

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

5

Understanding Consumer Behavior

LEARNING OBJECTIVES

After reading this chapter you should be able to:

LO 5-1

Describe the stages in the consumer purchase decision process.

LO 5-2

Distinguish among three variations of the consumer purchase decision process: extended, limited, and routine problem solving.

LO 5-3

Identify the major psychological influences on consumer behavior.

LO 5-4

Identify the major sociocultural influences on consumer behavior.

Enlightened Carmakers Know What Custom(h)ers and Influenc(h)ers Value

Who makes 60 percent of new-car buying decisions? Who influences 80 percent of new-car buying decisions? Women. Yes, women.

Women are a driving force in the U.S. automobile industry. Enlightened carmakers have hired women designers, engineers, and marketing executives to better understand and satisfy this valuable car buyer and influencer. What have they learned? While car price and quality are important, women and men think and feel differently about car features and key elements of the new-car buying decision process and experience.

- *The sense of styling.* Women and men care about styling. For men, styling is more about a car's exterior lines and accents or "curb appeal." Women are more interested in interior design and finishes. Designs that fit their proportions, provide good visibility, offer ample storage space, and make for effortless parking are particularly important.
- *The need for speed.* Both sexes want speed, but for different reasons. Men think about how many seconds it takes to get from zero to 60 miles per hour. Women want to feel secure that the car has enough acceleration to outrun an 18-wheeler trying to pass them on a freeway entrance ramp.
- *The substance of safety.* Safety for men is about features that help avoid an accident, such as antilock brakes and responsive steering. For women, safety is about features that help to survive an accident. These features include passenger airbags and reinforced side panels.
- *The shopping experience.* The new-car-buying experience differs between men and women in important ways. Generally, men

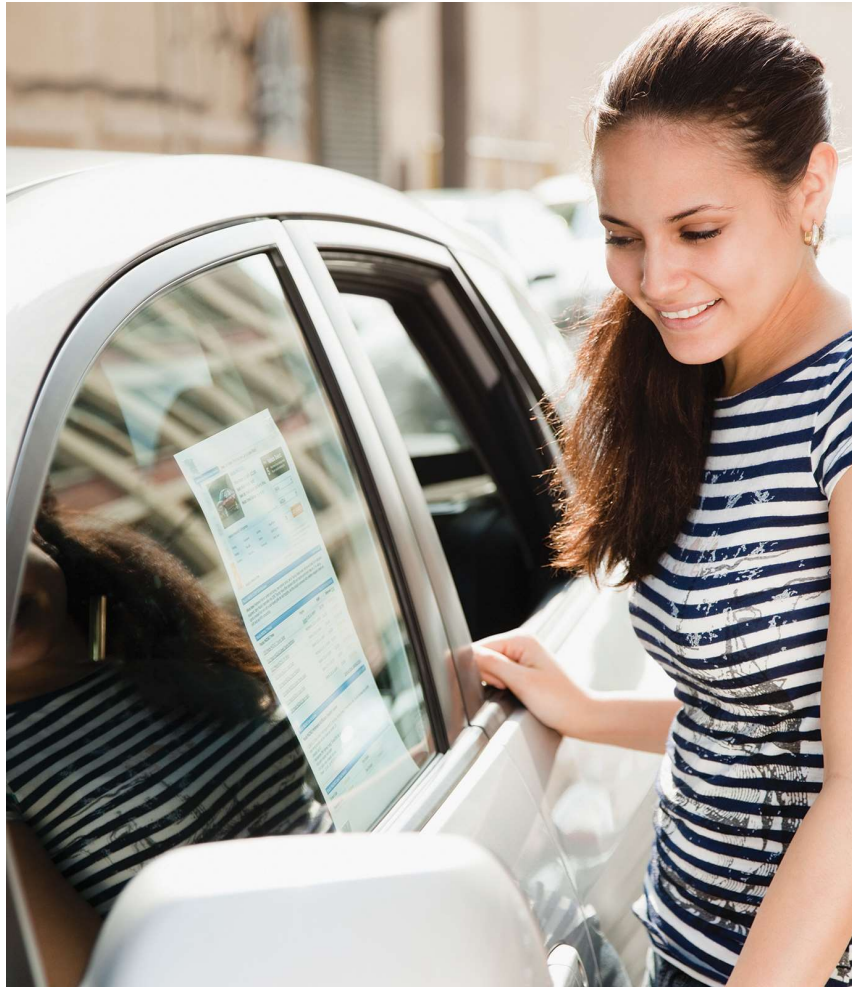
decide up front what car they want and set out alone to find it. By contrast, women approach it as an intelligence-gathering expedition. Referred to as *CROPing*, women shoppers look for *CRedible OPinions*. They actively seek information and postpone a purchase decision until all options have been evaluated. Women, more frequently than men, visit auto-buying websites, read car-comparison articles, and scan car advertisements. Still, recommendations of friends and relatives matter most to women. Women typically shop three dealerships before making a purchase decision—one more than men.

Carmakers have learned that women, more than men, dislike the car-buying experience—specifically, the experience of dealing with car salespeople. In contrast to many male car buyers, women do not typically revel in the gamesmanship of car buying. “Men get all excited about going out to buy a car and talk about

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

how they're going to one-up the salesman and get a great deal," said Anne Fleming, president of www.women-drive.com, a consumer ratings site. "I've never heard or seen any comments from women like that." In particular, women dread the price negotiations that are often involved in buying a new car. Not surprisingly, about half of women car buyers take a man with them to finalize the terms of sale.¹

Page 123



© Blend Images/Getty Images

This chapter examines **consumer behavior**, the actions a person takes in purchasing and using products and services, including the mental and social processes that come before and after these actions. This chapter shows how the behavioral sciences help answer questions such as why people choose one product or brand over another, how they make these choices, and how companies use this knowledge to provide value to consumers.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Page 124

CONSUMER PURCHASE DECISION PROCESS AND EXPERIENCE

LO 5-1

Describe the stages in the consumer purchase decision process.

Behind the visible act of making a purchase lies an important decision process and consumer experience that must be investigated. The stages a buyer passes through in making choices about which products and services to buy is the **purchase decision process**. This process has the five stages shown in **Figure 5–1**: (1) problem recognition, (2) information search, (3) alternative evaluation, (4) purchase decision, and (5) postpurchase behavior.



Figure 5–1 The purchase decision process consists of five stages.

Problem Recognition: Perceiving a Need

Problem recognition, the initial step in the purchase decision, is perceiving a difference between a person's ideal and actual situations big enough to trigger a decision.² This

can be as simple as finding an empty milk carton in the refrigerator; noting, as a first-year college student, that your high school clothes are not in the style that other students are wearing; or realizing that your notebook computer may not be working properly.

In marketing, advertisements or salespeople can activate a consumer's decision process by showing the shortcomings of competing (or currently owned) products. For instance, an advertisement for a new generation smartphone could stimulate problem recognition because it emphasizes "maximum use from one device."

Information Search: Seeking Value

After recognizing a problem, a consumer begins to search for information, the next stage in the purchase decision process. First, you may scan your memory for previous experiences with products or brands.³ This action is called *internal search*. For frequently purchased products such as shampoo and conditioner, this may be enough.

In other cases, a consumer may undertake an *external search* for information.⁴ This is needed when past experience or knowledge is insufficient, the risk of making a wrong purchase decision is high, and the cost of gathering information is low. The primary sources of external information are (1) *personal sources*, such as relatives and friends whom the consumer trusts; (2) *public sources*, including various product-rating organizations such as *Consumer Reports*, government agencies, and TV "consumer programs"; and (3) *marketer-dominated sources*, such as information from sellers including advertising, company websites, salespeople, and point-of-purchase displays in stores.

Suppose you are considering buying a new smartphone. You will probably tap several of these information sources: friends and relatives, advertisements, brand and company websites, and stores carrying these phones (for demonstrations). You also might study the comparative evaluation of selected smartphones from independent rating agencies in **Figure 5–2**.⁵

Common Selection Criteria	Brand and Model Name				
	Apple iPhone 6	HTC One	LG G4	Motorola Dröid Turbo	Samsung Galaxy S6
Retail Price (with contract)	\$250	\$150	\$200	\$150	\$250
Phone Display	★★★★	★★★★	★★★★	★★★★	★★★★
Audio Quality	★★	★	★	★★	★★
Text Messaging	★★	★★★★	★★★★	★★★★	★★★★
Web Capability	★★★★	★★★★	★★★★	★★★★	★★★★
Camera Quality	★★★★	★	★★★★	★★★★	★★★★
Battery	★★	★★★★	★★★★	★★★★	★★★★
Composite Smartphone Evaluations by Testing Organization					
	★★★★ Superior	★★ Above Average	★ Average		

Figure 5–2 Common consumer selection criteria for the evaluation of smartphones.

Alternative Evaluation: Assessing Value

The alternative evaluation stage clarifies the problem for the consumer by (1) suggesting criteria to use for the purchase, (2) yielding brand names that might meet the

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

criteria, and (3) developing consumer value perceptions. Given only the information shown in **Figure 5–2**, which selection criteria would you use in buying a smartphone? Would you use price, phone display, audio quality, text messaging, web capability, camera image quality, battery life, or some other combination of these or other criteria?

Page 125

For some of you, the information provided may be inadequate because it does not contain all the factors you might consider when evaluating smartphones. These factors are a consumer's *evaluative criteria*, which represent both the objective attributes of a brand (such as display) and the subjective ones (such as prestige) you use to compare different products and brands.⁶ Firms try to identify and capitalize on both types of criteria to create the best value for the money paid by you and other consumers. These criteria are often displayed in advertisements.

Consumers often have several criteria for evaluating brands. Knowing this, companies seek to identify the most important evaluative criteria that consumers use when comparing brands. For example, among the seven criteria shown in **Figure 5–2**, suppose you use four in considering smartphones: (1) a retail price of \$200 or less, (2) superior text messaging, and (3) superior battery life. These criteria establish the brands in your *consideration set*—the group of brands a consumer would consider acceptable from among all the brands in the product class of which he or she is aware.⁷

Your evaluative criteria result in three brands/models: the HTC One, LG G4, and the Motorola Dröid Turbo in your consideration set. If the brand alternatives are equally attractive based on your original criteria, you might expand your list of desirable

features. For example, you might decide that camera and audio quality are also important and compare the alternatives based on those criteria as well.

Purchase Decision: Buying Value



Shoppers routinely browse online and shop retail stores, often during the same shopping trip.

© Seb Oliver/Cultura/Getty Images

Having examined the alternatives in the consideration set, you are almost ready to make a purchase decision. Two choices remain: (1) from whom to buy and (2) when to buy. For a product like a smartphone, the information search process probably involved visiting retail stores, seeing different brands advertised on television and newspapers,

and

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

viewing a smartphone on a seller's website. The choice of which seller to buy from will depend on such considerations as the terms of sale, your past experience buying from the seller, and the return policy. Often a purchase decision involves a simultaneous evaluation of both product attributes and seller characteristics. For example, you might choose the second-most preferred smartphone brand at a store or website with a liberal refund and return policy versus the most preferred brand from a seller with more conservative policies.

Page 126

Deciding when to buy is determined by a number of factors. For instance, you might buy sooner if one of your preferred brands is on sale or its manufacturer offers a rebate. Other factors such as the store atmosphere, pleasantness or ease of the shopping experience, salesperson assistance, time pressure, and financial circumstances could also affect whether a purchase decision is made now or postponed.⁸

Use of the Internet to gather information, evaluate alternatives, and make buying decisions adds a technological dimension to the consumer purchase decision process and buying experience. For example, 45 percent of consumers with price comparison smartphone apps routinely compare prices for identical products across different sellers at the point of purchase prior to making a purchase decision.⁹

Postpurchase Behavior: Realizing Value

After buying a product, the consumer compares it with his or her expectations and is either satisfied or dissatisfied. If the consumer is dissatisfied, marketers must determine whether the product was deficient or consumer expectations were too high. Product deficiency may require a design change. If expectations are too high, a

company's advertising or the salesperson may have oversold the product's features and benefits.

