

# SUMMARY OF CLASS MATERIAL FOR MIDTERM

## Introduction

The study of consumers helps firms and organizations improve their marketing strategies by understanding issues such as how

- Consumers think, feel, reason, and select between different alternatives (e.g., brands, products);
- The consumer is influenced by his or her environment (e.g., culture, family, signs, media);
- Limitations in consumer knowledge or information processing abilities influence decisions; and
- How consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer.

Understanding these issues helps us adapt our strategies by taking the consumer into consideration. For example, by understanding that a number of different messages compete for our potential customers' attention, we learn that to be effective, advertisements must usually be repeated extensively. We also learn that consumers will sometimes be persuaded more by logical arguments, but at other times will be persuaded more by emotional or symbolic appeals. By understanding the consumer, we will be able to make a more informed decision as to which strategy to employ.

One "official" definition 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." Although it is not necessary to memorize this definition, it brings up some useful points:

- Behavior occurs either for the individual, or in the context of a group (e.g., friends influence what kinds of clothes a person wears) or an organization (people on the job make decisions as to which products the firm should use).
- Consumer behavior involves the use and disposal of products as well as the study of how they are purchased. Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption. Since many environmental problems result from product disposal (e.g., motor oil being sent into sewage systems to save the recycling fee, or garbage piling up at landfills) this is also an area of interest.

- Consumer behavior involves services and ideas as well as tangible products.
- The impact of consumer behavior on society is also of relevance. For example, aggressive marketing of high fat foods, or aggressive marketing of easy credit, may have serious repercussions for the national health and economy.

There are four main applications of consumer behavior:

- The most obvious is for *marketing strategy*—i.e., for making better marketing campaigns. For example, by understanding that consumers are more receptive to food advertising when they are hungry, we learn to schedule snack advertisements late in the afternoon. By understanding that new products are usually initially adopted by a few consumers and only spread later, and then only gradually, to the rest of the population, we learn that (1) companies that introduce new products must be well financed so that they can stay afloat until their products become a commercial success and (2) it is important to please initial customers, since they will in turn influence many subsequent customers' brand choices.
- A second application is *public policy*. In the 1980s, Accutane, a near miracle cure for acne, was introduced. Unfortunately, Accutane resulted in severe birth defects if taken by pregnant women. Although physicians were instructed to warn their female patients of this, a number still became pregnant while taking the drug. To get consumers' attention, the Federal Drug Administration (FDA) took the step of requiring that very graphic pictures of deformed babies be shown on the medicine containers.
- *Social marketing* involves getting ideas across to consumers rather than selling something. Marty Fishbein, a marketing professor, went on sabbatical to work for the Centers for Disease Control trying to reduce the incidence of transmission of diseases through illegal drug use. The best solution, obviously, would be if we could get illegal drug users to stop. This, however, was deemed to be infeasible. It was also determined that the practice of sharing needles was too ingrained in the drug culture to be stopped. As a result, using knowledge of consumer attitudes, Dr. Fishbein created a campaign that encouraged the cleaning of needles in bleach before sharing them, a goal that was believed to be more realistic.
- As a final benefit, studying consumer behavior should make us better consumers. Common sense suggests, for example, that if you buy a 64 liquid ounce bottle of laundry detergent, you should pay less per ounce than if you bought two 32 ounce bottles. In practice, however, you often pay a size *premium* by buying the larger quantity. In other words, in this case, knowing this fact will sensitize you to the need to check the unit cost labels to determine if you are *really* getting a bargain.

There are several units in the market that can be analyzed. Our main thrust in this course is the *consumer*. However, we will also need to analyze our own firm's strengths and weaknesses and those of *competing firms*. Suppose, for example, that we make a product aimed at older consumers, a growing segment. A competing firm that targets babies, a shrinking market, is likely to consider repositioning toward our market. To assess a competing firm's potential threat, we need to examine its assets (e.g., technology, patents, market knowledge, awareness of its brands) against pressures it faces from the market. Finally, we need to assess conditions (the marketing environment). For example, although we may have developed a product that offers great appeal for consumers, a recession may cut demand dramatically.

## Research Methods

There are two main categories of research methods. *Secondary* research uses research that has already been done by someone else. For example, marketers often find information compiled by the U.S. Census very useful. However, in some cases, information specific enough to satisfy a firm's needs is not publicly available. For example, a firm will have to run its own research to find out whether consumers would prefer that more vanilla taste be added to its soft drink brand. Original research that a firm does for itself is known as *primary research*.

