chapter

1

Consumer Behavior and Marketing Strategy

LEARNING OBJECTIVES

- **LO1** Define consumer behavior.
- **LO2** Summarize the applications of consumer behavior.
- **LO3** Explain how consumer behavior can be used to develop marketing strategy.
- **LO4** Explain the components that constitute a conceptual model of consumer behavior.
- **LO5** Discuss issues involving consumption meanings and firm attempts to influence them.

Marketers face exciting and daunting challenges as the forces that drive and shape consumer behavior rapidly evolve. Here are just a few examples.

Evolution of Marketing and Customer Experience—Marketers offer different ways for consumers to get their cup of coffee. Consumers can buy coffee beans and make a cup of coffee. They can buy a package of ground coffee and make a cup of coffee. They can opt to go to a coffee shop and buy a cup of coffee. Or they can go to Starbucks and buy a cup of coffee. Which option do you think is more expensive? Likely you would say that the first option is the least expensive and the final option the most expensive—and generally you would be correct! But why is that so? The answer lies in the layers of value that marketers can add to "commodity-like" products. These layers include services and experiences that consumers have indicated are of value to them. Thus, as products move from being a commodity to a good to a service to an experience, consumers are likely to pay more. The success of Starbucks attests to consumer willingness to pay more for a cup of coffee from Starbucks that layers the core product with service and experience. And Starbucks is going further. For example, it recently opened a store in New Orleans that is one of its portfolios of "local relevancy" stores. These *hyper local* stores are designed to provide intense experiential aspects that reflect the historical and cultural ambience of the store's locale.[1] A Starbucks in Philadelphia pictured at the beginning of this chapter is another example of this hyper local approach.

Marketing 2 Consumers versus Marketing 4 Consumers—Marketing has evolved not only in its offerings, but also in its relationship to consumers. A power shift away from marketers to consumers has changed the landscape. Succinctly stated, Marketing 2 Consumers has shifted to Marketing 4 Consumers. Marketing 2 Consumers used mass marketing, a scattered approach to reach as many consumers as possible including unavoidably wasting resources on consumers who have no interest in the product offering. Marketing 2 Consumers saturated consumers with advertisements, repeatedly and frequently, in an effort to gain consumer attention. In contrast, Marketing 4 Consumers uses a more targeted approach in an effort more likely to reach only the consumers who want the marketer's offering. Marketing 4 Consumers recognizes that consumers have the power to choose whether or not they will allow marketers' permission (say with a click on the Internet) to start a dialog. Product creation is no longer exclusively in the hands of

marketers. Consumers can initiate and participate in product innovation by pitching an idea and/or funding a pitch (e.g., Kickstarter, Etsy). Consumers can verify marketers' promises of competitive prices for all nature of things from air fare (e.g., Kayak) to products (e.g., Fat Wallet). And consumers do not have to take marketers at their word because they can easily access customer reviews (e.g., Amazon.com).[2]

Social Media—The power shift from marketers to consumers has been further amplified by the rise of social media—Facebook, Pinterest, Tumblr, Twitter—which place user-generated, consumer-to-consumer(s) communication outside of the direct control and influence of marketers. A humorous example is the more than 8,000 Tweets (on Twitter) reporting the abnormally long receipts CVS gives its customers. Tweets show photos of consumers holding up CVS receipts that stretch above their heads and wrap around their waists. The motivation behind these long receipts is big data. CVS collects data on each customer purchase via the customer's CVS card. When customers check out, the cash register prints out on each consumer's receipt custom coupons mined from the history of previous purchases. CVS was both fortunate and savvy. They noticed the trend (social media allow for this to be done quickly and efficiently), noted the negativity (consumers' perception of waste and lack of environmental concern), and are reacting (moving more of their coupons and rewards direct to consumer cards). Such "real-time" trend tracking was simply not possible in most cases prior to social and digital media.

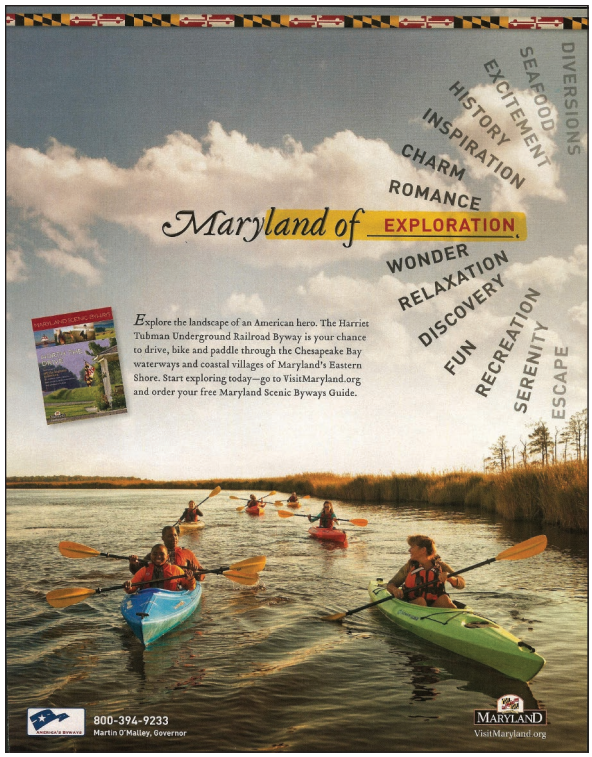
This shift in power from Marketing 2 Consumers to Marketing 4 Consumers and the rise of social media have made it all the more crucial for marketers to understand consumer behavior. Marketers' use of crowdsourcing to give voice to their consumers' needs and wants exemplifies marketers' understanding of the need to place consumers at the center of marketing. Examples of online crowdsourcing include Nike's Nikeidea, Nokia's Betalabs, and Dell's Ideastorm. These examples show how valuable it can be when marketers talk "with" their customers rather than simply talk "to" them.[3]

L01

The field of **consumer behavior** is *the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.* This view of consumer behavior is broader than the traditional one, which focused more narrowly on the buyer and the immediate antecedents and consequences of the purchasing process. Our broader view will lead us to examine more indirect influences on consumption decisions as well as far-reaching consequences that involve more than just the purchaser and the seller.

The opening examples above summarize some attempts to apply an understanding of consumer behavior in a rapidly evolving environment that includes changes in technology and how consumers interact and communicate with firms. Throughout this text, we will explore the factors and trends shaping consumer behavior and the ways marketers and regulators can use this information. Four key aspects regarding consumer behavior are highlighted in this text.

- C*onsumer behavior is a complex, multidimensional process.* Consumer decisions often involve numerous steps and are influenced by a host of factors including demographics, lifestyle, and cultural values. Consumer decisions are further complicated when the needs and wants of multiple individuals or groups are considered, as when families must make decisions about where to eat for dinner or where to go on vacation.



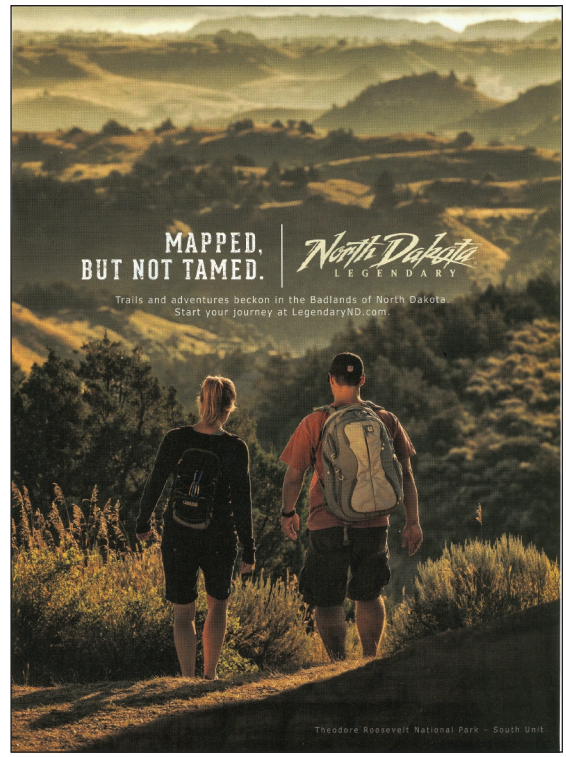


ILLUSTRATION 1-1

These advertisements are targeting the same consumers with very similar products, yet they use two very different approaches. Why? They are based on different assumptions about consumer behavior and how to influence it.