Sensitivity to a customer's consumption or use experience is extremely important in a consumer's value perception. For example, research on telephone services provided by Sprint and AT&T indicates that satisfaction or dissatisfaction affects consumer value perceptions.¹⁰ Studies show that satisfaction or dissatisfaction affects consumer communications and repeat-purchase behavior. Satisfied buyers tell three other people about their experience. In contrast, about 90 percent of dissatisfied buyers will not buy a product again and will complain to nine people.¹¹ Satisfied buyers also tend to buy from the same seller each time a purchase occasion arises. The financial impact of repeat-purchase behavior is significant, as described in the Marketing Matters box.¹²

Marketing Matters

customer
value

How Much Is a Satisfied Customer Worth?

Customer satisfaction and experience underlie the marketing concept. But how much is a satisfied customer worth?



© DWImages Motoring/Alamy

This question has prompted firms to calculate the financial value of a satisfied customer over time. Frito-Lay, for example, estimates that the average loyal consumer in the southwestern United States eats 21 pounds of snack chips a year. At a price of \$2.50 a pound, this customer spends \$52.50 annually on the company's snacks such as Lay's and Ruffles potato chips, Doritos and Tostitos tortilla chips, and Fritos corn chips. Exxon estimates that a loyal customer will spend \$500 annually for its branded gasoline, not including candy, snacks, oil, or repair services purchased at its gasoline stations. Kimberly-Clark reports that a loyal customer will buy 6.7 boxes of its Kleenex tissues each year and will spend \$994 on facial tissues over 60 years, in today's dollars.

These calculations have focused marketer attention on the buying experience, customer satisfaction, and retention. Ford Motor Company set a target of increasing customer retention—the percentage of Ford owners whose next car is also a Ford—

from 60 to 80 percent. Why? Ford executives say that each additional percentage point is worth a staggering \$100 million in profits. In 2015, Ford's customer retention was 64 percent and the company remains the most profitable American automaker.

This calculation is not unique to Ford. Research shows that a 5 percent improvement in customer retention can increase a company's profits by 70 to 80 percent.

Firms such as General Electric (GE), Johnson & Johnson, Coca-Cola, and British Airways focus attention on postpurchase behavior to maximize customer satisfaction and retention. These firms, among many others, now provide toll-free telephone numbers, offer liberalized return and refund policies, and engage in extensive staff training to handle complaints, answer questions, record suggestions, and solve consumer problems. For example, GE has a database that stores 750,000 answers regarding about 8,500 of its models in 120 product lines to handle 3 million calls annually. Such efforts produce positive postpurchase communications among consumers and foster relationship building between sellers and buyers.

Often a consumer is faced with two or more highly attractive alternatives, such as a LG G4 or Motorola Dröid Turbo. If you choose the LG G4, you might think, "Should I have purchased the Motorola Dröid Turbo?" This feeling of postpurchase psychological tension or anxiety is called *cognitive dissonance*. To alleviate it, consumers often attempt to applaud themselves for making the right choice. So after your purchase, you may seek information to confirm your choice by asking friends questions like, "Don't you like my new phone?" or by reading ads of the brand you chose. You might even look for negative features about the brands you didn't buy and decide that the Motorola Dröid

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Turbo smartphone did not feel right. Firms often use ads or follow-up calls from salespeople in this postpurchase behavior stage to comfort buyers that they made the right decision. For many years, Buick ran an advertising campaign with the message, "Aren't you really glad you bought a Buick?"

Page 127

Consumer Involvement Affects Problem Solving

LO 5-2

Distinguish among three variations of the consumer purchase decision process: extended, limited, and routine problem solving.

Sometimes consumers don't engage in the five-stage purchase decision process. Instead, they skip or minimize one or more stages depending on the level of **involvement**, the personal, social, and economic significance of the purchase to the consumer.¹³ High-involvement purchase occasions typically have at least one of three characteristics: The item to be purchased (1) is expensive, (2) can have serious personal consequences, or (3) could reflect on one's social image.

For these occasions, consumers engage in extensive information searches, consider many product attributes and brands, form attitudes, and participate in word-of-mouth communication. Low-involvement purchases, such as toothpaste and soap, barely involve most of us, but audio and video systems and automobiles are very involving.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

There are three general variations in the consumer purchase decision process based on consumer involvement and product knowledge. **Figure 5–3** shows some of the important differences between the three problem-solving variations.

CHARACTERISTICS OF THE CONSUMER PURCHASE DECISION PROCESS	CONSUMER INVOLVEMENT		
	HIGH		LOW
	EXTENDED PROBLEM SOLVING	LIMITED PROBLEM SOLVING	ROUTINE PROBLEM SOLVING
Number of brands examined	Many	Several	One
Number of sellers considered	Many	Several	Few
Number of product attributes evaluated	Many	Moderate	One
Number of external information sources used	Many	Few	None
Time spent searching	Considerable	Little	Minimal

Figure 5–3 Comparison of problem-solving variations: extended problem solving, limited problem solving, and routine problem solving.

Extended Problem Solving

In extended problem solving, each of the five stages of the consumer purchase decision process is used and considerable time and effort are devoted to the search for external information and the identification and evaluation of alternatives. Several brands are in the consideration set, and these are evaluated on many attributes. Extended problem

solving exists in high-involvement purchase situations for items such as automobiles and audio systems.

Limited Problem Solving

In limited problem solving, consumers typically seek some information or rely on a friend to help them evaluate alternatives. Several brands might be evaluated using a moderate number of attributes. Limited problem solving is appropriate for purchase situations that do not merit a great deal of time or effort, such as choosing a toaster or a restaurant for lunch.

Routine Problem Solving

For products such as table salt and milk, consumers recognize a problem, make a decision, and spend little effort seeking external information and evaluating alternatives. The purchase process for such items is virtually a habit and typifies low-involvement decision making. Routine problem solving is typically the case for low-priced, frequently purchased grocery products.

Consumer Involvement and Marketing Strategy



What is a behavioral explanation for why Post Cereals prominently displays heart-healthy claims on its packaging?

© Mike Hruby

Low and high consumer involvement have important implications for marketing strategy. If a company markets a low-involvement product and its brand is a market leader, attention is placed on (1) maintaining product quality, (2) avoiding stockout situations so that buyers don't substitute a competing brand, and (3) using

repetitive advertising messages that reinforce a consumer's knowledge or assure buyers they made the right choice. Market challengers have a different task. They must break buying habits by using free samples, coupons, and rebates to encourage trial of their brand. Advertising messages will focus on

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

getting their brand into a consumer's consideration set. For example, Campbell's V8 vegetable juice advertising message—"Could've Had a V8"—is targeted at consumers who routinely consider only fruit juices and soft drinks for purchase. Marketers can also link their brand attributes with high-involvement issues. Post Cereals does this by linking consumption of its whole grain cereals with improved heart health and protection against major diseases.

Page 129

Marketers of high-involvement products know that their consumers constantly seek and process information about objective and subjective brand attributes, form evaluative criteria, rate product attributes of various brands, and combine these ratings for an overall brand evaluation—like that described in the smartphone purchase decision. Market leaders ply consumers with product information through advertising and personal selling and use social media to create online experiences for their company or brand. Market challengers capitalize on this behavior through comparative advertising that focuses on existing product attributes and often introduce novel evaluative criteria for judging competing brands. Challengers also benefit from Internet search engines such as Microsoft Bing and Google that assist buyers of high-involvement products.

Situational Influences That Affect Purchase Decisions

Often the purchase situation will affect the purchase decision process. Five *situational influences* have an impact on the purchase decision process: (1) the purchase task, (2) social surroundings, (3) physical surroundings, (4) temporal effects, and (5) antecedent states.¹⁴

The purchase task is the reason for engaging in the decision. The search for information and the evaluation of alternatives may differ depending on whether the purchase is a gift, which often involves social visibility, or for the buyer's own use. Social surroundings, including the other people present when a purchase decision is made, may also affect what is purchased. Consumers accompanied by children buy about 40 percent more items than consumers shopping by themselves. Physical surroundings such as decor, music, and crowding in retail stores may alter how purchase decisions are made. Temporal effects such as time of day or the amount of time available will influence where consumers have breakfast and lunch and what is ordered. Finally, antecedent states, which include the consumer's mood or the amount of cash on hand, can influence purchase behavior and choice. For example, consumers with credit cards purchase more than those with cash or debit cards.

Figure 5–4 shows the many influences that affect the consumer purchase decision process. In addition to situational influences, the decision to buy a product also involves and is affected by important psychological and sociocultural influences. These two influences are covered in the remainder of this chapter. Marketing mix influences are described later in Part 4 of the book. **Chapter 21** elaborates on consumer behavior in the context of online information search and buying.



Figure 5–4 Influences on the consumer purchase decision process come from both internal and external sources.

learning review

- 5- What is the first stage in the consumer purchase decision
1. process?
- 5- The brands a consumer considers buying out of the set of
2. brands in a product class of which the consumer is aware are collectively called the_____.
- 5- What is the term for postpurchase anxiety?
3.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Page 130

PSYCHOLOGICAL INFLUENCES ON CONSUMER BEHAVIOR

LO 5-3

Identify the major psychological influences on consumer behavior.

Psychology helps marketers understand why and how consumers behave as they do. In particular, psychological concepts such as motivation and personality; perception; learning; values, beliefs, and attitudes; and lifestyle are useful for interpreting buying processes and directing marketing efforts.

Consumer Motivation and Personality

Motivation and personality are two familiar psychological concepts that have specific meanings and marketing implications. These concepts are closely related and are used to explain why people do some things and not others.

Motivation

Motivation is the energizing force that stimulates behavior to satisfy a need. Because consumer needs are the focus of the marketing concept, marketers try to arouse these needs.

An individual's needs are boundless. People possess physiological needs for basics such as water, shelter, and food. They also have learned needs, including self-esteem, achievement, and affection. Psychologists point out that these needs may be hierarchical; that is, once physiological needs are met, people seek to satisfy their learned needs.

VIDEO 5-1

Match.com

kerin.tv/13e/v5-1

Figure 5–5 shows one need hierarchy and classification scheme that contains five need classes.¹⁵ *Physiological needs* are basic to survival and must be satisfied first. A Red Lobster advertisement featuring a seafood salad attempts to activate the need for food. *Safety needs* involve self-preservation as well as physical and financial well-being.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Smoke detector and burglar alarm manufacturers focus on these needs, as do insurance companies and retirement plan advisors. *Social needs* are concerned with love and friendship. Dating services, such as Match.com and eHarmony, and fragrance companies try to arouse these needs. *Personal needs* include the need for achievement, status, prestige, and self-respect. The American Express Centurian Card and Brooks Brothers Clothiers appeal to these needs. Sometimes firms try to arouse multiple needs to stimulate problem recognition. Michelin has combined safety with parental love to promote tire replacement for automobiles. *Self-actualization needs* involve personal fulfillment. For example, a long-running U.S. Army recruiting program invited enlistees to “Be all you can be.”

