University of Southern California
Marshall School of Business

BUAD 307 — Marketing Fundamentals
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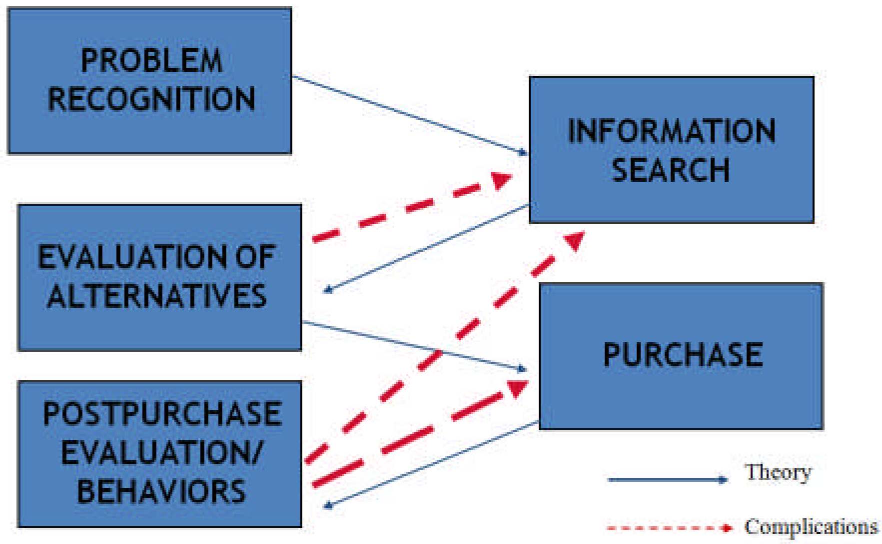
SUMMARY OF CLASSROOM MATERIAL

CONSUMER BEHAVIOR

Consumer behavior involves the psychological processes that consumers go through in recognizing needs, finding ways to solve these needs, making purchase decisions (e.g., whether or not to purchase a product and, if so, which brand and where), interpret information, make plans, and implement these plans (e.g., by engaging in comparison shopping or actually purchasing a product).

Sources of influence on the consumer. The consumer faces numerous sources of influence. Often, we take *cultural* influences for granted, but they are significant. An American will usually not bargain with a store owner. This, however, is a common practice in much of the World. *Physical* factors also influence our behavior. We are more likely to buy a soft drink when we are thirsty, for example, and food manufacturers have found that it is more effective to advertise their products on the radio in the late afternoon when people are getting hungry. A person's *self-image* will also tend to influence what he or she will buy—an upwardly mobile manager may buy a flashy car to project an image of success. *Social* factors also influence what the consumers buy—often, consumers seek to imitate others whom they admire, and may buy the same brands. The social environment can include both the mainstream culture (e.g., Americans are more likely to have corn flakes or ham and eggs for breakfast than to have rice, which is preferred in many Asian countries) and a subculture (e.g., rap music often appeals to a segment within the population that seeks to distinguish itself from the mainstream population). Thus, sneaker manufacturers are eager to have their products worn by admired athletes. Finally, consumer behavior is influenced by *learning*—you try a hamburger and learn that it satisfies your hunger and tastes good, and the next time you are hungry, you may consider another hamburger.

Problem Recognition. One model of consumer decision making involves several steps. The first one is *problem recognition*—you realize that something is not as it should be. Perhaps, for example, your car is getting more difficult to start and is not accelerating well. The second step *is information search*—what are some alternative ways of solving the problem? You might buy a new car, buy a used car, take your car in for repair, ride the bus, ride a taxi, or ride a skateboard to work. The third step involves *evaluation of alternatives*. A skateboard is inexpensive, but may be ill-suited for long distances and for rainy days. Finally, we have the *purchase* stage, and sometimes a post-purchase stage (e.g., you return a product to the store because you did not find it satisfactory). In reality, people may go back and forth between the stages. For example, a person may resume alternative identification during while evaluating already known alternatives.



Consumer *involvement* will tend to vary dramatically depending on the type of product. In general, consumer involvement will be higher for products that are very expensive (e.g., a home, a car) or are highly significant in the consumer's life in some other way (e.g., a word processing program or acne medication).

