2003, p. 8; Mindy Charski, "Old Navy to Tailor Message to Hispanics," *Adweek*, August 4, 2003, p. 9.

TABLE 6.3A

Occupation	Education						
	Illiterate	School up to 4 Years	School 5-9 Years	SSC/HSC	SSC/HSC Non-Graduate	Graduate/Postgraduate (General)	Graduate/Postgraduate (Professional)
Unskilled Workers	E2	E2	E1	D	D	D	D
Skilled Workers	E2	E1	D	C	C	B2	B2
Petty Traders	E2	D	D	C	C	B2	B2
Shop Owners	D	D	C	B2	B1	A2	A2
Businessmen/ Industrialists with Number of Employees:							
* None	D	C	B2	B1	A2	A2	A1
* 1-10	C	B2	B2	B1	A2	A1	A1
* 10 +	B1	B1	A2	A2	A1	A1	A1
Self-employed/ Professionals	D	D	D	B2	B1	A2	A1
Clerical/ Salesmen	D	D	D	C	B2	B1	B1
Supervisory Level	D	D	C	C	B2	B1	A2
Officers/ Executives - <i>Junior</i>	C	C	C	B2	B1	A2	A2
Officers/ Executives - <i>Middle/Senior</i>	B1	B1	B1	B1	A2	A1	A1

TABLE 6.3B

Education	Type of House		
	Pucca	Semi-Pucca	Kuccha
Illiterate	R4A	R4A	R4B
Below SSC	R3A	R3B	R4A
SSC/HSC	R2	R3A	R3B
Some College Education, Not Graduate	R1	R2	R3B
Graduate/Postgraduate (General)	R1	R2	R3A
Graduate/Postgraduate (Professional)	R1	R2	R3A

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.<sup>6</sup> Opinion leaders are often highly confident, socially active, and involved with the category. Marketers try to reach opinion leaders by identifying their demographic and psychographic characteristics, identifying the media they read, and directing messages at them.

**CHRYSLER**

To reach opinion leaders involved with their African American communities, Chrysler is taking its cars to church. As part of its "Inspired Drives" tour, in which the company sets up tracks around the country for customers to test its latest models, Chrysler is locating test drives at influential megachurches. New Birth Missionary Baptist Church in Lithonia, Georgia, is one. Situated on 250 acres, it has 25,000 members and a charismatic senior pastor, Bishop Eddie L. Long. Bishop Long hosts a weekly program on the Trinity Broadcasting Network and is an occasional advisor to government policy makers. By locating test drives at megachurches—and partnering with them at fundraising events, such as a Patti LaBelle concert to raise funds for cancer research—Chrysler has found a powerful way to reach customers.<sup>7</sup>

Brands like Levi's, Provogue, and Planet M have used teenage icons as brand ambassadors and endorsers very effectively, particularly by getting celebrities for in-store promotions.

**FAMILY** The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group.<sup>8</sup> We can distinguish between 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. Even if the buyer no longer interacts very much with his or her parents, their influence on behavior can be significant. In countries where parents live with grown children, their influence can be substantial. A more direct influence on everyday buying behavior is the **family of procreation**—namely, one's spouse and children.

Family members influence buying decisions. In traditional joint families, the influence of grandparents on major purchase decisions, and to some extent on the lifestyles of the younger generations, is still intact, though diminishing. Western researchers on family decision making have focused more on husband, wife, and child dominance in different situations, and have found evidence where one of these dominate, or there is joint decision making.<sup>9,10</sup>

Millions of kids under the age of 17 are also online. Marketers have jumped online with them, offering freebies in exchange for personal information. Many have come under fire for this practice and for not clearly differentiating ads from games or entertainment. Establishing ethical and legal boundaries in marketing to children online and off-line continues to be a hot topic as consumer advocates decry the commercialism they believe such marketing engenders, as discussed in Chapter 8.

