Chapter 4 UNDERSTANDING BUYER BEHAVIOR

> ## LEARNING OBJECTIVES
>
> Having read this chapter, you should be able to:
>
> - understand the behavior of the individual consumers in the marketplace;
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> - examine the many factors that influence consumer behavior;
>
> - recognize the various principles of psychology, sociology, and social psychology that are of value in explaining consumer behavior;
>
> - examine the relationship of consumer behavior to marketing management decisions—particularly, target market selection and the design of the marketing mix;
>
> - understand how organizational market behavior differs from consumer market behavior;
>
> - and examine how organizations make purchase decisions.

4.1 TILL DEATH DO US PART

At 13:58 on Wednesday, May 5, in Houston's St. Luke's Episcopal Hospital, a consumer was born. Her name was Alyssa J Nedell and by the time she went home three days later, some of America's biggest marketers were pursuing her with samples, coupons, and assorted freebies. Proctor & Gamble hoped its Pampers brand would win the battle for Alyssa's bottom. Johnson & Johnson offered a tiny sample of its baby soap. Bristol-Myers Squibb Company sent along some of its Enfamil baby formula.

Like no generation before, Alyssa enters a consumer culture surrounded by logos, labels, and acts almost from the moment of birth. As an infant, Alyssa may wear Sesame Street diapers and miniature pro-basketball jerseys. By the time she is 20 months old, she will start to recognize some of the thousands of brands flashed in front of her each day. At age 7, if she is anything like the typical kid, she will see some 20,000 TV (television) commercials a year. By the time she is 12, she will have her own entry in the massive data banks of marketers. Multiply Alyssa by 30 million—the number of babies born in this country since 1990—and you have the largest generation to flood the market since the baby boom. More impressive than their

numbers though, is wealth. The increase in single-parent and dual-earner households means that kids are making shopping decisions once left to the mother. Combining allowance, earnings, and gifts, kids aged 14 and under will directly spend an estimated USD 20 billion this year, and will influence another USD 200 billion. No wonder they have become the target of marketing campaigns so sophisticated as to make the kid-aimed pitches of yore look like, well, Mickey Mouse.

Marketers who had long ignored children now systematically pursue them—even when the tykes are years away from being able to buy their products. "Ten years ago it was cereal, candy, and toys. Today it is also computers and airlines and hotels and banks," says Julie Halpin, general manager of Saatchi & Saatchi Advertising's Kid Connection Division. "A lot of people are turning to a whole segment of the population they have not been talking to before."

Those businesses that have always targeted kids, such as fast-food restaurants and toy makers, have stepped up their pitches, hoping to reach kids earlier and bind more tightly. Movies, T-shirts, hamburger wrappers, and dolls are all part of the cross promotional blitz aimed at convincing kids to spend. The cumulative effect of initiating children into a consumerist ethos at an early age may be profound. As kids take in the world around them, many of their cultural encounters—from books to movies to TV have become little more than sales pitches. Even their classrooms are filled with corporate logos. To quote clinical psychologist Mary Pipher, "Instead of transmitting a sense of who we are and what we hold important, today's marketing-driven culture is instilling in them the sense that little exists without a sales pitch attached and that self-worth is something you buy at a shopping mall.

Some wonder if marketers are creating a relationship with consumers too soon and for all the wrong reasons. [1]

4.2 INTRODUCTION

As noted, many of the parents of today's kids are the baby boomers marketers have been tracking for over 40 years. Primarily, their importance is based on their group's enormous size. Just as important, however, is that they have a great deal in common; some demographics, such as age, income, and health; some shared concerns such as college for their children, retirement, and diminishing health; and some behaviors such as voting Republican, eating out, and buying expensive walking shoes. Nevertheless, they still remain individuals who were brought up in a unique family and retain a personal way of thinking and behaving. The ultimate challenge facing marketers is to understand the buyer both as an individual and as a member of society so that the buyer's needs are met by the product offered by the marketer. The purpose of this chapter is to present a discussion of several of the key buyer behaviors considered important to marketers.

1. *Sources*: David Leonhardt. "Hey Kid, Buy This," *Business Week*, June 30, 1997, p. 65-67; Larry Armstrong. "Pssst! Come Into My Web." *Business Week*, June 30,1997, p. 67; Tom McGee, "Getting Inside Kids Heads," *American Demographics*, January 1997, pp. 53-59: "Kids These Days," *American Demographics*, April 2000, pp. 9-10; Joan Raymond, "Kids Just Wanna Have Fun," *American Demographics*, February 2000, pp. 57-61.