- *Successful marketing decisions by firms, nonprofit organizations, and regulatory agencies require an understanding of the processes underlying consumer behavior.* This relates to understanding theories about when and why consumers act in certain ways. Whether they realize it or not, organizations are making decisions every day based on explicit or implicit assumptions about what processes drive consumer behavior. Examine Illustration 1–1. *What assumptions about consumer behavior underlie each ad? Which approach is best? Why?*
- *Successful marketing decisions require organizations to collect information about the specific consumers involved in the marketing decision at hand.* Consumer decisions are heavily influenced by situation and product category. Thus, consumer research is necessary to understand how specific consumers will behave in a specific situation for a given product category. Appendix A examines various consumer research approaches.
- *Marketing practices designed to influence consumer behavior involve ethical issues that affect the firm, the individual, and society.* The issues are not always obvious and many times involve trade-offs at different levels. The fast-food industry is currently dealing with such issues. While their products are highly desirable to many consumers in terms of taste and affordability, they also tend to be high in calories, fat, and sodium. These health-related issues have gotten the attention of government and consumer groups.

Sufficient knowledge of consumer behavior exists to provide usable guidelines. However, applying these guidelines effectively requires monitoring the environment for changes and factoring those changes into marketing decisions. It also requires practice. We provide a variety of such opportunities in the form of (a) questions and exercises at the end of each chapter, (b) short cases at the end of each main part of the text, and (c) a consumer behavior audit for developing marketing strategy (Appendix B) at the end of the text.

APPLICATIONS OF CONSUMER BEHAVIOR

Marketing Strategy

L02

Marketing decisions based on explicit consumer behavior theory, assumptions, and research are more likely to be successful than those based on hunches or intuition, and thus create a competitive advantage. An accurate understanding of consumer behavior can greatly reduce the odds of failures such as:

> S.C. Johnson pulled the plug on its Ziploc TableTops, a line of semi-disposable plates. TableTops was one of the company's most expensive launches with $65 million spent on marketing. A number of factors appear to have contributed to the failure including relatively high prices (which made consumers less likely to throw them away) and the fact that the products really weren't all that disposable. As one retailer explained, "There are no repeat purchases. The things last forever."[4]

Thus, a primary goal of this book is to help you obtain a usable managerial understanding of consumer behavior to help you become a more effective marketing manager. Before we take a look at marketing strategy and consumer behavior, let's examine regulatory policy, social marketing, and the importance of being an informed individual.

Regulatory Policy

Various regulatory bodies exist to develop, interpret, and/or implement policies designed to protect and aid consumers. For example, the Food and Drug Administration (FDA) administers the Nutrition Labeling and Education Act (NLEA). Among other things, NLEA requires that packaged foods prominently display nutrition information in the form of the Nutrition Facts panel.

Has NLEA succeeded? A recent study suggests that it depends. For example, the Nutrition Facts panel is of most benefit to highly motivated consumers who are low in nutritional knowledge. Demonstrating such benefits is important in light of the estimated $2 billion in compliance costs. However, such cost–benefit comparisons are complicated since placing a dollar value on individual and societal benefits is often difficult.[5]

Clearly, effective regulation of many marketing practices requires an extensive knowledge of consumer behavior. We will discuss this issue throughout the text and provide a detailed treatment in Chapter 20.

Social Marketing

Social marketing is *the application of marketing strategies and tactics to alter or create behaviors that have a positive effect on the targeted individuals or society as a whole.*[6] Social marketing has been used in attempts to reduce smoking, to increase the percentage of children receiving their vaccinations in a timely manner, to encourage environmentally sound behaviors such as recycling, to reduce behaviors potentially leading to AIDS, to enhance support of charities, to reduce drug use, and to support many other important causes.

Just as for commercial marketing strategy, successful social marketing strategy requires a sound understanding of consumer behavior. For example, Oakley's "For Strength: Not Surrender" campaign (see Illustration 1–2) uses an emotional-based appeal. In Chapter 11, we will analyze the conditions under which such campaigns are likely to succeed.

ILLUSTRATION 1-2

Nonprofits as well as commercial firms such as Oakley as shown here attempt to influence consumption patterns. Both types of organizations must base their efforts on knowledge of consumer behavior to maximize their chances of success.

Informed Individuals

Most economically developed societies are legitimately referred to as consumption societies. Most individuals in these societies spend more time engaged in consumption than in any other activity, including work or sleep (both of which also involve consumption). In addition, marketers spend billions to influence consumer decisions. These attempts occur in ads, in websites, on packages, as product features, in sales pitches, and in store environments. They also occur in the content of many TV shows, in the brands that are used in movies, and in the materials presented to children in schools.

It is important that consumers accurately understand the strategies and tactics being used so they can be more effective consumers. It is equally important that, as citizens, we understand the consumer behavior basis of these strategies so we can set appropriate limits when required. That is, an understanding of consumer behavior can establish a foundation for reasoned business ethics.

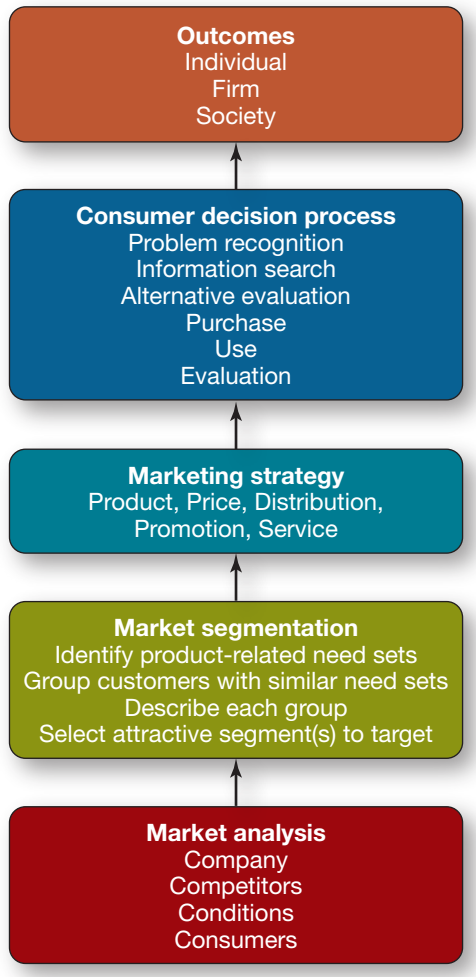
MARKETING STRATEGY AND CONSUMER BEHAVIOR

L03

The applications of consumer behavior involve the development, regulation, and effects of marketing strategy. We now examine marketing strategy in more depth.

Marketing strategy, as described in Figure 1–1, is conceptually very simple. It begins with an analysis of the market the organization is considering. On the basis of the consumer analysis undertaken in this step, the organization identifies groups of individuals, households, or

FIGURE 1-1 Marketing Strategy and Consumer Behavior



firms with similar needs. These market segments are described in terms of demographics, media preferences, geographic location, and so forth. Management then selects one or more of these segments as target markets on the basis of the firm's capabilities relative to those of its competition (given current and forecasted economic and technological conditions).

Next, marketing strategy is formulated. To survive in a competitive environment, an organization must provide its target customers more value than is provided to them by its competitors. **Customer value** is *the difference between all the benefits derived from a total product and all the costs of acquiring those benefits.* It is critical that a firm consider value *from the customer's perspective.* Ziploc's TableTops failed because consumers felt the benefit of being semi-disposable did not outweigh the cost of the product itself or the guilt they felt about eventually throwing it away. Thus, marketing strategy seeks to provide the customer with more value than the competition while still producing a profit for the firm.

Marketing strategy is formulated in terms of the marketing mix; that is, it involves determining the product features, price, communications, distribution, and services that will provide customers with superior value. This entire set of characteristics is often

ILLUSTRATION 1-3

What do you buy when you go to a restaurant or coffee shop? The experience is the product as much as or more than the actual food and beverage.

referred to as the **total product.** The total product is presented to the target market, which is consistently engaged in processing information and making decisions designed to maintain or enhance its lifestyle (individuals and households) or performance (businesses and other organizations).

Look at Illustration 1–3. What is the total product? Clearly, it is much more than food and beverages. It also involves an experience. Increasingly, marketers sell experiences as much as or more than actual products and services. An "experience" occurs when a company intentionally creates a memorable event for customers. While products and services are to a large extent external to the customer, an experience is largely internal to each customer. The experience exists in the mind of an individual who has been engaged on an emotional, physical, intellectual, or even spiritual level.

