

# Understanding Consumer Behavior



## INTRODUCTION

### Land of the Rising Trends

**W**hen Google wants to learn how cell phone users search the Internet, it looks at Japan, where 100 million consumers use phones to search online for train timetables, videos of pop stars, and more. Google's marketers watch and listen while cell phone users conduct searches, narrow down results, and react to website layouts. After users complained that maps loaded slowly and were difficult to navigate, Google sped up the process and added arrows to facilitate faster navigation. "People's expectations are very high here compared [with those of people in] other regions," explains a manager. "That's why we get good feedback." With good feedback, Google can make changes to meet consumers' expectations and maintain its position in the global search-engine market.

Japan is the land of rising trends in fashion as well as in high-tech services. The Swedish retail chain H&M has opened its doors in Tokyo to keep an eye on what local high school girls wear, as have Abercrombie & Fitch and other clothing retailers. LeSportsac's designers seek inspiration for new handbags by observing the preferences of trend-setting Tokyo teens. "I can see something happen in Tokyo and watch the ripple effect across the Pacific to New York and then watch as it goes back to L.A.," says a LeSportsac executive who visits Japan regularly in search of new product ideas.<sup>1</sup>

## LEARNING OBJECTIVES

After studying this chapter, you will be able to

1. Define consumer behavior and explain the components that make up the definition.
2. Identify the four domains of consumer behavior shown in Exhibit 1.6 that affect acquisition, usage, and disposition decisions.
3. Discuss the benefits of studying consumer behavior.
4. Explain how companies apply consumer behavior concepts when making marketing decisions.

Google, LeSportsac, H&M, and other companies know that their success depends on understanding consumer behavior and trends so that they can create goods and services that consumers will want, like, use, and recommend to others. This chapter provides a general overview of (1) what consumer behavior is, (2) what factors affect it, (3) who benefits from studying it, and (4) how marketers apply consumer behavior concepts. Because you are a consumer, you probably have some thoughts about these issues. However, you may be surprised at how broad the domain of consumer behavior is, how many factors help explain it, and how important the field is to marketers, ethicists and consumer advocates, public policy makers and regulators, and consumers like yourself. You will also get a glimpse of the marketing implications of consumer behavior, previewing how we will connect consumer behavior concepts with practical applications throughout this book.

## Defining Consumer Behavior

### Consumer behavior

The totality of consumers' decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision-making units (over time).

If you were asked to define **consumer behavior**, you might say it refers to the study of how a person buys products. However, this is only part of the definition. Consumer behavior really involves quite a bit more, as this more complete definition indicates:

*Consumer behavior reflects the totality of consumers' decisions with respect to the acquisition, consumption, and disposition of goods, services, activities, experiences, people, and ideas by (human) decision-making units [over time].<sup>2</sup>*

This definition has some very important elements, summarized in Exhibit 1.1. Here is a closer look at each element.

### Consumer Behavior Involves Goods, Services, Activities, Experiences, People, and Ideas

Consumer behavior means more than just the way that a person buys tangible products such as bath soap and automobiles. It also includes consumers' use of services, activities, experiences, and ideas such as going to the doctor, visiting a festival, signing up for yoga classes, taking a trip, donating to UNICEF, and checking for traffic before crossing the street (an idea championed by New York City's "Cars hurt, stay alert" campaign).<sup>3</sup> In addition, consumers make decisions about people, such as voting for politicians, reading books written by certain authors, seeing movies starring certain actors, and attending concerts featuring favorite bands.

Another example of consumer behavior involves choices about the consumption of time, such as whether to watch a certain television program (and for how long), and the use of time in ways that show who we are and how we are different from others.<sup>4</sup> Many consumers like the excitement of watching a sports event live on TV rather than waiting to watch a tape-delayed version later, for instance.<sup>5</sup> Because consumer behavior includes the consumption of many things, we use the simple term **offering** to encompass these entities.

**Offering** A product, service, activity, or idea offered by a marketing organization to consumers.

**Consumer Behavior reflects:****Exhibit 1.1****What Is Consumer Behavior?**

Consumer behavior reflects more than the way that a product is acquired by a single person at any one point in time. Think of some marketing strategies and tactics that try to influence one or more of the dimensions of consumer behavior shown in this exhibit.

**Acquisition** The process by which a consumer comes to own an offering.

**Usage** The process by which a consumer uses an offering.

**Disposition** The process by which a consumer discards an offering.

**Consumer Behavior Involves More Than Buying**

The manner in which consumers buy is extremely important to marketers. However, marketers are also intensely interested in consumer behavior related to using and disposing of an offering:

- ▶ **Acquiring.** Buying represents one type of **acquisition** behavior. As shown later in this chapter, acquisition includes other ways of obtaining goods and services, such as leasing, trading, and sharing. It also involves decisions about time as well as money.<sup>6</sup>
- ▶ **Using.** After consumers acquire an offering, they use it, which is why **usage** is at the very core of consumer behavior.<sup>7</sup> Whether and why we use certain products can symbolize something about who we are, what we value, and what we believe. The products we use at Thanksgiving (for example, pumpkin pie, whether made from scratch or store bought) may symbolize the event's significance and how we feel about our guests. The music we enjoy (Shakira or Andrea Bocelli) and the jewelry we wear (Swatch watches or belly button rings) can also symbolize who we are and how we feel. Moreover, marketers must be sensitive to when consumers are likely to use a product,<sup>8</sup> whether they find it effective,<sup>9</sup> and how they react after using it—do they spread positive or negative word-of-mouth reviews about a new film, for instance?<sup>10</sup>
- ▶ **Disposing.** **Disposition**, how consumers get rid of an offering they have previously acquired, can have important implications for marketers.<sup>11</sup> Eco-minded consumers often seek out biodegradable products made from recycled materials or choose goods that do not pollute when disposed of. Municipalities are also interested in how to motivate earth-friendly disposition.<sup>12</sup> Marketers see profit opportunities in addressing disposition concerns. For instance, consumers who renovate their kitchens can install new counters made from recycled materials such as ShetkaStone, which is made from recycled paper.<sup>13</sup>

## Consumer Behavior Is a Dynamic Process

The sequence of acquisition, consumption, and disposition can occur over time in a dynamic order—hours, days, weeks, months, or years, as shown in Exhibit 1.1. To illustrate, assume that a family has acquired and is using a new car. Usage provides the family with information—whether the car drives well, is reliable, and does little harm to the environment—that affects when, whether, how, and why members will dispose of the car by selling, trading, or junking it. Because the family always needs transportation, disposition is likely to affect when, whether, how, and why its members acquire another car in the future.

Entire markets are designed around linking one consumer's disposition decision to other consumers' acquisition decisions. When consumers buy used cars, they are buying cars that others have disposed of. From eBay's online auctions to Goodwill Industries' secondhand clothing stores, from consignment stores to used book stores, many businesses exist to link one consumer's disposition behavior with another's acquisition behavior.

## Consumer Behavior Can Involve Many People

Consumer behavior does not necessarily reflect the action of a single individual. A group of friends, a few coworkers, or an entire family may plan a birthday party or decide where to have lunch. Moreover, the individuals engaging in consumer behavior can take on one or more roles. In the case of a car purchase, for example, one or more family members might take on the role of **information gatherer by researching different models**. Others might assume the role of **influencer and try to affect the outcome of a decision**. One or more members may take on the role of **purchaser by actually paying for the car**, and some or all may be users. Finally, several family members may be involved in the disposal of the car.

## Consumer Behavior Involves Many Decisions

Consumer behavior involves understanding whether, why, when, where, how, how much, how often, and for how long consumers will buy, use, or dispose of an offering (look back at Exhibit 1.1).

### Whether to Acquire/Use/Dispose of an Offering

Consumers must decide whether to acquire, use, or dispose of an offering. They may need to decide whether to **spend or save their money** when they earn extra cash.<sup>14</sup> How much they decide to spend may be influenced by their perceptions of how much they recall spending in the past.<sup>15</sup> They may need to decide **whether to order a pizza, clean out a closet, or go to a movie**. Some decisions about whether to acquire, use, or dispose of an offering are related to personal goals, safety concerns, or a desire to reduce economic, social, or psychological risk.