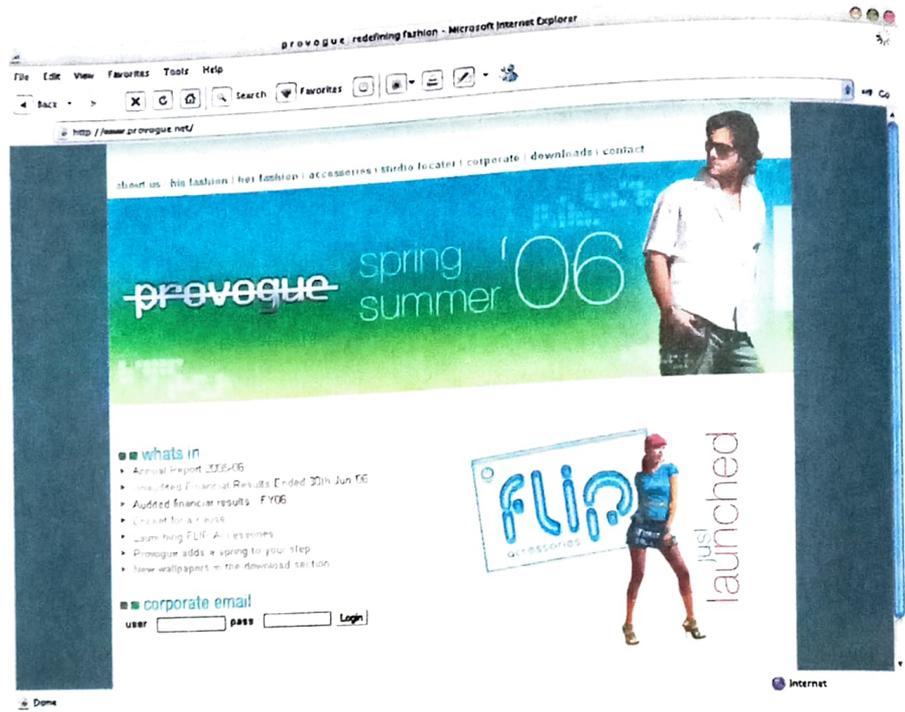
TABLE 6.4

Socioeconomic class	% of Households
<b>Urban</b>	
A1	1.0
A2	1.8
B1	2.5
B2	2.4
C	6.1
D	6.6
E1	3.0
E2	5.0
Subtotal (Urban)	28.4
<b>Rural</b>	
R1	2.6
R2	8.0
R3	26.7
R4	34.3
Subtotal (Rural)	71.6
<b>Total (Urban + Rural)**</b>	<b>100</b>

\*\* Estimated number of households in thousands: 198,457.

Source: Adapted from *The Marketing Mix*, 2005, pp. 54. (Based on IRS 2003–2004).

The Provoque Web site is targeted at the youth market.



**ROLES AND STATUS** A person participates 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 to which he belongs in terms of role and status. A **role** consists of the activities a person is expected to perform. Each role carries a **status**. A senior vice president of marketing has more status than a sales manager, and a sales manager has more status than an office clerk. People choose products that reflect and communicate their role and actual or desired status in society. Marketers must be aware of the status-symbol potential of products and brands.

### Personal Factors

A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle; occupation and economic circumstances; personality and self-concept; and lifestyle and values. Because many of these characteristics have a very direct impact on consumer behavior, it is important for marketers to follow them closely.

**AGE AND STAGE IN THE LIFE CYCLE** People buy different goods and services over a lifetime. Taste in food, clothes, furniture, and recreation is often age related. Consumption is shaped by the *family life cycle*. Trends like delayed marriages, children migrating to distant cities or abroad for work leaving parents behind, tendency of professionals/working couple to acquire assets such as a house or an automobile in the early stages of career (earlier these used to be close-to-retirement acquisitions for a large majority), has resulted in different opportunities for marketers at different stages in the consumer life cycle.

Marketers should also consider *critical life events or transitions*—marriage, childbirth, illness, relocation, divorce, career change, widowhood—as giving rise to new needs. These should alert service providers—banks, lawyers, and marriage, employment, and bereavement counselors—to ways they can help.<sup>11</sup>

**OCCUPATION AND ECONOMIC CIRCUMSTANCES** Occupation also influences consumption patterns. A blue-collar worker will buy work clothes, work shoes, and lunchboxes. A company president will buy dress suits, air travel, and country club memberships. 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.

Product choice is 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

Income Groups (Annual Households Income at 2000 prices)	Number of Households (million)		
	2005	2015	2025
<90 (Deprived)	101.1	74.1	49.9
90–200 (Aspirers)	91.3	106	93.1
200–500 (Seekers)	10.9	55.1	94.9
500–1000 (Strivers)	2.4	5.5	33.1
>1000 (Global Indians)	1.2	3.1	9.5
Total	206.90	243.8	280.5

*Note:* Figures in Rupees (thousands)  
*Source:* McKinsey Global Institute projections as reported in *The Marketing Whistleblower* 2007–2008 Business World 2007, p. 33.

TABLE 6.5

Share of Population in Different Income Brackets (Estimates)

Age-group	Year-wise Population (million)			
	2001	2006	2011	2016
0–4	366 (35.6)	362 (32.5)	355 (29.7)	343 (27.1)
15–59	598 (58.2)	673 (60.4)	747 (62.5)	811 (64.0)
60+	65 (6.3)	78 (7.0)	94 (7.9)	113 (8.9)
Total	1,027 (100)	1,114 (100)	1,194 (100)	1,268 (100)

*Note:* Figures in brackets are percentage share of total  
*Source:* Adapted from the *Statistical Outline of India*, Mumbai: Tata Services Ltd., 2004, p. 34.

TABLE 6.6

Gucci, Prada, and Burberry, can be 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.

The estimated number of Indian households categorized by income groups and the projected age distribution of population are presented in Tables 6.5 and 6.6, respectively.

**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 it in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.<sup>12</sup> Personality can be a useful variable in analyzing consumer brand choices. The idea is that 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:<sup>13</sup>

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)

She analyzed some well-known brands and found that a number of them tended to be strong on one particular trait: Levi's with "ruggedness"; MTV with "excitement"; CNN with "competence"; and Campbell's with "sincerity." The implication is that these brands will

attract persons who are high on the same personality 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 that 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 "competency."<sup>14</sup> 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.<sup>15</sup>

Consumers often choose and use brands that have a brand personality consistent with their own *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).<sup>16</sup> These effects may also be more pronounced for publicly consumed products than for privately consumed goods.<sup>17</sup> 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.<sup>18</sup> 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.

**LIFESTYLE AND VALUES** People from the same subculture, social class, and occupation may lead quite different lifestyles.

### INDIA'S "GEN NEXT"

Within the 54% of India's population that is under 30, approximately 16 million, or 3%, are high-earning targets of youth lifestyle brands connoting high status and an affluent lifestyle. Members of India's so-called Gen Next spend most of their money on personal clothing and accessories, food, entertainment, and consumer durables as well as on exotic holidays in India and abroad. Luxury cars and shiny motorbikes are the most sought-after status symbols among these newly prosperous young people, most of whom work in India's burgeoning IT sector. Harley-Davidson has set its sights on the Indian market, and LeviStrauss India (Pvt.) Ltd., a subsidiary of the U.S.-based clothing giant, regards India as one of the fastest-growing markets for Levi's in the world.<sup>19</sup>

Levi's iconic brand image and personality has endured for years. Here is Andy Warhol's take on the brand.