It is important to consider the consumer's motivation for buying products. To achieve this goal, we can use the Means-End chain, wherein we consider a logical progression of consequences of product use that eventually lead to desired end benefit. Thus, for example, a consumer may see that a car has a large engine, leading to fast acceleration, leading to a feeling of performance, leading to a feeling of power, which ultimately improves the consumer's self-esteem. A handgun may aim bullets with precision, which enables the user to kill an intruder, which means that the intruder will not be able to harm the consumer's family, which achieves the desired end-state of security. In advertising, it is important to portray the desired end-states. Focusing on the large motor will do less good than portraying a successful person driving the car.

Information search and decision making. Consumers engage in both *internal* and *external* information search. *Internal* search involves the consumer identifying alternatives from his or her memory. For certain low involvement products, it is very important that marketing programs achieve "top of mind" awareness. For example, few people will search the *Yellow Pages* for fast food restaurants; thus, the consumer must be able to retrieve one's restaurant from memory before it will be considered. For high involvement products, consumers are more likely to use an *external* search. Before buying a car, for example, the consumer may ask friends' opinions, read reviews in *Consumer Reports*, consult several web sites, and visit several dealerships. Thus, firms that make products that are selected predominantly through external search must invest in having information available to the consumer in need—e.g., through brochures, web sites, or news coverage.

A *compensatory* decision involves the consumer "trading off" good and bad attributes of a product. For example, a car may have a low price and good gas mileage but slow acceleration. If the price is sufficiently inexpensive and gas efficient, the consumer may then select it over a car with better acceleration that costs more and uses more gas. Occasionally, a decision will involve a *non-compensatory* strategy. For example, a parent may reject all soft drinks that contain artificial sweeteners. Here, other good features such as taste and low calories *cannot* overcome this one "non-negotiable" attribute.

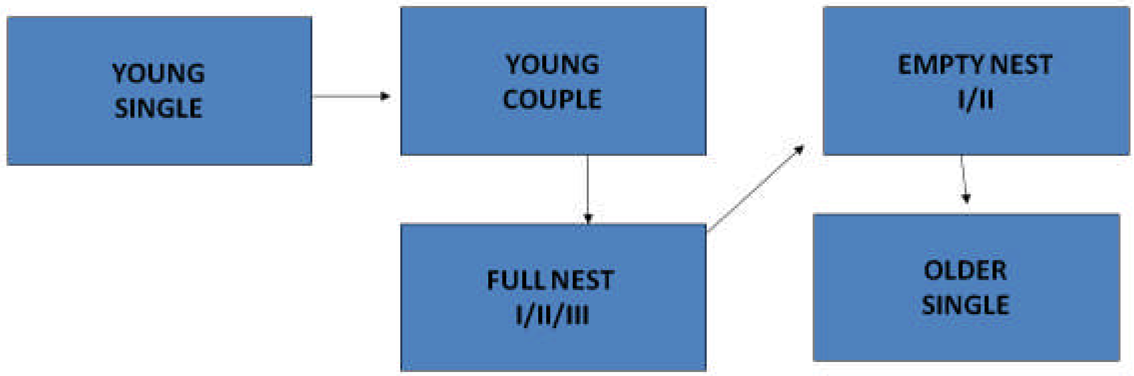
The amount of effort a consumer puts into searching depends on a number of factors such as the *market* (how many competitors are there, and how great are differences between brands expected to be?), *product characteristics* (how important is this product? How complex is the product? How obvious are indications of quality?), *consumer characteristics* (how interested is a consumer, generally, in analyzing product characteristics and making the best possible deal?), and *situational* characteristics (as previously discussed).

Two interesting issues in decisions are:

- *Variety seeking* (where consumers seek to try new brands not because these brands are expected to be "better" in any way, but rather because the consumer wants a "change of pace," and
- *"Impulse" purchases*—unplanned buys. This represents a somewhat "fuzzy" group. For example, a shopper may plan to buy vegetables but only decide in the store to actually buy broccoli and corn. Alternatively, a person may buy an item which is currently on sale, or one that he or she remembers that is needed only once inside the store.