### What Offering to Acquire/Use/Dispose of

Consumers make decisions every day about what to buy; in fact, each U.S. household spends an average of \$127 per day on goods and services.<sup>16</sup> In some cases we make choices among product or service *categories*, such as buying food versus downloading new music. In other cases we choose between *brands*, such as whether to buy an iPhone or a Samsung cell phone. Our choices multiply daily

**Exhibit 1.2****Consumer Spending,  
By Age**

Consumers born in different years have different needs and spend different amounts on necessities and non-necessities.

Consumers Born In	Annual Average Spending per Household	Annual Average Spending on Housing, Food, and Transportation	Annual Average Spending on Entertainment, Reading, and Alcohol
1982 and later	\$28,181	\$18,941	\$1,867
1972–1981	\$47,582	\$32,290	\$2,976
1962–1971	\$57,476	\$37,611	\$3,574
1952–1961	\$57,563	\$35,816	\$3,515
1942–1951	\$50,789	\$31,337	\$3,290
1941 and earlier	\$35,058	\$21,764	\$1,983

Source: Adapted from "Age of Reference Person: Average Annual Expenditures and Characteristics," *Consumer Expenditure Survey Anthology 2006*, U.S. Department of Labor, U.S. Bureau of Labor Statistics, Table 3, [www.bls.gov](http://www.bls.gov).

as marketers introduce new products, sizes, and packages. Exhibit 1.2 shows some of the spending patterns of consumers in particular age groups.

**Why Acquire/Use/Dispose of an Offering**

Consumption can occur for a number of reasons. Among the most important reasons, as you will see later, are the ways in which an offering meets someone's needs, values, or goals. Some consumers have body parts pierced as a form of **self-expression, while others do it to fit into a group**. Still others believe that body piercing is a form of beauty or that it enhances sexual pleasure.<sup>17</sup>

Sometimes our reasons for using an offering are filled with conflict, which leads to some difficult consumption decisions. Teenagers may smoke, even though they know it is harmful, because they think smoking will help them gain acceptance. Some consumers may be unable to stop acquiring, using, or disposing of products. They may be physically addicted to products such as cigarettes or alcoholic beverages, or they may have a compulsion to eat, gamble, or buy.

**Why Not to Acquire/Use/Dispose of an Offering**

Marketers also try to understand why consumers do *not* acquire, use, or dispose of an offering. For example, consumers may **delay buying** a personal video recorder because they doubt that they can handle the technology or they doubt that the product offers anything special. They may believe that technology is changing so fast that the product will soon be **outdated**. They may even believe that some firms will go out of business, leaving them without after-sale support or service. At times, consumers who want to acquire or consume an offering are **unable** to do so because what they want is unavailable. Ethics can also play a role. Some consumers may want to avoid products made in factories with questionable labor practices or avoid movies downloaded, copied, and shared without permission.<sup>18</sup>

**How to Acquire/Use/Dispose of an Offering**

Marketers gain a lot of insight by understanding how consumers acquire, consume, and dispose of an offering.

**Ways of Acquiring an Offering** How do consumers decide whether to acquire an offering in a store or mall, online, or at an auction?<sup>19</sup> How do they decide whether to

Acquisition Method	Description
Buying	Buying is a common acquisition method used for many offerings.
Trading	Consumers might receive a product or service as part of a trade. Example: Trading in old DVDs as partial payment for new DVDs.
Renting or leasing	Instead of buying, consumers rent or lease cars, tuxedos, furniture, vacation homes, and more.
Bartering	Thousands of consumers (and businesses) exchange goods or services without having money change hands.
Gifting	Gifting is common throughout the world. Each society has many gift-giving occasions as well as informal or formal rules dictating how gifts are to be given, what is an appropriate gift, and what is an appropriate response to a gift.
Finding	Consumers sometimes find goods that others have lost (hats left on the bus, umbrellas left in class) or thrown away.
Stealing	Because various offerings can be acquired through theft, marketers have developed goods and services to deter this acquisition method, such as alarms to deter car theft.
Sharing	Another method of acquisition is by sharing or borrowing. Some types of “sharing” are illegal and border on theft, as when consumers copy and share movies.

### Exhibit 1.3

#### Eight Ways to Acquire an Offering

There are many ways that consumers can acquire an offering.

pay with cash, a check, a debit card, a credit card, or an electronic system such as PayPal, which online shoppers use to buy goods and services worth \$47 billion annually?<sup>20</sup> These examples relate to consumers’ buying decisions, but Exhibit 1.3 shows that consumers can acquire an offering in other ways.

**Ways of Using an Offering** In addition to understanding how consumers acquire an offering, marketers want to know how consumers use an offering.<sup>21</sup> For obvious reasons, marketers want to ensure that their offering is used correctly. For example, makers of camera phones need to educate consumers about how to print images, not just e-mail them.<sup>22</sup> Improper usage of offerings like cough medicine or alcohol can create health and safety problems.<sup>23</sup> Because consumers may ignore label warnings and directions on potentially dangerous products, marketers who want to make warnings more effective have to understand how consumers process label information. Some consumers collect items, a situation that has created a huge market for buying, selling, transporting, storing, and insuring collectible items.<sup>24</sup>

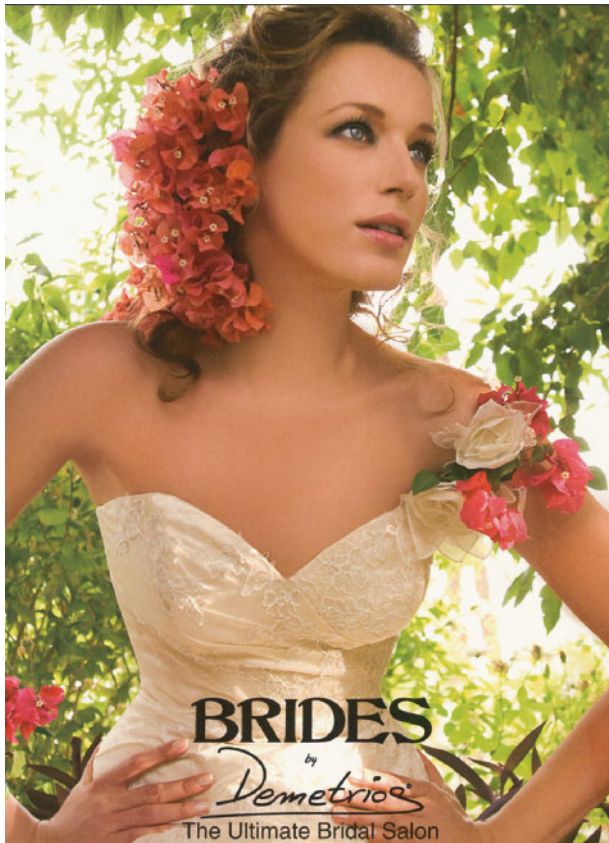
**Ways of Disposing of an Offering** Finally, consumers who want to dispose of offerings have several options:<sup>25</sup>

- ▶ *Find a new use for it.* Using an old toothbrush to clean rust from tools or making shorts out of an old pair of jeans shows how consumers can continue using an item instead of disposing of it.
- ▶ *Get rid of it temporarily.* Renting or lending an item is one way of getting rid of it temporarily.
- ▶ *Get rid of it permanently.* Throwing away an item gets rid of it permanently, although consumers may instead choose to trade it, give it away, or sell it.

However, some consumers refuse to throw away things that they regard as special, even if the items no longer serve a functional purpose.