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 environment. Marketers search for relationships between their products and lifestyle groups. For example, 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:

**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 standing for *lifestyles of health and sustainability*. The market for LOHAS products encompasses organic foods, energy-efficient appliances and solar panels, as well as alternative medicine, yoga tapes, and ecotourism. Taken together, these accounted for a \$230 billion market in 2000. One estimate placed 30% of the adults in the United States, or 50 million people, in the LOHAS or "Cultural Creatives" category. Table 6.2 breaks the LOHAS market into five segments with estimated size, and product and service interests.<sup>20</sup>

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, Wal-Mart 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.<sup>21</sup> "Breakthrough Marketing: IKEA" outlines IKEA's global success formula of appealing to price-conscious shoppers in the furniture market.

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 than money. Companies aiming to serve them will create convenient products and services for this group.

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



Faysal Bank of Pakistan has extended banking hours for time-pressed executives.

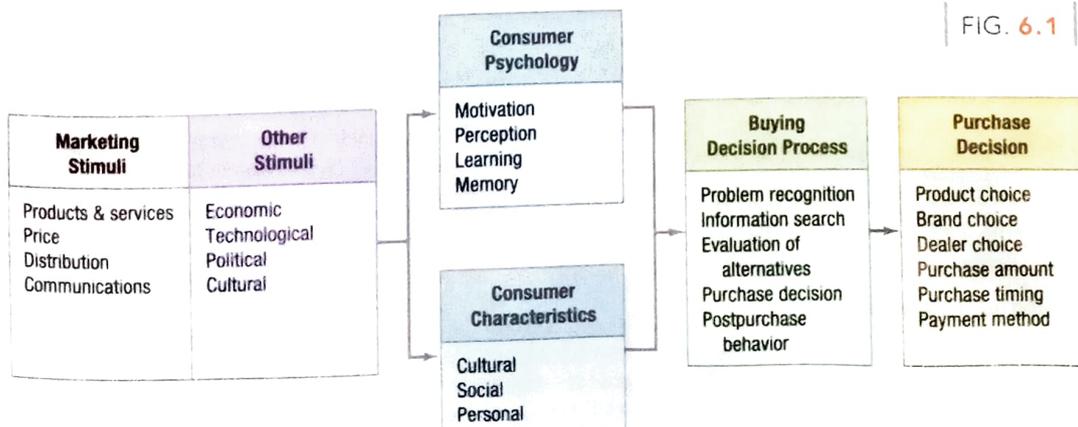


FIG. 6.1 Model of Consumer Behavior



## BREAKTHROUGH MARKETING

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 devotion from its customers, who visit in numbers that average 1.1 million per day. When a new location debuted in London in 2005, 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 bargain prices. The company's fashionable bargains include Klippan sofas for \$249, Billy bookcases for \$120, and Lack side tables for \$13. In Scandinavian markets, IKEA has even sold 2,500 prefabricated homes for around \$45,000, depending on local housing prices. The company is able to offer such low prices in part because most items come boxed and require complete assembly at home, meaning they are easier to transport, take up less shelf space, and seldom require delivery, which reduces costs.

IKEA's 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% to 3% annually. Its focus on value also benefits the bottom line: IKEA enjoys 10% margins, higher than competitors such as Target (7.7%) and Pier 1 Imports (5%).

Many of its products are sold uniformly throughout the world, but IKEA also caters to local tastes. In China, for example, it stocked



Swedish furniture retailer IKEA excels at appealing to price-conscious shoppers around the world with stylish items carefully selected for each country's market.

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 Europeans and U.S. consumers in their homes and learned that Europeans generally hang their clothes, whereas U.S. shoppers prefer to store them folded. 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 evolved into a retail empire with 264 stores and revenues of \$22.2 billion in 2006 and still had excellent growth opportunities. IKEA planned to double the number of U.S. outlets by 2010, and in 2006, it rolled out 6 new stores worldwide.

Sources: Kerry Capell, "IKEA: How the Swedish Retailer Became a Global Cult Brand," *BusinessWeek*, November 14, 2005, p. 106; [www.ikea.com](http://www.ikea.com).  
*BusinessWeek*, November 14, 2005, p. 96; "Need a Home to Go with That Sofa?"

outside marketing stimuli and the ultimate purchase decisions. Four key psychological processes—motivation, perception, learning, and memory—fundamentally influence consumer responses.<sup>22</sup>

### 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—the vigor with which we pursue the goal.

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 that the psychological forces shaping people's behavior are largely unconscious, and that a person cannot fully understand his or her own motivations. When a person examines specific brands, she 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.<sup>23</sup>

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.<sup>24</sup>

Today motivational researchers continue the tradition of Freudian interpretation. Jan Callebaut identifies different motives a product can satisfy. For example, whisky can meet the need for social relaxation, status, or fun. Different whisky brands need to be motivationally positioned in one of these three appeals.<sup>25</sup> Another motivation researcher, Clotaire Rapaille, works on breaking the “code” behind a lot of product behavior.<sup>26</sup>

## 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 the product. 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.<sup>27</sup>

**MASLOW'S THEORY** Abraham Maslow sought to explain why people are driven by particular needs at particular times.<sup>28</sup> 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 needs (see Figure 6.2). People will try to satisfy their most important needs first. When a person succeeds in satisfying an important need, he will then try to satisfy the next-most-important need. 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.