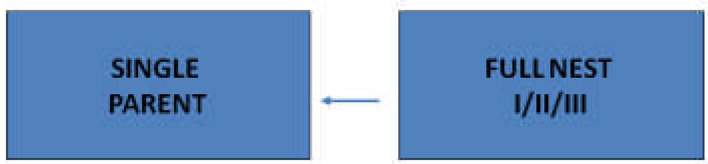
A number of factors involve consumer choices. In some cases, consumers will be more *motivated*. For example, one may be more careful choosing a gift for an in-law than when buying the same thing for one self. Some consumers are also more motivated to *comparison shop* for the best prices, while others are more *convenience* oriented. *Personality* impacts decisions. Some like variety more than others, and some are more receptive to stimulation and excitement in trying new stores. *Perception* influences decisions. Some people, for example, can taste the difference between generic and name brand foods while many cannot. *Selective* perception occurs when a person is paying attention only to information of interest. For example, when looking for a new car, the consumer may pay more attention to car ads than when this is not in the horizon. Some consumers are put off by perceived *risk*. Thus, many marketers offer a money back guarantee. Consumers will tend to change their behavior through *learning*—e.g., they will avoid restaurants they have found to be crowded and will settle on brands that best meet their tastes. Consumers differ in the *values* they hold (e.g., some people are more committed to recycling than others who will not want to go through the hassle). We will consider the issue of lifestyle under segmentation.

The Family Life Cycle and Family Decision Making. Individuals and families tend to go through a "life cycle." The simple life cycle goes from



*For purposes of this discussion, a "couple" may either be married or merely involve living together. The breakup of a non-marital relationship involving cohabitation is similarly considered equivalent to a divorce.

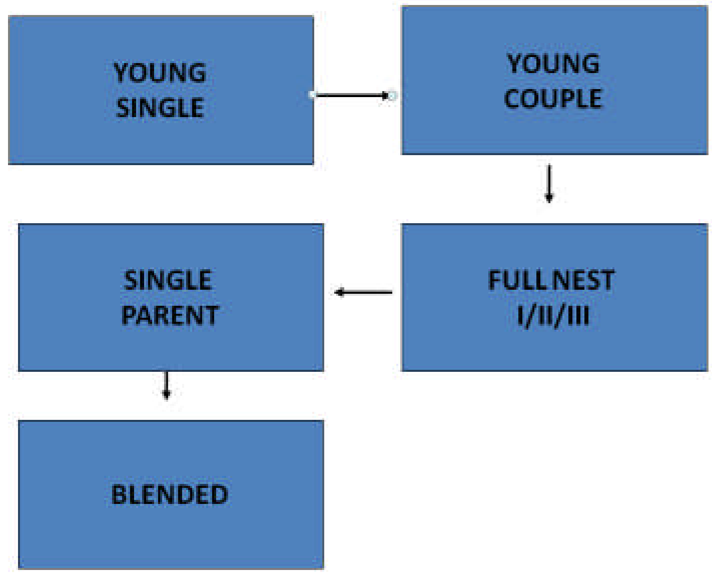
In real life, this situation is, of course, a bit more complicated. For example, many couples undergo divorce. Then we have the scenario:



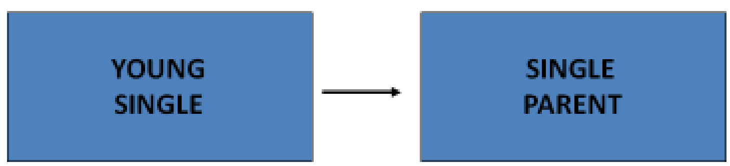
This situation can result either from divorce or from the death of one parent. Divorce usually entails a significant change in the relative wealth of spouses. In some cases, the non-custodial parent (usually the father) will not pay the required child support, and even if he or she does, that still may not leave the custodial parent and children as well off as they were during the marriage. On the other hand, in some cases, some non-custodial parents will be called on to pay a large part of their income in child support. This is particularly a problem when the non-custodial parent remarries and has additional children in the second (or subsequent marriages). In any event, divorce often results in a large demand for:

- Low cost furniture and household items
- Time-saving goods and services

Divorced parents frequently remarry, or become involved in other non-marital relationships; thus, we may see



