

# 6

## Analyzing Consumer Markets

# Marketing Management:

An Asian Perspective  
(5<sup>th</sup> edition)

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# Analyzing Consumer Markets

# 6

The aim of marketing is to meet and satisfy target customers' needs and wants better than competitors. Consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. Studying consumers provides clues for improving or introducing products or services, setting prices, devising channels, crafting messages, and developing other marketing activities. Marketers are always looking for emerging trends that suggest new marketing opportunities.





# Learning Objectives:

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- Know how consumer characteristics influence buying behavior
- Know what major psychological processes influence consumer responses to the marketing program
- Know how consumers make purchasing decisions
- Know how marketers analyze consumer decision making

# What Influences Consumer Behavior?



Cultural Factors

Social Factors

Personal Factors

➤ Research provide clues to reach & serve consumers more effectively

# Cultural Forces

- Culture is the **fundamental determinant** of a persons' wants and behaviors.
- Each culture consists of smaller subcultures that provide more specific identification and socialization for their members.
  - **Subcultures** include nationalities, religions, racial groups, and geographic regions.
  - **Multicultural marketing** grew out of careful marketing research that revealed that different ethnic and demographic niches did not always respond favorable to mass-market advertising.

## Cosmetics companies like Garnier ride on Asian women's desire to have fair skin

Don't Get Fairer, Get 2 tones fairer.  
Measure it with GARNIER LIGHT

肌肤为什么会变黑？

肌肤老化、遗传因素、激素分泌变化和每天在阳光下曝晒，都会导致肌肤的色素沉淀功能失调。结果：

- (1) 肤色不再均匀
- (2) 肌肤变黑
- (3) 出现黑斑

很多人都知道黑色素决定人的肤色，而肌肤在阳光曝晒下可能会刺激黑色素的生产。虽然我们可以在祛除死皮细胞的过程中同时消除黑色素，不过如果黑色素过多的话，肤色便会保持黝黑，并出现黑斑。

因此，有效的美白产品应能够

- (1) 祛除有黑色素的死皮细胞
- (2) 调节或抑制黑色素的合成
- (3) 包含全面的阳光过滤系统

GARNIER SKIN NATURALS Light

Whiten and Protect Moisturiser SPF 15  
with Anti-Pigmentation Long Care + Pure Lemon Essence

NEW

Up to 2 tones fairer in 28 days

GARNIER SKIN NATURALS Light

Light



# Cultural Factors

- Main determinant of wants & behavior
  - *E.g. Asian child exposed to filial piety, hard work*

## SUBCULTURE

- Subset of each culture - more specific identity for members
  - *E.g. religions, nationalities*

# Subcultures

Nationalities

Religions

Racial groups

Geographic regions



# Multi- cultural Marketing

## *Multicultural marketing*

- Ethnic & demographic niches
- Don't respond favorably to mass marketing
- Where applied?
  - Regional and international marketing
  - **Marketers must recognize and respond to differences in cultural norms and values and adapt products and promotions accordingly**

# Example of Cultural Beliefs

**Disney**—Disney officials consulted *feng shui* experts in building Hong Kong's Disneyland. The park faces water with mountains behind to suggest plentiful inflow of revenue and visitors, while being protected at the rear. The park's front gate was shifted 12 degrees to bring prosperity. To ensure the flow of positive energy or *chi*, Disney put a bend in the walkway from the train station to the gate. Water is heavily used in the park in the form of lakes, streams, and waterfalls placed strategically to accumulate good fortune and wealth. In kitchens, stoves are placed in lucky locations and some areas are designated "no fire zones" to balance the five elements and reduce accidents. The lucky color red frequently accents Main Street. Lucky numbers have also been incorporated throughout the theme park facilities. Disneyland Hotel's main ballroom measures 888 square meters and the chandelier in its Chinese restaurant contains 2,238 crystal lotuses, a number which sounds like the characters "easily generate wealth" in Cantonese. Both Disney hotels have no fourth floors. No clocks are sold as merchandise in Disney stores because the phrase "giving a clock" sounds the same as "going to a funeral." The park's groundbreaking and opening dates were also picked for their auspiciousness.<sup>2</sup>



The Disneyland Hotel in Hong Kong does not have a 4th floor as "4" sounds like "death" in Cantonese.



# Social Class

- Virtually all human societies exhibit social stratification. Social stratification sometimes takes the form of a caste system where members of different castes are reared for certain roles and cannot change their caste membership.
- More frequently, it takes the form of social classes, relatively homogeneous and enduring divisions in a society that are **hierarchically ordered** and whose members share similar values, interests, and behavior.

# Characteristics of Social Class

- Those within a class tend to behave more alike than persons from two different social classes
- Persons are perceived as occupying inferior or superior positions according to social class.
- Social class is indicated by a cluster of variables (occupation, income, etc.) rather than by any single variable.
- Individuals can move up or down the social-class ladder.
  - **Social classes show distinct product and brand preferences in many areas.**
  - **Social classes differ in media preferences.**
  - **There are language differences among the social classes.**

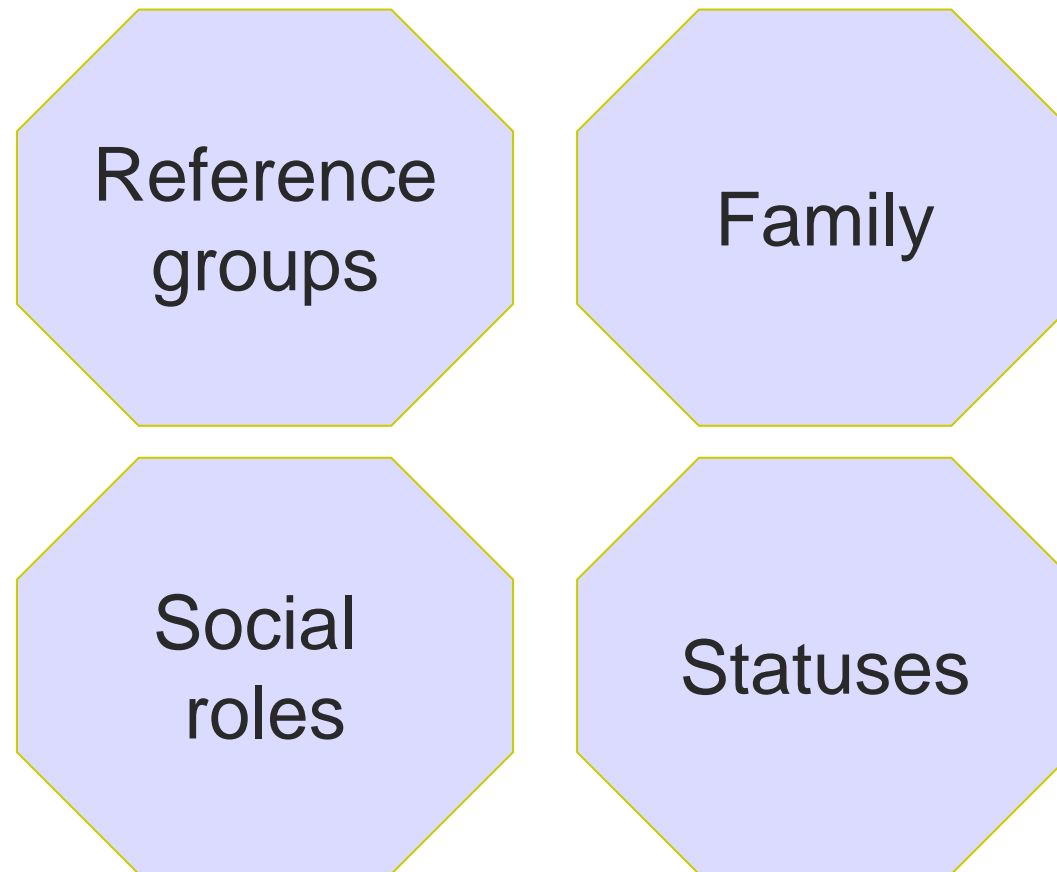
# Social classes in Asia

**China's Occupational Classes**—China has 10 distinct occupational strata. At the top of the ladder are the national leaders, followed by managers and chief executive officers. Technical professionals, businessmen, and commercial services personnel make up the middle ranks. At the lower rungs are manufacturing and agricultural workers, the jobless, and part-time urban workers. This social structure replaces the traditional agricultural-based Chinese society where laborers and peasants were once considered major economic forces. Another difference is the burgeoning middle class. Instead of the pyramid-shaped structure, an olive-shaped structure is evolving.