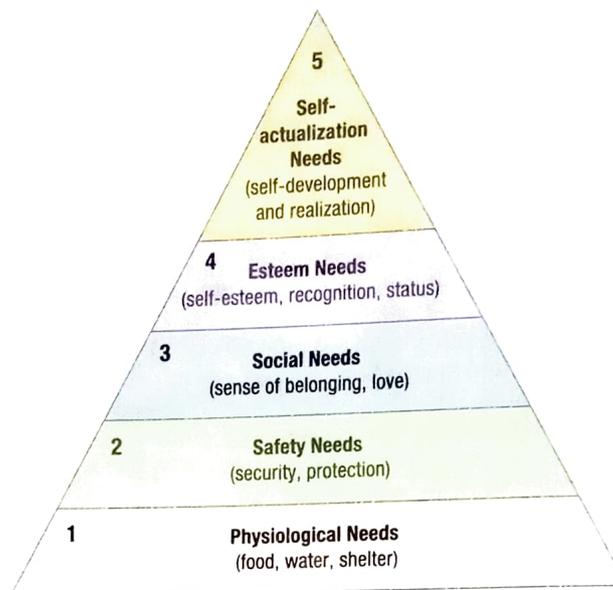
**HERZBERG'S THEORY** Frederick Herzberg developed a two-factor theory that distinguishes *dissatisfiers* (factors that cause dissatisfaction) from *satisfiers* (factors that cause satisfaction).<sup>29</sup> The absence of dissatisfiers is not enough to motivate a purchase; satisfiers must be present. 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 (e.g., 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.

FIG. 6.2

## Maslow's Hierarchy of Needs

Source: A. H. Maslow, *Motivation and Personality*, 2nd ed. Upper Saddle River, NJ: Prentice Hall, 1970. Reprinted by permission of Prentice Hall Inc.



## Perception

A motivated person is ready to act. *How* he or she acts is influenced by his or her view of the situation. In marketing, perceptions are more important than the reality, because it's perceptions that affect consumers' actual behavior. **Perception** is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world.<sup>30</sup> The key point is that it depends not only on the physical stimuli, but also on the stimuli's relationship to the surrounding field 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 differently to the salesperson.

In marketing, perceptions are more important than the reality, as it is perceptions that will affect consumers' actual behavior. People can 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 stimuli 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; he will 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 Rs. 100 off the list price of a computer than one offering Rs. 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.<sup>31</sup>

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.<sup>32</sup> 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, beer 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 particular brands involved.

**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,<sup>33</sup> no evidence supports the notion that marketers can systematically control consumers at that level, especially in terms of changing moderately important or strongly held beliefs.<sup>34</sup>

## 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 that 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 on, when you want to buy a printer, you may assume that because HP makes good computers, HP also makes good printers. In other words, you *generalize* your response to computers, HP also makes good printers. 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 that 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 upon 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** says 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.

## Memory

All the information and experiences we encounter as we go through life can end up in our long-term 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.

Most widely accepted views of long-term memory structure assume we form some kind of associative model.<sup>35</sup> For example, the **associative network memory model** views LTM as a set of nodes and links. *Nodes* are stored information connected by *links* that vary in strength. Any type of information can be stored in the memory network, including verbal, visual, abstract, and contextual. A spreading activation process from node to node determines how much we retrieve and what information we can actually recall in any given situation. When a node becomes activated because we're encoding external information (when we read or hear a word or phrase) or retrieving internal information from LTM (when we think about some concept), other nodes are also activated if they're 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 the right types of 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 that are 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.

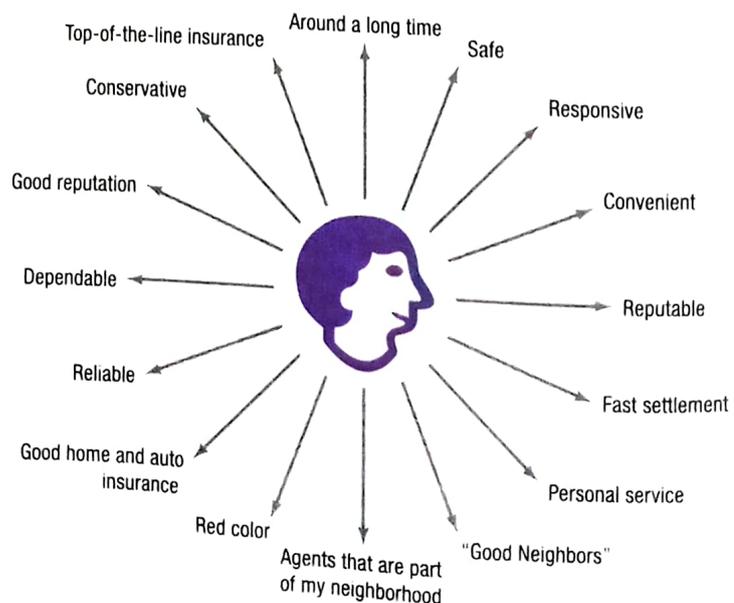
**MEMORY PROCESSES** Memory is a very constructive process, because we don't remember information and events completely and accurately. Often we remember bits and pieces and fill in the rest based upon whatever else we know.