Another variation involves



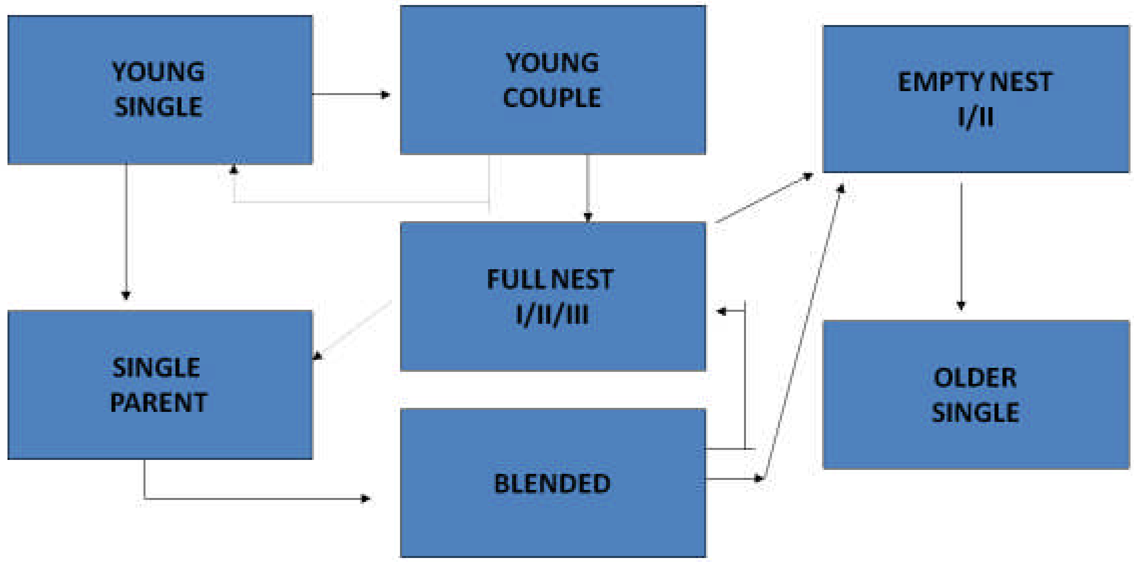
Here, the single parent who assumes responsibility for one or more children may not form a relationship with the other parent of the child.

Generally, there are two main themes in the Family Life Cycle, subject to significant exceptions:

- As a person gets older, he or she tends to advance in his or her career and tends to get greater income (exceptions: maternity leave, divorce, retirement).
- Unfortunately, obligations also tend to increase with time (at least until one's mortgage has been paid off). Children and paying for one's house are two of the greatest expenses.

Note that although a single person may have a lower income than a married couple, the single may be able to buy more discretionary items.

Looking at the complete picture of the family life cycle, we have:



Family Decision Making: Individual members of families often serve different roles in decisions that ultimately draw on shared family resources. Some individuals are *information gatherers/holders*, who seek out information about products of relevance. These individuals often have a great deal of power because they may selectively pass on information that favors their chosen alternatives. *Influencers* do not ultimately have the power decide between alternatives, but they may make their wishes known by asking for specific products or causing embarrassing situations if their demands are not met. The *decision maker(s)* have the power to determine issues such as:

- Whether to buy;
- Which product to buy (pick-up or passenger car?);
- Which brand to buy;
- Where to buy it; and
- When to buy.

Note, however, that the role of the decision maker is separate from that of the *purchaser*. From the point of view of the marketer, this introduces some problems since the purchaser can be targeted by point-of-purchase (POP) marketing efforts that cannot be aimed at the decision maker. Also note that the distinction between the purchaser and decision maker may be somewhat blurred:

- The decision maker may specify what kind of product to buy, but not which brand;
- The purchaser may have to make a substitution if the desired brand is not in stock;
- The purchaser may disregard instructions (by error or deliberately).

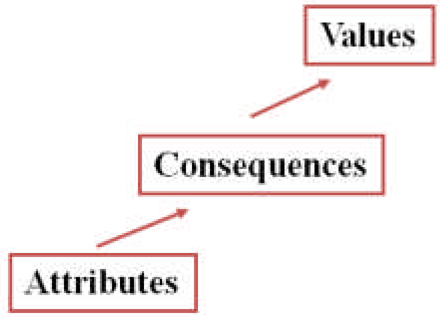
It should be noted that family decisions are often subject to a great deal of conflict. The reality is that few families are wealthy enough to avoid a strong tension between demands on the family's resources. Conflicting pressures are especially likely in families with children and/or when only one spouse works outside the home. Note that many decisions inherently come down to values, and that there is frequently no "objective" way to arbitrate differences. One spouse may believe that it is important to save for the children's future; the other may value spending now (on private schools and computer equipment) to help prepare the children for the future. Who is right? There is no clear answer here. The situation becomes even more complex when more parties—such as children or other relatives—are involved.