There is no one perfect primary research method. Each has strengths and weaknesses, and thus the appropriate method must be selected based on research needs.

*Surveys* are useful for getting a great deal of specific information. Surveys can contain open-ended questions (e.g., "In which city and state were you born? \_\_\_\_\_") or closed-ended, where the respondent is asked to select answers from a brief list (e.g., "\_\_\_Male \_\_\_ Female." Open ended questions have the advantage that the respondent is not limited to the options listed, and that the respondent is not being influenced by seeing a list of responses. However, open-ended questions are often skipped by respondents, and coding them can be quite a challenge. In general, for surveys to yield meaningful responses, sample sizes of over 100 are usually required because precision is essential. For example, if a market share of twenty percent would result in a loss while thirty percent would be profitable, a confidence interval of 20-35% is too wide to be useful.

Surveys come in several different forms. Mail surveys are relatively inexpensive, but response rates are typically quite low—typically from 5-20%. Phone-surveys get somewhat higher response rates, but not many questions can be asked because many answer options have to be repeated and few people are willing to stay on the phone for more than five minutes. Mall intercepts are a convenient way to reach consumers, but respondents may be reluctant to discuss anything sensitive face-to-face with an interviewer.

Surveys, as any kind of research, is vulnerable to bias. The wording of a question can influence the outcome a great deal. For example, more people answered no to the question "Should speeches against democracy be allowed?" than answered yes to "Should speeches against democracy be forbidden?" For face-to-face interviews, interviewer bias is a danger, too. Interviewer bias occurs when the interviewer influences the way the respondent answers. For example, unconsciously an interviewer that works for the firm manufacturing the product in question may smile a little when something good is being said about the product and frown a little when something negative is being said. The respondent may catch on and say something more positive than his or her real opinion. Finally, a response bias may occur—if only part of the sample responds to a survey, the respondents' answers may not be representative of the population.

The case of "The Pentagon Declares War on Rush Limbaugh" illustrated that biased surveys are often taken at face value. It was reported in the national media, without question of the validity of the research, that only 3.8% of listeners to the Armed Forces Network wanted to listen to Rush Limbaugh. It turned out, however, that this inference was based on the question "What single thing can we do to improve programming?" Only if a respondent wrote in an answer mentioning Rush Limbaugh were he or she counted as wanting to listen to Rush.

Experiments are used when the researcher wants to rule out all but one explanation for a particular observation. Suppose, for example, that we observe that sales of our brand increase when we send out coupons. However, retailers may also give us better shelf space when the coupon is out; thus, we can't tell if it was the coupon or the shelf-placement that caused sales to increase—the two variables are confounded. In an experiment, we carefully control what varies. In this case, we invite in one hundred people and ask them to shop in a simulated store. Half of the respondents are randomly selected and get a coupon; the others do not. Since the only difference here was whether the subjects got a coupon or not, we can be more confident that differences in brand choice were due to the coupon. Experiments do, however, have a serious drawback in that the consumer is removed from his or her natural surroundings. For example, if we pay some consumers to come into a lab and watch TV "as you normally would," these consumers, figuring that they are being paid, may give more attention to the advertisements than they would at home.

Focus groups involve getting a group of 6-12 consumers together to discuss product usage. Focus groups are especially useful if we do not have specific questions to ask yet, since we don't know what consumers' concerns might be. We start out talking broadly about the need that a product might serve, and only gradually move toward the product itself. For example, a firm considering the marketing of sugar-free cookies might start out its group talking about snacks—why people consume them and the benefits they expect. Gradually, we then move toward *concerns* people have about snacks. Eventually, we address sugar content and concerns that consumers have about that. Only toward the end of the session do we show consumers the actual product we are considering and ask for feedback. We postpone our consideration of the actual product toward the end because we want to be sure that we find out about the consumer's needs and desires rather than what he or she thinks about the specific product we have on the drawing board right now (that product can be changed, and it can be repositioned). Drawbacks of focus groups include high costs and the fact that generalization toward the entire population is difficult for such small sample sizes. The fact that focus groups involve social interaction also means that participants may say what they think will make themselves look good rather than what they really believe (the social desirability bias).

Personal interviews involve in-depth questioning of an individual about his or her interest in or experiences with a product. The benefit here is that we can get really into depth (when the respondent says something interesting, we can ask him or her to elaborate), but this method of research is costly and can be extremely vulnerable to interviewer bias.