#### When to Acquire/Use/Dispose of an Offering

The timing of consumer behavior can depend on many factors, including our perceptions of and attitudes toward time itself. Consumers may think in terms of



#### Exhibit 1.4

#### Transitions

Getting married is a major life transition that (like other transitions) stimulates consumption of entirely new offerings.

whether it is “time for me” or “time for others” and whether acquiring or using an offering is planned or spontaneous.<sup>26</sup> In cold weather, our tendency to rent DVDs, call for a tow truck, or shop for clothes is greatly enhanced while we are less likely to eat ice cream, shop for a car, or look for a new home. Time of day influences many consumption decisions, which is the reason why many McDonald’s outlets stay open late to cater to hungry night-owls and workers getting off late shifts or going to early shifts.<sup>27</sup>

Our need for variety can affect when we acquire, use, or dispose of an offering. We may decide not to eat yogurt for lunch today if we have already had it every other day this week. **Transitions such as graduation, birth, retirement, and death also affect when we acquire, use, and dispose of offerings.** For instance, we buy wedding rings, wedding dresses, and wedding cakes only when we get married. When we consume can be affected by traditions imposed by our families, our culture, and the area in which we live.

Decisions about when to acquire or use an offering are also affected by knowing when others might or might not be buying or using it. Thus, we might choose to go to the movies or the gym when we know that others will *not* be doing so. In addition, we may wait to buy until we know something will be on sale; even if we have to line up to buy something popular, we are likely to continue waiting if we see many people joining the line behind us.<sup>28</sup> At times, we will acquire an item for later consumption. In fact, waiting to consume a pleasurable product such as candy increases our enjoyment of its consumption, even though we may be frustrated by having to wait to consume it.<sup>29</sup>

**Another decision is when to acquire a new, improved version of a product we already own.** This can be a difficult decision when the current model still works well or has sentimental value. However, marketers may be able to affect whether and when consumers buy upgrades by providing economic incentives for trading up from older products.<sup>30</sup>

#### Where to Acquire/Use/Dispose of an Offering

As Exhibit 1.4 suggests, transitions such as graduation, birth, retirement, and death also affect when we acquire, use, and dispose of offerings. Consumers have more choices of where to acquire, use, and dispose of an offering than they have ever had before, including making purchases in stores, by mail, by phone, and over the Internet. Shopping habits are changing as more consumers buy groceries, clothing, and other products at multiline superstores such as Wal-Mart.<sup>31</sup> The Internet has changed where we acquire, use, and dispose of goods. Shoppers spend \$175 billion online every year—a figure that’s growing by 20 percent or more annually.<sup>32</sup> Many consumers buy online because they like the convenience or the price.<sup>33</sup> Circuit City and other retailers even let customers go to local stores to pick up or return merchandise purchased online.<sup>34</sup> And as eBay’s success shows, the Internet provides a



**Exhibit 1.5**

### Bonus Packs

Promotions like bonus packs prompt consumers to buy and perhaps use more of an offering than they otherwise would.

the recycling bin? Should they store an old photo album in the attic or give it to a relative? Older consumers, in particular, may worry about what will happen to their special possessions after their death and about how to divide heirlooms without creating family conflict. These consumers hope that mementos will serve as a legacy for their heirs.<sup>36</sup> A growing number of consumers are recycling unwanted goods through recycling agencies or nonprofit groups or giving them directly to other consumers through websites like Freecycle.org.<sup>37</sup>

### How Much, How Often, and How Long to Acquire/Use/Dispose of an Offering

Consumers must make decisions about how much of a good or service they need; how often they need it; and how much time they will spend in acquisition, usage, and disposition.<sup>38</sup> Usage decisions can vary widely from person to person and from culture to culture. For example, consumers in India drink an average of only 5 nine-ounce bottles of soft drinks per year, whereas consumers in China drink 17, and consumers in America drink 280.<sup>39</sup>

Sales of a product can be increased when the consumer (1) uses larger amounts of the product, (2) uses the product more frequently, or (3) uses it for longer periods of time. Bonus packages such as the one shown in Exhibit 1.5 may motivate consumers to buy more of a product, but does this stockpiling lead to higher consumption? In the case of food products, consumers are more likely to increase consumption when the stockpiled item requires no preparation.<sup>40</sup> Usage may also increase when consumers sign up for flat-fee pricing covering unlimited consumption of telephone services or other offerings. However, because many consumers who choose flat-fee programs overestimate their likely consumption, they often pay more than they would have paid with per-usage pricing.<sup>41</sup>

Some consumers experience problems because they engage in more acquisition, usage, or disposition than they should. For example, they may have a compulsion to overbuy, overeat, smoke, or gamble too much. Many of us make New Year's resolutions to stop consuming things we think we should not consume or to start consuming things we think we should consume. Hence, researchers have recently given

convenient and often profitable way of disposing of goods that are then acquired by others.

In addition to acquisition decisions, consumers also make decisions about **where to consume various products**. For example, the need for privacy motivates consumers to stay home when using products that determine whether they are ovulating or pregnant. On the other hand, wireless connections allow consumers in public places to make phone calls, check e-mail, read news headlines, play computer games, and download photos or music from anywhere in the world. Consumers can even make charitable donations via cell phone.<sup>35</sup>

Finally, consumers make decisions regarding **where to dispose of goods**. Should they toss an old magazine in the trash or



attention to understanding what affects consumers' abilities to control consumption temptations and what happens when self-control falters.<sup>42</sup>

### Consumer Behavior Involves Feeling and Coping

Consumer researchers have studied the powerful role that emotions play in consumer behavior.<sup>43</sup> Positive and negative emotions as well as specific emotions like hope,<sup>44</sup> fear,<sup>45</sup> regret,<sup>46</sup> guilt,<sup>47</sup> embarrassment,<sup>48</sup> and general moods<sup>49</sup> can affect how consumers think, the choices they make, how they feel after making a decision, what they remember, and how much they enjoy an experience. Emotions like love sometimes describe how we feel about certain brands or possessions.<sup>50</sup> Consumers often use products to regulate their feelings—as when a scoop of ice cream seems like a good antidote to a bad quiz score.<sup>51</sup> Researchers have also studied how service employees' emotions can subconsciously affect consumers' emotions.<sup>52</sup> And low-level emotions can be very important in low-effort situations (e.g., the low-level feelings we get from viewing a humorous ad).

Because issues related to consumer behavior can involve stress, consumers often need to cope in some way.<sup>53</sup> Researchers have studied how consumers cope with difficult choices and an overwhelming array of goods from which to choose;<sup>54</sup> how consumers use goods and services to cope with stressful events<sup>55</sup> like having cancer; and how they cope with losing possessions due to divorce, natural disasters, moving to a residential-care facility, and other incidents.<sup>56</sup> They have even studied the coping behavior of certain market segments, such as low-literacy consumers who often find it challenging to understand the marketplace without being able to read.<sup>57</sup>

## What Affects Consumer Behavior?

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The many factors that affect acquisition, usage, and disposition decisions can be classified into four broad domains, as shown in the model in Exhibit 1.6: (1) the psychological core, (2) the process of making decisions, (3) the consumer's culture, and (4) consumer behavior outcomes. Although the four domains are presented in separate sections of this book, each domain is related to all the others. For example, to make decisions that affect outcomes like buying new products, consumers must first engage in processes described in the psychological core. They need to be motivated, able, and have the opportunity to be exposed to, perceive, and attend to information. They need to think about this information, develop attitudes about it, and form memories.