Social classes differ in dress and where they shop. High-end shopping malls like the Pacific Place in Hong Kong attract higher social class consumers who have the disposable income to buy high-ticket items.

# Social Factors





# Reference Groups

Membership groups

Primary groups



Secondary groups

Aspirational groups

Dissociative groups

# Impact of Groups

- Groups having a direct influence on a person are called membership groups.
  - Some memberships groups are primary groups such as family, friends, neighbors, and co-workers with whom the person interacts fairly continuously and informally.
  - Some membership groups are secondary groups such as religious, professional groups that tend to be more formal.

# Reference Groups

- Reference groups expose an individual to new behaviors and lifestyles, influencing attitudes and self-concept.
- They create pressures for conformity that may affect actual product and brand choices.
- People are also influenced by groups to which they do not belong:
  - **Aspiration** groups are those a person hopes to join.
  - **Dissociative** groups are those whose values or behavior an individual rejects. The buyer evaluates these elements together with the monetary cost to form a total customer cost.

## Marketing applications of reference groups:

- Manufacturers of products and brands where group influence is strong must determine how to reach and influence opinion leaders in these reference groups.
- An **opinion leader** is the person in informal, product-related communications who offers advice or information about a specific product or product category.
  - Marketers try to reach opinion leaders by identifying demographic and psychographic characteristics associated with opinion leadership, identifying the media read by opinion leaders, and directing messages at opinion leaders.



# Social Factors- **Family**

- The family is the most important consumer-buying organization in society, and family members constitute the most influential primary reference group.
- We can distinguish between two families in the buyer's life.
  - The **family of orientation** consists of parents and siblings.
  - A more direct influence on everyday buying behavior is the **family of procreation** –namely, one's spouse and children.

# Application in Marketing

- Marketers are interested in the roles and relative influence of family members in the purchase of a large variety of products and services.
- With expensive products and services, the vast majority of husbands and wives engage in more joint decision-making.
- Men and women may respond differently to marketing messages.
- Another shift in buying patterns is an increase in the amount of dollars spent and the direct and indirect influence wielded by children and teens.

# Women as decision makers

**Korean car makers**—Korean car makers are taking women more seriously as they represent 30 percent of domestic sales. Hyundai has introduced the Sonata Elegance Special, a female-oriented version of its flagship mid-sized sedan. To provide a more feminine touch to its cars, Kia Motors focuses on fashionable appearances. For its sports-utility vehicle, it offers a variety of unique colors such as Hawaiian Blue and Coffee Brown, with primary colors for the interior. Daewoo's Lacetti model features a telescopic steering column which enables drivers to adjust the column length for comfort. This feature is particularly useful to women as they are generally shorter than men.<sup>8</sup>

*Trends that have contributed to the cultural transformation of China's youth:*

- 1) The rise of individuality
- 2) New media habits
- 3) Brand & status consciousness.
- 4) Capitalism & credit cards
- 5) Consumer power



# [ Roles and Status ]

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- A person participates in many groups and a person's position in each group can be defined in terms of role and status.
- Each role carries a status.
- Marketers must be aware of the status symbol potential of products and brands

# Roles and Status- Marketing Application

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- People choose products that reflect and communicate their role and actual or desired status in society.
- Company presidents often drive Mercedes, wear expensive suits, and drink XO cognac.
- Marketers must be aware of the status symbol potential of products and brands.

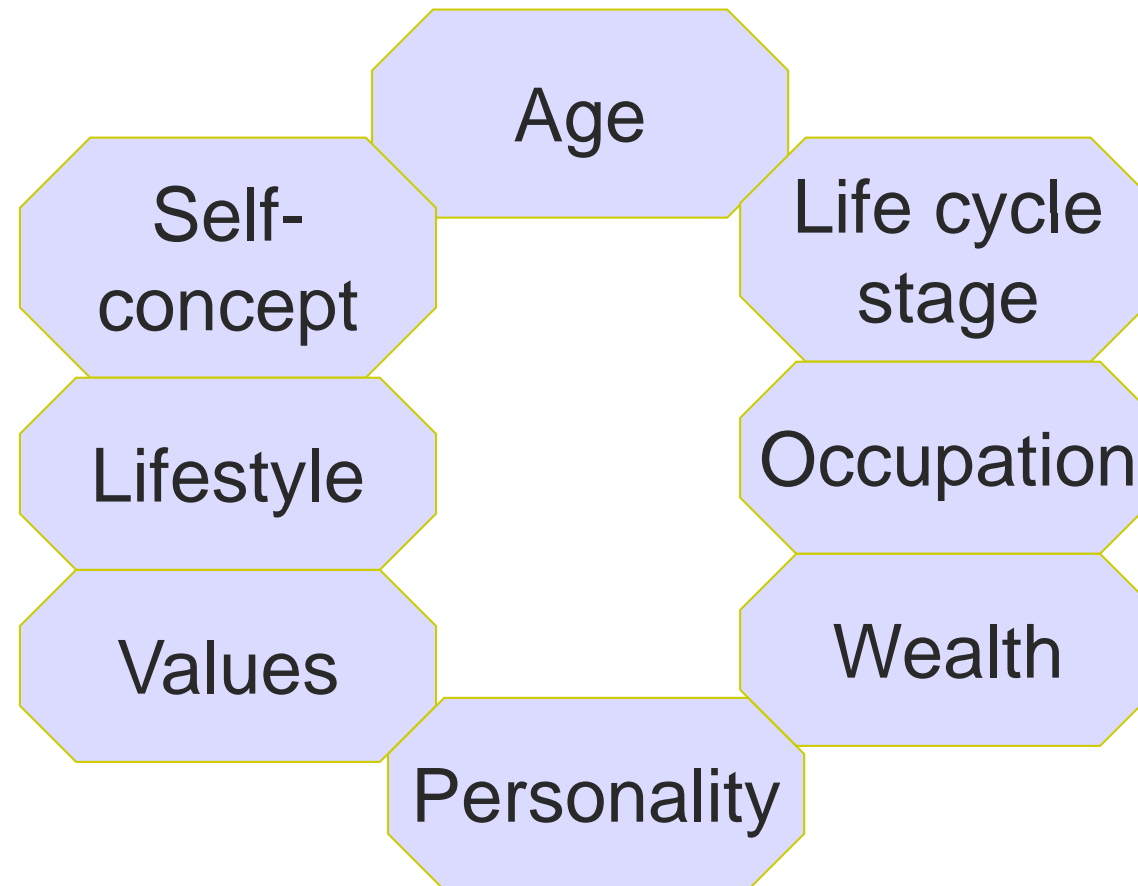
# Understanding roles and status in Asia: Face saving and the Chinese consumer

## MARKETING INSIGHT FACE-SAVING AND THE CHINESE CONSUMER

In Chinese culture, there are two types of “face.” *Lian* is the confidence of the society on an individual’s moral character, while *mianzi* is the prestige accorded through success and ostentation. Saving one’s face is important to traditional Chinese. This has implications on consumer behavior:

- **Influence of referent others** — To accord respect to others and give them their *mianzi*, Chinese consumers heed the advice given by others, particularly opinion leaders. Complying with the social norm also preserves the consumer’s *lian* as such behavior demonstrates one’s willingness to be with the majority.
- **Ostentatious living** — The *mianzi* factor also suggests that Chinese are sensitive to their hierarchical position in social structures. To enhance and protect one’s social standing, Chinese engage in ostentatious activities such as driving Mercedes-Benzes, throwing lavish banquets, and donning brand-name items.
- **Fewer complaints** — Chinese consumers are also less likely to complain when dissatisfied with a purchase. To complain is to make the other party lose his *lian* because he sold a poor product. The complainant also loses his *lian* because he is admitting that he had been taken in. Instead, harmony is strived for.
- **Comparative advertising** — Chinese are uncomfortable with comparative ads because they are shameless with bravado and put down the other brand. This is considered an insult to the moral character of the advertised brand. The brand therefore does not deserve honor (*meiyou mianzi* or “has no face”).
- **Negotiation** — Chinese are also likely to cover up mistakes made. Thus during negotiations, it would be impolite to identify mistakes made by a Chinese counterpart. Also, as a face-saving strategy, Chinese businesses usually use a mediator during negotiations to protect their prestige.