Outcomes based on the execution of a marketing strategy occur for the firm, the individual, and society. Firms expect to establish an image or position in the marketplace among target customers, generate sales, and ultimately create satisfied customers who are the key to long-term profits. For the individual, the process results in some level of need satisfaction, financial expenditure, attitude creation or change, and/or behavioral changes. Note that some of these behaviors may involve injurious consumption. For society, the cumulative effect of the marketing process affects economic growth, pollution, and social welfare, the latter of which creates many ethical implications.

We detail each phase of Figure 1–1 next.

MARKET ANALYSIS COMPONENTS

Market analysis requires a thorough understanding of the consumption process of potential customers; the organization's own capabilities; the capabilities of current and future competitors; and the economic, physical, and technological environment in which these elements will interact.

The Consumers

It is not possible to anticipate and react to customers' needs and desires without a complete understanding of consumer behavior. Discovering customers' needs is a complex process, but it can often be accomplished by marketing research. For example, Target wanted to tap into the $210 billion college market. In particular, Target was looking at the furnishings and accessories market and was interested in the specific needs and motivations of students making the transition from home to college dorm life. Jump Associates conducted the research for Target and took a unique approach:

> [Jump Associates] sponsored a series of "game nights" at high school grads' homes, inviting incoming college freshmen as well as students with a year of dorm living under their belts. To get teens talking about dorm life, Jump devised a board game that involved issues associated with going to college. The game naturally led to informal conversations—and questions—about college life. Jump researchers were on the sidelines to observe, while a video camera recorded the proceedings.

On the basis of this research (which is a variation of focus groups—see Appendix A), Target successfully launched the Todd Oldham Dorm Room line, which included such products as Kitchen in a Box and Bath in a Box—all-in-one assortments of the types of products needed by college freshmen.[7] Target continues to appeal to the college market with logo merchandise and other dorm products.

Knowing the consumer requires understanding the behavioral principles that guide consumption behaviors. These principles are covered in depth in the remainder of this text.

The Company

A firm must fully understand its own ability to meet customer needs. This involves evaluating all aspects of the firm, including its financial condition, general managerial skills, production capabilities, research and development capabilities, technological sophistication, reputation, and marketing skills. Marketing skills would include new-product development capabilities, channel strength, advertising abilities, service capabilities, marketing research abilities, market and consumer knowledge, and so forth.

Failure to fully understand strengths and weaknesses can cause serious problems. IBM's first attempt to enter the home computer market, with the PC Jr., was a failure in part for that reason. Although IBM had an excellent reputation with large business customers and a very strong direct sales force for serving them, these strengths were not relevant to the household consumer market. Its more recent move into high-end business consulting, through IBM Global Business Services, has been a major success and, interestingly, moves IBM back to a focus on its earlier core strengths.

The Competitors

It is not possible to consistently do a better job than the competition of meeting customer needs without a thorough understanding of the competition's capabilities and strategies. This understanding requires the same level of knowledge of a firm's key competitors that

is required of one's own firm. In addition, for any significant marketing action, the following questions must be answered:

1. If we are successful, which firms will be hurt (lose sales or sales opportunities)?
2. Of those firms that are injured, which have the capability (financial resources, marketing strengths) to respond?
3. How are they likely to respond (reduce prices, increase advertising, introduce a new product)?
4. Is our strategy (planned action) robust enough to withstand the likely actions of our competitors, or do we need additional contingency plans?

The Conditions

The state of the economy, the physical environment, government regulations, and technological developments affect consumer needs and expectations as well as company and competitor capabilities. The deterioration of the physical environment has produced not only consumer demand for environmentally sound products but also government regulations affecting product design and manufacturing.

International agreements such as NAFTA (North American Free Trade Agreement) have greatly reduced international trade barriers and raised the level of both competition and consumer expectations for many products. And technology is changing the way people live, work, deal with disease, and so on. Corporate websites, social media such as Twitter and Facebook, and mobile apps are just some of the ways technology is changing the way consumers communicate and access media.

Clearly, a firm cannot develop a sound marketing strategy without anticipating the conditions under which that strategy will be implemented.

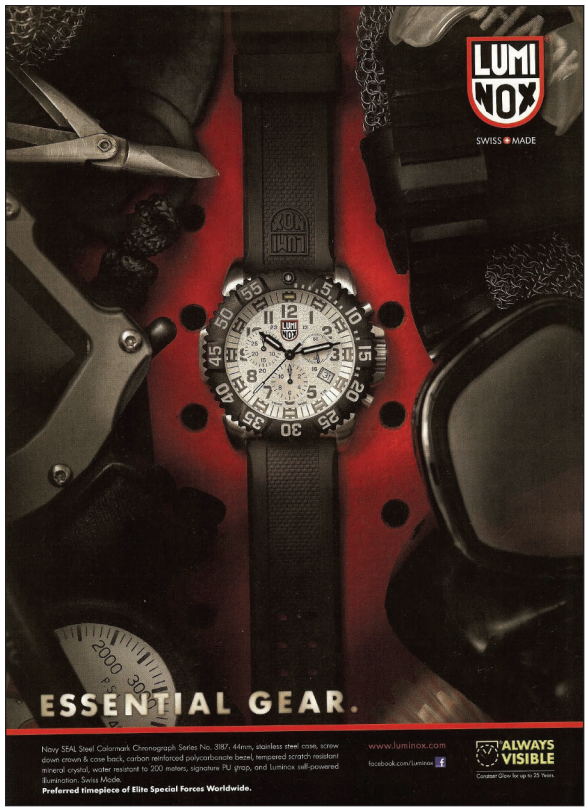
MARKET SEGMENTATION

Perhaps the most important marketing decision a firm makes is the selection of one or more market segments on which to focus. A **market segment** is *a portion of a larger market whose needs differ somewhat from the larger market.* Since a market segment has unique needs, a firm that develops a total product focused solely on the needs of that segment will be able to meet the segment's desires better than a firm whose product or service attempts to meet the needs of multiple segments.

To be viable, a segment must be large enough to be served profitably. However, it should be noted that technology advances such as flexible manufacturing and customized media are allowing for mass customization such that firms can target smaller segments and even individuals profitably. *Behavioral targeting,* in which consumers' online activity is tracked and specific banner ads are delivered based on that activity, is another example of how technology is making individualized communication increasingly cost-effective.

Market segmentation involves four steps:

1. Identifying product-related need sets.
2. Grouping customers with similar need sets.
3. Describing each group.
4. Selecting an attractive segment(s) to serve.



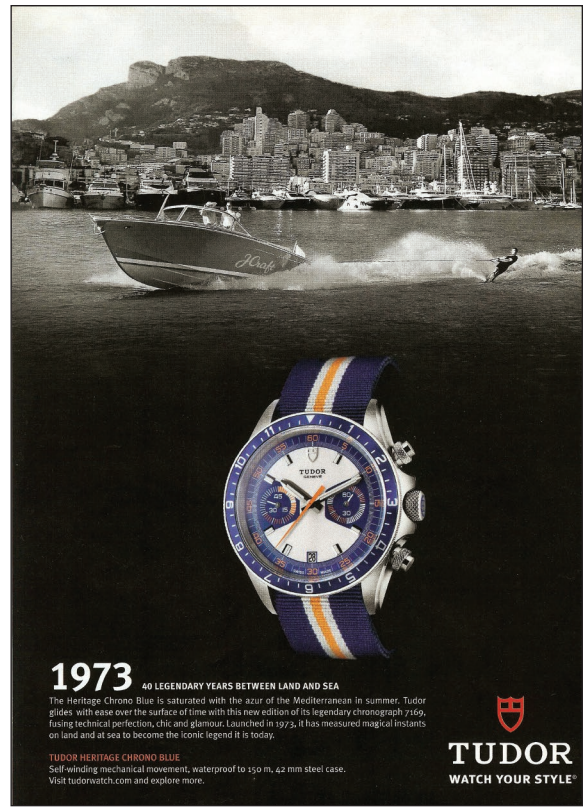


ILLUSTRATION 1-4

Both the Lumi Nox and Tudor ads are for the same basic product. Yet, as these ads show, the products are designed to meet different sets of needs beyond their basic function.

