Week 3

Consumer Behavior: How People Make Buying Decisions

Why do you buy the things you do? How did you decide to go to the college you're attending? Where do you like to shop and when? Do your friends shop at the same places or different places?

Marketing professionals want to know the answers to these questions. They know that once they do, they will have a much better chance of creating and communicating about products that you and people like you will want to buy. That's what the study of consumer behavior is all about. Consumer behavior considers the many reasons why—personal, situational, psychological, and social—people shop for products, buy and use them, and then dispose of them.

Companies spend billions of dollars annually studying what makes consumers "tick." Although you might not like it, Google, AOL, and Yahoo! monitor your web patterns—the sites you search, that is. The companies that pay for search advertising, or ads that appear on the web pages you pull up after doing an online search, want to find out what kind of things you're interested in. Doing so allows these companies to send you pop-up ads and coupons you might actually be interested in instead of ads and coupons for products such as Depends or Viagra.

Massachusetts Institute of Technology (MIT), in conjunction with a large retail center, has tracked consumers in retail establishments to see when and where they tended to dwell, or stop to look at merchandise. How was it done? By tracking the position of the consumers' mobile phones as the phones automatically transmitted signals to cellular towers. MIT found that when people's "dwell times" increased, sales increased, too (Economist, 2009).

Researchers have even looked at people's brains by having them lie in scanners and asking them questions about different products. What people *say* about the products is then compared to what their brain scans show—that is, what they are really thinking. Scanning people's brains for marketing purposes might sound nutty. But maybe not when you consider the fact that eight out of 10 new consumer products fail, even when they are test-marketed. Could it be that what people say about potentially new products and what they think about them are different? Marketing professionals want to find out (Economist, 2009).

Studying people's buying habits isn't just for big companies, though. Even small businesses and entrepreneurs can study the behavior of their customers with great success. For example, by figuring out what zip codes their customers are in, a business might determine where to locate an additional store. Customer surveys and other studies can also help explain why buyers purchased what they did and what their experiences were with a business. Even small businesses such as restaurants use coupon codes. For example, coupons sent out in newspapers are given one code. Those sent out via the Internet are given another. Then when the coupons are redeemed, the restaurants can tell which marketing avenues are having the biggest effect on their sales.

Some businesses, including a growing number of startups, are using blogs and social networking web to gather information about their customers at a low cost. For example, Proper Cloth, a company based in New York, has a site on the social networking site Facebook. Whenever the company posts a new bulletin or photos of its clothes, all its Facebook "fans" automatically receive the information on their own Facebook pages. "We want to hear what our customers have to say," says Joseph Skerritt, the young MBA graduate who founded Proper Cloth. "It's useful to us and lets our customers feel connected to Proper Cloth (Knight, 2009). Skerritt also writes a blog for the company. Twitter and podcasts that can be downloaded from iTunes are two other ways companies are amplifying the "word of mouth" about their products (Knight, 2009).

The study of consumer behavior is fascinating, and this week we will only be able to touch on the major influencers of how consumers think and act. We will especially focus on how and when marketers can use their understanding of consumer behavior to influence the consumer's decision-making processes. We will explore how our world around us shapes our inputs into our decisions. We will discuss whether or not marketing activities manipulate us, or if we instead reflect needs and wants dictated by our internal factors, and marketing is the function that brings those needs and wants to us. This is an age-old debate: Does marketing influence or reflect society? We won't be able to answer that question definitively this week, but we will walk away with a better understanding of why we as individuals buy what our particular collection of products and services.

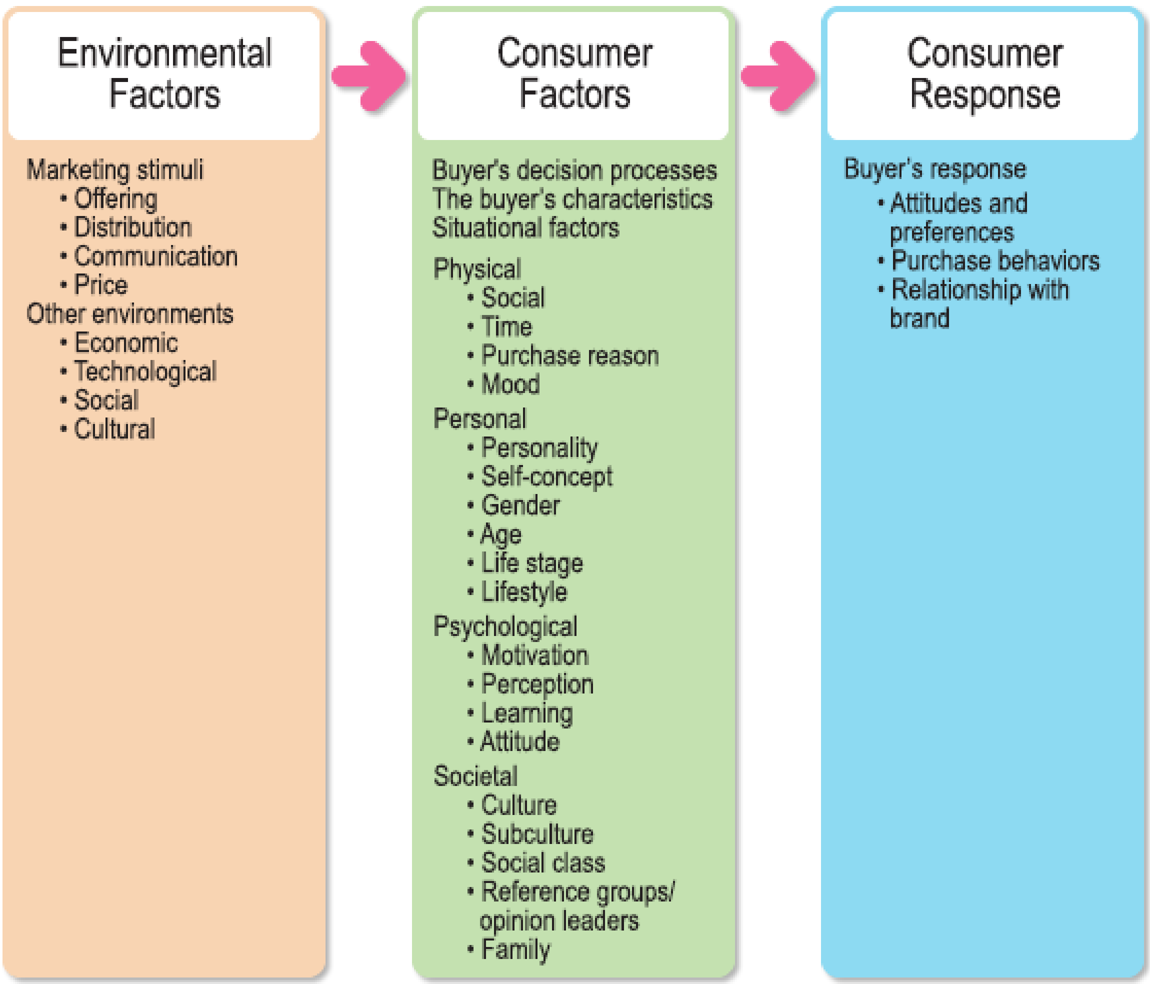
3.1 Model of Consumer Behavior

LEARNING OBJECTIVE

1. Describe the model for consumer behavior.

As previously mentioned, consumers make decisions influenced by marketers and a variety of other sources. There have been various models offered to explain the relationship between marketing influences and consumer decisions, and all the models acknowledge a simple relationship between stimuli and response. In other words, consumers are exposed to a stimulus, such as a television ad. They think about it and transform that thought into a response, perhaps a decision to purchase, a decision not to purchase, or a decision to store the information for later use. As Figure 3.1 illustrates, there are many influencers in the decision-making process. Some are under the control of the marketer, but many influencers are not.

Figure 3.1 A Model of Consumer Behavior



In Week 1, we discussed the external environments important to the strategic planning process for the Level 1 corporate strategic planning. In addition to those listed in the first box in the above model of consumer behavior, other environmental factors include the competitive environment, the political and legal environments, and the natural resources environments. These additional environments are important for corporate-level decision making.

For the purposes of the consumer's decision making, however, it is the economic, technological, social, and cultural environments that are key to how consumers make their purchase decisions, and that is why those are the environments included in this model of consumer behavior. Refer to the Week 1 course content for the discussion on these consumer-oriented environments as well as a review of the elements of the marketing mix stimuli, which will also be covered more thoroughly in Weeks 5, 6, and 7.