**Memory encoding** describes how and where information gets into memory. The strength of the resulting association depends on how much we process the information at encoding (how much we think about it, for instance) and in what way.<sup>36</sup>

In general, the more attention we pay to the meaning of information during encoding, the stronger the resulting associations in memory will be.<sup>37</sup> When a consumer actively thinks about and "elaborates" on the significance of product or service information, stronger associations are created in memory. It's also easier for consumers to create an association to new

FIG. 6.3

Hypothetical State Farm Mental Map



information when extensive, relevant knowledge structures already exist in memory. One reason personal experiences create such strong brand associations is that information about the product is likely to be related to existing knowledge.

The ease with which we can integrate new information into established knowledge structures also clearly depends on its simplicity, vividness, and concreteness. Repeated exposures to information, too, provide greater opportunity for processing and thus the potential for stronger associations. Recent advertising research in a field setting, however, suggests that high levels of repetition for an uninvolved, unpersuasive ad are unlikely to have as much sales impact as lower levels of repetition for an involving, persuasive ad.<sup>38</sup>

**MEMORY RETRIEVAL** Memory retrieval is the way information gets out of memory. According to the associative network memory model, a strong brand association is both more accessible and more easily recalled by “spreading activation.” Our successful recall of brand information doesn’t depend only on the initial strength of that information in memory. Three factors are particularly important.

First, 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.

Second, the time between exposure to information and encoding matters—the longer the time delay, the weaker the association. The time elapsed since the last exposure opportunity, however, has been shown generally to produce only gradual decay. Cognitive psychologists believe memory is extremely durable, so that once information becomes stored in memory, its strength of association decays very slowly.<sup>39</sup>

Third, information may be *available* in memory but not be *accessible* (able to be recalled) without the proper retrieval cues or reminders. The particular associations for a brand that come to mind depend on the context in which we consider it. The more cues linked to a piece of information, however, the greater the likelihood that we can recall it. 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 minibillboard 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.

Memory can often be reconstructive, however, and consumers may remember an experience with a brand differently after the fact due to intervening factors or other events.<sup>40</sup>

### ∴ The Buying Decision Process: The Five-Stage Model

These basic psychological processes play an important role in understanding how consumers actually make their buying decisions.<sup>41</sup> Table 6.7 provides a list of some key consumer behavior questions in terms of “who, what, when, where, how, and why.”

Smart companies try to fully understand the customers’ buying-decision process—all their experiences in learning, choosing, using, and even disposing of a product.<sup>42</sup> Bissel developed its Steam n’ Clean vacuum cleaner based on the product trial experiences of a local PTA group its near corporate headquarters in Grand Rapids, Michigan. The result was a name change, color-coded attachments, and an infomercial highlighting its special features.<sup>43</sup>

Marketing scholars have developed a “stage model” of the buying-decision process (see Figure 6.4). The consumer 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.<sup>44</sup>

Consumers don’t always pass through all five stages in buying a product. They may skip or reverse some. When you buy your regular brand of toothpaste, you go directly from the need for toothpaste to the purchase decision, skipping information search and evaluation. The full 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.<sup>45</sup>

#### 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,



FIG. 6.4

Five-Stage Model of the Consumer Buying Process

TABLE 6.7

Understanding Consumer Behavior

<p>Who buys our product or service?</p> <p>Who makes the decision to buy the product?</p> <p>Who influences the decision to buy the product?</p> <p>How is the purchase decision made? Who assumes what role?</p> <p>What does the customer buy? What needs must be satisfied?</p> <p>Why do customers buy a particular brand?</p> <p>Where do they go or look to buy the product or service?</p> <p>When do they buy? Any seasonality factors?</p> <p>How is our product perceived by customers?</p> <p>What are customers' attitudes toward our product?</p> <p>What social factors might influence the purchase decision?</p> <p>Do customers' lifestyles influence their decisions?</p> <p>How do personal or demographic factors influence the purchase decision?</p>
<p><small>Sources: Based on list from George Belch and Michael Belch, <i>Advertising and Communication: An Introduction</i>, 10th ed. (Harlow, U.K.: Prentice, 2003).</small></p>

thirst, sex—rises to a threshold level and becomes a drive; or a need can be aroused by an external stimulus. A person may admire a neighbor's new car or see a television ad for a Hawaiian vacation, which triggers 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 trigger 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% look at more than one brand of appliances. We can distinguish between two levels of involvement with 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, the consumer receives the most information about a product from commercial—marketer-dominated—sources. However, the most effective information often comes from personal sources or public sources that are independent authorities.

Each information 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.