Product-Related Need Sets

Organizations approach market segmentation with a set of current and potential capabilities. These capabilities may be a reputation, an existing product, a technology, or some other skill set. The first task of the firm is to identify need sets that the organization is capable, or could become capable, of meeting. The term **need set** is used to reflect the fact that most products in developed economies satisfy more than one need. Thus, a watch can meet more needs than just telling time. Some customers purchase watches to meet status needs, while others purchase them to meet style needs, and so on. Illustration 1–4 shows two watch ads; one for Lumi Nox, the other for Tudor. Even though these ads are for the same general product, *what needs are these different ads appealing to?*

Identifying the various need sets that the firm's current or potential product might satisfy typically involves consumer research, particularly focus groups and depth interviews, as well as logic and intuition. These need sets are often associated with other variables such as age, stage in the household life cycle, gender, social class, ethnic group, or lifestyle, and many firms start the segmentation process focusing first on one or more of the groups defined by one of these variables. Thus, a firm might start by identifying various ethnic groups and then attempt to discover similarities and differences in consumption-related needs across these groups. While better-defined segments will generally be discovered by focusing first on needs and then on consumer characteristics associated with those needs, both approaches are used in practice and both provide a useful basis for segmentation.

Need sets exist for products and services and can include needs related to various shopping venues. Consumer Insight 1–1 examines the need sets of mall and factory outlet shoppers.

CONSUMER INSIGHT 1-1

Need Sets of Mall and Factory Outlet Shoppers

What do you look for in a retail experience? Entertainment? Branded merchandise? Convenient parking? It turns out that all of these are important, but not all of them are important to every consumer. Thus, retailers must know what need sets exist and what segments exist around those need sets. One research study that gives some insight into this found four basic need sets for traditional malls and factory outlets:[8]

1. ***Mall Essentials—****basic requirements including*
   - Cleanliness
   - Décor
   - Employee service and friendliness
   - Safety and security
   - Parking
2. ***Entertainment—****fun extras such as*
   - Fast food
   - Movie theatres
   - Other services such as banks and hair specialists
   - Friends who shop the retailer
3. ***Convenience—****factors that make shopping easier including*
   - Close to work and/or home
   - Accessible to home and/or work
4. ***Brand-name Merchandise—****brand availability as follows:*
   - Brand-name stores
   - Current fashions
   - New products
   - More stores

As you can see, each need set represents a related cluster of characteristics. In addition, however, consumers can be grouped (segmented) in terms of their similarity regarding the importance they place on the different need sets. For example, there is the "Basic" shopper segment that only cares about mall essentials; an "Enthusiast" shopper segment that cares about all the need sets, with a particularly high emphasis on entertainment; a "serious shopper" who cares about brand-name merchandise and convenience; a "Destination" shopper who cares about mall essentials and brand-name merchandise; and a "Brand" shopper who only cares about brand-name merchandise. Clearly all shoppers are not the same, and retailers must work hard to adapt to the differing need sets of different shopper segments.

Critical Thinking Questions

1. Think of various retailers you are aware of. Can you match these different retailers to the different shopper segments?
2. Can you characterize the different shopper segments in terms of various demographic traits such as age, gender, income, family role, and so on?
3. What do you think the need sets are for online retailers?

Customers with Similar Need Sets

The next step is to group consumers with similar need sets. For example, the need for moderately priced, fun, sporty automobiles appears to exist in many young single individuals, young couples with no children, and middle-aged couples whose children have left home. These consumers can be grouped into one segment as far as product features and perhaps even product image are concerned despite sharply different demographics. Consumer Insight 1–1 provides an additional example of "clustering" or grouping consumers with similar need sets. For example, those who are basic shoppers are all similar in that their most critical need set is mall essentials.

This step generally involves consumer research, including focus group interviews, surveys, and product concept tests (see Appendix A). It could also involve an analysis of current consumption patterns.

Description of Each Group

Once consumers with similar need sets are identified, they should be described in terms of their demographics, lifestyles, and media usage. Designing an effective marketing program requires having a complete understanding of the potential customers. It is only with such a complete understanding that we can be sure we have correctly identified the need set. In addition, we cannot communicate effectively with our customers if we do not understand the context in which our product is purchased and consumed, how it is thought about by our customers, and the language they use to describe it. Thus, while many young single individuals, young couples with no children, and middle-aged couples whose children have left home may want the same features in an automobile, the media required to reach each group and the appropriate language and themes to use with each group would likely differ.

Attractive Segment(s) to Serve

Once we are sure we have a thorough understanding of each segment, we must select our **target market**—*the segment(s) of the larger market on which we will focus our marketing effort.* This decision is based on our ability to provide the selected segment(s) with superior customer value at a profit. Thus, the size and growth of the segment, the intensity of the current and anticipated competition, the cost of providing the superior value, and so forth are important considerations. Table 1–1 provides a simple worksheet for use in evaluating and comparing the attractiveness of various market segments.

As Table 1–1 indicates, segments that are sizable and growing are likely to appear attractive. However, profitability cannot be ignored. After all, a large unprofitable segment is still

TABLE 1-1 Market Segment Attractiveness Worksheet

Criterion	Score*
Segment size	_____
Segment growth rate	_____
Competitor strength	_____
Customer satisfaction with existing products	_____
Fit with company image	_____
Fit with company objectives	_____
Fit with company resources	_____
Distribution available	_____
Investment required	_____
Stability/predictability	_____
Cost to serve	_____
Sustainable advantage available	_____
Communications channels available	_____
Risk	_____
Segment profitability	_____
Other (_____)	_____

*Score on a 1–10 scale, with 10 being most favorable.

unprofitable. Finding profitable segments means identifying a maximal fit between customer needs and the firm's offerings. This means that some customers and segments will be unprofitable to serve and may need to be "fired." While firing customers may be difficult, it can lead to greater profits, as ING Direct has found. ING Direct is a bare-bones bank. It has limited offerings (no checking) and does most of its transactions online. ING Direct wants "low-maintenance" customers who are attracted by its higher interest rates. As their CEO notes:

> The difference between ING Direct and the rest of the financial industry is like the difference between take-out food and a sit-down restaurant. The business isn't based on relationships; it's based on a commodity product that's high-volume and low-margin. We need to keep expenses down, which doesn't work when customers want a lot of empathetic contact.[9]

ING Direct keeps costs lower and profits higher by identifying high-cost customers and (nicely) letting them go by suggesting they might be better served by a "high-touch" community bank. *Can you think of any potential risks of "firing" customers?*

It is important to remember that each market segment requires its own marketing strategy. Each element of the marketing mix should be examined to determine if changes are required from one segment to another. Sometimes each segment will require a completely different marketing mix, including the product. At other times, only the advertising message or retail outlets may need to differ.

MARKETING STRATEGY

It is not possible to select target markets without simultaneously formulating a general marketing strategy for each segment. A decisive criterion in selecting target markets is the ability to provide superior value to those market segments. Because customer value is delivered by the marketing strategy, the firm must develop its general marketing strategy as it evaluates potential target markets.

Marketing strategy is basically the answer to the question, *How will we provide superior customer value to our target market?* The answer to this question requires the formulation of a consistent marketing mix. The **marketing mix** is *the product, price, communications, distribution, and services provided to the target market.* It is the combination of these elements that meets customer needs and provides customer value. For example, in the chapter opener, we see that Starbucks creates value through a combination of products, service, and a superior experience.

The Product

A **product** is *anything a consumer acquires or might acquire to meet a perceived need.* Consumers are generally buying need satisfaction, not physical product attributes.[10] As the former head of Revlon said, "in the factory we make cosmetics, in the store we sell hope." Thus, consumers don't purchase quarter-inch drill bits but the ability to create quarter-inch holes. Federal Express lost much of its overnight letter delivery business not to UPS or Airborne but to fax machines and the Internet because these technologies could meet the same consumer needs faster, cheaper, or more conveniently.

We use the term *product* to refer to physical products and primary or core services. Thus, an automobile is a product, as is a transmission overhaul or a ride in a taxi. Packaged goods alone (food, beverages, pet products, household products) account for over 30,000 new product introductions each year.[11] Obviously, many of these will not succeed. To be successful, a product must meet the needs of the target market better than the competition's product does.

Product-related decisions also include issues of packaging, branding, and logos, which have functional and symbolic dimensions. When Starbucks changed its logo by eliminating the words "Starbucks Coffee" and the circle around their emblematic "Siren," there was some consumer backlash on social media against this new logo. *Do you think Starbucks' new logo is effective? What factors underlie your judgment?*

Communications

Marketing communications include *advertising, the sales force, public relations, packaging, and any other signal that the firm provides about itself and its products.* An effective communications strategy requires answers to the following questions:

1. *With whom, exactly, do we want to communicate?* While most messages are aimed at the target-market members, others are focused on channel members, or those who influence the target-market members. For example, pediatric nurses are often asked for advice concerning diapers and other nonmedical infant care items. A firm marketing such items would be wise to communicate directly with the nurses.