This week, we will take a closer look at the second and third boxes of the model of consumer behavior, or the factors that are unique to each consumer, and how those combine with the unique decision process of an individual consumer to result in a consumer response.

Marketers work to ensure that the consumer response, at least with the group of consumers who they believe are most likely to exchange value with the company, is a purchase decision. If not a purchase decision, the second-best outcome is for the consumer to think favorably of the brand and the company and perhaps include the brand into a decision to be made at a later time. For example, you may have seen an ad or heard from a friend about a new five-star restaurant, and you were favorably impressed. You may make the decision to eat there at that moment, but the actual consumption of the meal may occur later when your limited resources, time, and money are in line with the decision.

The important point is that marketers can influence their stimuli, but the rest of the inputs to the decision are not necessarily under the marketer's control. The goal is to know about the consumers' behaviors such that marketing can try to provide consumers with the right marketing communication message that will "speak" to their individual characteristics, and at the right time in their decision-making process.

3.1 KEY TAKEAWAY

How consumers make decisions is very complex and is the subject of the field of consumer behavior. We offered a model of consumer behavior that outlines the basic stimuli-response format. In the first part of the model, consumers are exposed to various inputs such as environmental factors and inputs from marketing, the offering, the distribution, the communications, and the price. These inputs can be controlled by the marketer. However, how consumers make their decisions and the unique characteristics of each consumer are not under the control of marketers. But marketers do try to influence these factors with the timing and the placement of marketing communications messages. The goal of marketing is to ensure after processing all the inputs and influences, a consumer makes a decision favorable to the company: either purchase now, purchase later, or at least develop a positive attitude toward the brand and the company.

3.2 The Consumer's Decision-Making Process

LEARNING OBJECTIVES

1. List the stages of the buying process.
2. Distinguish between low-involvement buying decisions and high-involvement buying decisions.

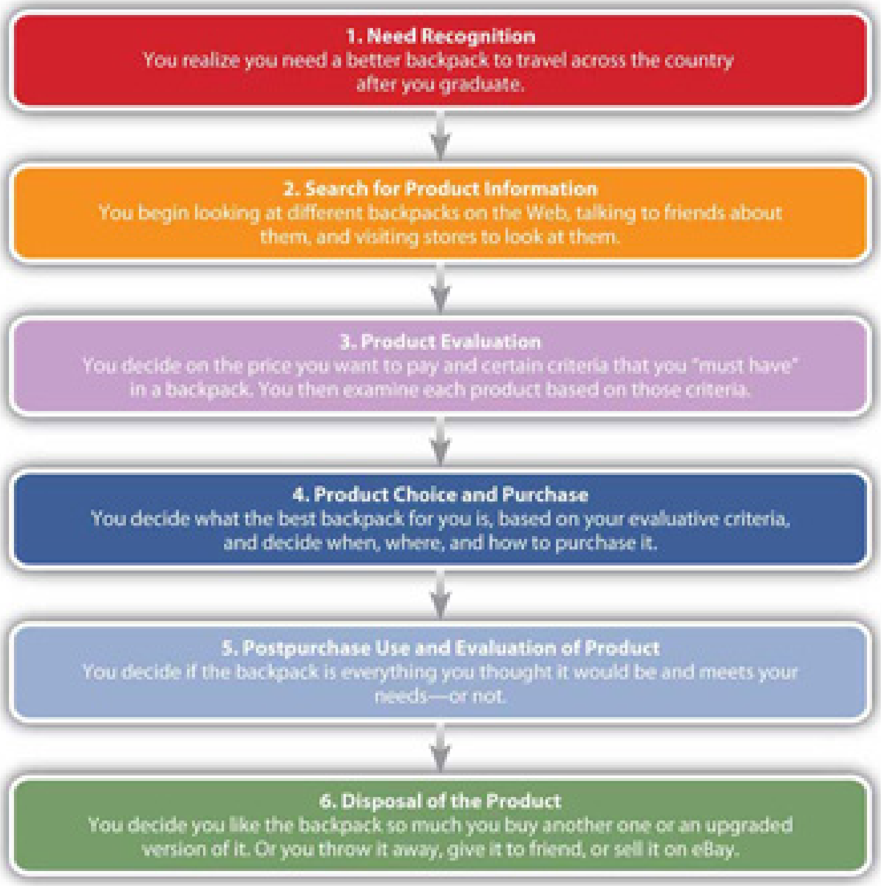
You've been a consumer with purchasing power for much longer than you probably realize—since the first time you were asked which cereal or toy you wanted. Over the years, you've developed a systematic way you choose among alternatives, even if you aren't aware of it. Other consumers follow a similar process. The first part of this week looks at this process. The second part looks at the situational, psychological, and other factors that affect what, when, and how people buy what they do. Throughout the week, we will explore the leading research on consumer behavior and the ongoing marketing research marketers use to answer these questions.

Keep in mind, however, that different people, no matter how similar they are, make different purchasing decisions. You might be very interested in purchasing a Smart car. But your best friend might want to buy a Ford 150 truck. Marketing professionals understand this. They don't have unlimited budgets that allow them to advertise in all types of media to all types of people, so what they try to do is figure out *trends* among consumers. Doing so helps marketers reach the people most likely to buy their products in the most cost-effective way possible.

Stages in the Buying Process

Figure 3.2, "Stages in the Consumer's Purchasing Process," outlines the buying stages consumers go through. At any given time, you're probably in some sort of buying stage. You're thinking about the different types of things you want or need to eventually buy, how you are going to find the best ones at the best price, and where and how will you buy them. Meanwhile, there are other products you have already purchased that you're evaluating. Some might be better than others. Will you discard them, and if so, how? Then, what will you buy? Where does that process start?

Figure 3.2 Stages in the Consumer's Purchasing Process


1. Need Recognition
You realize you need a better backpack to travel across the country after you graduate.
2. Search for Product Information
You begin looking at different backpacks on the Web, talking to friends about them, and visiting stores to look at them.
3. Product Evaluation
You decide on the price you want to pay and certain criteria that you "must have" in a backpack. You then examine each product based on those criteria.
4. Product Choice and Purchase
You decide what the best backpack for you is, based on your evaluative criteria, and decide when, where, and how to purchase it.
5. Postpurchase Use and Evaluation of Product
You decide if the backpack is everything you thought it would be and meets your needs—or not.
6. Disposal of the Product
You decide you like the backpack so much you buy another one or an upgraded version of it. Or you throw it away, give it to friend, or sell it on eBay.

Stage 1. Need Recognition

Perhaps you're planning to backpack around the country after you graduate, but you don't have a particularly good backpack. Marketers often try to stimulate consumers into realizing they have a need for a product. Do you think it's a coincidence that Gatorade, Powerade, and other beverage makers locate their machines in gymnasiums so you see them after a long, tiring workout? Previews at movie theaters are another example. How many times have you have heard about a movie and had no interest in it—until you saw the preview? Afterward, you felt like *had* to see it.

Recognizing a need, the difference between your current stage and your perception of your ideal state, does not necessarily mean you will proceed to Step 2 and search for information. That will only happen if you also have the means, time, and money, and the proper motivation to fill that need. Yet, we find ourselves buying some products for which we did not recognize a need. That may be because at this early stage in the process, a company was able to communicate that you do have a need it can fill. A good example of this is the microwave oven, invented after World War II but not commercialized until 1967. Initial marketing research on the microwave oven indicated there was no need for a faster way to cook food. Home cooks were appalled by the notion of subjecting their food to radiation. It wasn't until Amana focused on the microwave's usefulness for reheating foods that the company was able to uncover an unmet consumer need (Bramen, 2011). Consumers began to think they might need a microwave oven, but the prohibitive cost kept demand at bay for another decade. Today, a microwave oven is a fixture in every kitchen.

When a marketer finds an unmet need, it tries to create **primary demand** in the first stage of the consumer purchase process. You can probably think of many products today for which there was no demand just a few short years ago because consumers did not know they needed it.

Stage 2. Search for Information

Maybe you have owned several backpacks and know what you like and don't like about them. Or, there might be a particular brand that you've purchased in the past that you liked and want to purchase in the future. This is a great position for the company that owns the brand to be in—something firms strive for. Why? Because it often means you will limit your search and simply buy that brand again.

If what you already know about backpacks doesn't provide enough information, you'll probably continue to gather information from various sources. Frequently people ask friends, family, and neighbors about their experiences with products. Magazines such as *Consumer Reports* or *Backpacker Magazine* might also help.