4.3 BUYER BEHAVIOR AND EXCHANGE

As noted in an earlier chapter, the relationship between the buyer and the seller exists through a phenomenon called a market exchange. The exchange process allows the parties to assess the relative trade-offs they must make to satisfy their respective needs and wants. For the marketer, analysis of these trade-offs is guided by company policies and objectives. For example, a company may engage in exchanges only when the profit margin is 10 per cent or greater. The buyer, the other member in the exchange, also has personal policies and objectives that guide their responses in an exchange. Unfortunately, buyers seldom write down their personal policies and objectives. Even more likely, they often do not understand what prompts them to behave in a particular manner. This is the mystery or the "black box" of buyer behavior that makes the exchange process so unpredictable and difficult for marketers to understand.

Buyers are essential partners in the exchange process. Without them, exchanges would stop. They are the focus of successful marketing; their needs and wants are the reason for marketing. Without an understanding of buyer behavior, the market offering cannot possibly be tailored to the demands of potential buyers. When potential buyers are not satisfied, exchange falters and the goals of the marketer cannot be met. As long as buyers have free choice and competitive offerings from which to choose, they are ultimately in control of the marketplace.

A *market* can be defined as a group of potential buyers with needs and wants and the purchasing power to satisfy them. The potential buyers, in commercial situations, "vote" (with their dollars) for the market offering that they feel best meets their needs. An understanding of how they arrive at a decision allows the marketer to build an offering that will attract buyers. Two of the key questions that a marketer needs to answer relative to buyer behavior are:

- How do potential buyers go about making purchase decisions?
- What factors influence their decision process and in what way?

The answers to these two questions form the basis for target market selection, and, ultimately, the design of a market offering.

When we use the term "buyer", we are referring to an individual, group, or organization that engages in market exchange. In fact, there are differences in the characteristics of these three entities and how they behave in an exchange. Therefore, individuals and groups are traditionally placed in the *consumer* category, while *organization* is the second category. Let us now to consumer decision making.

4.4 BUYER BEHAVIOR AS PROBLEM SOLVING

Consumer behavior refers to buyers who are purchasing for personal, family, or group use. Consumer behavior can be thought of as the combination of efforts and results related to the consumer's need to solve problems. Consumer problem solving is triggered by the identification of some unmet need. A family consumes all of the milk in the house or the tires on the family care wear out or the bowling team is planning an end-of-the-season picnic. This presents the person with a problem which must be solved. Problems can be viewed in terms of two types of needs: physical (such as a need for food) or psychological (for example, the need to be accepted by others).

Although the difference is a subtle one, there is some benefit in distinguishing between needs and wants. A need is a basic deficiency given a particular essential item. You need food, air, security, and so forth. A want is placing certain personal criteria as to how that need must be fulfilled. Therefore, when we are hungry, we often have a specific food item in mind. Consequently, a teenager will lament to a frustrated parent that there is nothing to eat, standing in front of a full refrigerator. Most of marketing is in the want-fulfilling business, not the need-fulfilling business. Timex does not want you to buy just any watch, they want you to want a Timex brand watch. Likewise, Ralph Lauren wants you to want Polo when you shop for clothes. On the other hand, the American Cancer Association would like you to feel a need for a check-up and does not care which doctor you go to. In the end, however, marketing is mostly interested in creating and satisfying wants.