   Often it is necessary to determine who within the target market should receive the marketing message. For a children's breakfast cereal, should the communications be aimed at the children or the parents, or both? The answer depends on the target market and varies by country.
2. *What effect do we want our communications to have on the target audience?* Often a manager will state that the purpose of advertising and other marketing communications is to increase sales. While this may be the ultimate objective, the behavioral objective for most marketing communications is often much more immediate. That is, it may seek to have the audience learn something about the product, seek more information about the product, like the product, recommend the product to others, feel good about having bought the product, or a host of other communications effects.
3. *What message will achieve the desired effect on our audience?* What words, pictures, and symbols should we use to capture attention and produce the desired effect? Marketing messages can range from purely factual statements to pure symbolism. The best approach depends on the situation at hand. Developing an effective message requires a thorough understanding of the meanings the target audience attaches to words and symbols, as well as knowledge of the perception process. Consider Illustration 1–5. Many older consumers may not relate to the approach of this ad. However, it communicates clearly to its intended youth market.
4. *What means and media should we use to reach the target audience?* Should we use personal sales to provide information? Can we rely on the package to provide needed information? Should we advertise in mass media, use direct mail, or rely on consumers to find us on the Internet? If we advertise in mass media, which media (television, radio, magazines, newspapers, Internet) and which specific vehicles (television programs, specific magazines, websites, banner ads, and so forth) should we use? Is it necessary or desirable to adjust the language used? With respect to the media and language issues, MasterCard's approach is instructive. They indicate that

   > Hispanics are the largest and fastest growing ethnic group in the U.S. . . . As we continue to bring value to Hispanic consumers, it is important for MasterCard to be speaking their language in the channels that are relevant to them.[12]

5. *When should we communicate with the target audience?* Should we concentrate our communications near the time that purchases tend to be made or evenly throughout

ILLUSTRATION 1-5

All aspects of the marketing mix should be designed around the needs and characteristics of the target audience. Many segments would not appreciate this ad, but it works with the targeted segment.

the week, month, or year? Do consumers seek information shortly before purchasing our product? If so, where? Answering these questions requires knowledge of the decision process used by the target market for this product.

Price

Price is *the amount of money one must pay to obtain the right to use the product.* One can buy ownership of a product or, for many products, limited usage rights (i.e., one can rent or lease the product, as with a video). Economists often assume that lower prices for the same product will result in more sales than higher prices. However, price sometimes serves as a signal of quality. A product priced "too low" might be perceived as having low quality. Owning expensive items also provides information about the owner. If nothing else, it indicates that the owner can afford the expensive item. This is a desirable feature to some consumers. Starbucks charges relatively high prices for its coffee. Yet it understands that the Starbucks brand allows consumers to "trade up" to a desired image and lifestyle without breaking the bank. Therefore, setting a price requires a thorough understanding of the symbolic role that price plays for the product and target market in question.

It is important to note that the price of a product is not the same as the cost of the product to the customer. **Consumer cost** is *everything the consumer must surrender in order to receive the benefits of owning/using the product.* As described earlier, the cost of owning/

using an automobile includes insurance, gasoline, maintenance, finance charges, license fees, parking fees, time and discomfort while shopping for the car, and perhaps even discomfort about increasing pollution, in addition to the purchase price. One of the ways firms seek to provide customer value is to reduce the nonprice costs of owning or operating a product. If successful, the total cost to the customer decreases while the revenue to the marketer stays the same or even increases.

Distribution

Distribution, *having the product available where target customers can buy it,* is essential to success. Only in rare cases will customers go to much trouble to secure a particular brand. Obviously, good channel decisions require a sound knowledge of where target customers shop for the product in question. Today's distribution decisions also require an understanding of cross-channel options. Savvy retailers are figuring out ways to let each distribution channel (e.g., online versus offline) do what it does best. For example, retailers are often challenged to balance appropriate types and levels of in-store inventory with internet kiosks. Obviously, retailers who adopt this approach have to choose an appropriate merchandising strategy where fast-moving, high-profit, seasonal items are in-store to attract customers while other merchandise is available online.[13] Finally, retailer characteristics such as those examined in Consumer Insight 1–1 need to be understood and delivered upon. Disney is in the process of renovating its stores to be more interactive, and this has driven increased store visits and sales. The remodel seems to focus on entertainment that is especially appropriate in light of their brand and customer. Specifically

> [t]he new [Disney] retail format sports more features to entertain shoppers, such as a table where kids can assemble cars from the popular Disney-Pixar "Cars" movie to a two-story princess castle that kids can enter.[14]

Service

Earlier, we defined *product* to include primary or core services such as haircuts, car repairs, and medical treatments. Here, **service** refers to *auxiliary or peripheral activities that are performed to enhance the primary product or primary service.* Thus, we would consider car repair to be a product (primary service), while free pickup and delivery of the car would be an auxiliary service. Although many texts do not treat service as a separate component of the marketing mix, we do because of the critical role it plays in determining market share and relative price in competitive markets. A firm that does not explicitly manage its auxiliary services is at a competitive disadvantage.

Auxiliary services cost money to provide. Therefore, it is essential that the firm furnish only those services that provide value to the target customers. Providing services that customers do not value can result in high costs and high prices without a corresponding increase in customer value.

CONSUMER DECISIONS

As Figure 1–1 illustrated, the consumer decision process intervenes between the marketing strategy (as implemented in the marketing mix) and the outcomes. That is, the outcomes of the firm's marketing strategy are determined by its interaction with the

ILLUSTRATION 1-6

This ad positions the brand as fun.

consumer decision process. The firm can succeed only if consumers see a need that its product can solve, become aware of the product and its capabilities, decide that it is the best available solution, proceed to buy it, and become satisfied with the results of the purchase. A significant part of this text is devoted to the understanding of the consumer decision process.

OUTCOMES

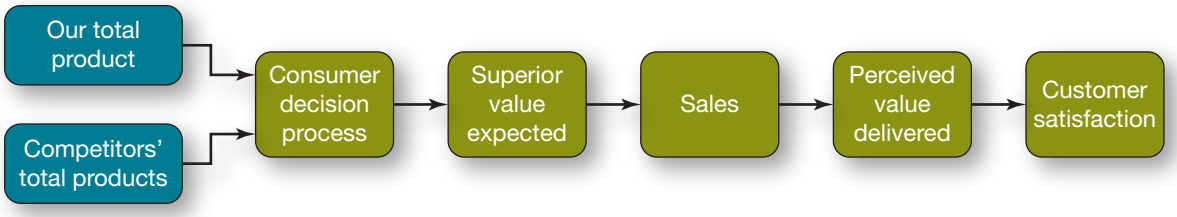
Firm Outcomes

Product Position The most basic outcome of a firm's marketing strategy is its **product position**—*an image of the product or brand in the consumer's mind relative to competing products and brands.* This image consists of a set of beliefs, pictorial representations, and feelings about the product or brand. It does not require purchase or use for it to develop. It is determined by communications about the brand from the firm and other sources, as well as by direct experience with it. Most marketing firms specify the product position they want their brands to have and measure these positions on an ongoing basis. This is because a brand whose position matches the desired position of a target market is likely to be purchased when a need for that product arises.

The ad in Illustration 1–6 is positioning the brand as a fun brand. This image and personality are facilitated and enhanced by the color and imagery used.

Sales and Profits Sales and profits are critical outcomes, as they are necessary for the firm to continue in business. Therefore, virtually all firms evaluate the success of their marketing programs in terms of sales revenues and profits. As we have seen, sales and profits are likely to occur only if the initial consumer analysis was correct and if the marketing mix matches the consumer decision process.

FIGURE 1-2 Creating Satisfied Customers



Customer Satisfaction Marketers have discovered that it is generally more profitable to maintain existing customers than to replace them with new customers. Retaining current customers requires that they be satisfied with their purchase and use of the product. Thus, **customer satisfaction** is a major concern of marketers.

As Figure 1–2 indicates, convincing consumers that your brand offers superior value is necessary in order to make the initial sale. Obviously, one must have a thorough understanding of the potential consumers' needs and of their information acquisition processes to succeed at this task. However, *creating satisfied customers,* and thus future sales, requires that customers continue to believe that your brand meets their needs and offers superior value *after they have used it.* You must deliver as much or more value than your customers initially expected, and it must be enough to satisfy their needs. Doing so requires an even greater understanding of consumer behavior.