Internet shopping sites such as Amazon.com have become a common source of information about products. Epinions.com is an example of a consumer-generated review site. The site offers product ratings, buying tips, and price information. Amazon.com also offers product reviews written by consumers. People prefer "independent" sources such as this when they are looking for product information. However, they also often consult nonneutral sources of information, such as advertisements, brochures, company websites, and salespeople.

Marketers can influence some consumers in this stage if they already have high brand name recognition either because they have a favorable opinion of the company or because they may have done previous business with the company. A goal of a company is to develop its brand to the extent that it becomes a preferred brand, and a consumer will limit the information search to only that manufacturer's or service provider's offering. Think again of Apple; many consumers buy all their technology from Apple without expanding their search to competitors. This, of course, is ideal for the marketer and is why so much time and effort is placed on brand building. A good brand can ensure your brand goes into the information search stage as the preferred and hopefully only offering under consideration.

As consumers, we seek only as much information as we deem appropriate to the purchase under consideration. We won't look at each possible alternative offering available to meet the requirements. We will limit our list of offerings under consideration, called the **consideration set**, and call it a day. Our information search stage will not be reopened unless the offerings in our consideration set fail to lead us to a decision, and we still have an unmet need.

Stage 3. Product Evaluation

Obviously, there are hundreds of different backpacks available. It's not possible to examine all of them. (In fact, good salespeople and marketing professionals know that providing you with too many choices can be so overwhelming, and you might not buy anything at all.) Consequently, you develop what's called evaluative criteria to help narrow your choices.

Evaluative criteria are certain characteristics that are important to you, such as the price of the backpack, the size, the number of compartments, and color. Some of these characteristics are more important than others. For example, the size of the backpack and the price might be more important to you than the color—unless, say, the color is hot pink, and you hate pink.

Marketing professionals want to convince you that the evaluative criteria you are considering reflect the strengths of their products. For example, you might not have thought about the weight or durability of the backpack you want. However, a backpack manufacturer such as Osprey might remind you through magazine ads, packaging information, and its website that you should pay attention to these features—features that happen to be key selling points of its backpacks.

Stage 4. Product Choice and Purchase

Stage 4 is the point at which you decide what backpack to purchase. However, in addition to the backpack, you are probably also making other decisions at this stage, including where and how to purchase the backpack and on what terms. Maybe the backpack was cheaper at one store than another, but the salesperson there was rude. Or maybe you decide to order online because you're too busy to go to the mall. Other decisions, particularly those related to big-ticket items, are made at this point. If you're buying a high-definition television, you might look for a store that will offer credit or a warranty.

The point of purchase is the marketer's last chance to try to influence your decision. Have you ever been to a checkout register and the clerk asks if you want the extended warranty? Or maybe the clerk said that he or she had a bad experience with the product, and that caused you to take it out of your cart. Those last-second touch points with someone functioning as a marketer for or against the product can be the difference between a sale, a bigger sale, or no sale.

Stage 5. Postpurchase Use and Evaluation

At this point in the process, you decide whether the backpack you purchased is everything it was cracked up to be. Hopefully it is. If it's not, you're likely to suffer what's called postpurchase dissonance. You might call it *buyer's remorse*. You want to feel good about your purchase, but you don't. You begin to wonder whether you should have waited to get a better price, purchased something else, or gathered more information first. Consumers commonly feel this way, which is a problem for sellers. If you don't feel good about what you've purchased from the seller, you might return the item and never purchase anything from that seller again. Or, worse yet, you might tell everyone how bad the product was.

Companies do things to try to prevent buyer's remorse. For smaller items, they might offer a money-back guarantee. Or, they might encourage their salespeople to tell you what a great purchase you made. How many times have you heard a salesperson say, "That outfit looks so great on you!"? For larger items, companies might offer a warranty, along with instruction booklets, and a toll-free troubleshooting line. Or they might have a salesperson call.

Stage 6. Disposal of the Product

There was a time when neither manufacturers nor consumers thought much about how products got disposed of, so long as people bought them. But that's changed. How products are being disposed is becoming extremely important to consumers and society in general. Computers and batteries, which leach chemicals into landfills, are a huge problem. Consumers don't want to degrade the environment, and companies are becoming more aware of the fact.

Take for example Crystal Light, a water-based beverage sold in grocery stores. You can buy it in a bottle. However, many people buy a concentrated form, put it in reusable pitchers or bottles, and add water. That way, they don't have to buy and dispose of plastic bottle after plastic bottle, damaging the environment. Windex has done something similar with its window cleaner. Instead of buying new bottles all the time, you can purchase a concentrate and add water. You have probably noticed that most grocery stores now sell cloth bags consumers can reuse.

Other companies are less concerned about conservation than they are about planned obsolescence. Planned obsolescence is a deliberate effort by companies to make their products obsolete, or unusable, after a period of time. The goal is to improve a company's sales by reducing the amount of time between the repeat purchases consumers make of products. When a software developer introduces a new version of product, older versions are usually designed to be incompatible with it. For example, not all the formatting features are the same in Microsoft Word 2003 and 2007. Sometimes, documents do not translate properly when opened in the newer version. Consequently, you will be more inclined to upgrade to the new version.

Products that are disposable are another way in which firms have managed to reduce the amount of time between purchases. Disposable lighters are an example. Do you know anyone today that owns a nondisposable lighter? Believe it or not, prior to the 1960s, scarcely anyone could have imagined using a cheap disposable lighter. There are many more disposable products today than there were in years past—including everything from bottled water and individually wrapped snacks to single-use eyedrops and cell phones.

Low-Involvement vs. High-Involvement Buying Decisions

Consumers don't necessarily go through all the buying stages when they're considering purchasing a product. You have probably thought about many products you want or need but never did much more than that. At other times, you've probably looked at dozens of products, compared them, and then decided not to purchase them. At yet other times, you skip stages 1 through 3 and buy products on impulse. As Nike would say, you "just do it." Perhaps you see a magazine with Angelina Jolie and Brad Pitt on the cover and buy it on the spot simply because you want it. Purchasing a product with no planning or forethought is called impulse buying.

Impulse buying brings up a concept called *level of involvement*—that is, how personally important or interested you are in consuming a product. For example, you might see a roll of tape at a check-out stand and remember you need one. Or you might see a bag of chips and realize you're hungry. These are items you need, but they are low-involvement products. Low-involvement products aren't necessarily purchased on impulse, although they can be. Low-involvement products are, however, inexpensive and pose a low risk to the buyer if he or she makes a mistake by purchasing them.

Consumers often engage in routine response behavior when they buy low-involvement products—that is, they make automatic purchase decisions based on limited information or information they have gathered in the past. For example, if you always order a Diet Coke at lunch, you're engaging in routine response behavior. You may not even think about other drink options at lunch because your routine is to order a Diet Coke, and you simply do it. If you're served a Diet Coke at lunchtime, and it's flat, oh well. It's not the end of the world.

By contrast, high-involvement products carry a high risk to buyers if they fail, are complex, or have high price tags. A car, a house, and an insurance policy are examples. These items are not purchased often. Buyers don't engage in routine response behavior when purchasing high-involvement products. Instead, consumers engage in what's called extended problem solving, where they spend a lot of time comparing the features of the products, prices, and warranties.

High-involvement products can cause buyers postpurchase dissonance if they are unsure about their purchases. Companies that sell high-involvement products are aware that postpurchase dissonance can be a problem. Frequently, they try to offer consumers a lot of information about their products, including why they are superior to competing brands and how they won't let the consumer down. Salespeople are typically used to do a lot of customer "hand-holding."

Limited problem solving falls somewhere in the middle. Consumers engage in limited problem solving when they already have some information about a good or service but continue to search for a bit more information. The backpack you're looking to buy is an example. You're going to spend at least some time looking for one that's decent because you don't want it to fall apart while you're traveling and dump everything on a hiking trail. You might do research online and come to a decision relatively quickly. You might consider the choices available at your favorite retail outlet but not look at every backpack at every outlet before making a decision. Or, you might rely on the advice of a person you know who's knowledgeable about backpacks. In some way, you shorten the decision-making process.

Brand names can be very important regardless of the consumer's level of purchasing involvement. Consider a low- vs. high-involvement product—say, purchasing a tube of toothpaste vs. a new car. You might routinely buy your favorite brand of toothpaste, not thinking much about the purchase (engage in routine response behavior), but not be willing to switch to another brand, either. Having a brand you like saves you "search time" and eliminates the evaluation period because you know what you're getting.