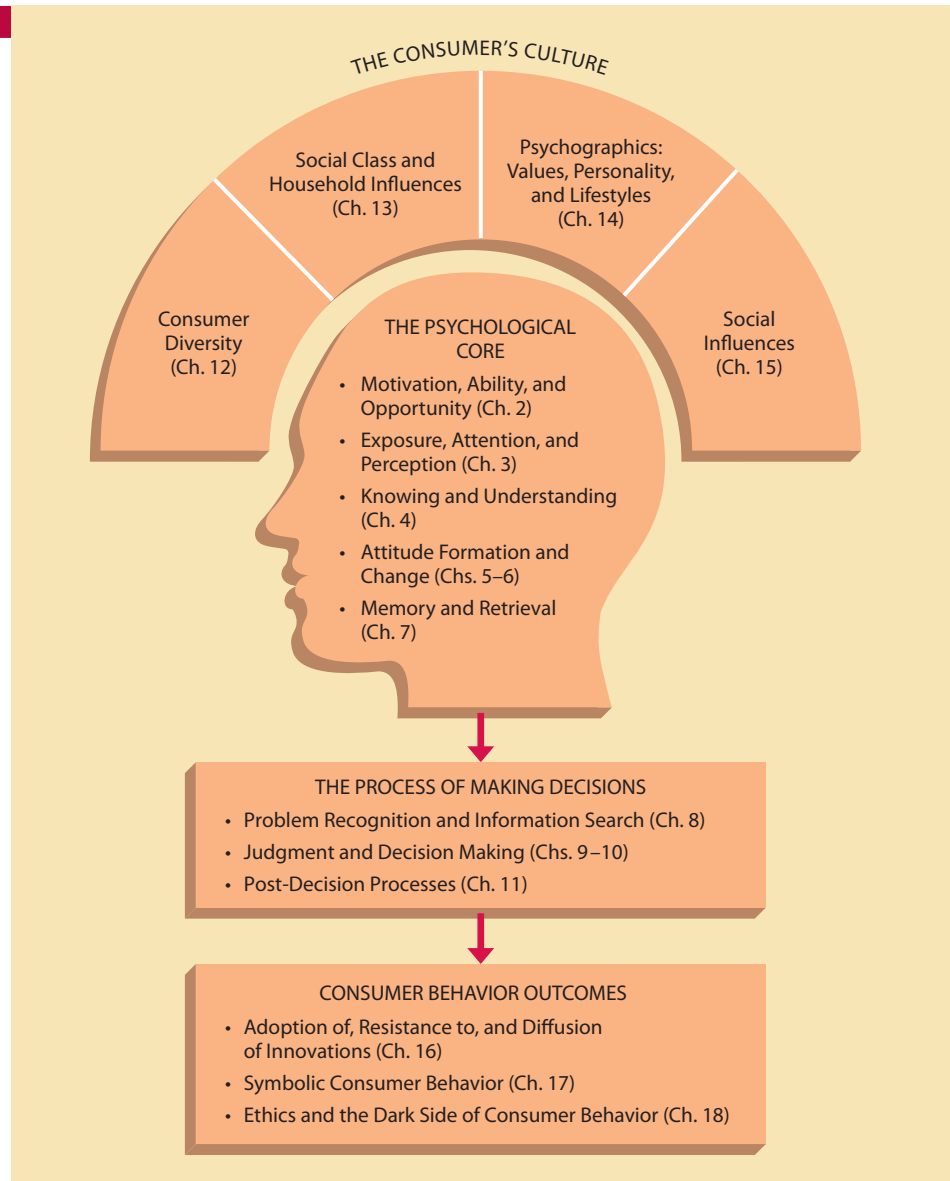
The cultural environment also affects what motivates consumers, how they process information, and the kinds of decisions they make. Age, gender, social class, ethnicity, families, friends, and other factors affect consumer values and lifestyles and, in turn, influence the decisions that consumers make and how and why they make them. In the following overview, we illustrate the interrelationships among the domains with an example of a vacation decision.

### The Psychological Core: Internal Consumer Processes

Before consumers can make decisions, they must have some source of knowledge or information upon which to base their decisions. This source—the psychological

**Exhibit 1.6****A Model of Consumer Behavior**

Consumer behavior encompasses four domains: (1) the consumer's culture, (2) the psychological core, (3) the process of making decisions, and (4) consumer behavior outcomes and issues. As the exhibit shows, Chapters 2–18 of this book relate to the four parts of this overall model.



core—covers motivation, ability, and opportunity; exposure, attention, and perception; categorization and comprehension of information; and attitudes about an offering.

**Having Motivation, Ability, and Opportunity**

Consider the case of a consumer named Jessica who is deciding on a ski vacation. In Jessica's mind, the vacation decision is risky because it will consume a lot of money and time, and she does not want to make a bad choice. Therefore, Jessica is motivated to learn as much as she can about various vacation options, think about them, and imagine what they will be like. She has put other activities aside to give herself the opportunity to learn and think about this vacation. Because Jessica already knows how to ski, she has the ability to determine what types of ski vacations she would find enjoyable. Whether she focuses on concrete things (how

much the trip will cost) or abstract things (how much fun she will have) depends on how soon she plans to travel and how well the place she plans to visit fits with her self-concept.<sup>58</sup>

### Exposure, Attention, and Perception

Because Jessica is greatly motivated to decide where to go on vacation and because she has the ability and opportunity to do so, she will make sure she is exposed to, perceives, and attends to any information she thinks is relevant to her decision. She might look at travel ads and websites, read travel-related articles, and talk with friends and travel agents. Jessica will probably not attend to *all* vacation information; however, she is likely to be exposed to information she will never consciously perceive or pay attention to.

### Categorizing and Comprehending Information

Jessica will attempt to categorize and comprehend the information she does attend to. She might infer that Kitzbühel, Austria, is a reasonably priced vacation destination because a website shows information consistent with this interpretation.

#### Exhibit 1.7

#### Forming and Retrieving Memories

Ads can affect our choices, but whether we choose something the next time may depend on what we remember about our experiences.

### Forming and Changing Attitudes

Jessica is likely to form attitudes toward the vacations she has categorized and comprehended. She may have a favorable attitude toward Kitzbühel because a website describes it as affordable, educational, and fun. However, her attitudes might change as she encounters new information. Attitudes do not always predict our behavior. For example, although many of us have a positive attitude toward working out, our attitude and our good intentions do not always culminate in a trip to the gym. For this reason, attitudes and choices are considered as separate topics.

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### Forming and Retrieving Memories

One reason that our attitudes may not predict our behavior is that we may or may not remember the information we used to form our attitudes when we later make a decision. Thus, Jessica may have *formed* memories based on certain information, but her choices will be based only on the information she *retrieves* from memory, as Exhibit 1.7 suggests.

### The Process of Making Decisions

The processes that are part of the psychological core are intimately tied to the second domain shown in Exhibit 1.6; the process of making decisions. The process of making consumption decisions involves four stages: problem recognition, information search, decision making, and post-purchase evaluation.

### Problem Recognition and the Search for Information

Problem recognition occurs when we realize that we have an unfulfilled need. Jessica realized that she needed a vacation, for example. Her subsequent search for information gave her insight into where she might go, how much

the vacation might cost, and when she might travel. She also examined her financial situation. Elements of the psychological core are invoked in problem recognition and search because once Jessica realizes that she needs a vacation and begins her information search, she is exposed to information, attends to and perceives it, categorizes and comprehends it, and forms attitudes and memories.

### Making Judgments and Decisions

Jessica's decision is characterized as a *high-effort decision*, meaning that she is willing to invest a lot of time and to exert mental and emotional energy in making it. She identifies several criteria that will be important in making her choices: the trip should be fun and exciting, safe, educational, and affordable. Not all decisions involve a lot of effort. Jessica also faces low-effort decisions such as what brand of toothpaste to take on the trip.

Again, the psychological core is invoked in making decisions. With a high-effort decision, Jessica will be motivated to expose herself to lots of information, think about it deeply, analyze it critically, and form attitudes about it. She may have lasting memories about this information because she has thought about it so much. Consumers are not always aware of what they are thinking and how they are making their choices, so Jessica might not be able to explain what affected her choices (background music in a travel agency might even be an influence).<sup>59</sup> Yet the emotions she thinks she will experience from different options (excitement, relaxation) may well influence her ultimate choice.<sup>60</sup> With a low-effort decision, such as what brand of toothpaste to buy, she would probably engage in less information search and process information less deeply, resulting in less enduring attitudes and memories.

### Making Post-Decision Evaluations

This step allows the consumer to judge, after the fact, whether the decision made was the correct one and whether to purchase that offering again. When she returns from her vacation, Jessica will probably evaluate the outcome of her decisions. If her expectations were met and if the vacation was everything she thought it would be, she will feel satisfied. If the vacation exceeded her expectations, she will be delighted. If it fell short of them, she will be dissatisfied. Once again, aspects of the psychological core are invoked in making post-decision evaluations. Jessica may expose herself to information that validates her experiences, she may update her attitudes, and she may selectively remember aspects of her trip that were extremely positive or negative.