# Personal Factors



# Age and Life Cycle Stages

- Taste in food, things & recreation - age related
- Consumption shaped by ***family life-cycle*** & number, age & gender of people in household
- Asia - traditional family- smaller % of household

# Age and Life Cycle Stages

- **Psychological** life-cycle stages matter
- **Critical life events/transitions:**
  - Marriage
  - Relocation etc
- Give rise to **new needs**
- Alert service providers – ways they can help



# Occupation and Economic Circumstances

- Identify occupational groups with above-average interest in products
- Tailor products for some of them



Louis Vuitton has been doing well in Asia as the region flourishes. Following its success in Japan, Louis Vuitton is opening more stores like this one in Hong Kong and others in Singapore.

## Occupation and Economic Circumstances

- Product choice affected by economic circumstances: income, savings
- Asia - buying discretionary items on credit has risen
- During recession, re-price products or emphasize discount brands

# Personality and Self-Concept

- Each person has personality characteristics that influence his or her buying behavior.
- Personality: A set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli.
  - **The idea is that brands have personalities and consumers are likely to choose brands whose personalities match their own.**

# Brand Personality

- Brand personality is defined as the specific mix of human traits that may be attributed to a particular brand.
- **Consumers also choose and use brand that have a brand personality consistent with their own actual self-concept (how one views themselves).**
- Although in some cases, the match may be based on the consumer's ideal self-concept (how we would like to view ourselves).

Jennifer Aaker conducted research into brand personalities and identified the following **seven brand personalities**:

1. ***Sincerity*** (down-to-earth, honest, wholesome, and cheerful) — For example, Hello Kitty
2. ***Excitement*** (daring, spirited, imaginative, and up-to-date) — For example, MTV
3. ***Competence*** (reliable, intelligent, and successful) — For example, Sony
4. ***Sophistication*** (upper-class and charming) — For example, Shiseido
5. ***Ruggedness*** (outdoorsy and tough) — For example, Timberland
6. ***Passion*** (emotional intensity, spirituality, and mysticism) — For example, Zara
7. ***Peacefulness*** (harmony, balance, and natural) — For example, Yamaha

# Lifestyle and Values

- People from the same subculture, social class, and occupation may lead quite different lifestyles.
- A lifestyle is a person's pattern of living in the world as expressed in activities, interests, and opinions.
- Lifestyle portrays the “whole person” interacting with his or her environment.
  - Marketers search for relationships between their products and lifestyle groups.
  - Lifestyle is a person's pattern of living in the world as expressed in activities, interests, and opinions.



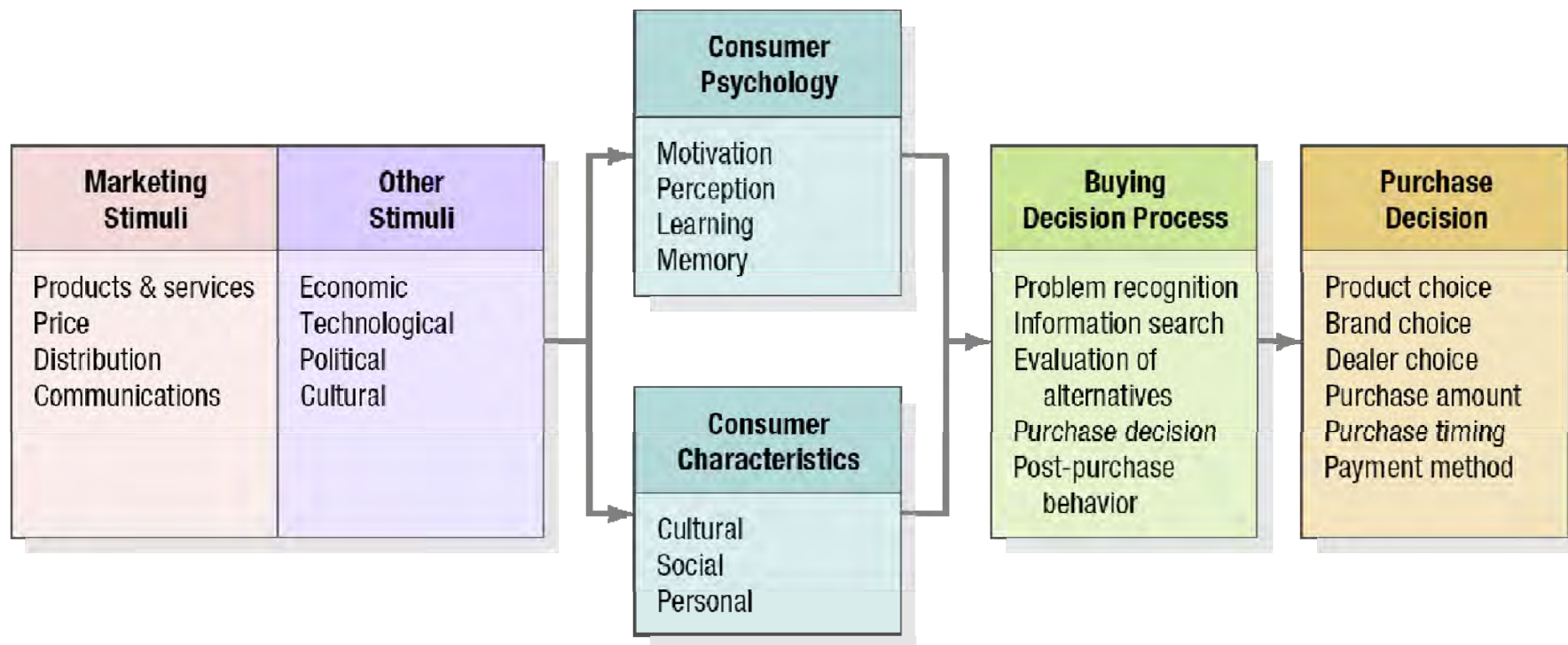
# Lifestyle and Values

- Lifestyles shaped partly by being:
- **Money-constrained** - lower cost products
- **Time-constrained** - *multitasking*,  
convenient products
  - *Multitasking trend - wireless revolution*
  - *Japan - 'convenient' virtual pet*  
*Tamagotchi*