Some family members may resort to various strategies to get their way. One is *bargaining*—one member will give up something in return for someone else. For example, the wife says that her husband can take an expensive course in gourmet cooking if she can buy a new pickup truck. Alternatively, a child may promise to walk it every day if he or she can have a hippopotamus. Another strategy is *reasoning*—trying to get the other person(s) to accept one's view through logical argumentation. Note that even when this is done with a sincere intent, its potential is limited by legitimate differences in values illustrated above. Also note that individuals may simply try to "wear down" the other party by endless talking in the guise of reasoning (this is a case of *negative reinforcement* as we will see subsequently). Various manipulative strategies may also be used. One is *impression management*, where one tries to make one's side look good (e.g., argue that a new TV will help the children see educational TV when it is really mostly wanted to see sports programming, or argue that all "decent families make a contribution to the church"). *Authority* involves asserting one's "right" to make a decision (as the "man of the house," the mother of the children, or the one who makes the most money). *Emotion* involves making an emotional display to get one's way (e.g., a man cries if his wife will not let him buy a new rap album).

The Means-End Chain. Consumers often buy products not because of their attributes *per se* but rather because of the ultimate benefits that these attributes provide, in turn leading to the satisfaction of ultimate values. For example, a consumer may not be particularly interested in the chemistry of plastic roses, but might reason as follows:

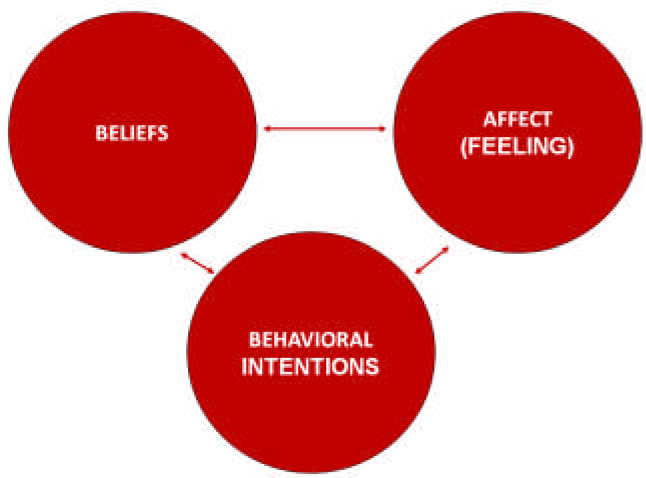
> Highly reliable synthetic content of roses →
>
> Roses will stay in original condition for a long time →
>
> Significant other will appreciate the roses longer →
>
> Significant other will continue to love one → Self esteem.

The important thing in a means-end chain is to start with an *attribute*, a concrete characteristic of the product, and then logically progress to a series of consequences (which tend to become progressively more abstract) that end with a *value* being satisfied. Thus, each chain *must start with an attribute and end with a value*:



An important implication of means-end chains is that it is usually most effective in advertising to *focus on higher level items*. For example, in the flower example above, an individual giving the flowers to the significant other might better be portrayed than the flowers alone.

Attitudes. Consumer attitudes are a composite of a consumer's (1) beliefs about, (2) feelings about, (3) and behavioral intentions toward some "object"—within the context of marketing, usually a brand, product category, or retail store. These components are viewed together since they are highly interdependent and together represent forces that influence how the consumer will react to the object.



Beliefs. The first component is *beliefs*. A consumer may hold both positive beliefs toward an object (e.g., coffee tastes good) as well as negative beliefs (e.g., coffee is easily spilled and stains papers). In addition, some beliefs may be neutral (coffee is black), and some may be differ in valance depending on the person or the situation (e.g., coffee is hot and stimulates--good on a cold morning, but not good on a hot summer evening when one wants to sleep). Note also that the beliefs that consumers hold need not be accurate (e.g., that pork contains little fat), and some beliefs may, upon closer examination, be contradictory.