When it comes to the car, you might engage in extensive problem solving but, again, only be willing to consider a certain brand or brands. For example, in the 1970s, American-made cars had such a poor reputation for quality, buyers joked that a car that's "not Jap [Japanese- made] is crap." The quality of American cars is very good today, but you get the picture. If it's a high-involvement product you're purchasing, a good brand name is probably going to be very important. That's why the makers of high-involvement products can't become complacent about the value of their brands.

3.2 KEY TAKEAWAY

Consumer behavior looks at the many reasons why people buy things and later dispose of them. Consumers go through distinct buying phases when they purchase products: (1) realizing they need or want something; (2) searching for information about the item; (3) evaluating different products; (4) choosing a product and purchasing it; (5) using and evaluating the product after the purchase; and (6) disposing of the product. A consumer's level of involvement is how interested he or she is in buying and consuming a product. Low-involvement products are usually inexpensive and post a low risk to the buyer if he or she makes a mistake by purchasing them. High-involvement products carry a high risk to the buyer if they fail, are complex, or have high price tags. Limited-involvement products fall somewhere in between.

3.3 Situational Factors That Affect Buying Behavior

LEARNING OBJECTIVES

1. Describe the situational factors that affect what consumers buy and when.
2. Explain what marketing professionals can do to make situational factors work to their advantage.

Situational influences are temporary conditions that affect how buyers behave—whether they actually buy your product, buy additional products, or buy nothing at all from you. They include things like physical factors, social factors, time factors, the reason for the buyer's purchase, and the buyer's mood. You have undoubtedly been affected by all these factors at one time or another. Because businesses want to try to control these factors, let's look at them in more detail.

The Consumer's Physical Situation

Have you ever been in a department store and couldn't find your way out? No, you aren't necessarily directionally challenged. Marketing professionals take physical factors such as a store's design and layout into account when they are designing their facilities. Presumably, the longer you wander around a facility, the more you will spend. Grocery stores frequently place bread and milk products on the opposite ends of the stores because people often need both types of products. To buy both, they have to walk around the store, which is loaded with other items.

Store locations are another example of a physical factor. Starbucks has done well in locating its stores. You can scarcely drive a few miles down the road without passing a Starbucks. You can also buy cups of Starbucks coffee at grocery stores and in airports—places with foot traffic.

Physical factors like these—the ones over which firms have control—are called atmospherics. In addition to store locations, they include the music played at stores, the lighting, temperature, and even the smells you experience. Perhaps you've visited the office of an apartment complex and noticed how great it looked and even smelled. It's no coincidence. The managers of the complex were trying to get you to stay for a while and have a look at their facilities. Research shows that "strategic fragrancing" results in customers staying in stores longer, buying more, and leaving with a better impression of the quality of services and products. Mirrors near hotel elevators are another example. Hotel operators have found that when people are busy looking at themselves in the mirrors, they don't feel like they are waiting as long for their elevators (Moore, 2008).

Not all physical factors are under a company's control, however. Take weather, for example. Rain and other types of weather can be a boon to some companies, like umbrella makers such as London Fog, but a problem for others. Beach resorts, outdoor concert venues, and golf courses suffer when the weather is rainy. So do a lot of retail organizations—restaurants, clothing stores, and automobile dealers. Who wants to shop for a car in the rain or snow?

Firms often attempt to deal with adverse physical factors such as bad weather by making their products more attractive during unattractive times. For example, many resorts offer consumers discounts to travel to beach locations during hurricane season. Having an online presence is another way to cope with weather-related problems. What could be more comfortable than shopping at home? If it's too cold and windy to drive to the Gap, REI, or Abercrombie & Fitch, you can buy these companies' products online. You can shop online for cars, too, and many restaurants take orders online and deliver.

Crowding is another situational factor. Have you ever left a store and not purchased anything because it was just too crowded? Some studies have shown that consumers feel better about retailers who attempt to prevent overcrowding in their stores. However, other studies have shown that to a certain extent, crowding can have a positive impact on a person's buying experience. The phenomenon is often referred to as "herd behavior." If people are lined up to buy something, you want to know why. Should you get in line to buy it, too? Herd behavior helped drive up the price of houses in the mid-2000s before the prices rapidly fell. Unfortunately, herd behavior has also led to the deaths of people. In 2008, a store employee was trampled to death by an early morning crowd rushing into a Walmart to snap up holiday bargains.

To some extent, how people react to crowding depends on their personal tolerance levels. Which rock concert would you rather attend: A sold-out concert in which the crowd is having a rocking good time? Or a half-sold-out concert where you can perhaps move to a seat closer to the stage and not have to stand in line at the restrooms? (Gaumer & Leif, 2005)

The Consumer's Social Situation

The social situation you're in can significantly affect what you will buy, how much of it, and when. Perhaps you have seen Girl Scouts selling cookies outside grocery stores and other retail establishments and purchased nothing from them. But what if your neighbor's daughter is selling the cookies? Are you going to turn her down, or be a friendly neighbor and buy a box (or two)?

Companies like Avon and Tupperware that sell their products at parties understand that the social situation makes a difference. When you're at a Tupperware party a friend is having, you don't want to disappoint by not buying anything. Plus, everyone at the party will think you're cheap.

Certain social situations can also make you less willing to buy products. You might spend quite a bit of money each month eating at fast-food restaurants like McDonald's and Subway. But suppose you've got a hot first date? Where do you take your date? Some people might take a first date to Subway, but that first date might also be the last. Other people would perhaps choose a restaurant that's more upscale. Likewise, if you have turned down a drink or dessert on a date because you were worried about what the person you were with might have thought, your consumption was affected by your social situation (Matilla & Wirtz, 2008).

The Consumer's Time Situation

The time of day, the time of year, and how much time consumers feel like they have to shop also affects what they buy. Researchers have even discovered whether someone is a "morning person" or "evening person" affects shopping patterns. Seven-Eleven Japan is a company that's extremely in tune to physical factors such as time and how it affects buyers. The company's point-of-sale systems at its checkout counters monitor what is selling well and when, and stores are restocked with those items immediately—sometimes via motorcycle deliveries that zip in and out of traffic along Japan's crowded streets. The goal is to get the products on the shelves when and where consumers want them. Seven-Eleven Japan also knows that, like Americans, its customers are "time starved." Shoppers can pay their utility bills, local taxes, and insurance or pension premiums at Seven-Eleven Japan stores, and even make photocopies (Bird, 2002).

Companies worldwide are aware of people's lack of time and are finding ways to accommodate them. Some doctors' offices offer drive-through shots for patients who are in a hurry and for elderly patients who find it difficult to get out of their cars. Tickets.com allows companies to sell tickets by sending them to customers' mobile phones when they call in. The phones' displays are then read by barcode scanners when the ticket purchasers arrive at the events. Likewise, if you need customer service from Amazon.com, there's no need to wait on the telephone. If you have an account with Amazon, you just click a button on the company's website and an Amazon representative calls you immediately.

The Reason for the Consumer's Purchase

The reason you are shopping also affects the amount of time you will spend shopping. Are you making an emergency purchase? Are you shopping for a gift? Emergency clinics have sprung up all over the country. Convenience is one reason. The other is necessity caused by overcrowded hospital emergency rooms. If you cut yourself and you are bleeding, you're probably not going to shop around much to find the best clinic. You will go to the one that's closest.

What about shopping for a gift? Purchasing a gift might not be an emergency situation, but you might not want to spend much time shopping for it, either. Gift certificates have been a popular way to purchase for years. But now you can purchase them as cards at your corner grocery store. By contrast, suppose you need to buy an engagement ring. Sure, you could buy one online in a jiffy, but you probably wouldn't, because it's a high-involvement product. What if it were a fake? How would you know until after you purchased it? What if your significant other turned you down and you had to return the ring? How hard would it be to get back online and return the ring? (Hornik & Miniero, 2009)

The Consumer's Mood

Have you ever felt like going on a shopping spree? At other times, wild horses couldn't drag you to a mall. People's moods temporarily affect their spending patterns. Some people enjoy shopping. It's entertaining for them. At the extreme are compulsive spenders who get a temporary "high" from spending.