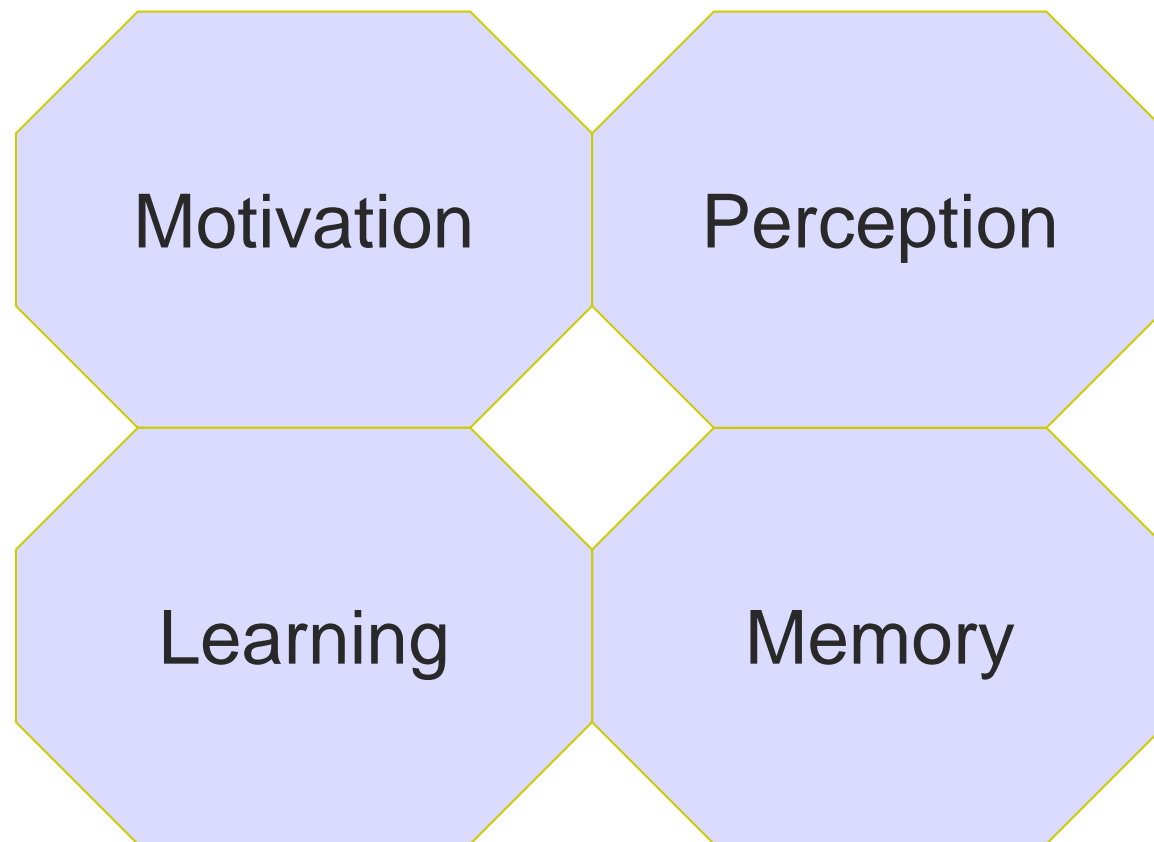
# Core Values

- Consumer decisions - **core values**
- Core values - choices in long-term
- Values:
  - Appeal to inner selves
  - Influence outer selves
  - Lead to purchase behavior

# A Model of Consumer Behavior (Figure 6.1)



# Key Psychological Processes



# Motivation: Freud, Maslow, Herzberg

- A person has many needs at any given time. Some needs are:
  - Biogenic (arise from physiological states of tension such as hunger).
  - Others are psychogenic and arise from a need for recognition, esteem, or belonging.
  - A motive is a need that is sufficiently pressing to drive the person to act.

# Motivation

## **Freud's Theory**

Behavior is guided by subconscious motivations

## **Maslow's Hierarchy of Needs**

Behavior is driven by lowest, unmet need

## **Herzberg's Two-Factor Theory**

Behavior is guided by motivating and hygiene factors



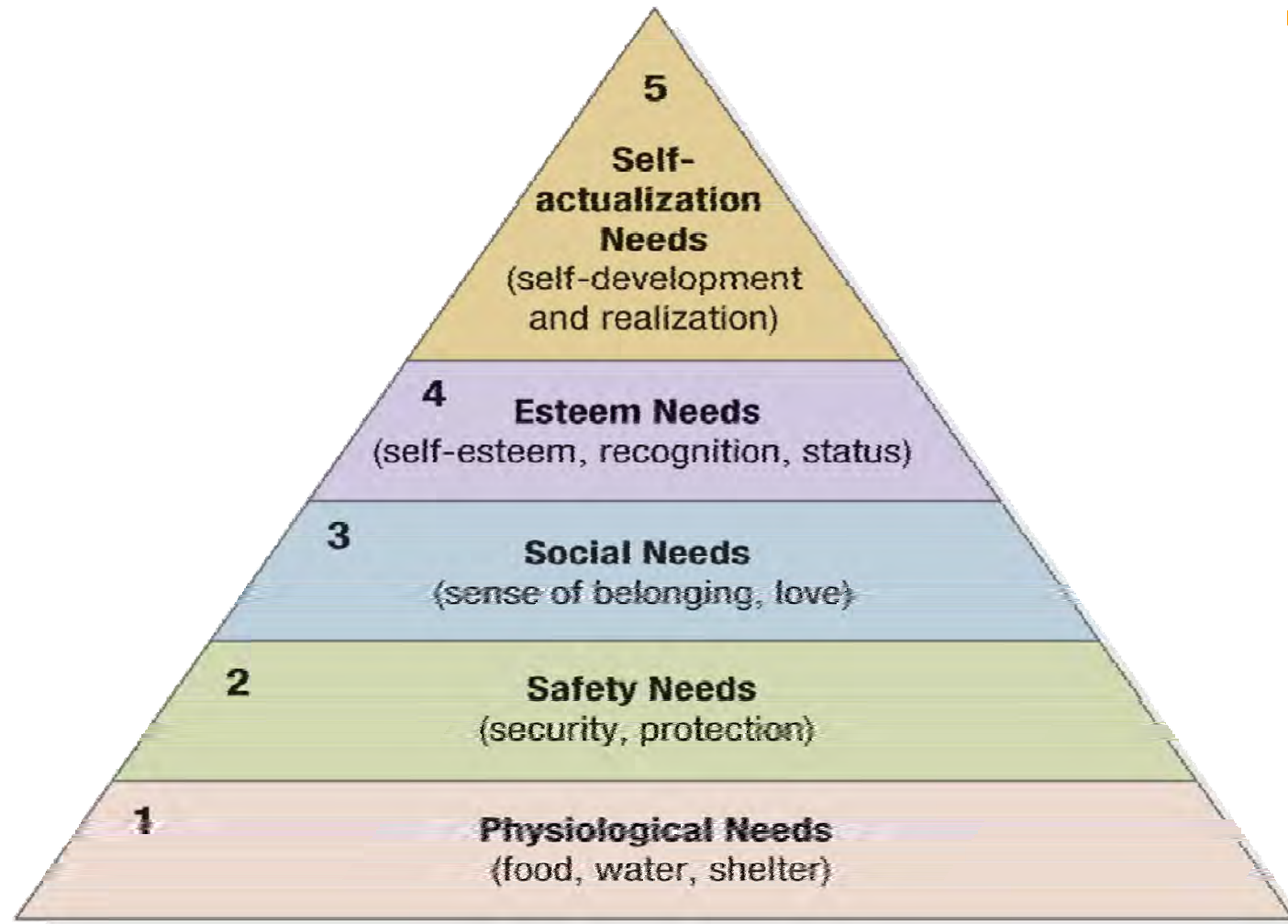
# Freud's Theory

- Psychological forces shape behavior
- *Laddering* - trace motivations from instrumental to terminal ones
- Decide message & appeal
- “In-depth interviews” - deeper motives
- Use *projective techniques*

# Maslow's Theory

- Human needs – arranged in a hierarchy according to importance
  - *Physiological, safety, social, esteem & self-actualization*
- How products fit in plans & lives
- If self-actualization apply to Asians
- Social needs important for Asians:
  - *Affiliation, Admiration, Status*

# Maslow's Hierarchy of Needs



# Herzberg's Theory

- 2-factor theory - **dissatisfiers & satisfiers**
- Absence of dissatisfiers not enough
- Satisfiers required to motivate purchase
  - *Eg computer without warranty – dissatisfier*
  - *Warranty not a satisfier of purchase*

# Marketing implications of Herzberg's model of motivation

Herzberg's theory has **two implications:**

- Sellers should do their best to avoid dissatisfiers
- Sellers should identify the major satisfiers or motivators of purchase in the market and supply them. These satisfiers will make the major difference as to which brand the customer buys

# Perception

- How the motivated person actually acts is influenced by his or her view or perception of the situation.
- Perception is the process by which an individual **selects, organizes, and interprets information inputs to create a meaningful picture of the world.**
- Perception depends not only on the physical stimuli, but also on the stimuli's relation to the surrounding field and on conditions within the individual.
- The key point is that perceptions vary widely among individuals exposed to the same reality.