Since a consumer holds many beliefs, it may often be difficult to get down to a "bottom line" overall belief about whether an object such as McDonald's is overall good or bad. The Multiattribute (also sometimes known as the Fishbein) Model attempts to summarize overall attitudes into one score using the equation:

$$A_b = \sum_{i=1}^{n} W_i X_{ib}$$

That is, for each belief, we take the weight or importance (W_i) of that belief and multiply it with its evaluation (X_{ib}). For example, a consumer believes that the taste of a beverage is moderately important, or a 4 on a scale from 1 to 7. He or she believes that coffee tastes very good, or a 6 on a scale from 1 to 7. Thus, the product here is 4(6)=24. On the other hand, he or she believes that the potential of a drink to stain is extremely important (7), and coffee fares moderately badly, at a score -4, on this attribute (since this is a negative belief, we now take negative numbers from -1 to -7, with -7 being worst). Thus, we now have 7(-4)=-28. Had these two beliefs been the only beliefs the consumer held, his or her total, or aggregated, attitude would have been 24+(-28)=-4. In practice, of course, consumers tend to have many more beliefs that must each be added to obtain an accurate measurement.

Affect. Consumers also hold certain feelings toward brands or other objects. Sometimes these feelings are based on the beliefs (e.g., a person feels nauseated when thinking about a hamburger because of the tremendous amount of fat it contains), but there may also be feelings which are relatively independent of beliefs. For example, an extreme environmentalist may believe that cutting down trees is morally wrong, but may have positive affect toward Christmas trees because he or she unconsciously associates these trees with the experience that he or she had at Christmas as a child.

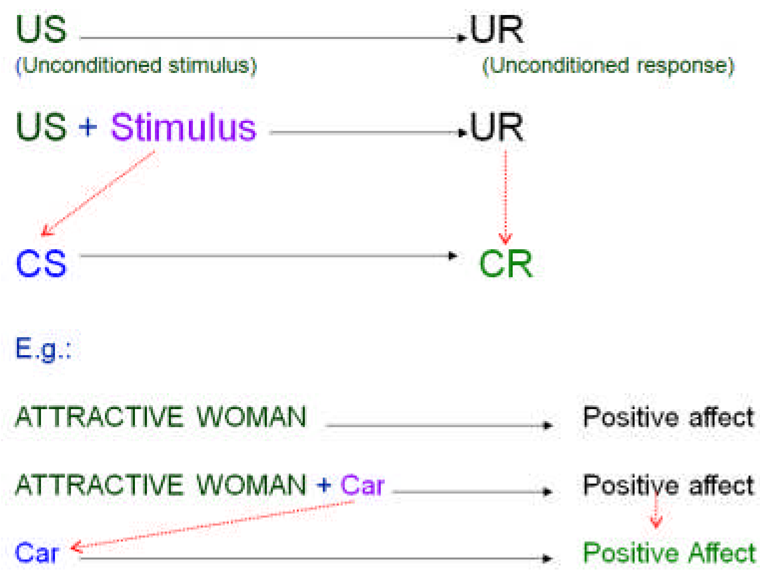
Behavioral intention. The behavioral intention is what the consumer plans to do with respect to the object (e.g., buy or not buy the brand). As with affect, this is sometimes a logical consequence of beliefs (or affect), but may sometimes reflect other circumstances--e.g., although a consumer does not really like a restaurant, he or she will go there because it is a hangout for his or her friends.

Changing attitudes is generally *very difficult*, particularly when consumers suspect that the marketer has a self-serving “agenda” in bringing about this change (e.g., to get the consumer to buy more or to switch brands). Here are some possible methods:

- *Changing affect*. One approach is to try to change affect, which may or may not involve getting consumers to change their beliefs. One strategy uses the approach of *classical conditioning* try to “pair” the product with a liked stimulus. For example, we “pair” a car with a beautiful woman. The Russian physiologist Ivan Pavlov’s early work on dogs was known as *classical conditioning*. Pavlov discovered that when dogs were fed meat powder they salivated. Pavlov then discovered that if a bell were rung before the dogs were fed, the dogs would begin salivating in *anticipation* of being fed (this was efficient, since they could then begin digesting the meat powder immediately). Pavlov then found that after the meat had been "paired" with the meat powder enough times, Pavlov could ring the bell *without* feeding the dogs and they would *still* salivate.

  In the jargon of classical conditioning, the meat powder was *an unconditioned stimulus* (US) and the salivation was, when preceded by the meat powder, an *unconditioned response* (UR). That is, it is a biologically "hard-wired" response to salivate when you are fed. By *pairing* the bell with the unconditioned stimulus, the bell became a *conditioned* stimulus (CS) and salivation in response to the bell (with no meat powder) became a *conditioned response* (CR).