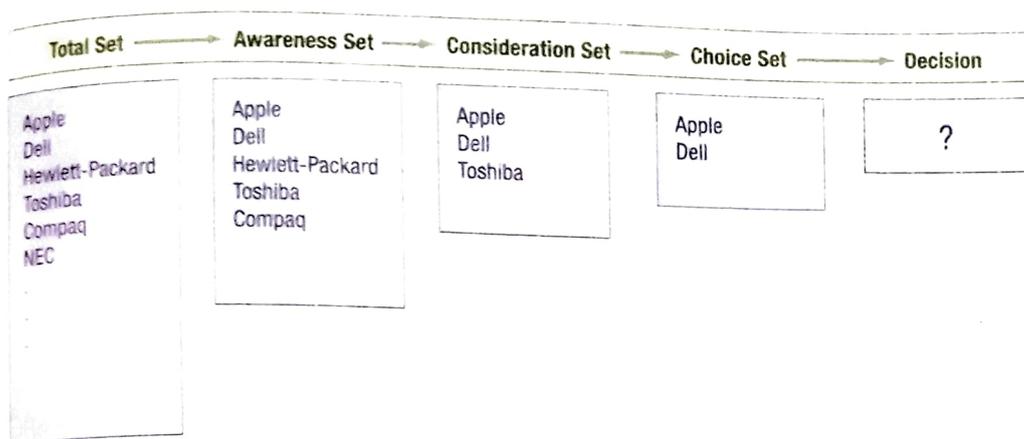


FIG. 6.5

Successive Sets Involved in Consumer Decision Making

**SEARCH DYNAMICS** Through 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 to the consumer. The individual consumer will come to know only a subset of these brands, the *awareness set*. Some brands, the *consideration set*, will meet initial buying criteria. As the consumer gathers more information, only a few, the *choice set*, will remain strong contenders. The consumer makes a final choice from this set.<sup>46</sup>

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, Pontiac. 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 Japanese car, then Toyota, and then the Corolla model of Toyota.

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, station wagon) are type dominant; those who first decide on the car brand are brand dominant. Type/price/brand-dominant consumers make up a segment; quality/service/type buyers make up another. Each segment may have distinct demographics, psychographics, and mediagraphics and different awareness, consideration, and choice sets.<sup>47</sup>

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 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.

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, the company 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 for delivering the benefits sought to satisfy this need. 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 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.<sup>48</sup> 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. A company is well advised to fit its product into existing attitudes rather than to try to change attitudes. Here are two examples of organizations that used ad campaigns to remind consumers of their attitudes, with handsome results:

### CALIFORNIA MILK PROCESSOR BOARD

After a 20-year decline in milk consumption among Californians, in 1993 milk processors from across the state formed the California Milk Processor Board (CMPB) with one goal in mind: to get people to drink more milk. The ad agency commissioned by the CMPB developed a novel approach to pitching milk's benefits. Research had shown that most consumers already believed milk was good for them. So the campaign would remind consumers of the inconvenience and annoyance of running out of milk, which became known as "milk deprivation." The "Got Milk?" tagline reminded consumers to make sure they had milk in their refrigerators. A year after the launch, sales volume increased 1.07%. In 1995, the "Got Milk?" campaign was licensed to the National Dairy Board. In 1998, the National Fluid Milk Processor Education Program, which had been using the "milk mustache" campaign since 1994 to boost sales, bought the rights to the "Got Milk?" tagline. The "Got Milk?" campaign continues to pay strong dividends by halting the decline in sales of milk in California more than 13 years after its launch.<sup>49</sup>

### NATIONAL EGG CO-ORDINATION COMMITTEE

"My Egg, My Price, My Life." In the early 1980s, this clarion call from the legendary Dr. B.V. Rao, resulted in converting a crisis for the poultry industry (due to low consumption, low prices, higher costs of input, and exploitation by middlemen) into a huge opportunity. By organizing poultry farmers and combining their power with that of professionals a phenomenal growth in egg consumption in the country was achieved. The National Egg Co-ordination Committee, formally registered as a trust in May 1982, has promoted egg consumption, strived for and achieved fair return to farmers, while protecting the interests of the consumer and the middlemen. It has garnered support for the industry from various quarters. Its famous promotional campaigns, "*Sunday ho ya Monday, roz khao Ande*" (Be it Sunday or Monday, eat egg every day) and "The best square meal in the world," were reinforced by documentary films, rural publicity through vans, unique schemes such as providing egg carts to unemployed youth, distributing nutritional booklets, mother and child-care booklets, recipe booklets, organizing exhibitions, poultry seminars, and sponsoring sports and cultural events. All this resulted in India reaching the number two position in egg production (44 billion production in 2003) in the world, next only to United States.<sup>50</sup>

**EXPECTANCY-VALUE MODEL** The consumer arrives at attitudes toward various brands through an attribute evaluation procedure.<sup>51</sup> He or she develops a set of beliefs about where each brand stands on each attribute. 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, D). Assume she's interested in four attributes: memory capacity, graphics capability, size and weight, and price. Table 6.8 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.



The Got Milk campaign successfully reminds consumers of existing attitudes instead of trying to change them.

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

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

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

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 a 10 representing the lowest price, because a consumer prefers a low price to a high price.

TABLE 6.8

A Consumer's Brand Beliefs about Computers

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

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

An expectancy-model formulation predicts that Linda will favor computer A, which (at 8.0) has the highest perceived value.<sup>52</sup>

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

- **Redesign the 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.<sup>53</sup>

## Purchase Decision

In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer 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 for a product can help to overcome perceived bad things. But consumers often take "mental shortcuts" using simplifying choice heuristics. **Heuristics** are rules of thumb or mental shortcuts 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 such choice heuristics here:

1. With 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 a 5, she would choose 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 computer C.
3. With the **elimination-by-aspects heuristic**, the consumer compares brands on an attribute 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 pressure involved, 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.<sup>54</sup>

Consumers don't necessarily use only one type of choice rule. Sometimes, they adopt a phased decision strategy that combines two or more. 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 only buy a personal computer that had an Intel microprocessor. Personal computer makers, such as IBM, Dell, and Gateway, had no choice but to support Intel's marketing efforts.

**INTERVENING FACTORS** Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision (Figure 6.6).<sup>56</sup> The first is the attitudes of others. The extent to which another person's attitude reduces our preference for an alternative 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.<sup>56</sup> The more intense the other person's negativism and the closer the other person 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 who use various media channels to disseminate their evaluations. Examples include product-testing reports published in consumer magazines such as *Insights*, reviews of books, movies, music DVDs and CDs, letters to editors, and discussions in e-forums and various chat rooms. Consumers are undoubtedly influenced by these evaluations.