Key point to note:

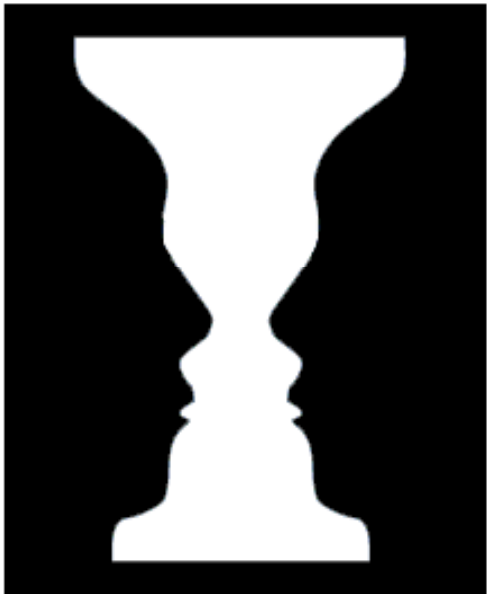
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- **In marketing, perceptions are more important than the reality, as it is perceptions will affect consumers' actual behavior.**

# Perception: Made in China brands

**Made-in-China image**—Chinese brands such as Haier and Lenovo are making inroads in the international arena. While as late as 1998, brands from China were not clearly positioned against any specific characteristic, one survey showed that Chinese-made products were perceived to be associated with three characteristics: “for Chinese,” “practical,” and “value for money.” However, the product recalls involving Chinese-made products in 2007 has dealt a serious blow to the “Made-in-China” name. Nonetheless, brand consulting company Interbrand says that consumers still perceive Chinese brands as “a good value,” though few labeled them as “safe,” “high quality,” “prestigious,” or “luxurious.”<sup>35</sup>

# Aspects of Perception



Selective Attention

Selective Retention

Selective Distortion

Subliminal Perception

# Selective Attention

- It has been estimated that a person is exposed to over 1,500 ads or brand communications a day.
- Because a person cannot possibly attend to all of these, most stimuli will be screened out - a process called **selective attention**.

# Selective Attention

- Selective attention means that marketers have to work hard to attract consumers' notice.
  - **People are more likely to notice stimuli that relates to a current need.**
  - **People are more likely to notice stimuli that they anticipate.**
  - **People are more likely to notice stimuli whose deviations are large in relation to the normal size of the stimuli.**

# Gaining customer attention through product design and presentation



Lenovo is one of the sponsors for the Beijing Olympic Games. It won the right to design the Olympic torch. This design was also used on its notebook PC. Sponsorship of such a mega event enhances consumer attention to the brand.

# Selective Distortion

- Selective distortion is the tendency to interpret information in a way that will fit **our preconceptions**. Consumers will often distort information to be consistent with prior brands and product beliefs.
  - Examples of branded differences can be found with virtually every type of product.
    - **Selective distortion can work to the advantage of marketers with strong brands when consumers distort neutral or ambiguous brand information to make it more positive.**

# Selective Distortion

- *E.g.: “**Blind**” taste tests*
- *Only 1 group knows brand*
- *Opinions different but same product*
- *Earlier brand beliefs changed product perceptions*



# Selective Retention

- People will fail to register much information to which they are exposed in memory, but will tend to retain information that supports their attitudes and beliefs.
- Because of selective retention, we are likely to remember good points about a product we like and forget good points about competing products.

# Subliminal Perception

- Covert, subliminal messages in ads or packages
- Unconscious of them but affect behavior
- No evidence consumers can be controlled at that level

# Learning

- **Learning** - behavior change with experience
- **Drive** - strong internal stimulus impel action
- **Cues** - minor stimuli- when, where, how person responds
- **Discrimination** - recognize differences in similar stimuli & adjust responses

# Application of Learning Theory

- Learning theory - build demand - strong drives, motivating cues & positive reinforcement
- New company:
  - Same drives as competitors - transfer loyalty to similar brands (generalization)
  - Different drives & offer strong cue inducements to switch (discrimination)

# Memory

## ■ Memory

- Information & experiences in life

## ■ Short-term memory (STM)

- Temporary repository of information

## ■ Long-term memory (LTM)

- More permanent repository

# Memory

- **Associative network memory model**
  - LTM consists of nodes & links
- **Nodes**
  - Stored information connected by *links*
  - Node activated - external information encoded or internal information taken from LTM

# Memory

- **Brand knowledge**
  - Linked associations determine information recalled on brand
- **Brand associations**
  - Brand-related thoughts, feelings, perceptions linked to brand node
- Right product experience - right brand data created & maintained in memory

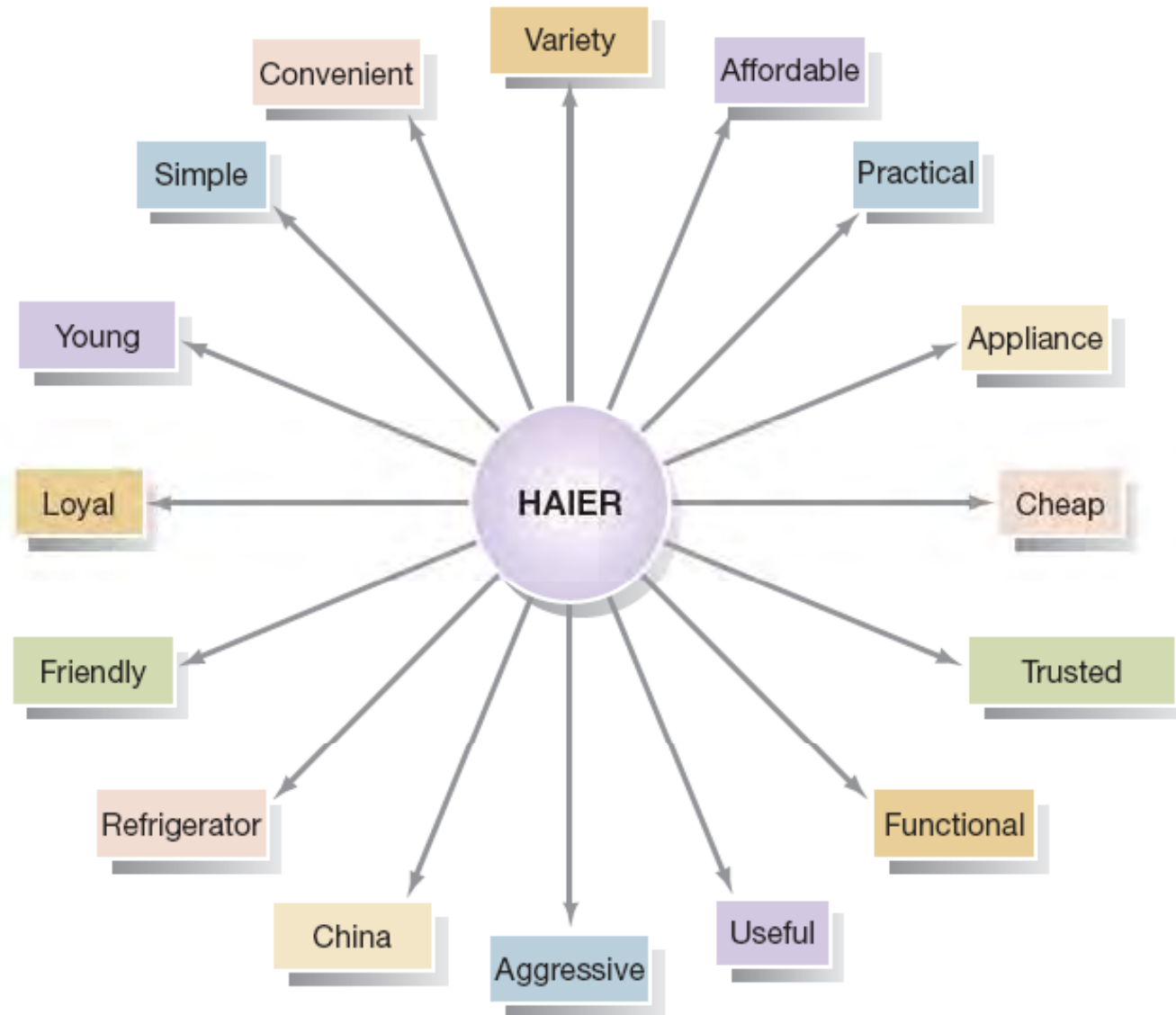
# Brand association

**Sangaria Oxygen Water**—In Japan, bottled water with an extra shot of oxygen is the rage especially among women. With the trend towards healthier lifestyle, women associate oxygen water as an energy booster and a natural way to obtain extra oxygen molecules. To fortify such brand associations, Sangaria's bottle comes in white and has O<sub>2</sub> written boldly on it.



Sangaria associates itself as oxygen water by having the scientific notation for oxygen (O<sub>2</sub>) clearly written on the bottle.