Page 131

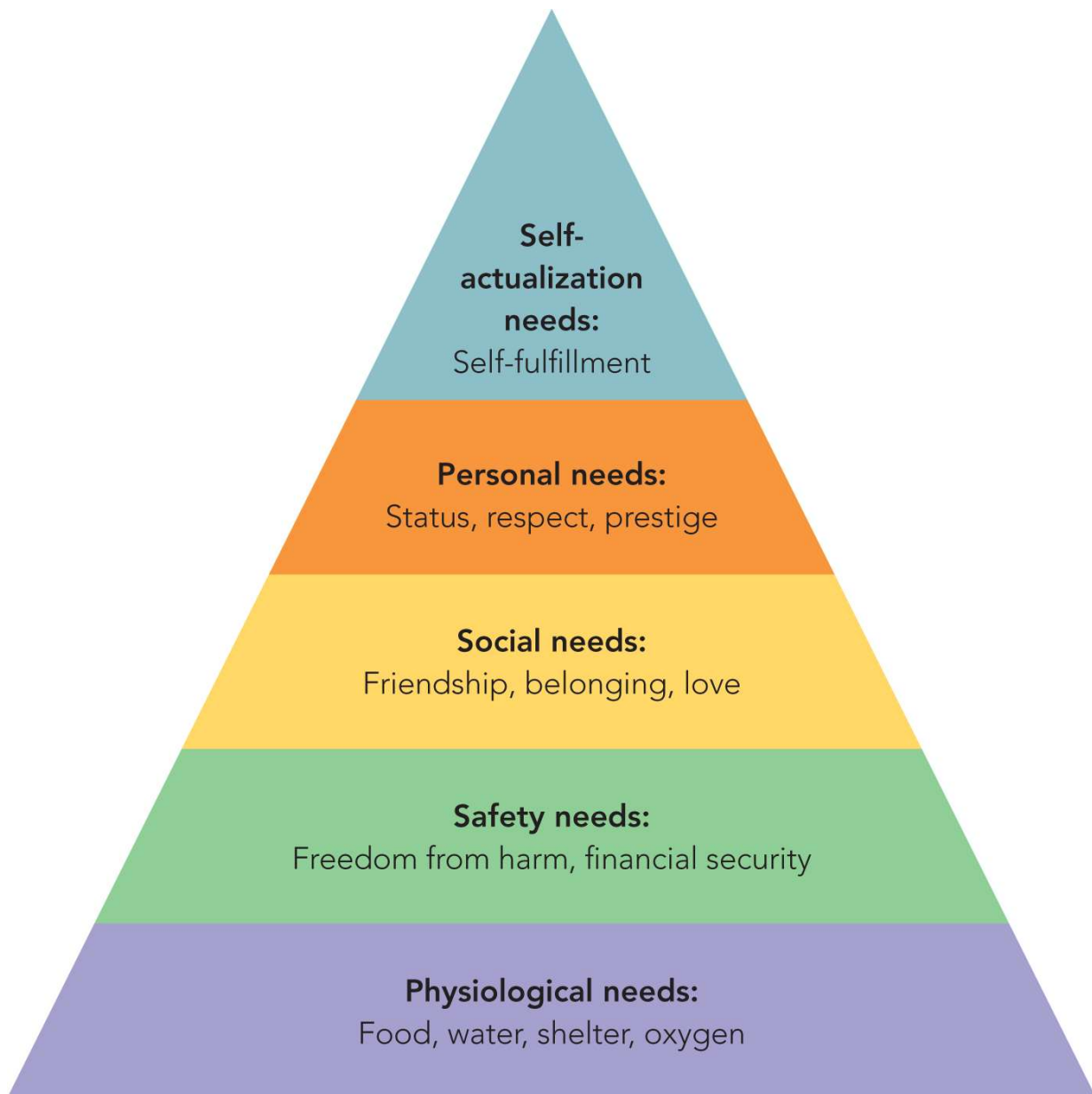


Figure 5–5 The Maslow hierarchy of needs is based on the idea that motivation comes from a need. If a need is met, it's no longer a motivator, so a higher-level need becomes the motivator. Higher-level needs demand support of lower-level needs.

Personality

While motivation is the energizing force that makes consumer behavior purposeful, a consumer's personality guides and directs behavior. **Personality** refers to a person's consistent behaviors or responses to recurring situations.

Although many personality theories exist, most identify *key traits*—enduring characteristics within a person or in his or her relationships with others. Such traits include assertiveness, extroversion, compliance, dominance, and aggression, among others. These traits are inherited or formed at an early age and change little over the years. Research suggests that compliant people prefer known brand names and use more mouthwash and toilet soaps. Aggressive types use razors, not electric shavers, apply more cologne and aftershave lotions, and purchase signature goods such as Gucci and Yves St. Laurent as an indicator of status.¹⁶

These personality characteristics are often revealed in a person's *self-concept*, which is the way people see themselves and the way they believe others see them. Marketers recognize that people have an actual self-concept and an ideal self-concept. The actual self refers to how people actually see themselves. The ideal self describes how people would like to see themselves.

These two self-images—actual and ideal—are reflected in the products and brands a person buys, including automobiles, home appliances and furnishings, magazines, consumer electronics, clothing, grooming and leisure products, and frequently, the stores in which a person shops. The importance of self-concept is summed up by a senior marketing executive at Lenovo, a global supplier of notebook computers: “The notebook market is getting more like cars. The car you drive reflects you, and notebooks are becoming a form of self-expression as well.”¹⁷

Consumer Perception

One person sees a Cadillac as a mark of achievement; another sees it as ostentatious. This is the result of **perception**—the process by which an individual selects, organizes, and interprets information to create a meaningful picture of the world.

Selective Perception

Because the average consumer operates in a complex environment, the human brain attempts to organize and interpret information with a process called *selective perception*, a filtering of exposure, comprehension, and retention. *Selective exposure* occurs when people pay attention to messages that are consistent with their attitudes and beliefs and ignore messages that are inconsistent with them.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Selective exposure often occurs in the postpurchase stage of the consumer decision process, when consumers read advertisements for the brand they just bought. It also occurs when a need exists—you are more likely to “see” a McDonald’s advertisement when you are hungry rather than after you have eaten a pizza.

Page 132

Selective comprehension involves interpreting information so that it is consistent with your attitudes and beliefs. A marketer’s failure to understand this can have disastrous results. For example, Toro introduced a small, lightweight snowblower called the Snow Pup. Even though the product worked, sales failed to meet expectations. Why? Toro later found out that consumers perceived the name to mean that Snow Pup was a toy or too light to do any serious snow removal. When the product was renamed Snow Master, sales increased sharply.¹⁸

Selective retention means that consumers do not remember all the information they see, read, or hear, even minutes after exposure to it. This affects the internal and external information search stage of the purchase decision process. This is why furniture and automobile retailers often give consumers product brochures to take home with them when they leave the showroom.

Because perception plays an important role in consumer behavior, it is not surprising that the topic of subliminal perception is a popular item for discussion. *Subliminal perception* means that you see or hear messages without being aware of them. The presence and effect of subliminal perception on behavior is a hotly debated issue, with more popular appeal than scientific support. Indeed, evidence suggests that such

messages have limited effects on behavior.¹⁹ If these messages did influence behavior, would their use be an ethical practice? (See the Making Responsible Decisions box.)²⁰

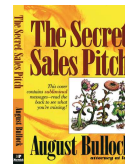
Making Responsible Decisions Ethics

The Ethics of Subliminal Messages

For over 50 years, the topic of subliminal perception and the presence of subliminal messages and images embedded in commercial communications have sparked heated debate.

The Federal Communications Commission has denounced subliminal messages as deceptive. Still, consumers spend \$50 million a year for subliminal messages designed to help them raise their self-esteem, stop compulsive buying, quit smoking, or lose weight. Almost two-thirds of U.S. consumers think subliminal messages are present in commercial communications; about half are firmly convinced that this practice can cause them to buy things they don't want.

Subliminal messages are not illegal in the United States, however, and marketers are often criticized for pursuing opportunities to create these messages in both electronic and print media. A book by August Bullock, *The Secret Sales Pitch*, is devoted to this topic. Bullock identifies images and advertisements that he claims contain subliminal messages and describes techniques that can be used for conveying these messages. Do you “see” the subliminal message that is embedded in the book's cover?



© 2004 by August Bullock. All Rights Reserved. Used with permission. The SecretSalesPitch.com

Do you believe that a marketer's attempts to implant subliminal messages in electronic and print media are a deceptive practice and unethical, regardless of their intent?

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Perceived Risk

Page 133

Perception plays a major role in the perceived risk in purchasing a product or service. **Perceived risk** represents the anxiety felt because the consumer cannot anticipate the outcomes of a purchase but believes there may be negative consequences. Examples of possible negative consequences are the size of the financial outlay required to buy the product (can I afford \$900 for those skis?), the risk of physical harm (is bungee jumping safe?), and the performance of the product (will the whitening toothpaste work?). A more abstract form is psychosocial (what will my friends say about my tattoo?).

Perceived risk affects a consumer's information search. The greater the perceived risk, the more extensive the external search stage is likely to be. For example, the average car shopper spends about 14 hours online researching cars and almost 4 hours visiting car dealerships when choosing a car.²¹



How did Colgate-Palmolive marketers allay consumers' perceived risk and change consumers' attitudes toward Colgate Total toothpaste to create a brand with over \$1 billion in sales worldwide? The answers appear in the text.

Colgate-Palmolive www.colgate.com

© Richard Levine/Alamy

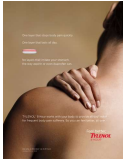
Recognizing the importance of perceived risk, companies develop strategies to reduce the consumer's perceived risk and encourage purchases. These strategies and examples of firms using them include the following:

- *Obtaining seals of approval:* The Good Housekeeping Seal for Fresh Step cat litter.
- *Securing endorsements from influential people:* Colgate-Palmolive secured the endorsements of dentists to make the claim that Colgate Total toothpaste is the #1 recommended toothpaste by most dentists.
- *Providing free trials of the product:* Samples of Mary Kay's Velocity fragrance.
- *Giving extensive usage instructions:* Clairol hair coloring.
- *Providing warranties and guarantees:* Kia Motors's 10-year, 100,000-mile limited powertrain warranty.

Consumer Learning

Much consumer behavior is learned. Consumers learn which information sources to consult for information about products and services, which evaluative criteria to use when assessing alternatives, and, more generally, how to make purchase decisions. **Learning** refers to those behaviors that result from (1) repeated experience and (2) reasoning.

Behavioral Learning



How does this advertisement for Tylenol 8-Hour apply to cognitive learning? Read the text to find out.

Tylenol www.tylenol.com

Source: McNeil Consumer Healthcare
Division of McNeil-PPC, Inc.

Behavioral learning is the process of developing automatic responses to a situation built up through repeated exposure to it. Four variables are central to how consumers learn from repeated experience: drive, cue, response, and reinforcement. A *drive* is a need that moves an individual to action. Drives, such as hunger, might be represented by motives. A *cue* is a stimulus or symbol perceived by consumers. A *response* is the action taken by a consumer to satisfy the drive.

Reinforcement is the reward. Being hungry (drive), a consumer sees a cue (a billboard), takes action (buys a sandwich), and receives a reward (it tastes great!).

Marketers use two concepts from behavioral learning theory. *Stimulus generalization* occurs when a response elicited by one stimulus (cue) is generalized to another stimulus. Using the same brand name for different products is an application of this concept, such as Tylenol Cold & Flu and Tylenol P.M. *Stimulus discrimination* refers to a person's ability to perceive differences in stimuli. Consumers' tendency to perceive all light beers as being alike led to Budweiser Light commercials that distinguished between many types of "light beers" and Bud Light.

Cognitive Learning

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Consumers also learn through thinking, reasoning, and mental problem solving without direct experience. This type of learning, called *cognitive learning*, involves making connections between two or more ideas or simply observing the outcomes of others' behaviors and adjusting your own accordingly. Firms also influence this type of learning. Through repetition in advertising, messages such as "Feel Better, Tylenol 8-Hour" link a brand (Tylenol 8-Hour) and an idea (pain reliever) by showing someone using the brand and finding relief.

Page 134

Brand Loyalty

Learning is also important to marketers because it relates to habit formation—the basis of routine problem solving. Furthermore, there is a close link between habits and **brand loyalty**, which is a favorable attitude toward and consistent purchase of a single brand over time. Brand loyalty results from the positive reinforcement of previous actions. A consumer reduces risk and saves time by consistently purchasing the same brand of shampoo and has favorable results—healthy, shining hair. There is evidence of brand loyalty in many commonly purchased products in the United States and the global marketplace. However, the incidence of brand loyalty appears to be declining in North America, Western Europe, and Japan.²²

Consumer Values, Beliefs, and Attitudes

Values, beliefs, and attitudes play a central role in consumer decision making and related marketing actions.