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 *perceived risk*.<sup>57</sup> Consumers may perceive many types of risk in buying and consuming a product:

1. **Functional risk**—The product does not perform up 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 from 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 amount of perceived risk varies with the amount of money at stake, the amount of attribute uncertainty, and the amount of consumer self-confidence. Consumers develop routines for reducing the uncertainty and negative consequences of risk, such as decision avoidance, information gathering from friends, and 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 perceived risk.

## Postpurchase Behavior

After the purchase, the consumer might experience dissonance that stems 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 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.

**POSTPURCHASE SATISFACTION** Satisfaction is a function of the closeness between expectations and the product's perceived performance.<sup>58</sup> 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.<sup>59</sup>

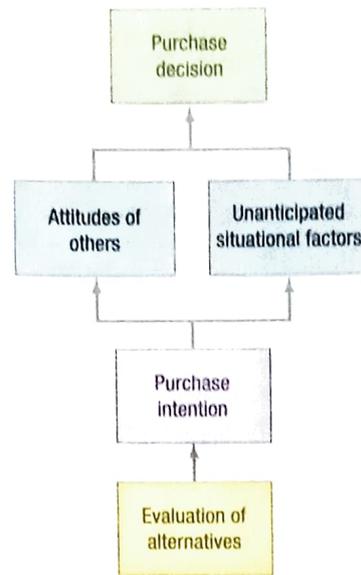


FIG 6.6  
Step between Evaluation of Alternatives  
and a Purchase Decision

**POSTPURCHASE ACTIONS** If the consumer is satisfied, she is more likely to purchase the product again. The satisfied customer will also tend to say good things about the brand to others. On the other hand, 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*).<sup>60</sup>

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 USE 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.

One opportunity to increase frequency of product use occurs when consumers' perceptions of their usage differ from reality. Consumers may fail to replace products with relatively short life spans soon enough because they overestimate its product life.<sup>61</sup> One strategy to speed up replacement is to tie the act of replacing the product to a certain holiday, event, or time of year.

For example, Oral B has run toothbrush promotions tied in with the springtime switch to daylight savings time. Another strategy is to provide consumers with better information about either: (1) when 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 less than recommended and persuade customers of the merits of more regular usage, 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.

"Marketing Memo: Rural Consumer Behavior" highlights some typicalities of consumer situation and behavior in the rural context.

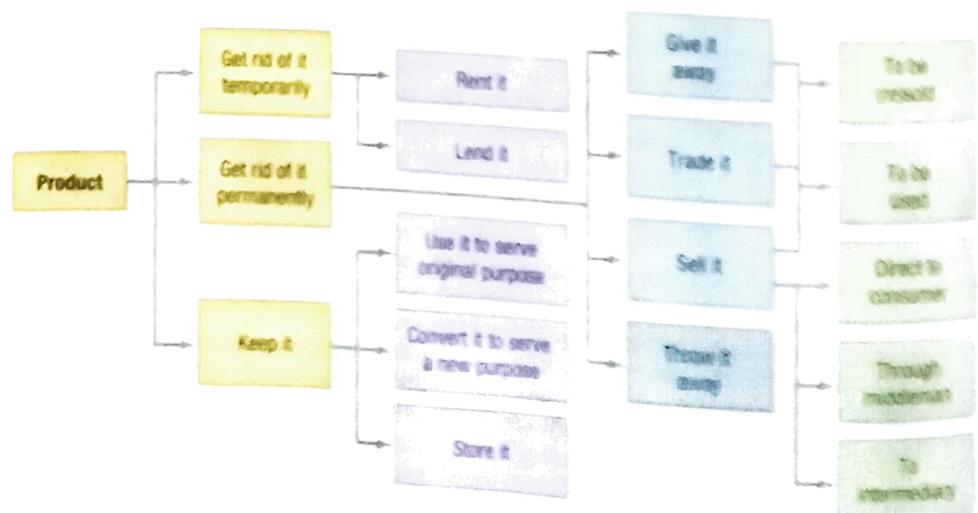
### Other Theories of Consumer Decision Making

The consumer decision process may not always develop in a carefully planned fashion. Here are some other theories and approaches to explaining it.

FIG 6.7

How do consumers use or dispose of products?

Consumers may use a product temporarily or permanently, or they may keep it. They may rent it, lend it, use it to serve its original purpose, convert it to serve a new purpose, or store it. They may give it away, trade it, sell it, or throw it away. They may be prepared to resell it, use it, direct it to another consumer, throw it away, or use it immediately.



## MARKETING MEMO

## RURAL CONSUMER BEHAVIOUR

The rural consumer behaviour exhibits certain behavior unique to rural settings and this makes it important for marketers to understand rural consumers through appropriate research. Rural consumers, for example, tend to lead a more relaxed lifestyle compared to the urban counterparts and exhibit little urgency. Consumers in rural markets tend to have greater trust in products and services endorsed by government and its agencies. They tend to be more brand loyal, as habits once formed are difficult to change and they tend to feel a pride in getting a good deal rather than paying premium prices for products and services.