Individual Outcomes

Need Satisfaction The most obvious outcome of the consumption process for an individual, whether or not a purchase is made, is some level of satisfaction of the need that initiated the consumption process. This can range from no satisfaction (or even a negative level if a purchase increases the need rather than reduces it) to complete satisfaction. Two key processes are involved: the actual need fulfillment and the perceived need fulfillment. These two processes are closely related and are often identical. However, at times they differ. For example, people might take food supplements because they believe the supplements are enhancing their health, while in reality they could have no direct health effects or even negative effects. One objective of government regulation and a frequent goal of consumer groups is to ensure that consumers can adequately judge the extent to which products are meeting their needs.

Injurious Consumption Although we tend to focus on the benefits of consumption, we must remain aware that consumer behavior has a dark side. **Injurious consumption** occurs *when individuals or groups make consumption decisions that have negative consequences for their long-run well-being.* Examples can include (a) overspending due to aggressive marketing efforts and cheap credit; (b) consumption of products that are not healthy including fast foods, cigarettes, alcohol, and so on; and (c) engaging in activities such as gambling that can have devastating financial consequences for some.

One product that caught the attention of the FDA was caffeinated alcohol beverages. They tend to be large in volume and also contain high levels of alcohol and caffeine. It is estimated that one can of these new caffeinated alcohol beverages has the same impact on people as drinking five to six beers. These beverages also increase the chances that people

engage in dangerous behaviors such as driving under the influence, in part because the caffeine causes them to misgauge how intoxicated they are.[15]

Although these are issues we should be concerned with, and we will address them throughout this text, we should also note that alcohol consumption seems to have arisen simultaneously with civilization and evidence of gambling is nearly as old. Consumers smoked and chewed tobacco long before mass media or advertising as we know it existed, and illegal drug consumption continues to grow worldwide despite the absence of large-scale marketing, or at least advertising. Thus, though marketing activities based on knowledge of consumer behavior undoubtedly exacerbate some forms of injurious consumption, they are not the sole cause and, as we will see shortly, such activities may be part of the cure.

Society Outcomes

Economic Outcomes The cumulative impact of consumers' purchase decisions, including the decision to forgo consumption, is a major determinant of the state of a given country's economy. Consumers' decisions on whether to buy or to save affect economic growth, the availability and cost of capital, employment levels, and so forth. The types of products and brands purchased influence the balance of payments, industry growth rates, and wage levels. Decisions made in one society—particularly large, wealthy societies such as those of the United States, Western Europe, and Japan—have a major impact on the economic health of many other countries.

Physical Environment Outcomes Consumers make decisions that have a major impact on the physical environments of both their own and other societies. The cumulative effect of U.S. consumers' decisions to rely on relatively large private cars rather than mass transit results in significant air pollution in American cities as well as the consumption of nonrenewable resources from other countries. The decisions of people in most developed and in many developing economies to consume meat as a primary source of protein result in the clearing of rain forests for grazing land; the pollution of many watersheds due to large-scale feedlots; and an inefficient use of grain, water, and energy to produce protein. It also appears to produce health problems for many consumers. Similar effects are being seen as ethanol (made from corn, sugar cane, or rice) becomes a more popular alternative to oil as a source of fuel for automobiles. The high cost of fuel, along with the diversion of grain from food to fuel, is driving up food costs and threatens to increase poverty levels around the world.[16] Such outcomes attract substantial negative publicity. However, these resources are being used because of consumer demand, and consumer demand consists of the decisions you and I and our families and our friends make!

As we will see in Chapter 3, many consumers now recognize the indirect effects of consumption on the environment and are altering their behavior to minimize environmental harm.

Social Welfare Consumer decisions affect the general social welfare of a society. Decisions concerning how much to spend for private goods (personal purchases) rather than public goods (support for public education, parks, health care, and the like) are generally made indirectly by consumers' elected representatives. These decisions have a major impact on the overall quality of life in a society.

Injurious consumption, as described above, affects society as well as the individuals involved. The social costs of smoking-induced illnesses, alcoholism, and drug abuse are

staggering. To the extent that marketing activities increase or decrease injurious consumption, they have a major impact on the social welfare of a society. Consider the following:

> According to the U.S. Public Health Service, of the 10 leading causes of death in the United States, at least 7 could be reduced substantially if people at risk would change just 5 behaviors: compliance (e.g., use of antihypertensive medication), diet, smoking, lack of exercise, and alcohol and drug abuse. Each of these behaviors is inextricably linked with marketing efforts and the reactions of consumers to marketing campaigns. The link between consumer choices and social problems is clear.[17]

However, the same authors conclude: "Although these problems appear daunting, they are all problems that are solvable through altruistic [social] marketing." Thus, marketing and consumer behavior can both aggravate and reduce serious social problems.

THE NATURE OF CONSUMER BEHAVIOR

L04

Figure 1–3 shows the model that we use to capture the general structure and process of consumer behavior and to organize this text. It is a **conceptual model.** It does not contain sufficient detail to predict particular behaviors; however, it does reflect our beliefs about the general nature of consumer behavior. Individuals develop self-concepts (their view of themselves) and subsequent lifestyles (how they live) based on a variety of internal (mainly psychological and physical) and external (mainly sociological and demographic) influences. These self-concepts and lifestyles produce needs and desires, many of which require consumption decisions to satisfy. As individuals encounter relevant situations, the consumer decision process is activated. This process and the experiences and acquisitions it produces in turn influence the consumers' self-concept and lifestyle by affecting their internal and external characteristics.

Of course, life is rarely so structured as Figure 1–3 and our discussion of it so far may seem to suggest. Consumer behavior is hardly ever so simple, structured, conscious, mechanical, or linear. A quick analysis of your own behavior and that of your friends will reveal that, on the contrary, consumer behavior is frequently complex, disorganized, nonconscious, organic, and circular. Remember—Figure 1–3 is only a model, a starting point for our analysis. It is meant to aid you in thinking about consumer behavior. As you look at the model and read the following chapters based on this model, continually relate the descriptions in the text to the rich world of consumer behavior that is all around you.

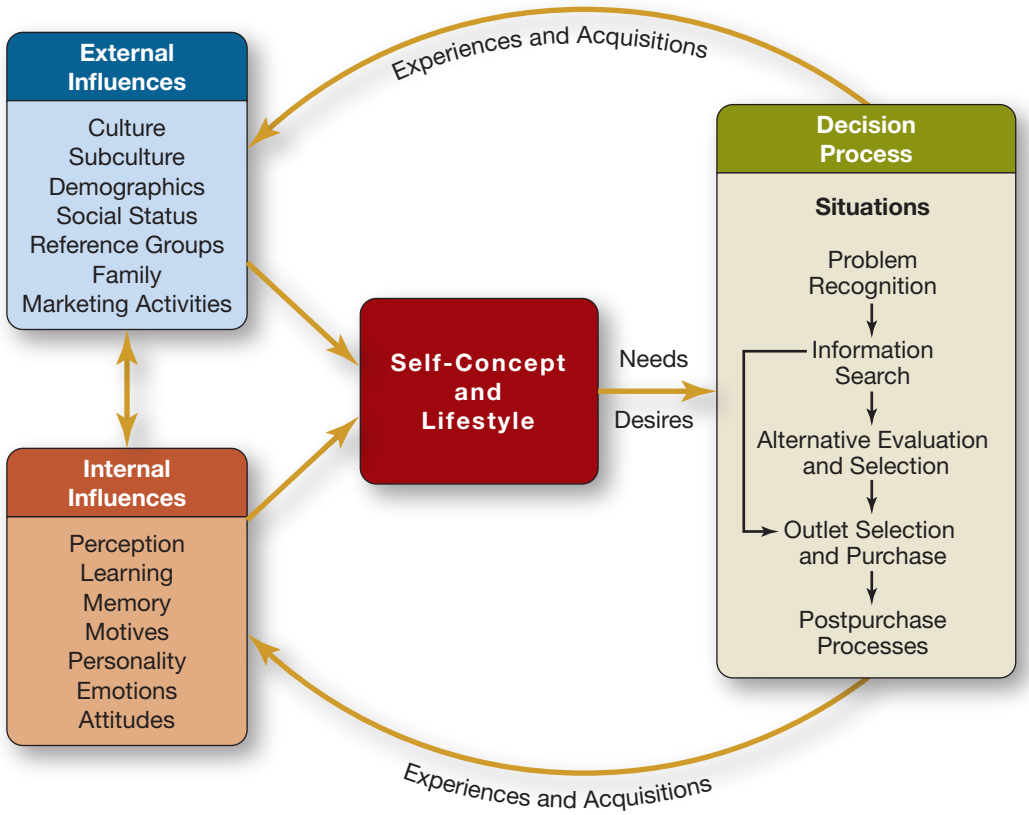
The factors shown in Figure 1–3 are given detailed treatment in the subsequent chapters of this book. Here we provide a brief overview so that you can initially see how they work and fit together. Our discussion here and in the following chapters moves through the model from left to right.