**Figure 6.3** Hypothetical Haier Mental Map

# Memory

## MEMORY PROCESSES: ENCODING

- How & where information enters memory

### **Determinant of strength** of association

1. Quantity & quality of processing
2. Organization & strength in memory
3. Its nature: simple, vivid, concrete
4. Repeat exposures - stronger associations

# Memory

## MEMORY PROCESSES: RETRIEVAL

- How information gets out of memory
- Brand association strength - easy access, recall

### **Successful brand information recall, 3 factors:**

1. Other information in memory - interference
2. Time since exposure affects strength
3. Information “available” but not “accessible”

**Pepsi**—Under a new branding strategy, Pepsi is introducing a new can and bottle designs every few weeks with plans to sell 20 or more new different ones annually in every market. Pepsi has already started selling the new packages in China, Australia, and the U.S. This departure from marketing convention comes as Pepsi believes that consumer attention span is getting shorter and consumers are faced with a proliferation of brands competing for their time. Pepsi intends such cans and bottles as advertising vehicles to remind consumers of the brand, and not just containers for its drinks.<sup>49</sup>



Pepsi is introducing new can and bottle designs as advertising vehicles to keep top-of-mind awareness for the brand, and not just containers for its drink.

# The Buying Decision-Process:

## The Five-Stage Model

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- Basic psychological processes - important - how consumers make buying decisions
- “Stage model” of buying decision process – 5 stages
- Buying process starts long before actual purchase and consequences long after
- May skip or reverse stages

## Table 6.1 Understanding Consumer Behavior

Who buys our product or service?

Who makes the decision to buy the product?

Who influences the decision to buy the product?

How is the purchase decision made? Who assumes what role?

What does the customer buy? What needs must be satisfied?

Why do customers buy a particular brand?

Where do they go or look to buy the product or service?

When do they buy? Any seasonality factors?

How is our product perceived by customers?

What are customers' attitudes toward our product?

What social factors might influence the purchase decision?

Do customers' lifestyle influence their decisions?

How do personal or demographic factors influence the purchase decision?

**Figure 6.4**  
**Five-Stage Model**  
**of the Consumer**  
**Buying Process**



# The Buying Decision-Process:

## The Five-Stage Model – *Problem Recognition*

- Buying starts - recognize problem/need
- Need triggered by stimuli
  - Internal stimulus: normal needs, hunger
  - External stimulus: love new car- triggers buying one
- Identify situation that trigger need
- Develop strategies that trigger interest
- Important with discretionary purchase



# The Buying Decision-Process: The Five-Stage Model – *Information Search*

## Information Search

- Aroused consumer search for more
- Heightened attention: receptive to information
- Active information search: find ways to learn about product

### 4 sources:

1. Personal
2. Commercial
3. Public
4. Experiential

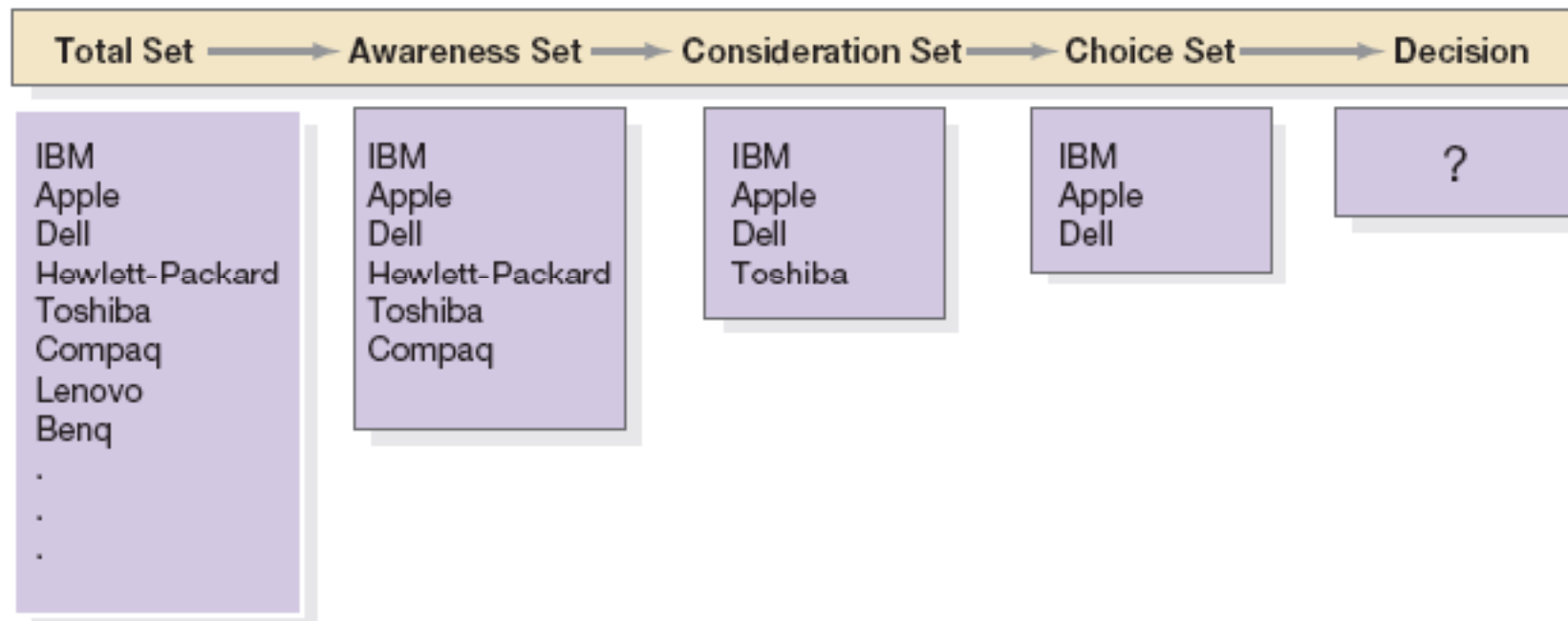
# The Buying Decision-Process:

## The Five-Stage Model – *Information Search*

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- Total brands available *total set*
- Know only subset of total *awareness set*
- Meet initial criteria *consideration set*
- More information, few remain *choice set*
- Makes final choice from this set

## Figure 6.5 Successive Sets Involved in Consumer Decision Making



# The Buying Decision-Process:

## The Five-Stage Model – *Information Search*

Marketers **need to know:**

- Consumer's other brands in choice set - competition
- Identify sources & importance
- Prepare effective communications for target market

# The Buying Decision-Process: The Five-Stage Model – *Evaluation of Alternatives*

## Evaluation of Alternatives

- Value judgment process - conscious & rational

## Consumer evaluation process:

1. Try to satisfy a need
2. Look for certain benefits in solution
3. Each with attributes, benefits sought
4. Attributes of interest to buyers vary

# Brand evaluation:

1. *Cameras*— Picture sharpness, camera speed, camera size, price.
2. *Hotels*— Location, cleanliness, atmosphere, price.
3. *Tires*— Safety, tread life, ride quality, price.

**Chinese brand evaluation**—Middle-income Chinese cite three critical factors in brand evaluation—trust in its quality, a positive impact on health, and customer care. They are becoming more sophisticated and less concerned with price. When asked whether they would buy a local or foreign brand, preferences diverged based on product. Chinese consumers prefer local brands for food, toiletries, and household items. International brands rate higher for consumer electronics and home-improvement items. For clothing, European brands are seen as more fashionable than Chinese or American brands.<sup>56</sup>

## The Buying Decision-Process: The Five-Stage Model – *Evaluation of Alternatives*

### BELIEFS & ATTITUDES

- Influence buying behavior
- **Belief** - descriptive thought on something
- **Attitude** – enduring evaluation, feeling & action tendencies toward something
- To fit product into existing attitudes



A “Got Milk” ad  
from the very successful  
campaign features China  
star Ziyi Zhang  
from film  
*“Crouching Tiger,  
Hidden Dragon”*



# Expectancy-Value Model

- Consumer evaluates product
- Combine brand beliefs - importance
- Weights attached to each attribute

**Total perceived value**  
**= (weights x beliefs) of all attributes**

**Table 6.2** A Consumer's Brand Beliefs about Computers

Computer	Attribute			
	Memory Capacity	Graphics Capacity	Size and Weight	Price
A	10	8	6	4
B	8	9	8	3
C	6	8	10	5
D	4	3	7	8

**Note:** Each attribute is rated from 0 to 10, where 10 represents the highest level on that attribute. Price, however, is indexed in a reverse manner, with a 10 representing the lowest price, because a consumer prefers a low price to a high price.