Attitude Formation

An **attitude** is a “learned predisposition to respond to an object or class of objects in a consistently favorable or unfavorable way.”²³ Attitudes are shaped by our values and beliefs, which are learned. Values vary by level of specificity. We speak of American core values, including material well-being and humanitarianism. We also have personal values, such as thriftiness and ambition. Marketers are concerned with both but focus mostly on personal values. Personal values affect attitudes by influencing the importance assigned to specific product attributes. Suppose thriftiness is one of your personal values. When you evaluate cars, fuel economy (a product attribute) becomes important. If you believe a specific car brand has this attribute, you are likely to have a favorable attitude toward it.

Beliefs also play a part in attitude formation. **Beliefs** are a consumer’s subjective perception of how a product or brand performs on different attributes. Beliefs are based on personal experience, advertising, and discussions with other people. Beliefs about product attributes are important because, along with personal values, they create the favorable or unfavorable attitude the consumer has toward certain products, services, and brands.

Attitude Change

Marketers use three approaches to try to change consumer attitudes toward products and brands, as illustrated in the following examples.²⁴

1. *Changing beliefs about the extent to which a brand has certain attributes.* To allay mothers’ concerns about ingredients in its mayonnaise, Hellmann’s successfully communicated the product’s high Omega 3 content, which is essential to human health.
2. *Changing the perceived importance of attributes.* Pepsi-Cola made freshness an important product attribute when it stamped freshness dates on its cans. Before doing so, few consumers considered cola freshness an issue. After Pepsi spent about \$25 million on advertising and promotion, a consumer survey found that 61 percent of cola drinkers believed freshness dating was an important attribute.

- 3.** *Adding new attributes to the product.* Colgate-Palmolive included a new antibacterial ingredient, triclosan, in its Colgate Total toothpaste and spent \$100 million marketing the brand. The result? Colgate Total toothpaste is now a billion-dollar-plus global brand.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Page 135

Consumer Lifestyle

Lifestyle is a mode of living that is identified by how people spend their time and resources, what they consider important in their environments, and what they think of themselves and the world around them. The analysis of consumer lifestyles, called *psychographics*, provides insights into consumer needs and wants. Lifestyle analysis has proven useful in segmenting and targeting consumers for new and existing products and services (see **Chapter 9**).

Psychographics is a catchall label used to describe a variety of segmentations such as those based on behaviors, attitudes, activities, interests, opinions, and social values. The practice of combining psychology, lifestyle, and demographics can be used to uncover consumer motivations for buying and using products and services; they are time-consuming and expensive to construct accurately and reliably. VALS™, owned and operated by Strategic Business Insights (SBI), is more than a lifestyle segmentation because VALS examines the intersection of psychology, demographics, and lifestyles.²⁵ VALS measures the enduring differences between people that explain and predict lifestyles meaningfully. Eight primary segments—personalities—are identified on the basis of motivations and resources (see **Figure 5–6**).

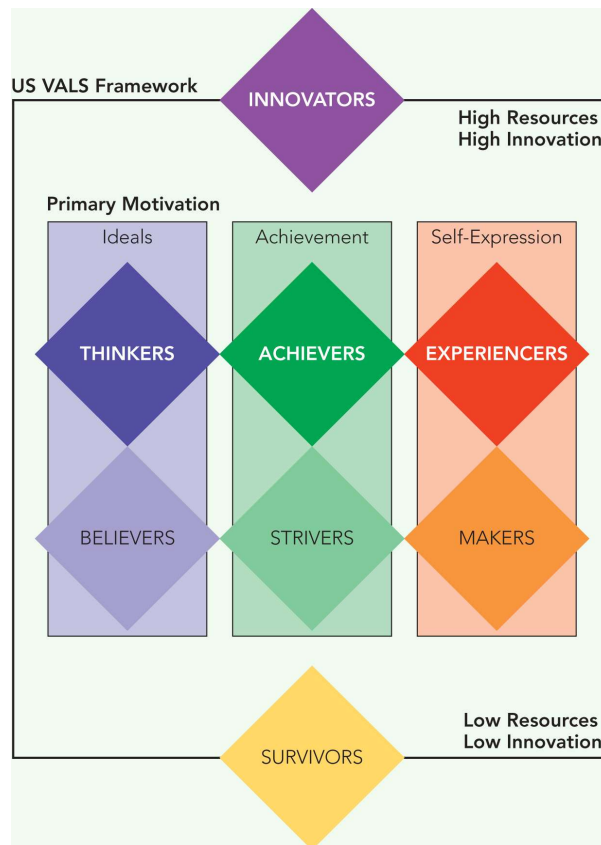


Figure 5–6 The VALS survey places individuals into one of the eight groups. The VALS framework is the visualization of the consumer groups. Consumers with abundant resources—psychological, emotional, and material means and capabilities—are near the top of the framework and those with minimal resources are at the bottom. Consumer groups within a motivation can be targeted together. For instance, a marketer may target Thinkers and Believers together.

www.strategicbusinessinsights.com/VALS © 2014 by Strategic Business Insights. All rights reserved. This version is for the United States only. Different frameworks are used for different countries. Used with permission.

According to SBI, consumers are motivated to buy products and services and seek life experiences that give shape, substance, and satisfaction to their lives. Consumers are driven by one of three motivations—ideals, achievement, and self-expression—that give

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

meaning to their self and the world and govern their activities. The different levels of resources enhance or constrain a person's expression of his or her primary motivation. Page 136

A person's resources include psychological, emotional, demographic and material capacities such as self-confidence, curiosity, risk-taking, age, and income. Before reading further, visit the VALS website discussed in the Marketing Insights About Me box. Complete the short survey to learn which segment best describes you.

Marketing Insights About Me

What Motivates You? Identifying Your VALS Profile

The VALS™ system run by Strategic Business Insights has identified eight unique consumer segments based on a person's primary motivation and resources. The text provides a brief description of each segment.



www.strategicbusinessinsights.com/vals © 2014 by Strategic Business Insights. All rights reserved. Used with permission..

Do you wish to know your VALS profile? If you do, respond to the questions on the VALS survey at www.strategicbusinessinsights.com. Simply click "VALS." Next, click the "Take the VALS Survey" link. In addition to obtaining your profile in real time, you can examine the characteristics of your own and other profiles in greater detail.

VALS explains why consumers who share the same demographics and lifestyles exhibit different behaviors and why consumers who do not share the same demographics or lifestyles exhibit the same behaviors for different reasons.

- *Ideals-motivated groups.* Consumers motivated by ideals are guided by knowledge and principles. High-resource *Thinkers* are mature, reflective, and information-seeking people who value order, knowledge, and responsibility. They are practical consumers who value durability and functionality in products over styling and newness. They are not brand loyal. Low-resource *Believers* are conservative, conventional people with concrete beliefs based on established codes: family, religion, community, and the nation. They choose familiar products and brands, favor American-made products, and are generally brand loyal.
- *Achievement-motivated groups.* Consumers motivated by achievement look for products and services that demonstrate success to their peers or to a group they aspire to. High-resource *Achievers* have busy, goal-directed lifestyles and a deep commitment to career and family. Image is important to them. They favor established, prestige products and services and are interested in time-saving devices to manage hectic schedules. Low-resource *Strivers* are trend followers. They seek fun to offset frequent, self-inflicted stress-producing situations. Many believe that life is unfair but they lack the education, skills, and tenacity to change their circumstances. Money defines success for them; however, they believe that success is the result of good luck, not hard work.
- *Self-expression-motivated groups.* Consumers motivated by self-expression desire social or physical activity, variety, and risk. High-resource *Experiencers* are young, enthusiastic, and impulsive consumers who become excited about new possibilities but are equally quick to cool. They seek to make an impact on their world. Their energy finds an outlet in exercise, sports, outdoor recreation, and social

activities. Much of their income is spent on technology, entertainment, and socializing. Form is more important than function because how something looks is very important to them. Low-resource *Makers* express themselves and experience the world by working on it—growing vegetables or fixing a car. They are practical people who have constructive skills, value self-sufficiency and independence, and are unimpressed by material possessions except those with a practical or functional purpose.

- PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

High- and low-resource groups. Two segments stand apart from primary motivation. High-resource *Innovators* are successful, sophisticated, take-charge people. Image is important to them, not as evidence of power or status, but as an expression of cultivated tastes, independent thinking, and character. They are early adopters and change leaders. Their lives are characterized by richness and variety. Low-resource *Survivors* focus on meeting basic needs—such as food, clothing and shelter, safety and security—rather than fulfilling desires. They represent a modest market for most products and services. They are loyal to favorite brands, especially if they can be purchased at a discount. Each segment receives and processes information differently and exhibits unique media preferences. For example, Experiencers are the most likely to visit Facebook and to read magazines. Makers and Achievers drive the most miles each week; therefore, they are the most likely segment to view outdoor advertising. Innovators and Thinkers are the most likely to read national newspapers. Survivors watch over 50 hours of television in an average week. GeoVALS™ estimates the percentage of each VALS group by zip code.

learning review

- 5- The problem with the Toro Snow Pup was an example of
- 4. selective _____.
- 5- What three attitude-change approaches are most common?
- 5.
- 5- What does *lifestyle* mean?
- 6.

SOCIOCULTURAL INFLUENCES ON CONSUMER BEHAVIOR

LO 5-4

Identify the major sociocultural influences on consumer behavior.

Sociocultural influences, which evolve from a consumer's formal and informal relationships with other people, also exert a significant impact on consumer behavior. These involve personal influence, reference groups, family influence, social class, culture, and subculture.

Personal Influence

A consumer's purchases are often influenced by the views, opinions, or behaviors of others. Two aspects of personal influence are very important to marketing: opinion leadership and word-of-mouth activity.

Opinion Leadership

Individuals who exert direct or indirect social influence over others are called **opinion leaders**. Opinion leaders are considered to be knowledgeable about or users of particular products and services, so their opinions influence others' choices.²⁶ Opinion leadership is widespread in the purchase of cars and trucks, entertainment, clothing and accessories, club membership, consumer electronics, vacation destinations, food,

and financial investments. A study by *Popular Mechanics* magazine identified 18 million opinion leaders who influence the purchases of some 85 million consumers for do-it-yourself products.

About 10 percent of U.S. adults are opinion leaders. Identifying, reaching, and influencing opinion leaders is a major challenge for companies. Some firms use actors or sports figures as spokespersons to represent their products. Others promote their products in media believed to reach opinion leaders. Still others use more direct approaches. For example, a carmaker recently invited influential community leaders and business executives to test-drive its new models. Some 6,000 accepted the offer, and 98 percent said they would recommend their tested car. The company estimated that the number of favorable recommendations totaled 32,000.



Companies use world-class athletes as spokespersons to represent their products, such as football player Eli Manning for Citizen watches.

Source: Citizen Watch Company of America, Inc.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Word of Mouth

Page 138

The influencing of people during conversations is called **word of mouth**. Word of mouth is the most powerful and authentic information source for consumers because it typically involves friends viewed as trustworthy. About 75 percent of all consumer conversations about brands happen face-to-face, 15 percent happen over the phone, and 10 percent happen online.²⁷ According to a recent study, 67 percent of U.S. consumer product sales are directly based on word-of-mouth activity among friends, family, and colleagues.²⁸

VIDEO 5-2

Dove

kerin.tv/13e/v5-2

The power of personal influence has prompted firms to promote positive and retard negative word of mouth. For instance, “teaser” advertising campaigns are run in advance of new-product introductions to stimulate conversations. Other techniques such as advertising slogans, music, and humor also heighten positive word of mouth. Many commercials shown during the Super Bowl are created expressly to initiate conversations about the advertisements and featured product or service the next day. Increasingly, companies recruit and deploy people to produce *buzz*—popularity created by consumer word of mouth. Read the Marketing Matters box to learn how this is done

by BzzAgent.²⁹ Then go to the video link in the margin to see a video of BzzAgent's campaign for Dove hair care products.

Marketing Matters

customer
value

BzzAgent—The Buzz Experience

Have you recently heard about a new product, movie, website, book, or restaurant from someone you know...or a complete stranger? If so, you may have had a word-of-mouth experience.