Projective techniques are used when a consumer may feel embarrassed to admit to certain opinions, feelings, or preferences. For example, many older executives may not be comfortable admitting to being intimidated by computers. It has been found that in such cases, people will tend to respond more openly about "someone else." Thus, we may ask them to explain reasons why *a friend* has not yet bought a computer, or to tell a story about a *person in a picture* who is or is not using a product. The main problem with this method is that it is difficult to analyze responses.

Observation of consumers is often a powerful tool. Looking at how consumers select products may yield insights into how they make decisions and what they look for. For example, some American manufacturers were concerned about low sales of their products in Japan. Observing Japanese consumers, it was found that many of these Japanese consumers scrutinized packages looking for a name of a major manufacturer—the product specific-brands

that are common in the U.S. (e.g., Tide) were not impressive to the Japanese, who wanted a name of a major firm like Mitsubishi or Proctor & Gamble. Observation may help us determine how much time consumers spend comparing prices, or whether nutritional labels are being consulted.

Physiological measures are occasionally used to examine consumer response. For example, advertisers may want to measure a consumer's level of arousal during various parts of an advertisement.

## Culture

Culture is part of the *external* influences that impact the consumer. That is, culture represents influences that are imposed on the consumer by other individuals.

The definition of culture offered in the text is "That complex whole which includes knowledge, belief, art, morals, custom, and any other capabilities and habits acquired by man person as a member of society." From this definition, we make the following observations:

- Culture, as a "complex whole," is a system of interdependent components.
- Knowledge and beliefs are important parts. In the U.S., we know and believe that a person who is skilled and works hard will get ahead. In other countries, it may be believed that differences in outcome result more from luck. "Chunking," the name for China in Chinese, literally means "The Middle Kingdom." The belief among ancient Chinese that they were in the center of the universe greatly influenced their thinking.
- Other issues are relevant. Art, for example, may be reflected in the rather arbitrary practice of wearing ties in some countries and wearing turbans in others. Morality may be exhibited in the view in the United States that one should not be naked in public. In Japan, on the other hand, groups of men and women may take steam baths together without perceived as improper. On the other extreme, women in some Arab countries are not even allowed to reveal their faces. Notice, by the way, that what at least some countries view as moral may in fact be highly immoral by the standards of another country. For example, the law that once banned interracial marriages in South Africa was named the "Immorality Act," even though in most civilized countries this law, and any degree of explicit racial prejudice, would itself be considered highly immoral.

Culture has several important characteristics: (1) Culture is *comprehensive*. This means that all parts must fit together in some logical fashion. For example, bowing and a strong desire to avoid the loss of face are unified in their manifestation of the importance of respect. (2) Culture is *learned* rather than being something we are born with. We will consider the mechanics of learning later in the course. (3) Culture is manifested within *boundaries* of acceptable behavior. For example, in American society, one cannot show up to class naked, but wearing anything from a suit and tie to shorts and a T-shirt would usually be acceptable. Failure to behave within the prescribed norms may lead to sanctions, ranging from being hauled off by the police for indecent exposure to being laughed at by others for wearing a suit at the beach. (4) Conscious awareness of cultural standards is limited. One American spy was intercepted by the Germans during World War II simply because of the way he held his knife and fork while eating. (5) Cultures fall somewhere on a continuum between static and dynamic depending on how quickly they accept change. For example, American culture

has changed a great deal since the 1950s, while the culture of Saudi Arabia has changed much less.

It should be noted that there is a tendency of outsiders to a culture to overstate the similarity of members of that culture to each other. In the United States, we are well aware that there is a great deal of heterogeneity within our culture; however, we often underestimate the diversity within other cultures. For example, in Latin America, there are great differences between people who live in coastal and mountainous areas; there are also great differences between social classes.

Cultural rules can be categorized into three types. *Formal rules* carry relatively explicit standards as to how one should behave, and violations often carry severe sanctions. For example, in many countries, two forms of the second pronoun (you) exist, with different levels of deference associated with each (e.g., *tú* and *usted* in Spanish and *tu* and *vous* in French—German even has three levels!) In Japan, senior executives will enter and leave a meeting room before subordinates in a very deliberate manner. *Informal rules*, on the other hand, are less explicit and may not carry sanctions for violation. For example, in the U.S., most people would consider eating dinner at 10:00 p.m. weird, while this is perfectly normal in parts of Latin American and Southern Europe. Finally, *technical cultural rules* involve implicit standards as to what constitutes a good product. For example, in India, a movie must have at least seven songs to be successful; in the U.S., preempting the soundtrack for that amount of time would not be desirable.