The cultural values and norms have a strong influence in determining buying and consumption behavior in the rural areas. There are restrictions on the type of food and/or the type of intoxicants that can be consumed in the villages. Similarly, women occupy a more traditional place in rural society, and therefore western wear and modern clothes which are acceptable in urban markets, have poor acceptability in rural markets. This norm regarding the role of women and her behavior in public has implications for developing advertisements targeted at the rural audiences. However, rural youth, because of their exposure tends to be more open to new ideas. In addition, factors like popularity of satellite television, increased migration and penetration of telephones and other means of communication are gradually transforming the rural consumers as their behaviors are increasingly being influenced by urban consumption patterns.

Rural communities tend to be closer than urban societies and reference groups have a greater importance. Relatives and people from the same caste and community are important reference groups. Joint family structure still exists in villages although there has been discernable trend towards nuclear families. As a result, rural areas tend to exhibit collective consumption behavior; most products are purchased for the consumption of every one in the family and not for individuals. The head of the family has a significant role in decision making, sometimes taken in consultation with family members. The caste system that still prevails strongly in many rural areas in India also affects the behavior of the consumers, especially in terms of role and status of the individuals and families.

In rural areas, the consumption is driven to a large degree by the occupation and income of the consumers. Low income levels and inadequacy of credit facilities also affect the consumption patterns. Another important factor that affects demand patterns in rural areas is the instability of the income of the farmers, which is linked to the

seasonality of agricultural production as well as to the unpredictability of harvest. Similarly, the landless laborers and daily wage earners get their remuneration on a day-to-day basis and therefore they purchase small quantities of products at a time, mostly on a daily basis or for one or two days' consumption. Rural consumers also differ in the meanings that they attach to different objects and activities. As compared to the urban counterparts, rural consumers have different interpretations of colors, symbols, and social activities. Rural consumers show preference for bold, primary colors, red color connotes happiness and auspiciousness and green color signifies prosperity. Ownership of large tractor, large house (*pucca* house), telephone and other higher value consumer durables, and education of children in cities are considered as status symbols.

Rural consumers also exhibit a certain specific patterns in the five-stage buying decision process. The community way of life in rural areas plays an important role during the problem recognition and information search stage. Even if the needs are internally triggered, these are shaped by the interaction with the reference groups, mainly the community. The problem recognition might result from the interactions (compare/contrast) with the community members. Low penetration of mass media and the dominant presence of a community influence the problem recognition stage through word-of-mouth. Publicity efforts by different government agencies and non-government organizations working in the rural areas play crucial roles in creating awareness during the problem recognition stage. Fairs, *haats*, exhibitions and road shows are some of the triggers of information search. Visits to nearby towns, and feedback from existing owners are other media of information search. Opinion leaders and people who are perceived to be knowledgeable play important role as information providers and advisors. As the perceived risk of buying tends to be higher, rural consumers exhibit greater involvement in purchase process, leading to more detailed information search behavior. Family members, relatives and friends are consulted before making purchase decisions of higher value products. Since the reach of the electronic media and other mass advertising is low in rural areas, dependence on information, advice and suggestions from other people are higher. However, as the exposure to mass media and information technology is increasing, rural consumers are becoming more informed about products and services and their dependence on traditional reference groups is gradually waning.

Sources: R.V. Rajan, "A profile of the rural consumer," *The Hindu Business Line*, February 10, 2005, <http://www.blonnet.com>; "Understanding rural consumer psyche key to success," *The Hindu Business Line*, October 9, 2004, <http://www.blonnet.com>; and Pradeep Kashyap and Siddharth Raut (eds.), *The Rural Marketing Book* (New Delhi: Bizantra, 2007), p. 60.

## Level of Consumer Involvement

The expectancy-value model assumes a high level of involvement on the part of the consumer. We can define **consumer involvement** in terms of the level of engagement and active processing the consumer undertakes in responding to a marketing stimulus.

**ELABORATION LIKELIHOOD MODEL** 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.<sup>62</sup> There are two

means of persuasion in their model: the *central route*, where attitude formation or change stimulates much thought and is based on a diligent, rational consideration of the most important product information; and the *peripheral route*, where attitude formation or change provokes much less thought and results from the 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, consumers 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.

**LOW-INVOLVEMENT MARKETING STRATEGIES** Many products are bought under conditions of low involvement and the absence of significant brand differences. Consider salt. Consumers have little involvement in this product category. If they keep reaching for the same brand, it's out of habit, not strong brand loyalty. Evidence suggests consumers have low involvement with most low-cost, frequently purchased products.

Marketers use four techniques to try to convert a low-involvement product into one of higher involvement. First, they can link the product to some involving issue, as when Crest linked its toothpaste to avoiding cavities. Second, they can link the product to some involving 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 light bulbs 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, regardless of what the marketer can do, consumers will have low involvement with a purchase decision, they are likely to follow the peripheral route. Marketers must pay special attention to giving consumers one or more positive cues to justify their brand choice. For instance, frequent ad repetition, visible sponsorships, and vigorous PR are all ways 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.<sup>63</sup>

**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 wish 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.

## Decision Heuristics and Biases

We've seen that consumers don't always process information or make decisions in a deliberate, rational manner. “Marketing Insight: How Consumers Really Make Decisions” highlights some recent advances from the thriving academic study of how consumers make decisions.

Behavioral decision theorists have identified many different heuristics and biases in everyday consumer decision making. They come into play when consumers forecast the likelihood of future outcomes or events.<sup>64</sup>

1. The **availability heuristic**—Consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind. If an example comes to mind too easily, consumers might overestimate the likelihood of its happening. For example, a recent product failure may lead a consumer to inflate the likelihood of a future product failure and make him more inclined to purchase a product warranty.