Marketers recognize the power of word of mouth. The challenge has been to harness that power. BzzAgent Inc. does just that. Its worldwide volunteer army of one million natural-born talkers channel their chatter toward products and services they deem authentically worth talking about, either online or in person. "Our goal is to capture honest word of mouth," says David Balter, BzzAgent's founder, "and to build a network that turns passionate customers into brand evangelists."

BzzAgent's method is simple. Once a client signs on with BzzAgent, the company searches its "agent" database for those who match the demographic and psychographic profile of the target market for a client's offering. Agents then can sign up for a buzz campaign and receive a sample product and a training manual for buzz-creating strategies. Each time an agent completes an activity, he or she is expected to file an online report describing the nature of the buzz and its effectiveness. BzzAgent coaches respond with encouragement and feedback on additional techniques.

Agents keep the products they promote. They also earn points redeemable for books, CDs, and other items by filing detailed reports. Who are the agents? About 65 percent are older than 25 and 70 percent are women. All are gregarious and genuinely like the product or service, otherwise they wouldn't participate in the buzz campaign.

Estée Lauder, Monster.com, Anheuser-Busch, Penguin Books, Lee, Michelin, Wrigley, Arby's, Nestlé, Hershey Foods, Procter & Gamble, Danone, and Volkswagen

have used BzzAgent. But BzzAgent's buzz isn't cheap, and not everything is buzz worthy. Deploying 1,000 agents on a 12-week campaign can cost a company \$95,000, exclusive of product samples. BzzAgent researches a product or service before committing to a campaign and rejects about 80 percent of the companies that seek its service. It also refuses campaigns for politicians, religious groups, and certain products, such as firearms. Interested in BzzAgent? Visit its website at www.bzzagent.com or www.facebook.com/bzzagent.

Unfortunately, word of mouth can also be a source of negative information. For example, consider the damaging (and untrue) rumors that have plagued Kmart (snake eggs in clothing), Taco Bell (beef content in taco meat filling), Corona Extra beer (contamination), and Snickers candy bars in Russia (a cause of diabetes). Overcoming or neutralizing negative word of mouth is difficult and costly. However, supplying factual information, providing toll-free numbers for consumers to call the company, and giving appropriate product demonstrations have proven helpful.

The power of word of mouth is magnified by the Internet through online forums, blogs, social media, and websites. In fact, companies use special software to monitor online messages and find out what consumers are saying about their products, services, and brands. They have found that 30 percent of people spreading negative information have never owned or used the product, service, or brand!³⁰

Reference Group Influence

Reference groups are people to whom an individual looks as a basis for self-appraisal or as a source of personal standards. Reference groups affect consumer purchases because they influence the information, attitudes, and aspiration levels that help set a consumer's

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

standards. For example, one of the first questions one asks others when planning to attend a social occasion is, “What are you going to wear?”

Page 139

Reference groups influence the purchase of luxury products rather than necessities—particularly when the use or consumption of a chosen brand will be highly visible to others.



The Harley Owners Group (HOG) has over 1 million members and is a prototypical brand community. Read the text to learn about the characteristics of a brand community.

© Joseph Eid/AFP/Getty Images

Consumers have many reference groups, but three groups have clear marketing implications.³¹ An *associative group* is one to which a person actually belongs, including fraternities and sororities and alumni associations. Such groups are easily identifiable and are targeted by firms selling insurance, insignia products, and charter vacations.

Associative reference groups can also form around a brand, as is the case with clubs like the HOG (Harley Owners Group), which is made up of Harley-Davidson fans. A **brand community** is a specialized group of consumers with a structured set of relationships involving a particular brand, fellow customers of that brand, and the product in use. A consumer who is a member of a brand community thinks about brand names (e.g., Harley-Davidson), the product category (e.g., motorcycles), other customers who use the brand (e.g., HOG members), and the marketer that makes and promotes the brand.

An *aspiration group* is one that a person wishes to be a member of or wishes to be identified with, such as a professional society or sports team. Firms frequently rely on

spokespeople or settings associated with their target market's aspiration group in their advertising.

A *dissociative group* is one that a person wishes to maintain a distance from because of differences in values or behaviors. Firms often avoid dissociative reference groups in their marketing. For example, retailer Abercrombie & Fitch once offered to pay cast members of the controversial TV reality show *Jersey Shore* to *not* wear its clothing. “We understand that the show is for entertainment purposes, but believe this association is contrary to the aspirational nature of our brand, and may be distressing to many of our fans,” the retailer stated.³²

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Page 140

Family Influence

Family influences on consumer behavior result from three sources: consumer socialization, passage through the family life cycle, and decision making within the family or household.

Consumer Socialization

The process by which people acquire the skills, knowledge, and attitudes necessary to function as consumers is called *consumer socialization*.³³ Children learn how to purchase (1) by interacting with adults in purchase situations and (2) through their own purchasing and product usage experiences. Research shows that children evidence brand preferences at age two, and these preferences often last a lifetime. This knowledge prompted the licensing of the well-known Craftsman brand name to MGA Entertainment for its children's line of My First Craftsman toys and power tools and Time Inc.'s *Sports Illustrated Kids*.

Family Life Cycle

Consumers act and purchase differently as they go through life. The **family life cycle** concept describes the distinct phases that a family progresses through from formation to retirement, each phase bringing with it identifiable purchasing behaviors.³⁴ **Figure 5–7** illustrates the traditional progression as well as contemporary variations of the family life cycle. Today, the *traditional family*—married couple with children younger than 18 years—constitutes just 21 percent of all U.S. households. The remaining 78

percent of U.S. households include single parents; unmarried couples; divorced, never-married, or widowed individuals; and older married couples whose children no longer live at home.

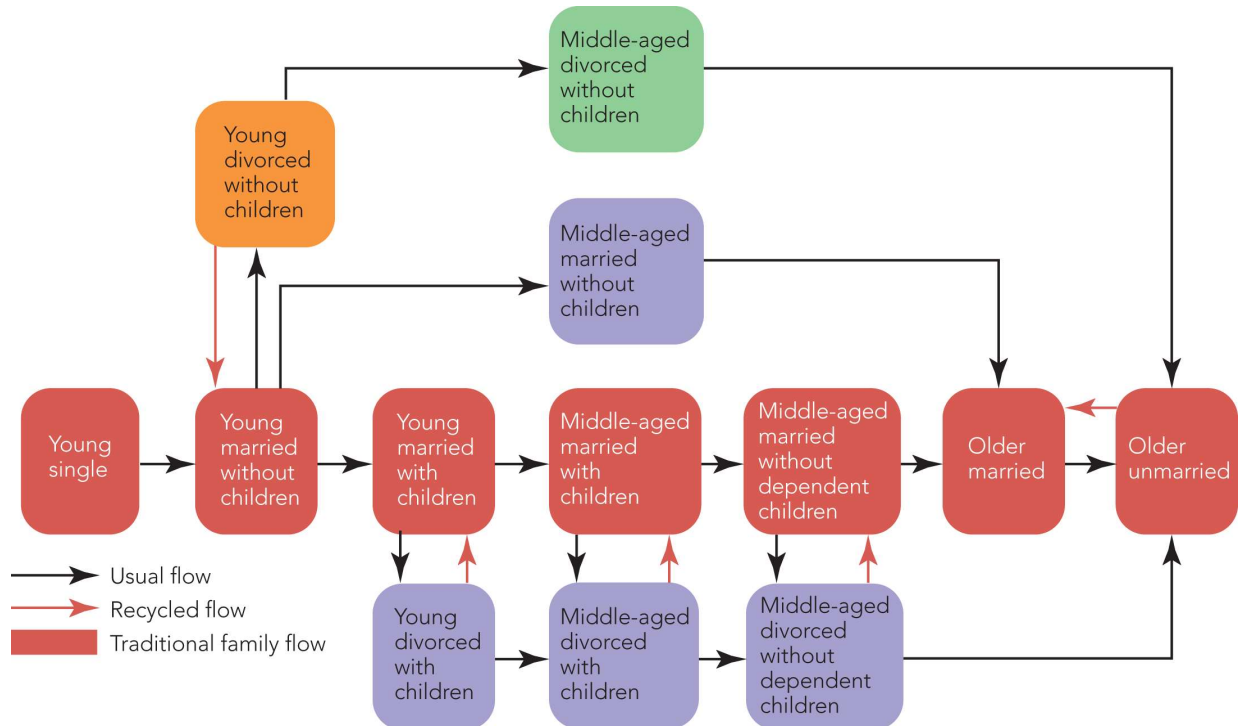


Figure 5–7 Modern family life cycle stages and flows. Can you identify people you know in different stages? Do they follow the purchase patterns described in the text?

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Young singles' buying preferences are for nondurable items, including prepared foods, clothing, personal care products, and entertainment. They represent a target market for recreational travel, automobile, and consumer electronics firms. Young married couples without children are typically more affluent than young singles because usually both spouses are employed. These couples exhibit preferences for furniture, housewares, and gift items for each other. Young marrieds with children are driven by the needs of their children. They make up a sizable market for life insurance, various children's products, and home furnishings. Single parents with children are the least financially secure of households with children. Their buying preferences are often affected by a limited economic status and tend toward convenience foods, child care services, and personal care items.

Page 141

Middle-aged married couples with children are typically better off financially than their younger counterparts. They are a significant market for leisure products and home improvement items. Middle-aged couples without children typically have a large amount of discretionary income. These couples buy better home furnishings, status automobiles, and financial services. Persons in the last two phases—older married and older unmarried—make up a sizable market for prescription drugs, medical services, vacation trips, and gifts for younger relatives.



Today, 31 percent of men in the United States are the primary grocery shoppers in their households. Marketers that supply the \$560 billion retail food industries are now adjusting store layouts and shelf placements to cater to men.

© Jochen Sand/Getty Images

Family Decision Making

A third source of family influence on consumer behavior involves the decision-making process that occurs within the family.³⁵ Two decision-making styles exist: spouse-dominant and joint decision making. With a joint decision-making style, most decisions are made by both husband and wife. Spouse-dominant decisions are those for which either the husband or the wife is mostly responsible. Research indicates that wives tend to have more say when purchasing groceries, children's toys, clothing, and medicines. Husbands tend to be more influential in home and car maintenance purchases. Joint decision making is common for cars, vacations, houses, home appliances and electronics, family finances, and medical care. As a rule, joint decision making increases with the education of the spouses.

Roles of individual family members in the purchase process are another element of family decision making. Five roles exist: (1) information gatherer, (2) influencer, (3) decision maker, (4) purchaser, and (5) user. Family members assume different

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

roles for different products and services. This knowledge is important to firms. For example, 89 percent of wives either influence or make outright purchases of men's clothing. Even though women are often the grocery decision makers, they are not necessarily the purchasers. Today, 31 percent of men are the primary grocery shoppers in their households.

Page 142

Increasingly, preteens and teenagers are the information gatherers, influencers, decision makers, and purchasers of products and services for the family, given the prevalence of working parents and single-parent households. The market for products bought by or for preteens and teenagers surpasses \$208 billion annually. These figures help explain why, for example, Johnson & Johnson, Apple, Kellogg, P&G, Nike, Sony, and Oscar Mayer, among countless other companies, spend more than \$70 billion annually in electronic and print media that reach preteens and teens.

Social Class Influence

A subtler influence on consumer behavior than direct contact with others is the social class to which people belong. **Social class** may be defined as the relatively permanent, homogeneous divisions in a society into which people sharing similar values, interests, and behavior can be grouped. A person's occupation, source of income (not level of income), and education determine his or her social class. Generally speaking, three major social class categories exist—upper, middle, and lower—with subcategories within each. This structure has been observed in the United States, Great Britain, Western Europe, and Latin America.³⁵

To some degree, persons within social classes exhibit common values, attitudes, beliefs, lifestyles, and buying behaviors. Compared with the middle classes, people in the lower classes have a more short-term time orientation, think in concrete rather than abstract terms, and see fewer personal opportunities. Members of the upper classes focus on achievements and the future and think in abstract or symbolic terms.