Language is an important element of culture. It should be realized that regional differences may be subtle. For example, one word may mean one thing in one Latin American country, but something off-color in another. It should also be kept in mind that much information is carried in non-verbal communication. In some cultures, we nod to signify “yes” and shake our heads to signify “no;” in other cultures, the practice is reversed.

Different perspectives exist in different cultures on several issues; e.g.:

- *Monochronic* cultures tend to value precise scheduling and doing one thing at a time; in *polychronic* cultures, in contrast, promptness is valued less, and multiple tasks may be performed simultaneously. (See text for more detail).
- *Space* is perceived differently. Americans will feel crowded where people from more densely populated countries will be comfortable.
- *Symbols* differ in meaning. For example, while white symbolizes purity in the U.S., it is a symbol of death in China. Colors that are considered masculine and feminine also differ by culture.
- Americans have a lot of quite shallow friends toward whom little obligation is felt; people in European and some Asian cultures have fewer, but more significant friends. For example, one Ph.D. student from India, with limited income, felt obligated to try buy an airline ticket for a friend to go back to India when a relative had died.
- In the U.S. and much of Europe, agreements are typically rather precise and contractual in nature; in Asia, there is a greater tendency to settle issues as they come up. As a result, building a relationship of trust is more important in Asia, since you must be able to count on your partner being reasonable.
- In terms of etiquette, some cultures have more rigid procedures than others. In some countries, for example, there are explicit standards as to how a gift should be presented. In some cultures, gifts should be presented in private to avoid

embarrassing the recipient; in others, the gift should be made publicly to ensure that no perception of secret bribery could be made.

The United States has undergone some changes in its predominant culture over the last several decades. Again, however, it should be kept in mind that there are great variations within the culture. For example, on the average, Americans have become less materialistic and have sought more leisure; on the other hand, the percentage of people working extremely long hours has also increased. The text discusses changes in values in more detail.

Significant changes have occurred in gender roles in American society. One of the reasons for this is that more women work outside the home than before. However, women still perform a disproportionate amount of housework, and men who participate in this activity tend to do so reluctantly. In general, commercials tend to lag somewhat behind reality—e.g., few men are seen doing housework, and few women are seen as buyers and decision makers on automobile purchases.

Subculture refers to a culture within a culture. For example, African Americans are, as indicated in the group name, Americans; however, a special influence of the African American community is often also present. For example, although this does not apply to everyone, African Americans tend to worship in churches that have predominantly African American membership, and church is often a significant part of family life.

Different perspectives on the diversity in U.S. culture exist. The "melting pot" metaphor suggests that immigrants gradually assimilate after they arrive. Therefore, in the long run, there will be few differences between ethnic groups and instead, one mainstream culture that incorporates elements from each will result. The "salad bowl" metaphor, in contrast, suggests that although ethnic groups will interact as a whole (through the whole mix of salad) and contain some elements of the whole (through the dressing), each group will maintain its own significant traits (each vegetable is different from the others). The "melting pot" view suggests that one should run integrated promotions aimed at all groups; the "salad bowl" approach suggests that each group should be approached separately.

Subculture is often categorized on the basis of demographics. Thus, for example, we have the "teenage" subculture and the "Cuban-American" subculture. While part of the overall culture, these groups often have distinguishing characteristics. An important consequence is that a person who is part of two subcultures may experience some conflict. For example, teenage native Americans experience a conflict between the mainstream teenage culture and traditional Indian ways.

Values are often greatly associated with age groups because people within an age-group have shared experiences. For example, it is believed that people old enough to have experienced the American Depression are more frugal because of that experience.

Regional influence, both in the United States and other areas, is significant. Many food manufacturers offer different product variations for different regions. Joel Garreau, in his book *The Nine Nations of North America*, proposed nine distinct regional subcultures that cut across state lines. Although significant regional differences undoubtedly exist, research has failed to support Garreau's specific characterizations

A book entitled *The Geography of Thought* discusses differences in Eastern and Western cultures. These range from customs and values to the actual perception of the World. Some conclusions:

- Western thinkers tend to focus on individual objects while Eastern thinkers tend to focus on the whole, the context, and its relationships to other things.
- Western society seems to value formal logic, the rule of law, consistency of rules, universal principles, and categorization more.
- Western thinkers tend to perceive the world as more controllable and emphasize individual differences more.
- Western parents tend to emphasize choices for children and self-esteem building. Eastern societies are more likely to teach self-criticism and attention to the feelings of others.
- See slides #25 and 33 for values.