A sour mood can spoil a consumer's desire to shop. The crash of the stock market in 2008 left many people feeling poorer, leading to a downturn in consumer spending. Penny-pinching came into vogue, and conspicuous spending was out. Costco and Walmart experienced heightened sales of their low-cost Kirkland Signature and Great Value brands as consumers scrimped (Birchall, 2009).

Saks Fifth Avenue wasn't so lucky. Its annual release of spring fashions usually leads to a feeding frenzy among shoppers, but spring 2009 was different. "We've definitely seen a drop-off of this idea of shopping for entertainment," says Kimberly Grabel, Saks Fifth Avenue's senior vice president of marketing (Rosenbloom, 2009).

To get buyers in the shopping mood, companies resorted to different measures. The upscale retailer Neiman Marcus began introducing more midpriced brands. By studying customer's loyalty cards, the French hypermarket Carrefour hoped to find ways to get its customers to purchase nonfood items that have higher profit margins.

The glum mood wasn't bad for all businesses, though. Discounters such as Half-Priced books had their sales surge. So did seed sellers as people began planting their own gardens. Finally, those products you see being hawked on television? Aqua Globes, Snuggies, and Ped Eggs? Their sales were the best ever. Apparently, consumers too broke to go to on vacation or shop at Saks were instead watching television and treating themselves to the products (Ward, 2009).

3.3 KEY TAKEAWAY

Situational influences are temporary conditions that affect how buyers behave. They include physical factors such as a store's buying locations, layout, music, lighting, and even smells. Companies try to make the physical factors in which consumers shop as favorable as possible. If they can't, they use other tactics such as discounts. The consumer's social situation, time situation, the reason for their purchases, and their moods also affect buying behavior.

3.4 Personal Factors That Affect People's Buying Behavior

LEARNING OBJECTIVES

1. Explain how a person's self-concept and ideal self affects what he or she buys.
2. Describe how companies market products to people based on their genders, life stages, and ages.
3. Explain how looking at the lifestyles of consumers helps firms understand what they want to purchase.

The Consumer's Personality

Personality describes a person's disposition as other people see it. The following are the "big five" personality traits that psychologists discuss frequently:

- **Openness.** How open you are to new experiences.
- **Conscientiousness.** How diligent you are.
- **Extraversion.** How outgoing or shy you are.
- **Agreeableness.** How easy you are to get along with.
- **Neuroticism.** How prone you are to negative mental states.

The question marketing professionals want answered is do the traits predict people's purchasing behavior? Can companies successfully target certain products at people based on their personalities? And how do you find out what personalities they have? Are the extraverts you know wild spenders and the introverts you know penny-pinchers? Maybe not.

The link between people's personalities and their buying behavior is somewhat unclear, but market researchers continue to study it. For example, some studies have shown that "sensation seekers," or people who exhibit extremely high levels of openness, are more likely to respond well to advertising that's violent and graphic. The practical problem for firms is figuring out "who's who" in terms of their personalities.

The Consumer's Self-Concept

Marketers have had better luck linking people's self-concept to their buying behavior. Your self-concept is how you see yourself—be it positive or negative. Your ideal self is how you would *like* to see yourself—whether it's prettier, more popular, more eco-conscious, or more "goth."

Marketing researchers believe people buy products to enhance how they feel about themselves—to get themselves closer to their ideal selves, in other words. The slogan "Be All That You Can Be," which for years was used by the US Army to recruit soldiers, is an attempt to appeal to the self-concept. Presumably, by joining the Army, you will become a better version of yourself, which will, in turn, improve your life. Many beauty products and cosmetic procedures are advertised in a way that's supposed to appeal to the ideal selves people are searching for. We want products that improve our lives.

The Consumer's Gender

Everyone knows that men and women buy different products. Physiologically speaking, they simply need different products—different underwear, shoes, toiletries, and a host of other products (Ward & Thuhang, 2007). Men and women also shop differently. One study by Resource Interactive, a technology research firm, found that when shopping online, men prefer sites with lots of pictures of products; women prefer to see products online in lifestyle context—say, a lamp in a living room. Women are also twice as likely as men to use viewing tools such as the zoom and rotate buttons and links that allow them to change the color of products.

In general, men have a different attitude about shopping than women do. You know the old stereotypes: Men see what they want and buy it, but women "shop 'til they drop." There's some truth to the stereotypes. Otherwise, you wouldn't see so many advertisements directed at one sex or the other—beer commercials that air on ESPN and commercials for household products that air on Lifetime. In fact, women influence fully two-thirds of all household product purchases, whereas men buy about three-quarters of all alcoholic beverages (Schmitt, 2008).

The shopping differences between men and women seem to be changing, though. For example, younger, well-educated men are less likely to believe grocery shopping is a woman's job. They would also be more inclined to bargain shop and use coupons if the coupons were properly targeted at them (Hill & Harmon, 2007). One survey found that about 45 percent of married men actually *like* shopping and consider it relaxing.

Many businesses today are taking greater pains to figure out "what men want." Products such as face toners and body washes for men, such as the Axe brand, are a relatively new phenomenon. So are hair salons such as the Men's Zone and Weldon Barber. Some advertising agencies specialize in advertising directed at men. Keep in mind that there are also many items targeted toward women that weren't in the past, including products such as kayaks and mountain bikes.

The Consumer's Age and Stage of Life

You have probably noticed that the things you buy have changed as you age. When you were a child, the last thing you probably wanted as a gift was clothing. As you became a teen, however, cool clothes probably became a bigger priority. Don't look now, but depending on the stage of life you're currently in, diapers and wrinkle cream might be just around the corner.

Companies understand that people buy different things based on their ages and life stages. Aging baby boomers are a huge market that companies are trying to tap. Car companies have created "aging suits" for young employees to wear when they're designing automobiles (Rowley, 2008). The suit simulates the restricted mobility and vision people experience as they get older. Car designers can then figure out how to configure the automobiles to better meet the needs of these consumers.

Lisa Rudes Sandel, the founder of Not Your Daughter's Jeans (NYDJ), created a multimillion-dollar business by designing jeans for baby boomers with womanly bodies. "The truth is," Rudes Sandel says, "I've never forgotten that woman I've been aiming for since day one." Sandel "speaks to" every one of her customers via a note tucked into each pair of jean that reads, "NYDJ (Not Your Daughter's Jeans) cannot be held responsible for any positive consequence that may arise due to your fabulous appearance when wearing the Tummy Tuck jeans. You can thank me later" (Saffian, 2009).

Your chronological age, or actual age in years, is one thing. Your cognitive age, or how old you perceive yourself to be, is another. In other words, how old do you *really* feel? A person's cognitive age affects the activities one engages in and sparks interests consistent with the person's perceived age. Cognitive age is a significant predictor of consumer behaviors, including people's dining out, watching television, going to bars and dance clubs, playing computer games, and shopping (Barack & Gould, 1985). How old people "feel" they are has important implications for marketing professionals. For example, companies have found that many "aged" consumers don't take kindly to products that feature "old folks." The consumers can't identify with them because they see themselves as being younger. We will discuss more about the age groups and how marketing professionals try to target them in Week 4, "Market Segmenting, Targeting, and Positioning."

The Consumer's Lifestyle

Earlier, we explained that two consumers (say, you and your best friend) can be similar in age, personality, and gender, but still purchase very different products. If you have ever watched the television show *Wife Swap*, you can see that despite people's similarities (e.g., being middle-class Americans who are married with children), lifestyles can differ radically.

To better understand consumers and connect with them, companies have begun looking more closely at consumers' lifestyles. This often includes asking consumers to fill out questionnaires or conducting in-depth interviews with them. The questionnaires go beyond asking people about the products they like, where they live, and what sex they are. Instead, researchers ask people what they *do*—that is, how they spend their time and what their priorities, values, and general outlooks on the world are. Where do they go other than work? Who do they like to talk to? What do they talk about? Researchers hired by Procter & Gamble have gone so far as to follow women around for weeks as they shop, run errands, and socialize with one another (Berner, 2006). Other companies have paid people to keep a daily journal of activities and routines.

A number of research organizations examine lifestyle and psychographic characteristics of consumers. Psychographics combines the lifestyle traits of consumers (for example, whether they are single or married, wealthy or poor, well-educated or high school dropouts) and their personality styles with an analysis of their attitudes, activities, and values to determine groups of consumers with similar characteristics. We will talk more about psychographics and what companies do to develop further insight into what consumers want in Week 4, "Market Segmenting, Targeting, and Positioning."