Companies use social class as a basis for identifying and reaching particularly good prospects for their products and services. For instance, JCPenney has historically appealed to the middle classes. *New Yorker* magazine reaches the upper classes. In general, people in the upper classes are targeted by companies for items such as financial investments, expensive cars, and formal evening wear. The middle classes represent a target market for home improvement centers, automobile parts stores, and personal hygiene products. Firms also recognize differences in media preferences among classes: lower and working classes prefer tabloid magazines; middle classes read fashion, romance, and celebrity (*People*) magazines; and upper classes tend to subscribe to literary, travel, and news magazines.

Culture and Subculture Influences

VIDEO 5-3

Nissan Ad

kerin.tv/13e/v5-3

As described in **Chapter 3**, *culture* refers to the set of values, ideas, and attitudes that are learned and shared among the members of a group. Thus, we often refer to the American culture, the Latin American culture, or the Japanese culture. Cultural underpinnings of American buying patterns were described in **Chapter 3**; **Chapter 7** will explore the role of culture in global marketing.

Subgroups within the larger, or national, culture with unique values, ideas, and attitudes are referred to as **subcultures**. Various subcultures exist within the American culture. The three largest racial/ethnic subcultures in the United States are Hispanics, African Americans, and Asian Americans. Collectively, they are expected to

account for more than one in four U.S. consumers and to spend almost \$4 trillion for goods and services in 2019, which will represent almost one-fifth percent of the United States' total buying power.³⁶ Each group exhibits sophisticated social and cultural behaviors that affect buying patterns, described next.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

Hispanic Buying Patterns

Page 143



Why does ACH Food Companies, Inc. advertise its Mazola Corn Oil in Spanish? Read the text for the answer. Mazola Corn Oil, www.mazola.com

Source: MAZOLA®, a registered trademark of ACH FOOD COMPANIES, Inc.

Hispanics represent the largest racial/ethnic subculture in the United States in terms of population and spending power. About 36 percent of Hispanics in the United States are immigrants, and the majority are under the age of 29. One-half of Hispanics are younger than 18.

Research on Hispanic buying practices has uncovered several consistent

patterns:³⁷

1. Hispanics are quality and brand conscious. They are willing to pay a premium price for premium quality and are often brand loyal.
2. Hispanics prefer buying American-made products, especially those offered by firms that cater to Hispanic needs.
3. Hispanic buying preferences are strongly influenced by family and peers.
4. Hispanics consider advertising a credible product information source, and U.S. firms spend about \$10 billion annually on advertising to Hispanics.

5. Convenience is not an important product attribute to Hispanic homemakers with respect to food preparation or consumption, nor is low caffeine in coffee and soft drinks, low fat in dairy products, or low cholesterol in packaged foods.

Despite some consistent buying patterns, marketing to Hispanics has proven to be a challenge for two reasons. First, the Hispanic subculture is diverse and composed of Mexicans, Puerto Ricans, Cubans, and others of Central and South American ancestry. Cultural differences among these nationalities often affect product preferences. For example, Campbell Soup Company sells its Casera line of soups, beans, and sauces using different recipes to appeal to Puerto Ricans on the East Coast and Mexicans in the Southwest. Second, a language barrier exists, and commercial messages are frequently misinterpreted when translated into Spanish. Volkswagen learned this lesson when the Spanish translation of its “Drivers Wanted” slogan suggested “chauffeurs wanted.” The Spanish slogan was changed to “*Agarra Calle*,” a slang expression that can be loosely translated as “let’s hit the road.”

Sensitivity to the unique needs of Hispanics by firms has paid huge dividends. For example, Metropolitan Life Insurance is the largest insurer of Hispanics. Goya Foods dominates the market for ethnic food products sold to Hispanics. Mazola Corn Oil captures two-thirds of the Hispanic market for this product category. Time, Inc. has more than 750,000 subscribers to its *People en Español*.

African American Buying Patterns



African American women represent a large market for health and beauty products. Cosmetics companies actively seek to serve this market.

The Advertising Archives

African Americans have the second-largest spending power of the three racial/ethnic subcultures in the United States. Consumer research on African American buying patterns has focused on similarities and differences with Caucasians. When socioeconomic status differences between African Americans and Caucasians are removed, there are more similarities than points of

difference. Differences in buying patterns are greater within the African American subculture, due to levels of socioeconomic status, than between African Americans and Caucasians of similar status.

Even though similarities outweigh differences, there are consumption patterns that do differ between African Americans and Caucasians.³⁸ For example, African Americans spend far more than Caucasians on boys' clothing, rental goods smartphones, and audio equipment. African American women spend three times more on health and beauty products than Caucasian women. Furthermore, the typical African American family is five years younger than the typical Caucasian family. This factor alone accounts for some of the observed differences in preferences for clothing, music, shelter, cars, and many other products, services, and activities. Finally, it must be emphasized that, historically, African Americans have been deprived of employment and educational opportunities in the United States. Both factors have resulted in

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

income disparities between African Americans and Caucasians, which influence purchase behavior.

Page 144

Recent research indicates that while African Americans are price conscious, they are strongly motivated by quality and choice. They respond more to products and advertising that appeal to African American cultural images, as well as address their ethnic features and needs regardless of socioeconomic status. African Americans are much more likely to tell their friends about products and services they like than the general public as a whole.

Asian American Buying Patterns

Asian Americans are the fastest-growing racial/ethnic subculture in the United States. About 70 percent of Asian Americans are immigrants. Most are under the age of 30.

The Asian subculture is composed of Chinese, Japanese, Filipinos, Koreans, Asian Indians, people from Southeast Asia, and Pacific Islanders. The diversity of the Asian subculture is so great that generalizations about buying patterns of this group are difficult to make.³⁹ Consumer research on Asian Americans suggests that individuals and families can be divided into two groups. *Assimilated* Asian Americans are conversant in English, highly educated, hold professional and managerial positions, and exhibit buying patterns very much like the typical American consumer. *Nonassimilated* Asian Americans are recent immigrants who still cling to their native languages and customs.

The diversity of Asian Americans evident in language, customs, and tastes requires marketers to be sensitive to different Asian nationalities. For example, Anheuser-Busch's agricultural products division sells eight varieties of California-grown rice, each with a different Asian label to cover a range of nationalities and tastes. The company's advertising also addresses the preferences of Chinese, Japanese, and Koreans for different kinds of rice bowls. McDonald's actively markets to Asian Americans. According to a company executive, "We recognize diversity in this market. We try to make our messages in the language they prefer to see them."

Studies show that the Asian American subculture as a whole is characterized by hard work, strong family ties, appreciation for education, and median family incomes exceeding those of any other ethnic group. This subculture is also the most entrepreneurial in the United States, as evidenced by the number of Asian-owned businesses. These qualities led Metropolitan Life Insurance to identify Asian Americans as a target for insurance following the company's success in marketing to Hispanics.

learning review

- 5- What are the two primary forms of personal influence?
- 7.
- 5- Marketers are concerned with which types of reference
- 8. groups?
- 5- What two challenges must marketers overcome when
- 9. marketing to Hispanic consumers?

LEARNING OBJECTIVES REVIEW

LO 5-1 *Describe the stages in the consumer purchase decision process.*

The consumer purchase decision process consists of five stages. They are problem recognition, information search, alternative evaluation, purchase decision, and postpurchase behavior. Problem recognition is perceiving a difference between a

person's ideal and actual situation big enough to trigger a decision. Information search involves remembering previous purchase experiences (internal search) and external search behavior such as seeking information from other sources. Alternative evaluation clarifies the problem for the consumer by (a) suggesting the evaluative criteria to use for the purchase, (b)

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

yielding brand names that might meet the criteria, and (c) developing consumer value perceptions. The purchase decision involves the choice of an alternative, including from whom to buy and when to buy. Postpurchase behavior involves the comparison of the chosen alternative with a consumer's expectations, which leads to satisfaction or dissatisfaction and subsequent purchase behavior.

Page 145

LO 5-2 *Distinguish among three variations of the consumer purchase decision process: extended, limited, and routine problem solving.*

Consumers don't always engage in the five-stage purchase decision process. Instead, they skip or minimize one or more stages depending on the level of involvement—the personal, social, and economic significance of the purchase. For high-involvement purchase occasions, each of the five stages of the consumer purchase decision process is used and considerable time and effort are devoted to the search for external information and the identification and evaluation of alternatives. With limited problem solving, consumers typically seek some information or rely on a friend to help them evaluate alternatives. For low-involvement purchase occasions, consumers engage in routine problem solving. They recognize a problem, make a decision, and spend little effort seeking external information and evaluating alternatives.

LO 5-3 *Identify the major psychological influences on consumer behavior.*

Psychology helps marketers understand why and how consumers behave as they do. In particular, psychological concepts such as motivation and personality, perception,

learning, values, beliefs and attitudes, and lifestyle are useful for interpreting buying processes. Motivation is the energizing force that stimulates behavior to satisfy a need. Personality refers to a person's consistent behaviors or responses to recurring situations. Perception is the process by which an individual selects, organizes, and interprets information to create a meaningful picture of the world. Consumers filter information through selective exposure, comprehension, and retention.

Much consumer behavior is learned. Learning refers to those behaviors that result from (a) repeated experience and (b) reasoning. Brand loyalty results from learning. Values, beliefs, and attitudes are also learned and influence how consumers evaluate products, services, and brands. A more general concept is lifestyle. Lifestyle, also called psychographics, combines psychology and demographics and focuses on how people spend their time and resources, what they consider important in their environment, and what they think of themselves and the world around them.

LO 5-4 *Identify the major sociocultural influences on consumer behavior.*

Sociocultural influences, which evolve from a consumer's formal and informal relationships with other people, also affect consumer behavior. These involve personal influence, reference groups, the family, social class, culture, and subculture. Opinion leadership and word-of-mouth behavior are two major sources of personal influence on consumer behavior. Reference groups are people to whom an individual looks as a basis for self-approval or as a source of personal standards. Family influences on consumer behavior result from three sources: consumer socialization, passage through the family life cycle, and decision making within the family or household. Persons within social classes tend to exhibit common values, attitudes, beliefs, lifestyles, and buying behavior. Finally, a person's culture and subculture have been shown to influence product preferences and buying patterns.

LEARNING REVIEW ANSWERS

5-1 **What is the first stage in the consumer purchase decision process?**

Answer: problem recognition—perceiving a need

5-2 The brands a consumer considers buying out of the set of brands in a product class of which the consumer is aware are collectively called the _____.

Answer: consideration set

5-3 What is the term for postpurchase anxiety?

Answer: cognitive dissonance

5-4 The problem with the Toro Snow Pup was an example of selective _____.

Answer: comprehension—consumers perceived the name to mean that Snow Pup was a toy that was too light to do any serious snow removal.

5-5 What three attitude-change approaches are most common?

Answer: (1) Change beliefs about the extent to which a brand has certain attributes. (2) Change the perceived importance of these attributes. (3) Add new attributes to the product.

5-6 What does *lifestyle* mean?

Answer: Lifestyle is a mode of living that is identified by how people spend their time and resources, what they consider important in their environment, and what they think of themselves and the world around them.

5-7 What are the two primary forms of personal influence?

Answer: (1) Opinion leadership—persons considered to be knowledgeable about or users of particular products and services and (2) word of mouth—the influencing of people (friends, family, and colleagues) during conversations.

5-8 Marketers are concerned with which types of reference groups?

Answer: Three reference groups have clear marketing

implications: (1) associative groups—ones to which a person actually belongs, such as a brand community that consists of a specialized group of consumers with a structured set of relationships involving a particular brand; (2) aspiration groups—ones that people wish to be a member of or identified with; and (3) dissociative groups—ones that people wish to maintain a distance from because of differences in values or behaviors.

5-9 What two challenges must marketers overcome when marketing to Hispanic consumers?