## The Consumer's Culture: External Processes

Why did Jessica decide to go on a skiing trip in the first place? In large part, our consumption decisions and how we process information are affected by our culture. **Culture** refers to the typical or expected behaviors, norms, and ideas that characterize a group of people. It can be a powerful influence on all aspects of human behavior. Jessica had certain feelings, perceptions, and attitudes because of the unique combination of groups to which she belongs and the influence they have on her values, personality, and lifestyle.

### Diversity Influences

Jessica is a member of many regional, ethnic, and religious groups that directly or indirectly affect the decisions she makes. For example, although her decision to ski at

**Culture** The typical or expected behaviors, norms, and ideas that characterize a group of people.

**Exhibit 1.8****Vacation**

The word “vacation” means different things to different people. Your idea of a “relaxing getaway” may be quite different from someone else’s. Can you see how factors like social class, ethnic status, economic conditions, group affiliations, and gender affect the kinds of vacations we are likely to find attractive? These examples show that some marketers are successful precisely because they understand what their customers value.

**On vacation, would you like to . . .**

*Tour the World by Motorcycle?* See Europe or Asia from behind the handlebars of a motorcycle riding up and down highways, mountain passes, and country roads. You’ll need \$3,000, at least seven days, and considerable stamina to handle long days of riding and parking a 600-pound bike—but the views are breathtaking.

*Work Up a Sweat and Then Get Pampered?* At a high-activity spa, you can learn to surf, practice yoga positions, hike sandstone canyons, or kickbox during the day. Nights are for pampering: After a healthy gourmet meal, rest your feet, take a class, or just retire to your featherbed. Price tag, including three meals: \$200–\$540 per day.

*Be a Rancher?* Visit one of the more than 100 ranches in Wyoming and Montana, choosing from a rustic cabin at \$150 per day or a luxurious room priced at \$275 per day, including hearty chow. Help herd cattle, fix fences, take trail rides, or simply enjoy the Western scenery.

*Play with Penguins?* Be one of only 15,000 tourists who visit Antarctica in a year. Start with a long plane ride to South America, followed by a cruise through the icy waters of the Drake Passage. Learn about the flora and fauna; then go ashore to see penguins and seals at play. Expect to pay \$5,000 and up for a 12-day cruise.

*Sources:* Rosalind S. Helderman, “Lessons from the Bottom of the World,” *Washington Post*, December 23, 2004, p. T3; Perri Cappell, “Going Mobile: Can’t Shake the ‘Easy Rider’ Fantasy?” *Wall Street Journal*, December 20, 2004, p. R7; Marcy Barack, “Destination: Wyoming; Ranch Life Can Spoil a Manicure,” *Los Angeles Times*, July 11, 2004, p. L13.

a place far from home is fairly typical for a working woman from North America, a consumer from a developing nation or a single woman from a different culture may not have made the same choice. Also, her age, gender, and educational background may all affect her impressions of what constitutes a good vacation, accounting for her interest in a European ski trip. Consider the vacation choices shown in Exhibit 1.8, and try to imagine the background factors that predispose consumers to choose these as vacation options.

**Social Class and Household Influences**

Because Jessica is a member of the upper middle class and has moved in with her parents, these social and household influences may have had an effect on her decision to go to a luxurious European ski resort with friends rather than go skiing with her family at a rustic ski area near home.

**Values, Personality, and Lifestyles**

The choices Jessica makes are based, in part, on her beliefs, her personality, and her activities, interests, and opinions. Thus, she may be attracted to a European ski trip because she wants a vacation that she thinks will be exciting and out of the ordinary. She also anticipates that this vacation will test her ability to manage on her own and give her a sense of accomplishment.

**Reference Groups and Other Social Influences**

When Jessica sees groups of others she perceives as similar to herself, she regards them as **reference groups**, people whose values she shares and whose opinions she values (see Exhibit 1.9). She might also want to emulate the behavior of people whom she admires and to listen to the advice they offer through *word of mouth*. Thus, athletes, musicians, or movie stars sometimes serve as reference

**Reference group** A group of people we compare ourselves with for information regarding behavior, attitudes, or values.



Exhibit 1.9

**Influence of Reference Groups**

Reference groups are people whose values we share and whose opinions we value.

**Symbols** External signs that we use to express our identity.

, fle c ee a ae f a  
 a d ec ce e ae. Refe e ce ca  
 a ae fee a f e d be a e a ce -  
 a a . Je ca a fee e e e  
 K b e beca e e f e d ae d  
 c . I add , Je ca e a a  
 affec e dec . Beca e e a e e  
 a da de a e ae , e a a aca  
 a e c a da e ee e  
 e e .

**Consumer Behavior Outcomes and Issues**

A E b 1.6 , e c ca c e,  
 dec - ae ce e , a d ec e  
 c e affec c e be a c e c  
 a e b c e f d c a d edff  
 f dea , d c , e ce a ae .  
 T e a fle ce a da e fle ced b e  
 fe c a d ca e b a e a e  
 da de f ae a dc e be a .

**Consumer Behaviors Can Symbolize Who We Are**

T e e be a d e e f e f ca  
 affec e **symbols** e e a e e c -  
 c c c , e e de .  
 F e a e , e , Je ca a ea a  
 N Face a a a d B e e c -  
 ca e e a a a e e ced e . S e a ae e be c a -  
 b e e aca , c a ca d a d T- .

**Consumer Behaviors Can Diffuse Through a Market**

A fe Je ca ae e e aca dec , e a e e ab e ec e  
 , c , , c d fle ce e aca dec . I a , e dea f  
 K b e aca a d ff e , ead , e . Had Je ca e-  
 ed K b e ( e a beca e e a e e e  
 fa a a ), e a ec ca ed f a a d ae e e  
 ae aca e e . T , ed ff f f a ca a eb e a e  
 a d e effec f ae e .

**The Dark Side of Marketing and Consumer Behavior, Ethics, and Social Responsibility**

Ce a c e be a a d ce a ae ac ce a be be a c  
 ec e a d / ce . F a ce , c eb ca a e e-  
 e e fi a c a c e e ce f ec e a d e fa . Lae f e f-  
 c e c be a ca ae c e fee bad ab e e e a  
 e .<sup>61</sup> O e be a f c ce c de ea b e ba  
 ae , a d de a ed . Ma e ca a e a da de , a

**Exhibit 1.10****Advertisement for Recycling**

Companies, consumers, and the environment can benefit from recycling.



well. Key ethical issues are whether companies should advertise to children, whether marketing efforts promote obesity, whether advertising affects self-image, and whether marketing invades consumers' privacy. In addition, the environmental consequences of products and marketing are of increasing concern to consumers, regulators, and companies worldwide. For example, consumer research on disposition behavior has the potential to affect programs that conserve natural resources. Exhibit 1.10 shows an ad that aims to educate consumers about the benefits of recycling.

## Who Benefits from the Study of Consumer Behavior?

Why do people study consumer behavior? The reasons are as varied as the four different groups who use consumer research: marketing managers, ethicists and advocates, public policy makers and regulators, and consumers.

### Marketing Managers

The study of consumer behavior provides critical information to marketing managers for developing marketing strategies and tactics. The American Marketing Association's definition of **marketing** shows why marketing managers need to learn about consumer behavior:

*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*

As this definition makes clear, marketers need consumer behavior insights to understand what consumers and clients value; only then can they develop, communicate, and deliver appropriate goods and services. See the Enrichment Chapter for more about marketing research.

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

## Ethicists and Advocacy Groups

Marketers' actions sometimes raise important ethical questions. Concerned consumers sometimes form advocacy groups to create public awareness of inappropriate practices. They also influence other consumers as well as the targeted companies through strategies such as media statements and boycotts. For example, Mothers Against Violence in America is one of several groups protesting video games that feature physical violence. The video game industry's Entertainment Software Rating Board labels games with designations such as *M* (mature, for persons 17 and older). Despite such labeling, advocacy groups are concerned that younger teens can easily acquire and play games intended for older consumers.<sup>62</sup> We explore various ethical issues throughout this book and go into more detail in Chapter 18.