3.4 KEY TAKEAWAY

Your personality describes your disposition as other people see it. Market researchers believe people buy products to enhance how they feel about themselves. Your gender also affects what you buy and how you shop. Women shop differently than men. However, there's some evidence that this is changing. Younger men and women are beginning to shop more alike. People buy different things based on their ages and life stages. A person's cognitive age is how old he or she "feels" himself or herself to be. To further understand consumers and connect with them, companies have begun looking more closely at their lifestyles (what they do, how they spend their time, what their priorities and values, are, and how they see the world).

3.5 Psychological Factors That Affect Buying Behavior

LEARNING OBJECTIVES

1. Explain how Maslow's hierarchy of needs works.
2. Outline the additional psychological factors that affect people's buying behavior.

Motivation

Motivation is the inward drive we have to get what we need. In the mid-1900s, Abraham Maslow, an American psychologist, developed the hierarchy of needs shown in Figure 3.3, "Maslow's Hierarchy of Needs."

Figure 3.3 Maslow's Hierarchy of Needs

Maslow theorized that people have to fulfill their basic needs—such as the need for food, water, and sleep—before they can begin fulfilling higher-level needs. Have you ever gone shopping when you were tired or hungry? Even if you were shopping for something that would make you envy of your friends (maybe a new car), you probably wanted to sleep or eat even worse. (Forget the car. Just give me a nap and a candy bar.)

People's needs can be recurring, such as the physiological need for hunger. You eat breakfast and are hungry at lunchtime and then again in the evening. Other needs tend to be enduring, such as the need for shelter, clothing, and safety. Still other needs arise at different points in time in a person's life. For example, during grade school and high school, your *social* needs probably rose to the forefront. You wanted to have friends and get a date. Perhaps this prompted you to buy certain types of clothing or electronic devices. After high school, you began thinking about how people would view you in your "station" in life, so you decided to pay for college and get a professional degree, thereby fulfilling your need for *esteem*. If you're lucky, at some point you will realize Maslow's state of *self-actualization*: You will believe you have become the person in life that you were meant to be.

Marketing professionals understand Maslow's hierarchy. Take the need for people to feel secure and safe. Following the economic crisis that began in 2008, the sales of new automobiles dropped sharply virtually everywhere—except the sales of Hyundai vehicles. Hyundai ran an ad campaign that assured car buyers they could return their vehicles if they couldn't make the payments on them without damaging their credit. Other carmakers began offering similar programs after they saw how successful Hyundai had been.

Likewise, banks began offering "worry-free" mortgages to ease the minds of would-be homebuyers. For a fee of about $500, First Mortgage Corp., a Texas-based bank, offered to make a homeowner's mortgage payment for six months if he or she got laid off (Jares, 2010).

The Consumer's Perception

Perception is how you interpret the world and make sense of it in your brain. You do so via stimuli that affect your different senses—sight, hearing, touch, smell, and taste. How you combine these senses also makes a difference. For example, in one study, consumers were blindfolded and asked to drink a new brand of clear beer. Most of them said the product tasted like regular beer. However, when the blindfolds came off and they drank the beer, many of them described it as "watery" tasting (Ries, 2009).

Using different types of stimuli, marketing professionals try to make you more perceptive to their products whether you need them or not. It's not an easy job. Consumers today are bombarded with all types of marketing from every angle—television, radio, magazines, the Internet, and even bathroom walls. It's been estimated that the average consumer is exposed to about 3,000 advertisements per day (Lasn, 1999). Consumers are also multitasking more than in the past. They are surfing the Internet, watching television, and checking their cell phones for text messages. All day, every day, we are receiving information. Some, but not all, of it makes it into our brains.

Have you ever read or thought about something and then started noticing ads and information about it popping up everywhere? That's because your perception of it had become heightened. Many people are more perceptive to advertisements for products they need. Selective perception is the process of filtering out information based on how relevant it is to you. It's been described as a "suit of armor" that helps filter information you *don't* need. At other times, people forget information, even if it's quite relevant to them, which is called selective retention. Usually the information contradicts the person's belief. A chain smoker who forgets the information communicated during an antismoking commercial is an example.

To be sure their marketing communications messages get through to you, companies use repetition. How tired of iPhone commercials were you before they tapered off the tube? How often do you see the same commercial aired during a single television show?

Using surprising stimuli is also a technique. Sometimes this is called shock advertising. The clothing makers Benetton and Calvin Klein are probably best known for their shock advertising. Calvin Klein sparked an uproar when it featured scantily clad prepubescent teens in its ads. There's evidence that shock advertising actually works, though. One study found that shocking content increased attention, benefited memory, and positively influenced behavior among a group of university students (Dahl, Frankenberger, & Manchanda, 2003).

Subliminal advertising is the opposite of shock advertising. It involves exposing consumers to marketing stimuli—photos, ads, messages—by stealthily embedding them in movies, ads, and other media. For example, the words *Drink Coca-Cola* might be flashed for a millisecond on a movie screen. In January 2007, some viewers *of Iron Chef America* on the Food Network saw a brief red flash. A YouTube video of the program that was slowed to view the show frame by frame revealed the McDonald's logo with the words "I'm lovin' it." A Food Network spokesman called it a "technical error," and a spokesman for McDonald's said the company does not feature subliminal advertising (Associated Press).

Keep in mind that today it's common to see brands such as Coke being consumed in movies and television programs, but there's nothing subliminal about it. Coke and other companies often pay to have their products in the shows.

The general public became aware of subliminal advertising in the 1960s. Many people considered the practice subversive, and in 1974, the Federal Communications Commission condemned it. Its effectiveness is somewhat sketchy, in any case. It didn't help that much of the original research on it, conducted in the 1950s by a market researcher who was trying to drum up business for his market research firm, was fabricated (Crossen, 2007).

People are still fascinated by subliminal advertising, however. To create "buzz" about the television show *The Mole* in 2008, ABC began hyping it by airing short commercials composed of just a few frames. If you blinked, you missed it. Some television stations called ABC to figure out what was going on. One-second ads were later rolled out to movie theaters (Adalian, 2008).

Even if your marketing effort reaches consumers and they retain it, different consumers can perceive it differently. Show two people the same product and you'll get two different perceptions. One man sees Pledge, an outstanding furniture polish, while another sees a can of spray no different from any other furniture polish. One woman sees a luxurious Gucci purse, and the other sees an overpriced bag to hold keys and makeup (Chartrand, n.d.). A couple of frames about *The Mole* might make you want to see the television show. However, your friend might see the ad, find it stupid, and never tune in to watch.

Learning

Learning refers to the process by which consumers change their behavior after they gain information or experience a product. It's the reason you don't buy a crummy product twice. Learning doesn't just affect what you buy, however. It affects how you shop. People with limited experience about a product or brand generally seek out more information about it.

Companies try to get consumers to learn about their products in different ways. Car dealerships offer test drives. Pharmaceutical reps leave behind lots of free items—pens, coffee cups, magnets—at doctor's offices with medication names and logos written all over the items. Free samples of products that come in the mail or are delivered with newspapers are another example. To promote its new line of coffees, McDonald's offered customers free samples.

Another kind of learning is operant conditioning, which is what occurs when researchers are able to get a mouse to run through a maze for a piece of cheese or a dog to salivate just by ringing a bell. Companies engage in operant conditioning by rewarding consumers, too. The prizes that come in Cracker Jacks and with McDonald's Happy Meals are examples. The rewards cause consumers to want to repeat their purchasing behaviors. Other rewards include free tans offered with gym memberships, punch cards that give you a free Subway sandwich after a certain number of purchases, and free car washes when you fill your car with a tank of gas.

Consumer's Attitude

Attitudes are "mental positions" or emotional feelings people have about products, services, companies, ideas, issues, or institutions (Dictionary of Marketing Terms, n.d.) Attitudes tend to be enduring, and because they are based on people's values and beliefs, they are hard to change. That doesn't stop sellers from trying, though. They want people to have positive rather than negative feelings about their offerings. A few years ago, KFC began running ads to the effect that fried chicken was healthy—until the US Federal Trade Commission told the company to stop. Wendy's slogan to the effect that its products are "way better than fast food" is another example. Fast food has a negative connotation, so Wendy's is trying to get consumers to think about its offerings as being better.

A good example of a shift in the attitudes of consumers relates to banks. The taxpayer-paid government bailouts of big banks that began in 2008 provoked the wrath of Americans, creating an opportunity for small banks not involved in the credit and subprime mortgage mess. The Worthington National Bank, a small bank in Fort Worth, Texas, ran billboards reading: "Did Your Bank Take a Bailout? We didn't." Another read: "Just Say NO to Bailout Banks. Bank Responsibly!" The Worthington Bank received tens of millions in new deposits soon after running these campaigns (Mantone, 2009).