Answer: (1) The diversity of nationalities among this subculture that affect product preferences and (2) the language barrier that can lead to misinterpretation or mistranslation of commercial messages when translated into Spanish.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

FOCUSING ON KEY TERMS

attitude , 134
beliefs , 134
brand community , 139
brand loyalty , 134
consumer behavior , 123
family life cycle , 140
involvement , 127
learning , 133
motivation , 130
opinion leaders , 137
perceived risk , 133
perception , 131
personality , 131
purchase decision process , 124
reference groups , 138
social class , 142

subcultures , 142

word of mouth , 138

APPLYING MARKETING KNOWLEDGE

1. Review **Figure 5–2**, which shows common smartphone attributes. Which attributes are important to you? What other attributes might you consider? Which brand would you prefer?
2. Suppose research at Panasonic reveals that prospective buyers are anxious about buying high-definition television sets. What strategies might you recommend to the company to reduce consumer anxiety?
3. Assign one or more levels of the Maslow hierarchy of needs described in **Figure 5–5** to the following products: (a) life insurance, (b) cosmetics, (c) *The Wall Street Journal*, and (d) hamburgers.
4. With which stage in the family life cycle would the purchase of the following products and services be most closely identified? (a) bedroom furniture, (b) life insurance, (c) a Caribbean cruise, (d) a house mortgage, and (e) children's toys.

BUILDING YOUR MARKETING PLAN

To conduct a consumer analysis for the product—the good, service, or idea—in your marketing plan:

1. Identify the consumers who are most likely to buy your product—the primary target market—in terms of (a) their demographic characteristics and (b) any other kind of characteristics you believe are important.

2. Describe (a) the main points of difference of your product for this group and (b) what problem they help solve for the consumer in terms of the first stage in the consumer purchase decision process in **Figure 5-1**.
3. For each of the four outside boxes in **Figure 5-4** (marketing mix, psychological, sociocultural, and situational influences), identify the one or two key influences with respect to your product.

This consumer analysis will provide the foundation for the marketing mix actions you develop later in your plan.

Video Case 5

Video Case 5: Groupon: Helping Consumers with Purchase Decisions



VIDEO 5-4

Groupon Video Case

kerin.tv/13e/v5-4

University of Chicago graduate student Andrew Mason was in a rut. “There’s so much to do in Chicago,” he explains, “but I found myself going to the same movie theaters and restaurants.”

To help people like him try new places, Mason started a website that offered coupons to large groups. He reasoned that people would try something new if the price was low enough, and that businesses would offer low prices if they knew they could sell a large quantity. The result was Groupon, a company that offers “group coupons” in deal-of-the-day offerings for local or national businesses. Consumers love the concept, buying everything from restaurant certificates, to yoga lessons, to tickets to

a museum exhibit. “We think the Internet has the potential to change the way people discover and buy from local businesses,” says Mason.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

THE COMPANY AND Groupon CONCEPT

Page 147

Mason started with a website called ThePoint.org, which was designed to organize campaigns, protests, boycotts, and fund-raising drives for important social issues. ThePoint was not successful but it provided the concept of making offers that are carried out only if enough people commit to participate in them. With that idea Mason launched Groupon in October 2008 with a two-pizzas-for-the-price-of-one offer at the Motel Bar, located in the same building where The-Point rented space. The concept quickly grew in Chicago and Groupon expanded into other U.S. cities and then into other countries. Today Groupon is available in 375 American cities and 48 countries, and its subscriber base has grown from 400 in 2008 to 200 million today. In its fourth full year of operation, Groupon generated \$5.4 billion in gross billings.

Part of Groupon's success is the simplicity of its business model—offer subscribers at least one deal in their city each day. The unique aspect of the concept is that a certain number of people need to buy into the offer before the coupon discount is valid. Approximately 95 percent of Groupon offers “tip,” or reach the number of buyers required by the merchant. Once the minimum number is met, Groupon and the merchant split the revenue. For example, a yoga studio might offer a \$100 membership for \$50 if 200 people participate in the offer. Once 200 consumers have indicated interest, the deal “tips” and Groupon and the yoga studio each receive 50 percent of the revenue. Everyone wins. Consumers receive an exceptional value, the merchant obtains new customers without any advertising cost, and Groupon generates revenue for creating value in the marketplace.

Many of the deals have generated extraordinary demand. The Joffrey Ballet, for example, sold 2,338 season subscriptions, doubling its subscriber base in one day! Similarly, consumers purchased 445,000 Groupons offering \$50 worth of merchandise for \$25 at the Gap and 6,561 tickets to a King Tut exhibit in New York's Times Square for half price at \$18 apiece. The most popular offering so far was a \$25 ticket for an architectural boat tour in Chicago for \$12. Groupon sold 19,822 tickets in eight hours! The company's attention to customer satisfaction ensures success stories like these. "We have a policy called 'The Groupon Promise' that any customer can return a Groupon, no questions asked—even if they used it—if they feel like Groupon has let them down," explains Mason. Groupon's success has attracted many more merchants than it can accommodate. In fact, only about 12 percent of all merchants that contact Groupon are selected to offer a deal.



© Daniel Acker/Bloomberg via Getty Images

In addition to the deal-of-the-day offerings, Groupon has several other services. GrouponLive offers deals to obtain tickets to sporting events, concerts, theatrical performances, and other forms of live entertainment. Groupon Getaways offers travel experiences in two forms—as a specific booking or as a voucher where consumers make a separate reservation. Groupon Goods features deals on new and innovative products. Finally, Groupon is testing a concept it calls “Pull,”

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

which enables customers to search among thousands of deals that they can Page 148
buy and use instantly. To use the service, consumers log on to the Groupon
Mobile app on their smartphone and select “Nearby.” The app then determines the
location of the consumer and displays a map of nearby deals. More than 40 million
people have downloaded the Groupon Mobile app, and approximately 45 percent of
Groupon’s transactions in the United States are completed from a mobile device.

Groupon’s growth is evident in some amazing numbers. The company has offered more than 400 million deals, with over 500,000 merchant partners, and employs 11,000 people around the globe. In addition, Groupon has created a market of consumer deal hunters that includes its 41.7 million active customers and an industry of approximately 500 competitive deal services. The competitors include LivingSocial, Amazon Local, Google Offers, Plum District, Tippr, Bloomspot, Scoutmob, and many others. While the industry is large and growing, the competition has been intense, leading Facebook, Yahoo!, and others to test social-buying deal services but discontinue the offerings.

USING COUPONS TO INFLUENCE CONSUMERS’ BUYING BEHAVIOR

“Part of the reason that Groupon has grown as quickly as it has is because we really understand consumer behavior,” explains Julie Mossler, public relations & consumer marketing manager at Groupon. Generally, Groupon consumers follow the same purchase decision process common to many consumer purchases. The first stage, problem recognition, may be triggered by an e-mail or an appointment to have

lunch with friends. Groupon deal-of-the-day e-mail messages, for example, often present consumers with an opportunity to do something they wouldn't ordinarily do—take sky-diving lessons or subscribe to the ballet. Groupon Nearby presents real-time offers on smartphone apps in response to an immediate need in a specific location. While the two types of offers generate different types of purchases, they both begin the purchase process.

The second stage, information search, may simply be a review of previous experiences with the merchant making the offer, online comparisons with competitors, or discussions with friends on Facebook or Twitter. In fact, the collective buying aspect of Groupon encourages subscribers to share promotions with family and friends to increase the chances of reaching the required number of buyers.

In the alternative evaluation stage many Groupon customers focus on price as the most important evaluative criteria, although other aspects such as quantity or time restrictions may be considered. The Groupon Nearby offers, for example, may be valid only on specific days or during short windows of time. Piece Brewery & Pizzeria in Chicago, for example, used Groupon to sell a \$30 coupon for \$20 valid only during its slow periods—11 A.M. to 3 P.M. Tuesday through Thursday.

The fourth stage, the purchase decision, is made online and then confirmed when the deals tip. Bo Hurd, national sales manager at Groupon, believes that the purchase stage is unique for Groupon users. He explains, “the fact that [consumers] have put money on the line...is driving them from the online piece, to the computers...to do something, to try something.” Finally, after the purchase consumers compare their experience with their expectations to determine if they are satisfied or dissatisfied.

Psychological, sociocultural, and situational factors also influence Groupon users' purchase behavior. The recession has increased the importance of personal values such as thriftiness, so deal-prone people who were attracted to websites such as Gilt in fashion and Woot in consumer electronics are also attracted to Groupon. The typical Groupon user is an 18- to 34-year-old woman with an average income of about \$70,000. This is significant because this group's affinity to social media enables the use of Groupon, which depends on e-mail and smartphone apps to reach

its customers. Specific situations such as planning entertainment activities, finding a close restaurant for lunch, or buying a gift are also common to Groupon users. As Groupon has learned more about its subscribers, it has begun personalizing the deals they see. The company uses variables such as gender, location of residence or office, and buying history to match deals with the customers. This process provides offers that are more likely to be of interest to consumers and allows Groupon to serve more merchants.

GROUPON CHALLENGES

As popular as Groupon has become, it does face three challenges. The first challenge is related to the use of coupons. Some consumers buy the coupons but never use them, eventually leaving them dissatisfied and unlikely to use Groupon again. Some consumers use the coupons but do not become regular customers. Because of the deep discounts used to sell the Groupons, most of the deals are not profitable for the merchants, so they are dissatisfied if the Groupon users do not make repeat purchases. David Perlman, owner of the Essex restaurant in New York City, for example, offered deals on Groupon and Open Table, selling 1,500 and 1,000 coupons, respectively. Now he is

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

comparing the diners each deal brought in to determine which group has generated more repeat customers. Some merchants are also concerned that frequent discounting could discourage customers from ever making purchases without a discount.

Page 149

Another challenge facing Groupon is managing its growth. The company has expanded into Europe, Latin America, Asia, and Russia by acquiring local daily deal services. For example, in Europe it purchased CityDeal, in Russia it purchased Darberry, and in Japan it purchased Qpod. It also acquired sites with customer bases in Hong Kong, Singapore, Taiwan, and the Philippines. As a result, Groupon currently has more subscribers abroad than in the United States, although more deals are still sold in the United States. According to Groupon Co-CEO Eric Lefkofsky, “We’re applying our North American playbook to our international business in order to standardize systems and processes.” As Groupon continues to grow, it anticipates that it must also develop a comprehensive understanding of the differences in international buying behaviors.

Finally, Groupon faces an extraordinary level of competition. Part of the problem is that the daily deal technology is not very sophisticated and the model is easy to copy. Manufacturers, large retailers, and small businesses are all trying the concept. ConAgra has offered a group coupon deal for its Healthy Choice brand through a Facebook app, Walmart launched its own deal-of-the-day coupon service, and some businesses use recently developed plug-and-play software that



© Iain Masterton/Alamy

helps build deals into their websites. Mason hopes that Groupon Nearby is one answer to this challenge because it is much more difficult to replicate. “We have always been thinking about how to solve these fundamental problems of our model. We have known since very early on that some form of real-time deal optimization is where this had to go,” he explains.

Groupon’s success is the result of a simple and effective business model and an insightful understanding of consumer behavior. In the future Groupon’s strategies will require continued attention to understanding consumers around the globe. Mossler explains: “Groupon has been heralded as the fastest-growing company of all time, and the reason for that is because we have solved this unsolvable problem, which is how do you engage with local customers. The model really works anywhere as long as you adapt for local communities.”⁴⁰

Questions

1. How has an understanding of consumer behavior helped Groupon grow from 400 subscribers in Chicago in 2008 to 200 million subscribers in 48 countries today?
2. What is the Groupon Promise? How does the Groupon Promise affect a consumer’s perceived risk and cognitive dissonance?
3. Describe the five-stage purchase decision process for a typical Groupon user.
4. What are possible psychological and sociological influences on the Groupon consumer purchase decision process?
5. What challenges does Groupon face in the future? What actions would you recommend related to each challenge?