4.4.1 The Decision Process

Figure 4.1 outlines the process a consumer goes through in making a purchase decision. Each step is illustrated in the following sections of your text. Once the process is started, a potential buyer can withdraw at any stage of making the actual purchase. The tendency for a person to go through all six stages is likely only in certain buying situations—a first time purchase of a product, for instance, or when buying high priced, long-lasting, infrequently purchased articles. This is referred to as *complex decision making*.
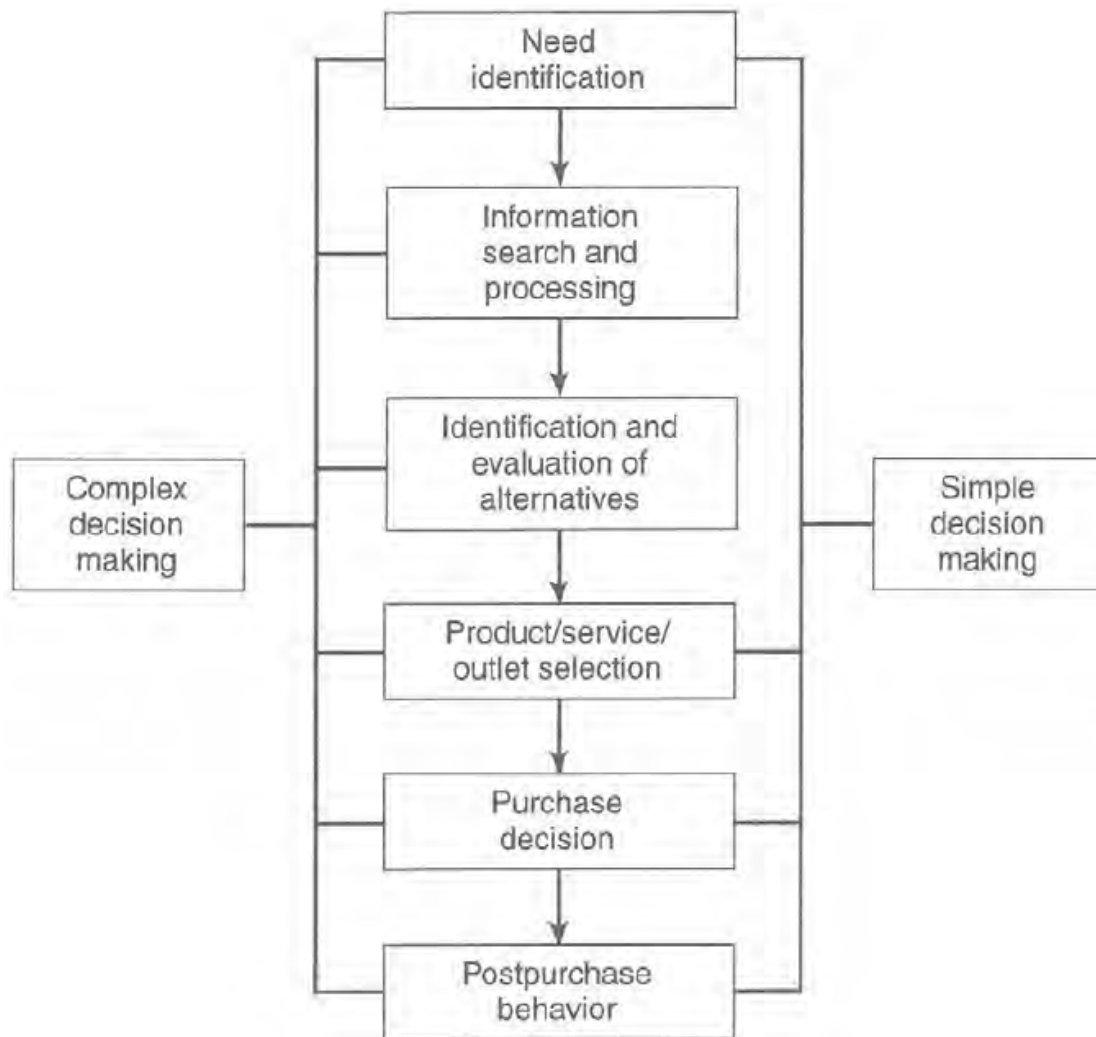
Need identification

Information search and processing

Identification and evaluation of alternatives

Complex decision making

Simple decision making

Product/service/ outlet selection

Purchase decision

Postpurchase behavior

Figure 4.1 The consumer decision process.

For many products, the purchasing behavior is a routine affair in which the aroused need is satisfied in a habitual manner by repurchasing the same brand. That is, past reinforcement in learning experiences leads directly to buying, and thus the second and stages are bypassed. This is called *simple decision making*. However, if something changed appreciably (price, product, availability, services), the buyer may re-enter the full decision process and consider alternative brands. Whether complex or simple, the first step is need identification.[1]

4.4.1.1 Need Identification

Whether we act to resolve a particular problem depends upon two factors: (1) the magnitude of the discrepancy between what we have and what we need, and (2) the importance of the problem. A consumer may desire a new Cadillac and own a five-year-old Chevrolet. The discrepancy may be fairly large but relatively unimportant compared to the other problems he/she faces. Conversely, an individual may own a car that is two years old and running very well. Yet, for various reasons, he/she may consider it extremely important to purchase a car this year. People must resolve these

types of conflicts before they can proceed. Otherwise, the buying process for a given product stops at this point, probably in frustration.

Once the problem is recognized, it must be defined in such a way that the consumer can actually initiate the action will bring about a relevant problem solution. Note that, in many cases, problem recognition and problem definition occur simultaneously, such as a consumer running out of toothpaste. Consider the more complicated problem involved with status and image—how we want others to see us. For example, you may know that you are not satisfied with your appearance, but you may not be able to define it any more precisely than that. Consumers will not know where to begin solving their problem until the problem adequately defined.

Marketers can become involved in the need recognition stage in three ways. First, they need to know what problems consumers are facing in order to develop a marketing mix to help solve these problems. This requires that they measure problem recognition. Second, on occasion, marketers want to activate problem recognition. Public service announcements espousing the dangers of cigarette smoking is an example. Weekend and night shop hours are a response of retailers to the consumer problem of limited weekday shopping opportunities. This problem has become particularly important to families with two working adults. Finally, marketers can also shape the definition of the need or problem. If a consumer needs a new coat, does he define the problem as a need for inexpensive covering, a way to stay warm on the coldest days, a garment that will last several years, warm covering that will not attract odd looks from his peers, or an article of clothing that will express his personal sense of style? A salesperson or an ad may shape his answers.