## Public Policy Makers and Regulators

Consumer behavior can be quite useful to legislators, regulators, and government agencies in developing policies and rules to protect consumers from unfair, unsafe, or inappropriate marketing practices. In turn, marketers' decisions are affected by these public policy actions. Consider the regulatory limits on tobacco marketing that are designed to discourage underage consumers from smoking and to inform consumers of smoking's health hazards. The United States, European Union, and other areas ban cigarette advertising on television and radio and in certain other media; they also require warning labels on each pack.<sup>63</sup>

Understanding how consumers comprehend and categorize information is important for recognizing and guarding against misleading advertising. For instance, researchers want to know what impressions an ad creates and whether these impressions are true. They also want to know how marketing influences consumers' decisions to comply with product usage instructions, such as using medical treatments as prescribed.<sup>64</sup> And consumer behavior research helps government officials understand and try to improve consumer welfare.<sup>65</sup>

## Academics

Consumer behavior is important in the academic world for two reasons. First, academics disseminate knowledge about consumer behavior when they teach courses on the subject. Second, academics generate knowledge about consumer behavior when they conduct research focusing on how consumers act, think, and feel when acquiring, using, and disposing of offerings. In turn, such academic research is useful to marketing managers, advocacy groups, regulators, and others who need to understand consumer behavior.

## Consumers and Society

An understanding of consumer behavior can help make a better environment for consumers. For example, research indicates that we better understand the differences among brands when we can view a chart, matrix, or grid comparing brands and their attributes.<sup>66</sup> Thus, matrices such as those presented in *Consumer Reports* are likely to help many consumers make better decisions.

Product, service, and communications developments to protect certain consumer segments have also grown out of understanding how consumers behave. Many people want to protect children against inappropriate advertising or guard themselves against invasion of privacy. Some companies have changed their



marketing voluntarily, whereas others have waited until legislators, regulators, or advocacy groups forced them to make changes in their marketing. Finally, research on disposition behavior has the potential to aid recycling programs and other activities related to environmental protection, as discussed in Chapter 18.

## Marketing Implications of Consumer Behavior

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As you learn about consumer behavior, you may wonder how marketers use different consumer behavior concepts and findings. Starting with Chapter 2, you will find numerous sections titled “Marketing Implications” that illustrate how marketers apply consumer behavior concepts in the real world. In general, consumer research helps marketers to develop product-specific plans as well as broader strategies for market segmentation, targeting, and positioning and to make decisions about the components of the marketing mix.

### Developing and Implementing Customer-Oriented Strategy

Marketing is designed to *provide value to customers*. Thus, marketers must conduct research to understand the various groups of consumers within the marketplace so that they can develop a strategy and specific offerings that will provide such value. Once they develop and implement a suitable strategy, marketers need research to determine how well it is working and whether it is delivering the expected results (such as increasing market share or improving profits).

#### How Is the Market Segmented?

What one consumer values in a product may not be the same as what another consumer values. Consider the market for plug-in battery chargers. Energizer conducted consumer research and “found that how people use chargers is very different,” says a marketing manager. Women said they wanted an easy-to-use charger that is “instantly understandable,” whereas men disliked chargers that were too simplistic. Energizer therefore developed the Dock & Go for men, with lights that show when the charging is underway and when it is complete, and the Easy Charger for women, with readouts that show each stage of the charging cycle.<sup>67</sup> Consumer research helps marketers understand the different groups that make up a market and whether they can make an offering to appeal to one or more of these groups.

#### How Profitable Is Each Segment?

Consumer research can help marketers identify consumers who have needs that are not being met and can reveal the size and profitability of each segment. When Best Buy researched its customer base, the retailer identified a number of segments and created *personas*, names and descriptions to personify each segment’s characteristics. It named one profitable segment “Buzz” (young men who enjoy new technology and like to buy new electronics gadgets) and one unprofitable segment “Devil” (consumers who buy items on sale and resell them online). The company then remodeled its stores and retrained its salespeople to focus on consumers who fit the “Buzz” persona.<sup>68</sup>

#### What Are the Characteristics of Consumers in Each Segment?

After determining how the market is segmented and whether it is potentially profitable, marketers need to learn about the characteristics of consumers in each segment, such as their age, education, and lifestyle. This information helps

marketers project whether the segment is likely to grow or to shrink over time, a factor that affects future marketing decisions. For example, sales of fitness goods and services are expected to rise as aging baby boomers strive to stay fit.

### **Are Customers Satisfied with Existing Offerings?**

Marketers often do considerable research to learn whether consumers are currently satisfied with the company's offerings. Harley-Davidson executives regularly ride with members of the Harley Owners Group to find out firsthand what satisfies motorcycle buyers and what else they are looking for. Combining this information with data from other research helps the company come up with new product ideas and promote new bikes to current and potential customers.<sup>69</sup>

### **Selecting the Target Market**

Understanding consumer behavior helps marketers determine which consumer groups are appropriate targets for marketing tactics and how heavy users of a product differ from light users.<sup>70</sup> Marketers also need to identify who is likely to be involved in acquisition, usage, and disposition decisions. Although Virgin Mobile mainly targets teenagers and young adults who use cell phones, its research shows that parents are often the decision makers. Its research also shows that family plans can be more costly than parents realize. "The message we're trying to get out is: When they use family plans, parents are handing [teens] a credit card with an antenna on it," says a company official.<sup>71</sup>

### **Positioning**

Another strategic choice is deciding how an offering should be positioned in consumers' minds. The desired image should reflect what the product is and how it differs from the competition. For example, Newman's Own's slogan, "Shameless exploitation in pursuit of the common good," reflects the company's positioning of itself as the upstart food brand that donates all its profits to charity.

### **How Are Competitive Offerings Positioned?**

Marketers sometimes conduct research to see how consumers view other brands in comparison with their own and then plot the results on a graph called a *perceptual map*. Brands in the same quadrant of the map are perceived as offering similar benefits to consumers. The closer companies are to one another on the map, the more similar they are perceived to be, and hence, the more likely they are to be competitors.

### **How Should Our Offerings Be Positioned?**

Companies use consumer research to understand what image a new offering should have in the eyes of consumers and what messages will effectively support this image.<sup>72</sup> The positioning should suggest that the product is superior in one or more attributes valued by the target market.<sup>73</sup> For example, Toyota's target market for the Scion is car buyers in their twenties and thirties. Through research, Toyota learned that these consumers expect good value for their money, like distinctive styling, and want to customize their cars. The Scion's positioning touches on all of these elements, especially the self-expression aspect that has become a key differentiator.<sup>74</sup>

### **Should Our Offerings Be Repositioned?**

Consumer research can help marketers reposition existing products (i.e., change their image). Consider how the World Gold Council, a trade group, decided to

reposition gold jewelry. Through research, the council determined that women enjoy wearing fine gold jewelry, but they didn't perceive available products as either exciting or stylish. The Council therefore recommended that jewelers create pieces with updated, edgier styling, and it repositioned gold jewelry through ads tapping into the positive feelings women have about wearing gold.<sup>75</sup>

## Developing Products and Services

Developing products and services that satisfy consumers' wants and needs is a critical marketing activity. Marketers apply consumer research when making a number of decisions about products.

### What Ideas Do Consumers Have for New Products?

First, marketers need to design an offering that matches what consumers want. In some cases, customers collaborate on the development of new offerings. Consider what happened when Häagen-Dazs invited consumers to suggest new ice cream flavors. From the hundreds of ideas submitted, the company chose Sticky Toffee Pudding—a flavor that proved so popular it has become part of the regular line instead of a limited-time-only offering.<sup>76</sup>

### What Attributes Can Be Added to or Changed in an Existing Offering?

Marketers often use research to determine when and how to modify or tailor a product to meet the needs of new or existing groups of consumers. For example, Virgin Mobile asked 2,000 of its teenage customers about their color preferences for cell phones. Originally, the company was planning to make an all-white cell phone—building on the popularity of the original white Apple iPod digital music player—but the teens rejected that idea as “a knockoff” and asked for a blue phone with a silver interior, which Virgin Mobile put into production.<sup>77</sup>

### What Should Our Offering Be Called?

Consumer research plays a vital role in product and brand naming decisions. For instance, Burger King introduced the BK Stacker (a sandwich with layers of burgers and cheese) after research showed that hamburger lovers wanted a “really indulgent meat-and-cheese burger,” says a Burger King executive.<sup>78</sup> This offering's name is consistent with research suggesting that brands should be easy to understand and remember and reflect key benefits (like stacks of burgers and cheese).