$$\text{Computer A} = 0.4(10) + 0.3(8) + 0.2(6) + 0.1(4) = 8.0$$

$$\text{Computer B} = 0.4(8) + 0.3(9) + 0.2(8) + 0.1(3) = 7.8$$

$$\text{Computer C} = 0.4(6) + 0.3(8) + 0.2(10) + 0.1(5) = 7.3$$

$$\text{Computer D} = 0.4(4) + 0.3(3) + 0.2(7) + 0.1(8) = 4.7$$

# What should you do if you were **Brand B?**

- **Redesign the computer.** This technique is called real repositioning.
- **Alter beliefs about the brand.** This technique is called psychological repositioning.
- **Alter beliefs about competitors' brands.** This strategy, called competitive depositioning, makes sense when buyers mistakenly believe a competitor's brand has more quality than it actually has.
- **Alter the importance weights.** The marketer could try to persuade buyers to attach more importance to the attributes in which the brand excels.
- **Call attention to neglected attributes.** The marketer could draw buyers' attention to neglected attributes, such as styling or processing speed.
- **Shift the buyer's ideals.** The marketer could try to persuade buyers to change their ideal levels for one or more attributes.<sup>62</sup>

# Purchase Decisions:

- In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form an intention to buy the most preferred brand. In executing a purchase intention, the consumer may make up to five **sub-decisions**:
  - **Brand**
  - **Dealer**
  - **Quantity**
  - **Timing**
  - **Payment-method**

# Purchase Decisions:

## NON-COMPENSATORY MODELS OF CONSUMER CHOICE

- Positive & negative attributes may not net out
- Attributes evaluated in isolation
  - Easier decision but choice may be different if deliberated

# Purchase Decisions:

## 3 choice heuristics

1. **Conjunctive heuristic:** minimum for each attribute - choose 1st meets minimum for all
2. **Lexicographic heuristic:** best brand on perceived most important attribute
3. **Elimination-by-aspects heuristic:** compare brands on attribute – remove those  $<$  minimum

# Purchase Decisions:

**If & how heuristics used depends on:**

1. Characteristics of person
  2. Purchase decision & setting
  3. Social context
- May adopt > 1 decision rules

# Intervening Factors

Between purchase intention & decision

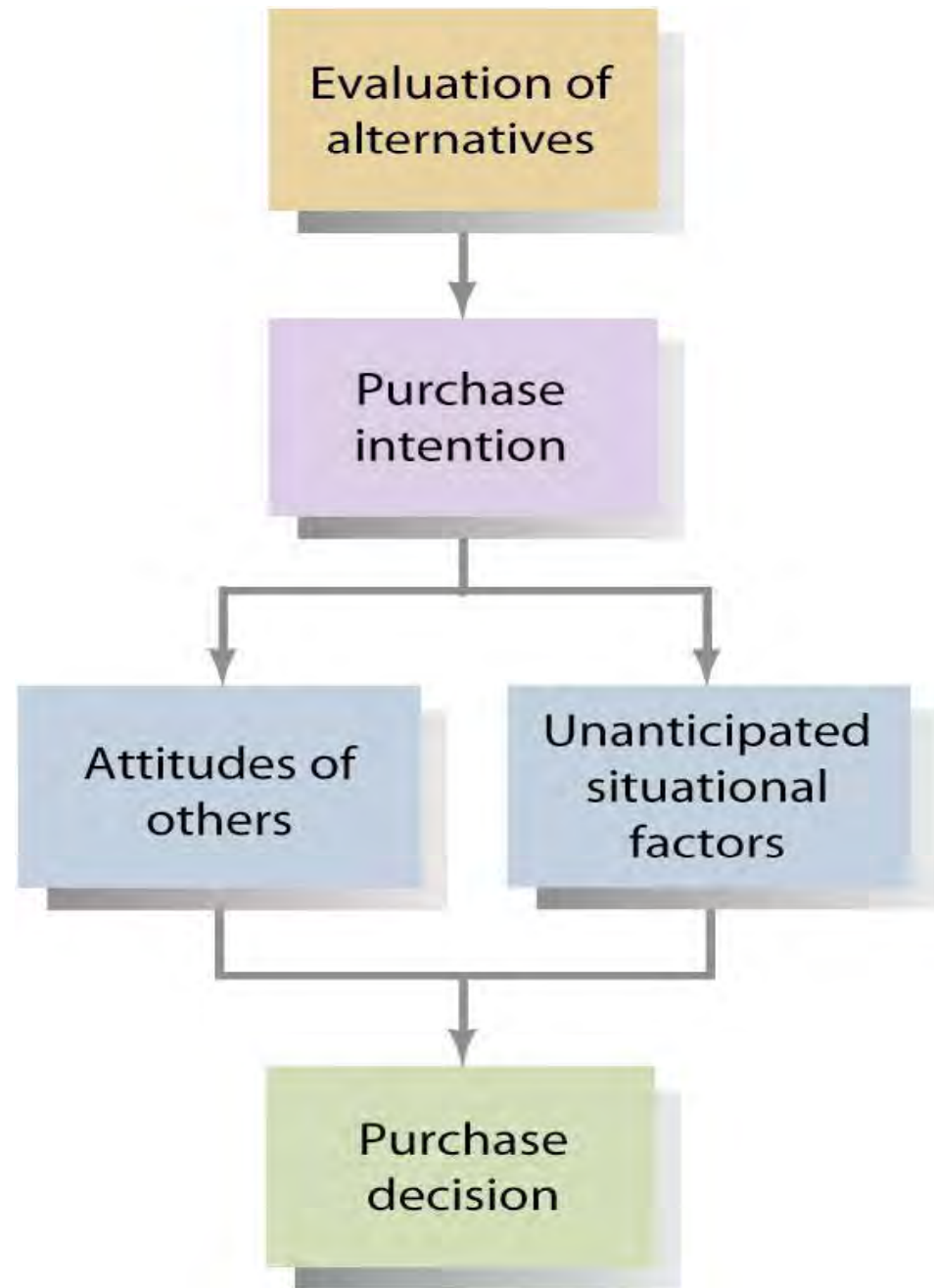
## 1. Attitudes of others:

- Intensity of other's attitude
- Motivation to comply with other's wishes

## 2. Unanticipated situational factors



**Figure 6.6**  
Steps Between  
Evaluation of  
Alternatives & a  
Purchase  
Decision



# Perceived Risks:

Decision influenced by perceived risk:

1. **Functional risk** – not up to expectations
2. **Physical risk** – threat to well-being/health
3. **Financial risk** – not worth price
4. **Social risk** – embarrassment from others
5. **Psychological risk** – mental well-being
6. **Time risk** – opportunity cost to find another

# Post-purchase Behavior

- After the purchase, the consumer might experience dissonance about their purchase and be alert to information that supports their decision. Marketing communications should supply beliefs and evaluations that reinforce the consumer's choice and help him or her feel good about the brand.
- **Marketers must monitor post-purchase satisfaction, post-purchase actions, and post-purchase uses.**

# Post-purchase Satisfaction

## POSTPURCHASE SATISFACTION

**Satisfaction = performance - expectations**

**(−) *disappointed*    (0) *satisfied*    (+) *delighted***

- Expectations - from sellers, friends etc
- Larger gap - greater dissatisfaction
- Product claims must truthfully represent likely performance