External Influences (Part II)

Dividing the factors that influence consumers into categories is somewhat arbitrary. For example, we treat learning as an internal influence despite the fact that much human learning involves interaction with, or imitation of, other individuals. Thus, learning could also be considered a group process. In Figure 1–3, the two-directional arrow connecting internal and external influences indicates that each set interacts with the other.

We organize our discussion of external influences from large-scale macrogroups to smaller, more microgroup influences. *Culture* is perhaps the most pervasive influence on consumer behavior. We begin our consideration of culture in Chapter 2 by examining

Overall Model of Consumer Behavior FIGURE 1-3



differences in consumption patterns across cultures. In Chapters 3 through 7, we focus on American culture in detail. In Chapter 3, we examine cultural values. As we will see, while Americans share many values and consumption behaviors, there are also rich diversity and ongoing change in this society that create both marketing opportunities and unique social energy. Illustration 1–7 shows how marketers are embracing this diversity in their advertisements.

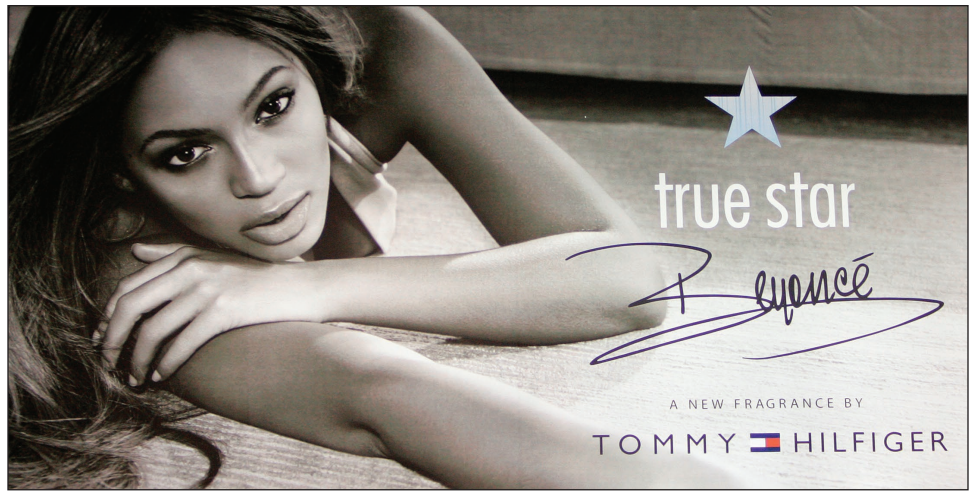
Chapter 4 continues our examination of American society by analyzing its demographics (the number, education, age, income, occupation, and location of individuals in a society) and social stratification. Chapter 5 considers ethnic, religious, and regional subcultures. Chapter 6 analyzes families, households, and household decision making. Finally, in Chapter 7, we look at the processes by which groups influence consumer behavior and group communication, including the role of groups in the acceptance of new products and technologies. Taken together, Chapters 2 through 7 provide a means of comparing and contrasting the various external factors that influence consumer behavior in America—and around the world. Cross-cultural variations are highlighted when possible throughout the text.

Internal Influences (Part III)

Internal influences begin with perception, the process by which individuals receive and assign meaning to stimuli (Chapter 8). This is followed by learning—changes in the content or structure of long-term memory (Chapter 9). Chapter 10 covers three closely related

ILLUSTRATION 1-7

America is increasingly diverse. Ads such as this one reflect and embrace such diversity.



topics: motivation—the reason for a behavior; personality—an individual's characteristic response tendencies across similar situations; and emotion—strong, relatively uncontrolled feelings that affect our behavior. We conclude our coverage of internal influences by examining attitudes in Chapter 11. An attitude is an enduring organization of motivational, emotional, perceptual, and cognitive processes with respect to some aspect of our environment. In essence, an attitude is the way a person thinks, feels, and acts toward some aspect of his or her environment, such as a retail store, television program, or product. As such, our attitudes are heavily influenced by the external and internal factors that we will have discussed in the preceding chapters.

Self-Concept and Lifestyle

Chapter 12 concludes Part III with a detailed discussion of the key concepts of self-concept and lifestyle around which our model revolves. As a result of the interaction of the internal and external variables described earlier, individuals develop a self-concept that is reflected in a lifestyle. **Self-concept** is *the totality of an individual's thoughts and feelings about him- or herself.* **Lifestyle** is, quite simply, *how one lives,* including the products one buys, how one uses them, what one thinks about them, and how one feels about them. Lifestyle is the manifestation of the individual's self-concept, the total image the person has of him- or herself as a result of the culture he or she lives in and the individual situations and experiences that comprise his or her daily existence. It is the sum of the person's past decisions and future plans.

Both individuals and families exhibit distinct lifestyles. We often hear of "career-oriented individuals," "outdoor families," or "devoted parents." One's lifestyle is determined by both conscious and unconscious decisions. Often we make choices with full awareness of their impact on our lifestyle, but generally we are unaware of the extent to which our decisions are influenced by our current or desired lifestyle. Our model shows that consumers' self-concepts and lifestyles produce needs and desires that interact with the situations in which consumers find themselves to trigger the consumer decision process.

We do not mean to imply that consumers think in terms of lifestyle. None of us consciously think, "I'll have an Evian bottled water in order to enhance my lifestyle." Rather, we make decisions consistent with our lifestyles without deliberately considering lifestyle.

Most consumer decisions involve very little effort or thought on the part of the consumer. They are what we call *low-involvement decisions.* Feelings and emotions are as important in many consumer decisions as logical analysis or physical product attributes. Nonetheless, most consumer purchases involve at least a modest amount of decision making, and most are influenced by the purchaser's current and desired lifestyle.

Consumer Decision Process (Part IV)

Consumer decisions result from perceived problems ("I'm thirsty") and opportunities ("That looks like it would be fun to try"). We will use the term *problem* to refer both to problems and to opportunities. Consumer problems arise in specific situations and the nature of the situation influences the resulting consumer behavior. Therefore, we provide a detailed discussion of situational influences on the consumer decision process in Chapter 13.

As Figure 1–3 indicates, a consumer's needs/desires may trigger one or more levels of the consumer decision process. It is important to note that for most purchases, consumers devote very little effort to this process, and emotions and feelings often have as much or more influence on the outcome as do facts and product features. Despite the limited effort that consumers often devote to the decision process, the results have important effects on the individual consumer, the firm, and the larger society. Therefore, we provide detailed coverage of each stage of the process: problem recognition (Chapter 14); information search (Chapter 15); alternative evaluation and selection (Chapter 16); outlet selection and purchase (Chapter 17); and use, disposition, and purchase evaluation (Chapter 18). The increasing role of technology, particularly the Internet, in consumer decision making is highlighted throughout these chapters.

Organizations (Part V) and Regulation (Part VI)

Organizations or businesses can also be consumers as when Mercedes-Benz purchases dashboard subcomponents from a supplier. This type of marketing is often termed business-to-business (B2B) marketing to differentiate it from business-to-consumer (B2C) marketing that is the focus of much of this text. The special nature of organizations and how they behave warrant special attention. In Chapter 19, we show how our model of individual and household consumer behavior can be modified to help understand the consumer behavior of organizations.

Regulation is an aspect of consumer behavior that permeates marketer actions relating to all parts of our model and it warrants special attention as well. Chapter 20 focuses our attention on the regulation of marketing activities, especially those targeting children. We pay particular attention to the role that knowledge of consumer behavior plays or could play in regulation.