### What Should Our Package and Logo Look Like?

Many marketers use consumer research to test alternative packaging and logos. Research shows, for instance, that consumers are likely to think that food (including cookies) is good for them if it comes in green packaging.<sup>79</sup> This information is valuable in the design of packages for products with a “healthy” positioning. Research is also vital in decisions about changing packaging and logos. For instance, WD-40 repackaged its X-14 household cleaning products to better communicate the brand's positioning as the “bathroom cleaning expert.”<sup>80</sup>

## Making Promotion and Marketing Communications Decisions

Research can help companies make decisions about promotional/marketing communications tools, including advertising, sales promotions (premiums, contests, sweepstakes, free samples, coupons, and rebates), personal selling, and public relations.

### What Are Our Advertising Objectives?

Consumer research can be very useful in determining advertising objectives. It may reveal, for example, that few people have heard of a new brand, suggesting that the advertising objective should be to enhance brand-name awareness. If research indicates that consumers have heard of the brand but don't know anything about it, the advertising objective should be to enhance brand knowledge. If consumers know the brand name but don't know the characteristics of the brand that make it desirable, the advertising should aim to enhance brand knowledge and encourage positive attitudes about it. And if consumers know neither the brand name nor the product's benefits, the advertising should educate the target market about both.

### What Should Our Advertising Look Like?

Research can help marketers determine what words and visuals would be most effective and most memorable in advertising. A brand name is better remembered when placed in an ad that has interesting, unusual, and relevant visuals. If the visuals are interesting but unrelated to the product, consumers may remember the visuals but forget the product's name. Moreover, marketers can research how different groups respond to different wording. For example, saying a product is a good "value for the money" does not work in Spain. Instead, marketers use the phrase "price for product."<sup>81</sup> And research shows that marketers who use e-mail to boost website traffic should customize messages based on their knowledge of different consumers in the target market.<sup>82</sup>

### Where Should Advertising Be Placed?

When marketers select specific media vehicles in which to advertise, they find demographic, lifestyle, and media usage data very useful. As noted earlier, research shows that more people split their time among many different media and that many people use recording technology to avoid commercials. Knowing this, marketers are choosing media with better targeting or more consumer exposure in mind. A growing number of firms are using sponsorship of cause-related events (such as the Avon Walk for Breast Cancer) to reach target audiences.<sup>83</sup>

### When Should We Advertise?

Research may reveal seasonal variations in purchases due to weather-related needs, variations in the amount of discretionary money consumers have (which changes, for instance, before and after Christmas), holiday buying patterns, and the like. ConAgra Foods advertises its Banquet Crock-Pot Classics ready-to-cook frozen foods during fall and winter because consumers use slow-cookers more often during those seasons.<sup>84</sup>

### Has Our Advertising Been Effective?

Finally, advertisers can research an ad's effectiveness at various points in the advertising development process. Sometimes marketers or ad agencies conduct advertising *copy testing* or *pretesting*, testing an ad's effectiveness before it appears in public. If the objective is creating brand awareness and the tested ad does not enhance awareness, the company may replace it with a new ad. Effectiveness research can also take place after the ads have been placed in the media, such as conducting tracking studies to see whether ads have achieved particular objectives over time.

### What About Sales Promotion Objectives and Tactics?

When developing sales promotions, marketers can use research to identify sales promotion objectives and tactics. For example, after OfficeMax discovered that

consumers didn't see much difference among the big office-supply retailers, it tried to make OfficeMax stand out during the year-end holiday buying period. It launched a branded, interactive Elf Yourself website for consumers' enjoyment that created a buzz and drew more than 200 million visitors during two holiday seasons. Follow-up research revealed that more than one-third of these visitors were influenced to shop at OfficeMax.<sup>85</sup> Research can also prevent such pitfalls as offering coupons to certain consumers who won't redeem them for fear of looking stingy.<sup>86</sup>

### **When Should Sales Promotions Take Place?**

Companies can also use consumer research to time their sales promotions. Del Monte Beverages, maker of World Fruits juices, conducted research to learn more about its U.K. target market. The company discovered that those in the segment of frequent purchasers, men and women ages 25 to 44, usually take two vacations per year, preferably to foreign destinations. To boost brand awareness and sales, World Fruits launched a "Win an Exotic Adventure with a Twist" promotion during the winter months, when members of this segment are thinking about vacations.<sup>87</sup>

### **Have Our Sales Promotions Been Effective?**

Consumer research can answer this question. OfficeMax counted the number of visitors to its Elf Yourself site and researched visitors' shopping intentions. Del Monte can compare brand awareness after the World Fruits promotion with pre-promotion levels, for instance, and measure pre- and post-promotion market share. Research can also indicate whether a free sample has been more effective than a price promotion, whether a free gift enhances value perceptions and purchase intentions, and how consumers react after a sales promotion has been discontinued.<sup>88</sup>

### **How Many Salespeople Are Needed to Serve Customers?**

By tracking store patronage at different times of the day or on different days of the week, retailers can determine the appropriate number of store personnel needed to best serve customers.

### **How Can Salespeople Best Serve Customers?**

Finally, research can help managers make decisions about selecting salespeople and evaluating how well they serve customers. For example, similarity between the consumer and a salesperson or service provider can influence whether customers comply with these marketing representatives.<sup>89</sup> Other studies indicate that how a salesperson presents a product will affect consumers' attitudes toward the salesperson and what consumers learn about the product.<sup>90</sup>

## **Making Pricing Decisions**

The price of a product or service can have a critical influence on consumers' acquisition, usage, and disposition decisions. It is therefore very important for marketers to understand how consumers react to price and to use this information in pricing decisions.

### **What Price Should Be Charged?**

Why do prices often end in 99? Consumer research has shown that people perceive \$9.99 or \$99.99 to be cheaper than \$10.00 or \$100.00. Perhaps this is one reason why so many prices end in the number 9.<sup>91</sup> Although economic theory suggests that a decrease in price will increase the likelihood of purchase, too low a price can make consumers suspect the product's quality.<sup>92</sup> In general, consumers respond

better to a discount presented as a percentage off the regular price (e.g., 25 percent subtracted from the original cost) than to a discount presented as a specific amount of money subtracted from the regular price (originally \$25, now only \$15).<sup>93</sup> Research shows that consumers have complicated reactions to pricing. For example, if catalog customers can save \$8 on shipping charges, they will spend an average of \$15 more on catalog purchases—a finding that has caused some catalog marketers to absorb shipping fees.<sup>94</sup>

Also, when making a purchase, consumers consider how much they must pay in relation to the price of other relevant brands or to the price they previously paid for that product, so marketers must be aware of these reference prices.<sup>95</sup> When buying multiple units of a service for one bundled price (such as a multiday ski pass), consumers may not feel a great loss if they use only some of the units because they have difficulty assigning value to each unit. In addition, when consumers buy multiple products for one bundled price (such as a case of wine), they are likely to increase their consumption because unit costs seem low.<sup>96</sup> According to research, how much consumers will pay for a given item can even be affected by the price of unrelated products they happen to see first. Thus, the price you would be willing to pay for a T-shirt may vary, depending on whether the prices you noticed for shoes in the store next door were high or low.<sup>97</sup> Finally, studies indicate that consumers have differing perceptions of what a product is worth, depending on whether they are buying or selling it. Sellers should therefore avoid this endowment effect; that is, they should not set a higher price than buyers are willing to pay.<sup>98</sup>

### **How Sensitive Are Consumers to Price and Price Changes?**

Research also suggests that consumers have different views of the importance of price. Some consumers are very price sensitive, meaning that a small change in price will have a large effect on consumers' willingness to purchase the product. Cruise lines, for example, have found that lower prices help fill their ships.<sup>99</sup> Other consumers are price insensitive and thus likely to buy an offering regardless of its price. Demand for brewed coffee generally remains steady despite price increases, a situation that means Starbucks is unlikely to lose many customers when it raises its coffee prices.<sup>100</sup> Marketers can use research to determine which consumers are likely to be price sensitive and when. For fashion or prestige goods, a high price symbolizes status. Thus, status-seeking consumers may be less sensitive to a product's price and pay more than \$50 for a T-shirt with a prestigious label.