# Post-purchase Actions

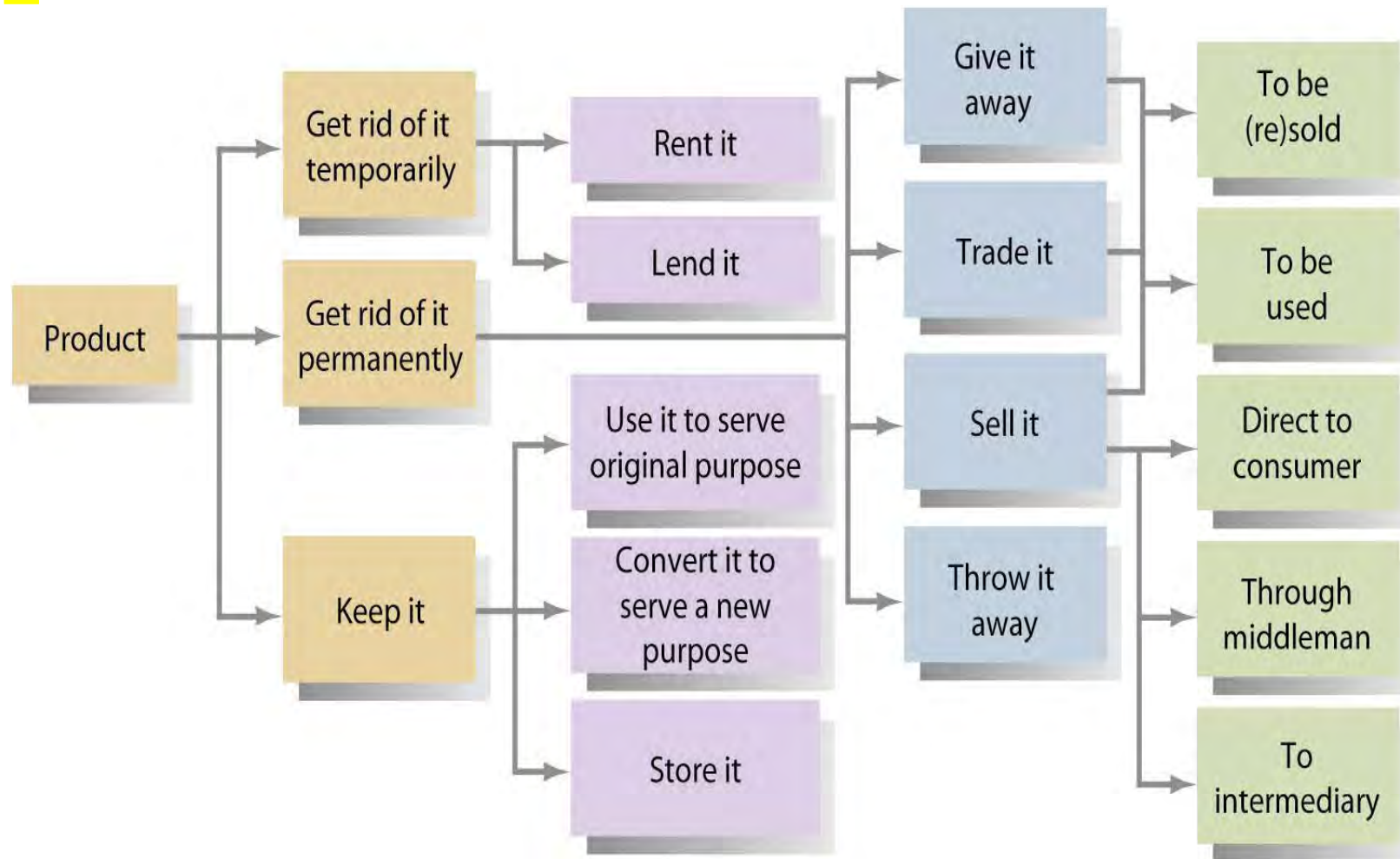
- Abandon/return product
  1. Seek to confirm high value
  2. Public action - complain, go to lawyer
  3. Private actions - stop buying or warn friends
- Post-purchase communications - fewer product returns & cancellations

# Post-purchase Use and Disposal

- Marketers should also monitor how buyers use and dispose of the product. A key driver of sales frequency is product consumption rate.
- One potential opportunity to increase frequency of product use is when consumers' perceptions of their usage differ from reality.
- Marketers must also need to know how the consumer disposes of the product once it is used.

Figure 6.7

## How Customers Use & Dispose of Products



## Other Theories of Consumer Decision Making – *Level of Consumer Involvement*

### ELABORATION LIKELIHOOD MODEL

- Evaluate in low & high-involvement circumstances
- 1. **Central route** - much thought & diligent, rational consideration of important points
  - Used if sufficient ***motivation, ability & opportunity***
- 2. **Peripheral route** – less thought
  - Used if any 3 factors is lacking



## Other Theories of Consumer Decision Making – *Level of Consumer Involvement*

### LOW-INVOLVEMENT MARKETING STRATEGIES

#### Convert low to high involvement:

1. Link to involving issue
  2. Link to personal situation
  3. Advertise - trigger emotion – values/ego
  4. Add important feature
- Peripheral route - positive cues to justify brand choice

## Other Theories of Consumer Decision Making – *Level of Consumer Involvement*

### VARIETY-SEEKING BUYING BEHAVIOR

- Brand switch - variety not dissatisfaction
- Market leader - habitual buys - fill shelf different versions, avoid being out-of-stock & advertise
- Challenger firms - variety seeking - lower prices, deals, coupons, free samples

# Other Theories of Consumer Decision Making – *Decision Heuristics & Biases*

## Heuristics

- Mental short cuts in decision
- Forecast future outcomes
- 1. **Availability heuristic**
  - Quickness & ease outcome comes to mind
- 2. **Representativeness heuristic**
  - How similar outcome is to others
- 3. **Anchoring & adjustment heuristic**
  - Initial judgment adjusted with information

## MARKETING MEMO • DECISION TRAPS

In *Decision Traps*, Russo and Schoemaker reveal the 10 most common mistakes managers make in their decisions.

1. **Plunging in** — Beginning to gather information and reach conclusions without taking a few minutes to think about the crux of the issue you're facing or to think through how you believe decisions like this one should be made.
2. **Frame blindness** — Setting out to solve the wrong problem because you've created a mental framework for your decision, with little thought, that causes you to overlook the best options or lose sight of important objectives.
3. **Lack of frame control** — Failing to consciously define the problem in more ways than one or being unduly influenced by the frames of others.
4. **Overconfidence in your judgment** — Failing to collect key factual information because you are too sure of your assumptions and opinions.
5. **Shortsighted shortcuts** — Relying inappropriately on "rules of thumb" such as implicitly trusting the most readily available information or anchoring too much on convenient facts.
6. **Shooting from the hip** — Believing you can keep straight in your head all the information you've discovered, and therefore "winging it" rather than following a systematic procedure when making the final choice.
7. **Group failure** — Assuming that with many smart people involved, good choices will follow automatically, and therefore failing to manage the group decision making process.
8. **Fooling yourself about feedback** — Failing to interpret the evidence from past outcomes for what it really says, either because you are protecting your ego or because you are tricked by hindsight effects.
9. **Not keeping track** — Assuming that experience will make its lessons available automatically, and therefore failing to keep systematic records to track the results of your decisions and failing to analyze these results in ways that reveal their key lessons.
10. **Failure to audit your decision process** — Failing to create an organized approach to understanding your own decision making, so you remain constantly exposed to all the other nine decision traps.

**Sources:** J. Edward Russo and Paul J. H. Schoemaker, *Decision Traps: Ten Barriers to Brilliant Decision Making and How to Overcome Them*, (New York: Doubleday, 1990). See also J. Edward Russo and Paul J. H. Schoemaker, *Winning Decisions: Getting It Right the First Time*, (New York: Doubleday, 2001).

# Other Theories of Consumer Decision Making – *Mental Accounting*

## Mental accounting

- Categorize *funds*/valued items - no logical *basis*

## Core principles:

1. Segregate gains
  2. Integrate losses
  3. Integrate smaller losses with larger gains
  4. Segregate small gains from large losses
- **Prospect theory** - alternatives - gains & losses based on value function

# ***Profiling the Customer Buying Decision Process***

## **How to learn stages in buying process?**

1. ***Introspective*** - How they would act
  2. ***Retrospective*** - Interview recent purchasers
  3. ***Prospective*** - Locate those who plan to buy
  4. ***Prescriptive*** - Ask them ideal way to buy
- Understand behavior - *consumption system, customer activity cycle or customer scenario*

# Take a Position

## **Marketing Debate — Is Target Marketing Ever Bad?**

As marketers increasingly develop marketing programs tailored to certain target market segments in Asia, some critics have denounced these efforts as exploitative. Examples include marketing cigarettes and alcohol to less-educated Asians, and employing Asian women as clichéd stereotypes and depicting them inappropriately in ads. Others counter that targeting and positioning is critical to marketing in Asia and that these marketing programs are attempts to be relevant to a specific consumer group.

**Take a position:** Target marketing in Asia is exploitative versus  
Target marketing in Asia is a sound business practice.