Many modern day advertisers use classical conditioning in some way. Consider this sequence:



Alternatively, we can try to get people to like the advertisement and hope that this liking will “spill over” into the purchase of a product. For example, the Pillsbury Doughboy does not really emphasize the conveyance of much information to the consumer; instead, it attempts to create a warm, “fuzzy” image. Although Energizer Bunny ads try to get people to believe that their batteries last longer, the main emphasis is on the likeable bunny. Finally, products which are better known, through the *mere exposure* effect, tend to be better liked—that is, the more a product is advertised and seen in stores, the more it will generally be liked, *even if consumers to do not develop any specific beliefs about the product*.

- *Changing behavior*. People like to believe that their behavior is rational; thus, once they use our products, chances are that they will continue unless someone is able to get them to switch. One way to get people to switch to our brand is to use temporary price discounts and coupons; however, when consumers buy a product on deal, they may justify the purchase based on that deal (i.e., the low price) and may then switch to other brands on deal later. A better way to get people to switch to our brand is to at least temporarily obtain better shelf space so that the product is more convenient. Consumers are less likely to use this availability as a rationale for their purchase and may continue to buy the product even when the product is less conveniently located.
- *Changing beliefs*. Although attempting to change beliefs is the obvious way to attempt attitude change, particularly when consumers hold unfavorable or inaccurate ones, this is often difficult to achieve because consumers tend to resist. Several approaches to belief change exist:
- *Change currently held beliefs*. It is generally very difficult to attempt to change beliefs that people hold, particularly those that are strongly held, *even*

if they are inaccurate. For example, the petroleum industry advertised for a long time that its profits were lower than were commonly believed, and provided extensive factual evidence in its advertising to support this reality. Consumers were suspicious and rejected this information, however.

- *Change the importance of beliefs*. Although the sugar manufacturers would undoubtedly like to decrease the importance of healthy teeth, it is usually not feasible to make beliefs less important--consumers are likely to reason, why, then, would you bother bringing them up in the first place? However, it may be possible to strengthen beliefs that favor us--e.g., a vitamin supplement manufacturer may advertise that it is extremely important for women to replace iron lost through menstruation. Most consumers already agree with this, but the belief can be made stronger.
- *Add beliefs*. Consumers are less likely to resist the addition of beliefs *so long as they do not conflict with existing beliefs*. Thus, the beef industry has added beliefs that beef (1) is convenient and (2) can be used to make a number of creative dishes. Vitamin manufacturers attempt to add the belief that stress causes vitamin depletion, which sounds quite plausible to most people.
- *Change ideal*. It usually difficult, and very risky, to attempt to change ideals, and only few firms succeed. For example, Hard Candy may have attempted to change the ideal away from traditional beauty toward more unique self expression.

One-sided vs. two-sided appeals. Attitude research has shown that consumers often tend to react more favorably to advertisements which either (1) admit something negative about the sponsoring brand (e.g., the Volvo is a clumsy car, but very safe) or (2) admits something positive about a competing brand (e.g., a competing supermarket has slightly lower prices, but offers less service and selection). Two-sided appeals must, contain overriding arguments why the sponsoring brand is ultimately superior—that is, in the above examples, the “but” part must be emphasized.

Framing involves the way in which a particular reality is expressed. For example, saying that a package of ground beef is “80% lean” represents the same reality as “20% fat,” but people tend to respond more positively to the alternative that is expressed with reference to the more favorable attribute. Other realities can be expressed in alternate ways that may lead to different evaluations—e.g., “ $200 each way based on round trip purchase.”

Priming involves tying a stimulus with something so that if “that something” is encountered, the stimulus is more likely to be retrieved. Thus, for example, when one thinks of anniversaries, the Hallmark brand name is more likely to be activated.

Perception. Our perception is an approximation of reality. Our brain attempts to make sense out of the stimuli to which we are exposed. This works well, for example, when we “see” a friend three hundred feet away at his or her correct height; however, our perception is sometimes “off”—for example, certain shapes of ice cream containers look like they contain more than rectangular ones with the same volume.