### **When Should Certain Price Tactics Be Used?**

Research also reveals when consumers are likely to be most responsive to various pricing tactics. For example, consumers have traditionally been very responsive to price cuts on bed linens during January. These "white sales" are effective because consumers have come to anticipate them and are unlikely to buy linens after Christmas without a financial incentive to do so.

## **Making Distribution Decisions**

Another important marketing decision involves how products are distributed and sold to consumers in retail stores. Here, too, marketers can use consumer research.

### **Where Are Target Consumers Likely to Shop?**

Marketers who understand the value consumers place on time and convenience have developed distribution channels that allow consumers to acquire or use goods and services whenever and wherever it is most convenient for them. For example,

24-hour grocery stores, health clubs, and catalog ordering and online ordering systems give consumers flexibility in the timing of their acquisition, usage, and disposition decisions. As another example, consumers can now shop for cars through the Internet, auto brokers, and warehouse clubs and at giant auto malls and used-car superstores as well as at traditional auto dealerships.

### How Should Stores Be Designed?

Supermarkets are generally designed with similar or complementary items stocked near one another because research shows that consumers think about items in terms of categories based on products' similar characteristics or use. Thus, stores stock peanut butter near jelly because the products are often used together. Consumer research can also help marketers develop other aspects of their retail environments. Studies show that bright colors and up-tempo music make consumers move quickly through a store; subdued colors and quiet music have the opposite effect.<sup>101</sup> Store design also depends on whether consumers are shopping for fun or seeking to quickly accomplish a particular task like buying a certain item.<sup>102</sup> Knowing that some consumers simply like to shop, retailers are increasingly creating more exciting and aesthetically pleasing store environments.<sup>103</sup>

Stores and websites can be designed to convey a very specific image. Apple's stores are open and modern, with plenty of gadgets for shoppers to test. The "genius bar," staffed by tech experts, is in the back, drawing customers through the store (and past attractive displays) when they need advice. "We wanted an atmosphere that was inviting—not intimidating—forward-looking, warm, interactive," explains the head of Apple retail operations.<sup>104</sup>

## Summary

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Consumer behavior involves understanding the set of decisions (what, whether, why, when, how, where, how much, and how often) that an individual or group of consumers makes over time about the acquisition, use, or disposition of products, services, ideas, or activities. The psychological core exerts considerable influence on consumer behavior. A consumer's motivation, ability, and opportunity affect his or her decisions and influence what a consumer is exposed to, what he or she pays attention to, and what he or she perceives. These factors also affect how a consumer categorizes or interprets information, how he or she forms and changes attitudes, and how he or she forms and retrieves memories. Each aspect of the psychological core has a bearing on the consumer decision-making process, which involves (1) problem recognition, (2) information search, (3) judgment and decision making, and (4) evaluation of level of satisfaction with the decision.

Consumer behavior is also affected by the consumer's culture and by the typical or expected behaviors,

norms, and ideas of a particular group. Consumers belong to a number of groups, share their cultural values and beliefs, and use their symbols to communicate group membership. Consumer behavior can be symbolic and express an individual's identity. In addition, consumer behavior is indicative of how forcefully or quickly an offering can spread throughout a market.

Marketers study consumer behavior to gain insights that will lead to more effective marketing strategies and tactics. Ethicists and advocacy groups are also keenly interested in consumer behavior, as are public policy makers and regulators who want to protect consumers from unsafe or inappropriate offerings. Consumers and society can both benefit as marketers learn to make products more user-friendly and to show concern for the environment. Finally, studying consumer behavior helps marketers understand how to segment markets and how to decide which to target, how to position an offering, and which marketing-mix tactics will be most effective.

## Questions for Review and Discussion

1. How is consumer behavior defined?
2. What three broad categories of consumer activity do marketers and researchers study in consumer behavior?
3. What are some of the factors in the psychological core that affect consumer decisions and behavior?
4. What are some of the external processes that influence consumer decisions and behavior?
5. How is *marketing* defined?
6. How do public policy decision makers, advocacy groups, and marketing managers use consumer research?
7. What kinds of questions can marketers use consumer behavior research to answer?



Visit <http://cengage.com/marketing/hoyer/ConsumerBehavior5e> to find resources that are available to help you study for the course.

## CONSUMER BEHAVIOR CASE

### Swatch Makes Time for Luxury

From plastic to platinum—the wristwatch company known for fun fashion accessories is now focusing on the watch as a status symbol. When Switzerland-based Swatch Group was founded in 1983, popularly priced quartz watches made by Japanese firms had taken considerable market share from traditional Swiss watch brands. Swatch's bold idea for recapturing share was to combine colorful cases, bands, and faces into eye-catching watches that were functional, affordable, and fashionable. The company began introducing an ever-changing array of new models, which helped consumers begin to think about wristwatches as both trendy and collectible. It also decided to restrict some models to certain geographic areas. This encouraged consumers to be on the lookout for new Swatches when traveling and to snap up models not sold in stores at home.

The idea of building a wardrobe of watches caught on. Consumers—particularly women—quickly became accustomed to buying Swatch watches as they would any fashion accessory, on impulse or to match particular outfits. Showing off new and unusual Swatch models—especially those not locally available—became another way to express individuality and status. Soon Swatch's success attracted the attention of rivals that entered the market with a wide range of inexpensive watches for everyday wear.

To avoid the profit-sapping problems of this intense competition, Swatch made another bold decision. Without abandoning its basic \$35 Swatch models, the company started acquiring established quality brands such as Omega and Hamilton. It also bought super-luxury brands

such as Breguet, which offers hand-made, limited-edition watches priced as high as \$500,000. The posh image of these brands brought a new dimension to Swatch's corporate reputation and new possibilities for marketing more watches to more segments.

Now the company can cater to buyers seeking an extraordinary piece of jewelry for themselves or to give as a special gift—buyers for whom price is a secondary consideration. Swatch's high-end brands can also satisfy the needs of wealthy consumers who get in a buying mood while on vacation and choose fancy watches in exclusive boutiques or airport duty-free shops. Knowing that more luxury watches are sold to men than to women, Swatch has also partnered with the Tiffany jewelry retail chain to design and market high-quality women's watches as fashion accessories.

To connect with customers beyond the purchase of a single wristwatch and strengthen brand loyalty, Swatch has been using a variety of marketing communications. Its luxury brand ads appear in magazines geared to high-income consumers. It publishes *Voice*, a twice-yearly lifestyle magazine, to inform customers about fashion trends, special Swatch events, new product news, and more. Its online newsletter keeps customers updated on the latest styles and trends. On the Swatch website, enthusiasts can click to join the Swatch club and gain access to members-only products, contests, collectible watches, blogs, photos, and videos. In addition, Swatch mounts special events for customers all over the world, such as a beach-theme party in Austria and a weekend pirate-theme cruise in Turkey.



Thanks to its portfolio of more than a dozen brands and a global chain of 600 stores, Swatch has become the world's leading watch marketer. Its annual sales have risen to \$5 billion, despite mixed global economic conditions. In fact, luxury watches now account for more than half of Swatch's profits, and the company is readying more fine-jewelry accessories under its status-symbol brands. Still, competition from high-end brands such as Patek Philippe, Piaget, Cartier, and Bulgari has become more intense over the years. Will Swatch continue to thrive in such a highly pressured environment? Only time will tell.<sup>105</sup>

### Case Questions

1. What role does the consumer's culture seem to be playing in Swatch's marketing strategy?
2. Explain, in terms of internal consumer processes, why Swatch puts so much emphasis on marketing communications.
3. Under what circumstances would the decision to buy a Swatch watch be a high-effort decision? A low-effort decision?