THE MEANING OF CONSUMPTION

L05

As we proceed through this text, we will describe the results of studies of consumer behavior, discuss theories about consumer behavior, and present examples of marketing programs designed to influence consumer behavior. While reading this material, however, do not lose sight of the fact that consumer behavior is not just a topic of study or a basis for developing marketing or regulatory strategy. Consumption frequently has deep meaning for the consumer.[18]

CONSUMER INSIGHT 1-2

Consumption Meaning and Motivation

Consumer behavior is the study of why consumers buy. Understanding consumer behavior is at the heart of marketing strategy and a major focus of this text. Government agencies must "sell" ideas and services (e.g., The Affordable Care Act, tax increases) to citizens. Nonprofits must convince consumers to contribute to their organizations (e.g., Salvation Army). Companies must persuade consumers to buy their products and services. Some products and services are essential. However, much of consumption is not need-based, at least in a functional sense. Many companies spend considerable money and effort convincing consumers to buy products, services, or brands they don't really need. And consumers often want products and services they cannot afford, which, if acted on, can lead to negative financial consequences such as crushing credit card debt. In this insight we explore some of the factors driving consumer purchases that drive at the deeper meaning of consumption beyond mere function and necessity.

Meaning in the mundane—Sometimes consumers know what they want—from simple and relatively inexpensive everyday things like milk, bread, and socks, which require little decision effort, to more expensive items such as cars, TVs, and homes, which require considerable decision effort. Even in these situations where products meet basic needs, there can be far more meaning in the objects purchased than might meet the eye. Cars and homes can take on important meanings over time when they are associated with major events such as a first date, a child's first step, and so on. Even truly mundane products can attain heightened meaning if associated with important events or people in one's life. Chapter 12 deals with this idea of products becoming a part of the extended self and as a consequence taking on much deeper meanings than might initially seem possible.

Meaning in avoidance—Consumers often know what they don't want—at least at the broadest level—and make consumption choices accordingly. Consumers don't want fear of physical harm in their lives—so they buy cars with safety enhancements and products such as smoke alarms and carbon monoxide detectors to reduce physical risk. Consumers don't want financial risk in their lives—so they buy insurance and extended warranties, and hire financial planners. Risk and risk avoidance are an important part of consumer behavior and decision making, as discussed in Chapter 3 and Chapter 16.

Meaning in innovative brands—The iPhone is unquestionably a marketing success. It has helped to make Apple one of the most profitable companies in the

Consider the example of a man named Andre. Andre, just escaping homelessness, proudly states that he was able to save for and buy a pair of Nikes. He could undoubtedly have purchased a different brand that would have met his physical needs just as well as the Nikes for much less money. Although Andre does not state why he bought the more expensive Nikes, a reasonable interpretation is that they serve as a visible symbol that Andre is back as a successful member of society. In fact, Nike is sometimes criticized for creating, through its marketing activities, symbols of success or status that are unduly expensive. *Consider this issue as you read about the various meanings and motives underlying Consumer Insight 1–2.*[19]

As you read the chapters that follow, keep in mind that the decisions consumers make are the result of a complex set of forces, often reflecting meaning and motivations that are powerful, nuanced, and beyond mere function.

world.[20] Consumers willingly wait in long lines for hours to have the chance to buy a new version of the iPhone. And yet, consumers didn't know they wanted that product until it already existed. The iPhone is clearly more than just a phone. It has many meanings to consumers—including innovative, cutting-edge, sophisticated, intellectual—that consumers buy as much or more than the phone. In fact, a brand's personality can be as much a driver of purchase as how well it meets functional requirements, as discussed in Chapter 10.

The more radical the innovation, the more marketers must be able to see the match between customer core needs and the possibilities created by emerging technology. Below are a few quotes about the challenges of *innovating ahead of the customer.*

> You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new.[21]
>
> —Steve Jobs

> It's really hard to design products by focus groups. A lot of times, people don't know what they want until you show it to them.[22]
>
> —Steve Jobs

The iPhone is a marketer's dream. However, most new products do not succeed. Why this is so and how marketers can adapt their strategies is a key aspect of Chapter 7.

Meaning beyond function—Women's hair removal is highly popular in the United States and has led to a thriving industry including razors, chemical depilatories, and electrolysis. However, women in other parts of the world—France, Italy, China—do not shave.[23] Crest's introduction of "Whitestrips" in 2001 created a new over-the-counter product to whiten teeth that has since grown to a multimillion-dollar market.[24] Such examples highlight the fact that "needs" come in various forms. While being hair-free under one's arms or having whiter teeth may not improve one's physical well-being, in many countries and cultures, such attributes are related to the need to belong or to be respected, as discussed in Chapter 10. Some consumer groups argue that marketers create unnecessary needs on the part of the consumer and worry about their consequences for both the individual and society, as discussed in Chapter 20.

Critical Thinking Questions

1. How and why do you think products acquire meaning to consumers?
2. Can you see any potential negative consequences to marketing attempts to encourage purchases of products consumers don't need?
3. Do marketers create needs?

SUMMARY

SMARTBOOK™

LO1: Define consumer behavior.

The field of *consumer behavior* is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

LO2: Summarize the applications of consumer behavior.

Consumer behavior can be applied in four areas: (a) marketing strategy, (b) regulatory policy, (c) social marketing, and (d) creation of informed individuals. Developing marketing strategy involves setting levels of the marketing mix based on an understanding of the market and segments involved to create desirable outcomes. Developing regulatory guidelines involves developing policies, guidelines, and laws to protect and aid consumers. *Social marketing* is the application of marketing strategies and tactics to alter or create behaviors that have a positive effect on the targeted individuals or society as a whole. Creating more informed individuals involves educating consumers

about their own consumption behaviors as well as marketers' efforts to influence them in such a way as to create a more sound citizenship, effective purchasing behavior, and reasoned business ethics.

LO3: Explain how consumer behavior can be used to develop marketing strategy.

The interplay between consumer behavior and marketing strategy involves five stages. First is market analysis, which involves gathering data and tracking trends related to the company, competitors, conditions, and consumers. Second is market segmentation. A *market segment* is a portion of a larger market whose needs differ somewhat from the larger market. Firms segment their markets and choose a segment or segments that best fit their capabilities and market conditions. Third is marketing strategy, which involves setting appropriate levels for the marketing mix as a function of the segments being targeted and the market conditions that exist. Fourth is the consumer decision process, which is a series of steps starting with problem recognition and moving through information search, alternative evaluation, purchase, use, and post-purchase evaluation. Marketing efforts can be targeted to these different stages. Fifth is outcomes at the individual, firm, and societal levels. And while profit maximization is often a goal at the firm level, possible adverse effects at the individual and societal level are of importance to firms, government organizations, and regulators. An understanding of consumer behavior theory and concepts is critical at each stage as marketers gather information, develop marketing strategies to influence consumer decisions, and evaluate the effects of their marketing efforts.

LO4: Explain the components that constitute a conceptual model of consumer behavior.

The conceptual model of consumer behavior developed here can be broken into four interrelated parts. External and internal influences affect the consumer's self-concept and lifestyle, which, in turn, affects the decision process. External influences (Part II of the text) include culture, reference groups, demographics, and marketing activities. Internal influences (Part III) include perception, emotions, attitudes, and personality. *Self-concept* is the totality of an individual's thoughts and feelings about him- or herself. *Lifestyle* is, quite simply, how one lives, including the products one buys, how one uses them, what one thinks about them, and how one feels about them. External and internal factors operate to influence self-concept and lifestyle, which, in turn, influences the decision process (Part IV). Overlaying these basic components is organizations (Part V) and regulation (Part VI). Organizations or businesses can also be consumers, as when Mercedes-Benz purchases dashboard subcomponents from a supplier. This type of marketing is often termed business-to-business (B2B) marketing to differentiate it from business-to-consumer (B2C) marketing, which is the focus of much of this text. The special nature of organizations and how they behave warrant special attention. Regulation is an aspect of consumer behavior that permeates marketer actions relating to all parts of our model and it warrants special attention as well.

LO5: Discuss issues involving consumption meanings and firm attempts to influence them.

Consumption has meaning beyond the satisfaction of minimum or basic consumer needs. Thus, consumers might purchase Nike sneakers not only to satisfy the functional needs associated with safety and support, but also for symbolic needs associated with status, identity, and group acceptance. Some criticize marketers for their attempts to instill in, or amplify, consumer desires for products beyond minimum functional aspects. And while this criticism may hold true, it also seems likely that such desires and symbolic meanings are naturally assigned to objects even in the relative absence of marketing. Nonetheless, the ethical implications of marketers' actions in this regard are important to consider.

KEY TERMS

Conceptual model 24
Consumer behavior 6
Consumer cost 19
Customer satisfaction 22
Customer value 10
Distribution 20
Injurious consumption 22
Lifestyle 26
Marketing communications 18
Marketing mix 17
Marketing strategy 17
Market segment 13
Need set 14
Price 19
Product 17
Product position 21
Self-concept 26
Service 20
Social marketing 8
Target market 16
Total product 11