3.5 KEY TAKEAWAY

Psychologist Abraham Maslow theorized that people have to fulfill their basic needs—such as the need for food, water, and sleep—before they can begin fulfilling higher-level needs. Perception is how you interpret the world around you and make sense of it in your brain. To be sure their advertising messages get through to you, companies often resort to repetition. Shock advertising and subliminal advertising are two other methods. Learning is the process by which consumers change their behavior after they gain information about or experience with a product. Consumers' attitudes are the "mental positions" people take based on their values and beliefs. Attitudes tend to be enduring and are often difficult for companies to change.

3.6 Societal Factors That Affect Buying Behavior

LEARNING OBJECTIVES

1. Explain why the culture, subcultures, social classes, and families consumers belong to affect their buying behavior.
2. Describe what reference groups and opinion leaders are.

Situational factors—the weather, time of day, where you are, who you are with, and your mood—influence what you buy, but only on a temporary basis. So do personal factors, such as your gender, as well as psychological factors, such as your self-concept. Societal factors are a bit different. They are more outward. They depend on the world around you and how it works.

The Consumer's Culture

Culture refers to the shared beliefs, customs, behaviors, and attitudes that characterize a society. Your culture prescribes the way in which you should live. As a result, it has a huge effect on the things you purchase. For example, in Beirut, Lebanon, women can be seen wearing miniskirts. If you're a woman in Afghanistan wearing a miniskirt, however, you could face bodily harm or death. In Afghanistan, women generally wear *burqas*, which cover them completely from head to toe. Similarly, in Saudi Arabia, women must wear what's called an *abaya*, or long black garment. Interestingly, abayas have become big business. They come in many styles, cuts, and fabrics. Some are encrusted with jewels and cost thousands of dollars.

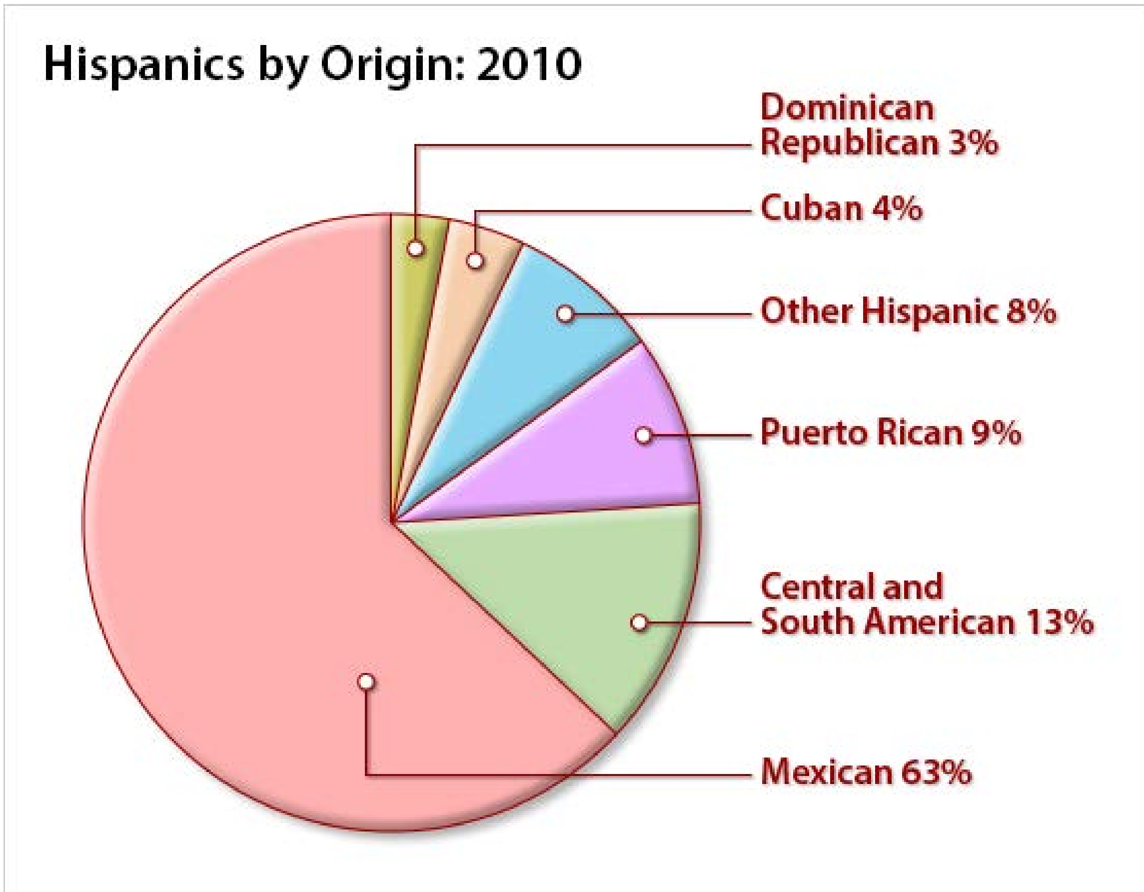
Even cultures that share many of the same values as the United States can be quite different from the United States in many ways. Following the meltdown of the financial markets in 2008, countries around the world were pressed by the United States to engage in deficit spending to stimulate the worldwide economy. But the plan was a hard sell both to German politicians and the German people in general. Most Germans don't own credit cards, and running up a lot of debt is something people in that culture generally don't do. Companies such as Visa and MasterCard and businesses that offer consumers credit to purchase items with high ticket prices have to deal with factors such as these.

The Consumer's Multiculture(s)

A multicultural group is a group of people within a culture who are different from the dominant culture but have something in common with one another—common interests, vocations or jobs, religions, ethnic backgrounds, sexual orientations. The fastest-growing multiculture in the United States consists of people of Hispanic origin, followed by Asian Americans, and blacks. The purchasing power of US Hispanics is growing. By 2010, it reached more than $1.0 trillion (Watrous, 2009). This is a lucrative market that companies work diligently to attract. Home Depot has launched a Spanish version of its website. Walmart has converted some of its Neighborhood Markets into stores designed to appeal to Hispanics. The Supermercado de Walmart stores are located in Hispanic neighborhoods and feature elements such as cafés serving Latino pastries and coffee, and features such as full meat and fish counters (Birchall, 2009).

Even within the Hispanic multiculture, there are many different Hispanic groups. As Figure 3.4 outlines, Mexican Americans may be the largest group, but a big chunk of the Hispanic market also belongs to Central and South Americans, Puerto Rican Americans, Cuban Americans and numerous other Hispanic groups who think about purchasing differently, and each needs a different marketing approach.

Figure 3.4 Hispanic Multicultures



Source: US Census Bureau, 2010 Census, American Fact Finder, Hispanic or Latino by Type: 2010.

Marketers are now focusing increased attention on the Asian market, which percentage-wise has overtaken the Hispanic market in population growth to about a 56% growth rate, impressive even though it represents a smaller growth in terms of real numbers. The origins of the Asian market come mostly from China, followed by the Philippines and to a lesser extent Japan, Korea, Vietnam, and the Indian subcontinent.

Marketing products based on the ethnicity of consumers can be useful. However, it could become harder to do in the future because the boundaries between ethnic groups are blurring. For example, many people today view themselves as multiracial. (Golfer Tiger Woods is a notable example.) Also, keep in mind that ethnic and racial multicultures are not the only multicultures marketing professionals consider. As we have indicated, multicultures can develop in response to people's interest. We also have subcultures, or groups of people of various multicultural groups who tend to organize around various activities. You have probably heard of the hip-hop subculture, people who in engage in extreme types of sports such as helicopter skiing, or people who play the fantasy game Dungeons and Dragons. The people in these groups have certain interests and exhibit certain behaviors that allow marketing professionals to design specific products for them.

The Consumer's Social Class

A social class is a group of people who have the same social, economic, or educational status in society (Princeton University, n.d.). To *some* degree, consumers in the same social class exhibit similar purchasing behavior. Have you ever been surprised to find out that someone you knew who was wealthy drove a beat-up old car or wore old clothes and shoes? If so, it was because the person, given his or her social class, was behaving "out of the norm" in terms of what you thought his or her purchasing behavior should be.