Factors in perception. Several sequential factors influence our perception. *Exposure* involves the extent to which we encounter a stimulus. For example, we are exposed to numerous commercial messages while driving on the freeway: bill boards, radio advertisements, bumper-stickers on cars, and signs and banners placed at shopping malls that we pass. Most of this exposure is random—we don't plan to seek it out. However, if we are shopping for a car, we may deliberately seek out advertisements and "tune in" when dealer advertisements come on the radio.

Exposure is not enough to significantly impact the individual—at least not based on a single trial (certain advertisements, or commercial exposures such as the "Swoosh" logo, are based on extensive repetition rather than much conscious attention). In order for stimuli to be consciously processed, *attention* is needed. Attention is actually a matter of degree—our attention may be quite high when we read directions for getting an income tax refund, but low when commercials come on during a television program. Note, however, that even when attention is low, it may be instantly escalated—for example, if an advertisement for a product in which we are interested comes on.

Interpretation involves making sense out of the stimulus. For example, when we see a red can, we may categorize it as a Coke®.

Several factors influence the extent to which stimuli will be noticed. One obvious issue is *relevance*. Consumers, when they have a choice, are also more likely to attend to *pleasant* stimuli (but when the consumer can't escape, very unpleasant stimuli are also likely to get attention—thus, many very irritating advertisements are remarkably effective). One of the most important factors, however, is repetition. Consumers often do not give much attention to a stimuli—particularly a low priority one such as an advertisement—at any one time, but if it is seen over and over again, the cumulative impact will be greater.

Surprising stimuli are likely to get more attention—survival instinct requires us to give more attention to something unknown that may require action. A greater *contrast* (difference between the stimulus and its surroundings) as well as greater *prominence* (e.g., greater size, center placement) also tend to increase likelihood of processing.

Subliminal stimuli. Back in the 1960s, it was reported that on selected evenings, movie goers in a theater had been exposed to isolated frames with the words "Drink Coca Cola" and "Eat Popcorn" imbedded into the movie. These frames went by so fast that people did not consciously notice them, but it was reported that on nights with frames present, Coke and popcorn sales were significantly higher than on days they were left off. This led Congress to ban the use of subliminal advertising. First of all, there is a question as to whether this experiment ever took place or whether this information was simply made up. Secondly, no one has been able to replicate these findings. There is research to show that people will start to giggle with embarrassment when they are briefly exposed to "dirty" words in an experimental machine. Here, again, the exposure is so brief that the subjects are not aware of the actual words they saw, but it is evident that something has been recognized by the embarrassment displayed.

Organizational buyers. A large portion of the market for goods and services is attributable to *organizational*, as opposed to individual, buyers. In general, organizational buyers, who make buying decisions for their companies for a living, tend to be somewhat more sophisticated than ordinary consumers. However, these organizational buyers are also often more risk averse. There is a risk in going with a new, possibly better (lower price or higher quality) supplier whose product is unproven and may turn out to be problematic. Often the fear of running this risk is greater than the potential rewards for getting a better deal. In the old days, it used to be said that "You can't get fired for buying IBM." This attitude is beginning to soften a bit today as firms face increasing pressures to cut costs.

Organizational buyers come in several forms. *Resellers* involve either wholesalers or retailers that buy from one organization and resell to some other entity. For example, large grocery chains sometimes buy products directly from the manufacturer and resell them to end-consumers. Wholesalers may sell to retailers who in turn sell to consumers. *Producers* also buy products from sub-manufacturers to create a finished product. For example, rather than manufacturing the parts themselves, computer manufacturers often buy hard drives, motherboards, cases, monitors, keyboards, and other components from manufacturers and put them together to create a finished product. *Governments* buy a great deal of things. For example, the military needs an incredible amount of supplies to feed and equip troops. Finally, large *institutions* buy products in huge quantities. For example, UCR probably buys thousands of reams of paper every month.

Organizational buying usually involves more people than individual buying. Often, many people are involved in making decisions as to (a) whether to buy, (b) what to buy, (c) at what quantity, and (d) from whom. An engineer may make a specification as to what is needed, which may be approved by a manager, with the final purchase being made by a purchase specialist who spends all his or her time finding the best deal on the goods that the organization needs. Often, such long purchase processes can cause long delays. In the government, rules are often especially stringent—e.g., vendors of fruit cake have to meet fourteen pages of specifications put out by the General Services Administration. In many cases, government buyers are also heavily bound to go with the lowest price. Even if it is obvious that a higher priced vendor will offer a superior product, it may be difficult to accept that bid.