Chapter Notes

1. "Americans Rethinking How They Buy Cars," *money.msn.com*, April 4, 2014; "Car-Buying Tips Men Can Learn from Women," *www.lease-trader.com*, January 30, 2012; "New Efforts to Shorten the Car-Buying Process," *The Wall Street Journal*, February 27, 2013, p. D3; Jerry Hirsh, "Car Buying: How Men and Women Compare," *www.latimes.com*, April 7, 2011; "What Matters the Most When People Buy Cars," *BrandWeek*, October 11, 2010, p. 23; "Gender Wars and Car Shopping: Men Want Power, Women Want Cloth Seats," *www.autos.aol.com*, July 16, 2010; and Michael J. Silverstein and Kate Sayre, "The Female Economy," *Harvard Business Review*, September 2009, pp. 46–53.

2. Roger D. Blackwell, Paul W. Miniard, and James F. Engel, *Consumer Behavior*, 10th ed. (Mason, OH: South-Western Publishing, 2006).

3. For thorough descriptions of consumer expertise, see Joseph W. Alba and J. Wesley Hutchinson, "Knowledge Calibration: What Consumers Know and What They Think They Know," *Journal of Consumer Research*, September 2000, pp. 123–57.

4. For in-depth studies on external information search patterns, see Brian T. Ratchford, Debabrata Talukdar, and Myung-Soo Lee, "The Impact of the Internet on Consumers' Use of Information Sources for Automobiles: A Re-Inquiry," *Journal of Consumer Research*, June 2007, pp. 111–19; Joel E. Urbany, Peter R. Dickson, and William L. Wilkie, "Buyer Uncertainty and Information Search," *Journal of Consumer Research*, March 1992, pp. 452–63; and Sharon E. Beatty and Scott M. Smith, "External Search Effort: An Investigation across Several Product Categories," *Journal of Consumer Research*, June 1987, pp. 83–95.

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

5. "The 10 Best Smartphones," www.pcmag.com, March 18, 2015; "Ten Best Smartphones in the U.S.," www.techradar.com, April 4, 2015.

6. For an extended discussion on evaluative criteria, see Delbert I. Hawkins, David L. Mothersbaugh, and Roger Best, *Consumer Behavior: Building Marketing Strategy*, 12th ed. (Burr Ridge, IL: McGraw-Hill/Irwin, 2013).

7. John A. Howard, *Buyer Behavior in Marketing Strategy*, 2nd ed. (Englewood Cliffs, NJ: Prentice Hall, 1994). For an extended discussion on consumer choice sets, see Allan D. Shocker, Moshe Ben-Akiva, Brun Boccara, and Prakesh Nedungadi, "Consideration Set Influences on Consumer Decision Making and Choice: Issues, Models, and Suggestions," *Marketing Letters*, August 1991, pp. 181–98.

8. Robert J. Donovan, John R. Rossiter, Gillian Marcolyn, and Andrew Nesdale, "Store Atmosphere and Purchasing Behavior," *Journal of Retailing*, Fall 1994, pp. 283–94; and Eric A. Greenleaf and Donald R. Lehmann, "Reasons for Substantial Delay in Consumer Decision Making," *Journal of Consumer Research*, September 1995, pp. 186–99.

9. "Phone-Wielding Shoppers Strike Fear into Retailers," *The Wall Street Journal*, December 16, 2010, pp. A1, A9.

10. Sunil Gupta and Valarie Zeithaml, "Customer Metrics and Their Impact on Financial Performance," *Marketing Science*, November–December 2006, pp. 718–39.

11. These estimates are given in Jagdish N. Sheth and Banwari Mitral, *Consumer Behavior*, 2nd ed. (Mason, OH: South-Western Publishing, 2003), p. 32.

12. For an in-depth examination of this topic, see "Car Buyers Are Most Loyal to These Brands," *cnbc.com*, July 2, 2014; and Sunil Gupta and Donald R. Lehmann, *Managing Customers as Investments* (Upper Saddle River, NJ: Pearson Education, Inc., 2005).

13. For an overview of research on involvement, see Wayne D. Hoyer, Deborah J. MacInnis, and Rik Pieters, *Consumer Behavior*, 6th ed. (Florence, KY: South-Western Education Publishing, 2013).

14. Russell Belk, "Situational Variables and Consumer Behavior," *Journal of Consumer Research*, December 1975, pp. 157–63. The examples in this section are taken from Martin Lindstrom, *buy.ology: Truth and Lies about Why We Buy* (New York: Doubleday Publishing, 2008).

15. A. H. Maslow, *Motivation and Personality* (New York: Harper & Row, 1970). Also see Richard Yalch and Frederic Brunel, "Need Hierarchies in Consumer Judgments of Product Design: Is It Time to Reconsider Maslow's Hierarchy?" in Kim Corfman and John Lynch, eds., *Advances in Consumer Research* (Provo, UT: Association for Consumer Research, 1996), pp. 405–10.

16. Bernardo J. Carducci, *The Psychology of Personality*, 2nd ed. (Oxford, UK: John Wiley & Sons, 2009), pp. 182–84.

17. Jane Spencer, "Lenovo Puts Style in New Laptop," *The Wall Street Journal*, January 3, 2008, p. B5.

18. This example is provided in Michael R. Solomon, *Consumer Behavior*, 4th ed. (Upper Saddle River, NJ: Prentice Hall, 1999), p. 59.

19. For further reading on subliminal perception, see Lindstrom, *buy.ology*; B. Bahrami, N. Lavie, and G. Rees, "Attentional Load Modulates Responses of Human Primary Visual Cortex to Invisible Stimuli," *Current Biology*, March 2007, pp. 39–47; and J. Karremans, W. Stroebe, and J. Claus, "Beyond Vicary's Fantasies: The Impact of Subliminal Priming and Brand Choice," *Journal of Experimental Social Psychology* 42 (2006), pp. 792–98.

20. August Bullock, *The Secret Sales Pitch* (San Jose, CA: Norwich Publishers, 2004); and Dave Lakhani, *Subliminal Persuasion* (Hoboken, NJ: John Wiley & Sons, 2008).

21. "Say Goodbye to the Car Salesman," *The Wall Street Journal*, November 21, 2013, pp. B1, B6.

22. Steve Olenski, "Is Brand Loyalty Dying a Slow and Painful Death?" www.forbes.com, January 7, 2013; and Sholnn Freeman, "Brand Breakdown," *The Washington Post*, March 26, 2006, p. F1ff.

23. Martin Fishbein and I. Aizen, *Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research* (Reading, MA: Addison-Wesley, 1975), p. 6.

24. Richard J. Lutz, "Changing Brand Attitudes through Modification of Cognitive Structure," *Journal of Consumer Research*, March 1975, pp. 49–59.

25. This discussion is based on "The VALS™ Types," www.strategicbusinessinsights.com, downloaded February 1, 2015.

26. This discussion is based on Ed Keller and Jon Berry, *The Influentials* (New York: Simon and Schuster, 2003).

27. Ed Keller and Brad Fay, "Word-of-Mouth Advocacy: A New Key to Advertising Effectiveness," *Journal of Advertising Research*, December 2012, pp. 459–64.

28. Emanuel Rosen, *The Anatomy of Buzz Revisited* (New York: Crown Business, 2009).

29. www.bzzAgent.com, downloaded January 10, 2015.

30. Emanuel Rosen, "Conversation Starter," *BrandWeek*, April 12, 2010, p. 16.

31. Hoyer, MacInnis, and Pieters, *Consumer Behavior*.

32. Elizabeth Holmes, "Abercrombie and Fitch Offers to Pay 'The Situation' to Stop Wearing Its Clothes," *The Wall Street Journal*, August 16, 2011, p. B2.

33. For an extensive review on consumer socialization of children, see Deborah Roedder John, "Consumer Socialization of Children: A Retrospective Look at Twenty-Five Years of Research," *Journal of Consumer Research*, December 1999, pp. 183–213. Also see Gwen Bachmann Achenreinver and Deborah Roedder John, "The Meaning of Brand Names to Children: A Developmental Investigation," *Journal of Consumer Psychology* 13, no. 3 (2003), pp. 205–19; and Elizabeth S. Moore, William L. Wilkie, and Richard J. Lutz, "Passing the Torch: Intergenerational Influences as a Source of Brand Equity," *Journal of Marketing*, April 2002, pp. 17–37.

34. J. Paul Peter and Jerry C. Olson, *Consumer Behavior and Marketing Strategy*, 9th ed. (Burr Ridge, IL: McGraw-Hill/Irwin, 2010); "Grocers Catering More to Men" *Dallas Morning News*, January 13, 2013, p. 3D; "Who Makes the Call at the Mall, Men or Women?" *The Wall Street Journal*, April 23–24, 2011, p. A1; and Rich Morin and D'Vera Cohn, "Women Call the Shots at Home: Public Mixed on Gender Roles in Jobs," www.pewresearch.org, downloaded February 4, 2011. Also see Rex Y. Du and Wagner A. Kamakura, "Household Life Cycles and Lifestyles in the United States," *Journal of Marketing Research*, February 2006, pp. 121–32.

35. This discussion is based on Hawkins, Mothersbaugh, and Best, *Consumer Behavior: Building Marketing Strategy*; "Groceries Become a Guy Thing," *The Wall Street Journal*, October 17, 2013, pp. D1, D2; *The Kids and Tweens Market in the U.S.*, 9th ed. (Rockville, MD: Packaged Facts, August 1, 2008); and "How Teens Use Media" (New York: Nielsen Company, June 2009).

36. Jeffrey M. Humphreys, "The Multicultural Economy in 2014," Selig Center for Economic Growth, Terry College of Business, The University of Georgia.

37. The remainder of this discussion is based on Hoyer, MacInnis, and Pieters, *Consumer Behavior*; "The Lust for Latino Lucre," *The Economist*, May 11, 2013, p. 71; *Engaging the Evolving Hispanic Consumer* (New York: The Nielsen Company, 2014); and *10th Annual Hispanic Fact Pack* (New York: Advertising Age, 2014).

PRINTED BY: jromero0950@email.phoenix.edu. Printing is for personal, private use only. No part of this book may be reproduced or transmitted without publisher's prior permission. Violators will be prosecuted.

38. The remainder of this discussion is based on Peter and Olson, *Consumer Behavior and Marketing Strategy*; and *Powerful, Growing, Influential: The African-American Consumer* (New York: The Nielsen Company, 2014).

39. The remainder of this discussion is based on *The State of the Asian American Consumer: Growing Market, Growing Impact* (New York: The Nielsen Company, 2012); Christine Birkner, "Asian-Americans in Focus," *Marketing News*, March 2013, p. 14; and Lee Siegel, "Rise of the Tiger Nation," *The Wall Street Journal*, October 27–28, 2012, pp. C1, C2.

40. Groupon: This case was written by Steven Hartley. Sources: Bari Weiss, "The Journal Interview with Andrew Mason: Groupon's \$6 Billion Gambler," *The Wall Street Journal*, December 20, 2010, p. 12; Brad Stone and Douglas MacMillan, "Are Four Words Worth \$25 Billion?" *Bloomberg Businessweek*, March 21, 2011, pp. 70–75; Brendan Coffey, "What's the Deal?" *Forbes*, April 25, 2011, pp. 20–22; Brad Stone and Douglas MacMillan, "Groupon's \$6 Billion Snub," *Bloomberg Businessweek*, December 13, 2010, pp. 6–7; Christopher Steiner, "Meet the Fastest Growing Company Ever," *Forbes*, August 30, 2010; Rupal Parekh, "Groupon," *Advertising Age*, November 15, 2010, p. 20; "10 Big Stories for the Week," *Advertising Age*, December 13, 2010, pp. 12–13; Jessi Hempel, "Social Media Meets Retailing," *Fortune*, March 22, 2010, p. 30; Kunur Patel, "Suddenly, Everyone Wants to Be Groupon," *Advertising Age*, November 1, 2010, p. 1; Brad Stone, "Coupon Deathmatch, Party of Two?" *Bloomberg Businessweek*, October 4, 2010, pp. 37–38; and "Q1 2013 Fact Sheet" and "2012 Letter to Shareholders," on Groupon website, <http://investor.groupon.com/>, accessed July 8, 2013.