Table 3.1, "Social Classes and Buying Patterns: An Example," shows seven classes of American consumers along with the types of car brands they might buy. Keep in mind that the US market is just a fraction of the world market. As we explained in Week 1 when we discussed strategic marketing planning, to sustain their products, companies often launch their products in other parts of the world. The rise of the middle class in India and China is creating opportunities for many companies. For example, China has begun to overtake the United States as the world's largest auto market (AFP, 2011).

Table 3.1 Social Classes and Buying Patterns: An Example

Class	Type of Car	Definition of Class
Upper-Upper Class	Rolls-Royce	People with inherited wealth and aristocratic names (the Kennedys, Rothschilds, Windsors, etc.)
Lower-Upper Class	Mercedes	Professionals such as CEOs, doctors, and lawyers
Upper-Middle Class	Lexus	College graduates and managers
Middle Class	Toyota	Both white-collar and blue-collar workers
Working Class	Pontiac	Blue-collar workers
Lower but Not the Lowest	Used Vehicle	People who are working but not on welfare
Lowest Class	No vehicle	People on welfare

The makers of upscale brands in particular walk a fine line in terms of marketing to customers. On the one hand, they want their customer bases to be as large as possible. This is especially tempting in a recession when luxury buyers are harder to come by. On the other hand, if the companies create products the middle class can better afford, they risk "cheapening" their brands. That's why, for example, Smart cars, which are made by BMW, don't have the BMW label on them. For a time, Tiffany's sold a cheaper line of silver jewelry. However, the company later worried that its reputation was being tarnished by the line. Keep in mind that a product's price is to some extent determined by supply and demand. Luxury brands, therefore, try to keep the supply of their products in check so their prices remain high.

Some companies have managed to capture market share by introducing "lower echelon" brands without damaging their luxury brands. Johnnie Walker is an example. The company's whiskeys come in bottles with red, green, blue, black, and gold labels. The blue label is the company's best product. Every blue-label bottle has a serial number and is sold in a silk-lined box, accompanied by a certificate of authenticity (Wikipedia, n.d.).

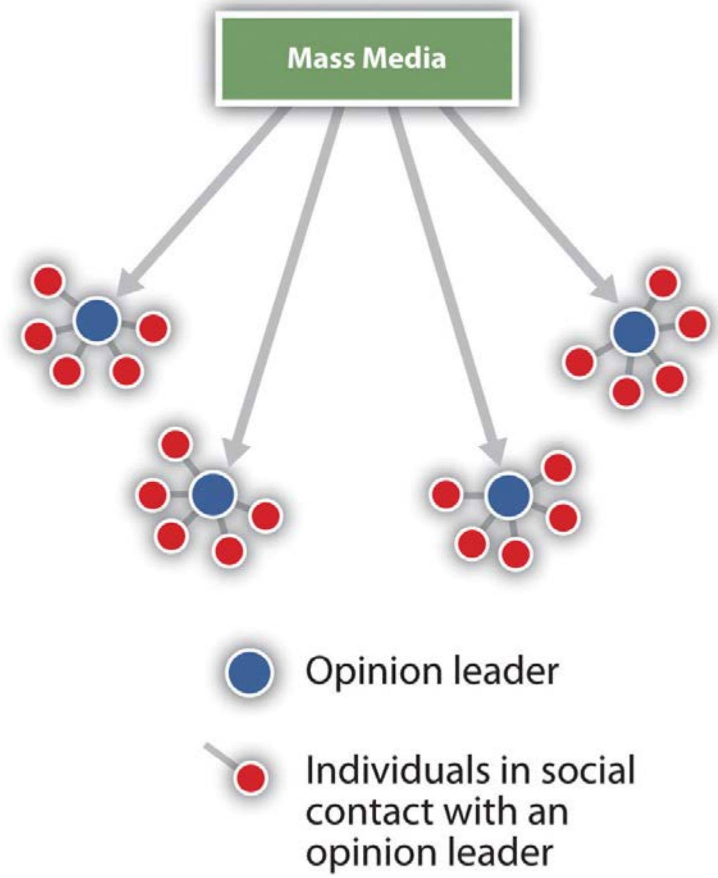
Reference Groups and Opinion Leaders

Of course, you probably know people who aren't wealthy but who still drive a Mercedes or other upscale vehicle. That's because consumers have reference groups. Reference groups are groups a consumer identifies with and wants to join. If you have ever dreamed of being a professional player of basketball or another sport, you have a reference group. Marketing professionals are aware of this. That's why, for example, Nike hires celebrities such as Michael Jordan to pitch the company's products.

Opinion leaders have expertise in certain areas. Consumers respect these people and often ask their opinions before they buy goods and services. An information technology specialist with a great deal of knowledge about computer brands is an example. These people's purchases often lie at the forefront of leading trends. For example, the IT specialist we mentioned is probably a person who has the latest and greatest tech products, and his or her opinion of them is likely to carry more weight than any sort of advertisement. Opinion leaders are especially effective when trying to launch a new product. Since consumers don't have enough if any information about the offering, they are likely to seek their information from someone they respect or a known expert in the product's industry.

As Figure 3.5 illustrates, marketers may choose to communicate only with opinion leaders in the hopes that they will share their favorable attitude toward the product with other members of their social circles.

Figure 3.5 Influence of Opinion Leaders



Source: Adapted from E. Katz and P. Lazarsfeld, Personal Influence (New York, NY: The Free Press, 1955).

Today's companies are using different techniques to reach opinion leaders. Network analysis using special software is one way of doing so. Orgnet.com has developed software for this purpose. Orgnet's software doesn't mine sites like Facebook and LinkedIn, though. Instead, it's based on sophisticated techniques that unearthed the links between Al Qaeda terrorists. Explains Valdis Krebs, the company's founder: "Pharmaceutical firms want to identify who the key opinion leaders are. They don't want to sell a new drug to everyone. They want to sell to the 60 key oncologists" (Campbell, 2004). As you can probably tell from this chapter, exploring the frontiers of people's buying patterns is a fascinating and constantly evolving field.

The Consumer's Family

Most market researchers consider a person's family to be one of the biggest determiners of buying behavior. Like it or not, you are more like your parents than you think, at least in terms of your consumption patterns. The fact is that many of the things you buy and don't buy are a result of what your parents do and do not buy. The soap you grew up using, toothpaste your parents bought and used, and even the "brand" of politics you lean toward (Democratic or Republican) are examples of the products you are likely to favor as an adult.

Family buying behavior has been researched extensively. Companies are also interested in which family members have the most influence over certain purchases. Children have a great deal of influence over many household purchases. For example, in 2003 nearly half (47 percent) of 9- to 17-year-olds were asked by parents to go online to find out about products or services, compared to 37 percent in 2001. IKEA used this knowledge to design their showrooms. The children's bedrooms feature fun beds with appealing comforters so children will be prompted to identify and ask for what they want (MediaMark Research, 2003).

Marketing to children has come under increasing scrutiny. Some critics accuse companies of deliberating manipulating children to nag their parents for certain products. For example, even though tickets for Hannah Montana concerts ranged from hundreds to thousands of dollars, the concerts often still sold out. However, as one writer put it, exploiting "pester power" is not always ultimately in the long-term interests of advertisers if it alienates kids' parents (Waddell, 2009).

3.6 KEY TAKEAWAY

Culture prescribes the way in which you should live and affects the things you purchase. A subculture is a group of people within a culture who are different from the dominant culture but have something in common with one another—common interests, vocations or jobs, religions, ethnic backgrounds, sexual orientations. To some degree, consumers in the same social class exhibit similar purchasing behavior. Most market researchers consider a person's family to be one of the biggest determiners of buying behavior. Reference groups are groups that a consumer identifies with and wants to join. Companies often hire celebrities to endorse their products to appeal to people's reference groups. Opinion leaders are people with expertise in certain areas. Consumers respect these people and often ask their opinions before they buy goods and services.

WEEK 4 PREVIEW

Thus far, our discussion on consumers has been fairly general. Companies can't market to everyone; however, tough decisions have to be made with respect to what groups of consumers would most likely exchange value with the company. These are called target markets and they are identified through a process of market segmentation to identify all potential market segments, and then to select that one or more market segment(s) that the company has the resources to pursue. In most cases, because there will be competing offerings for the same target market, companies also need to differentiate their offering so that members of the target market understand how their offering differs. This is called positioning. As we touched on in Week 1 when discussing competitive environments, the best place for a marketer to be is to have an offering that occupies uncontested space in the minds of the target market.

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