4.4.1.2 Information Search and Processing

After a need is recognized, the prospective consumer may information to help identify and evaluate alternative products, services, and outlets that will meet that need. Such information can come from family, friends, personal observation, or other sources, such as *Consumer Reports*, salespeople, or mass media. The promotional component of the marketers offering is aimed at providing information to assist the consumer in their problem solving process. In some cases, the consumer already has the needed information based on past purchasing and consumption experience. Bad experiences and lack of satisfaction can destroy repeat purchases. The consumer with a need for tires may look for information in the local newspaper or ask friends for recommendation. If he has bought tires before and was satisfied, he may go to the same dealer and buy the same brand.

Information search can also identify new needs. As a tire shopper looks for information, she may decide that the tires are not the real problem, that the need is for a new car. At this point, the perceived need may change triggering a new information search.

Information search involves mental as well as the physical activities that consumers must perform in order to make decisions and accomplish desired goals in the

marketplace. It takes time, energy, money, and can often involve foregoing more desirable activities. The benefits of information search, however, can outweigh the costs. For example, engaging in a thorough information search may save money, improve quality of selection, or reduce risks. As noted in the integrated marketing box, the Internet is a valuable information source.

Integrated marketing

Kids are hooked online

These days, practically even the tiniest of tykes is tech-savvy. It is no wonder. There are computers in elementary schools, computer games, and, of course, there is educational software.

Kids spend a lot of time online, not just at school, but also at home, for social interaction and entertainment. According to market researcher Teen Research Unlimited, 62 per cent of teenagers say they log on at home for 4.2 hours a week, while 46 per cent spend 2.3 hours a week using a computer outside the home. Teens say they spend most of their online time doing research (72 per cent), sending and reading email (63 per cent), playing games (28 per cent), and checking out things to buy or making purchases (23 per cent). Internet consultancy Cyber Dialogue Data reveals the number of teenagers going online at least once a month grew by nearly 270 per cent between 1998 and 1999. That frequency, coupled with the fact that 19 per cent of these kids have a credit card in his or her own name and 9 per cent have access to a parent's card to shop online, adds up to a huge customer base for Internet marketers. Snowball.com is a portal that claims to serve both Gen Y and Gen X youth. It includes ChickClick.com for young women, IGN.com for young men, PowerStudents.com for high school and college students, and InsideGuide.com for college students. The portal has inked deals with major marketers, including Sony, Toyota, and Pillsbury. The site also has received a lot of interest from the entertainment world. [2]

4.4.1.3 Information Processing

When the search actually occurs, what do people do with the information? How do they spot, understand, and recall information? In other words, how do they process information? This broad topic is important for understanding buyer behavior in general as well as effective communication with buyers in particular, and it has received a great deal of study. Assessing how a person processes information is not an easy task. Often observation has served as the basis. Yet there are many theories as to how the process takes place. One widely accepted theory proposes a five step sequence.[2]

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2. *Sources*: Jennifer Gilbert, "New Teen Obsession," *Advertising Age*, February 14, 2000, p. 8; "School Daze," *American Demographics*, August 1999, p. 80; Krestina Filiciano, "Just Kidding," *Adweek*, May 1, 2000, p. 58.

1. *Exposure*. Information processing starts with the exposure of consumers to some source of stimulation such as watching television, going to the supermarket, or receiving direct mail advertisements at home. In order to start the process, marketers must attract consumers to the stimulus or put it squarely in the path of people in the target market.
2. *Attention*. Exposure alone does little unless people pay attention to the stimulus. At any moment, people are bombarded by all sorts of stimuli, but they have a limited capacity to process this input. They must devote mental resources to stimuli in order to process them; in other words, they must pay attention. Marketers can increase the likelihood of attention by providing informational cues that are relevant to the buyer.
3. *Perception*. Perception involves classifying the incoming signals into meaningful categories, forming patterns, and assigning names or images to them. Perception is the assignment of meaning to stimuli received through the senses. (More will be said about perception later.)
4. *Retention*. Storage of information for later reference, or retention, is the fourth step of the information-processing sequence. Actually, the role of retention or memory in the sequence is twofold. First, memory holds information while it is being processed throughout the sequence. Second, memory stores information for future, long-term use. Heavy repetition and putting a message to music are two things marketers do to enhance retention.
5. *Retrieval and application*. The process by which information is recovered from the memory storehouse called is *retrieval*. *Application* is putting that information into the right context. If the buyer can retrieve relevant information about a product, brand, or store, he or she will apply it to solve a problem or meet a need.

Variations in how each step is carried out in the information-processing sequence also occur. Especially influential is the degree of elaboration. *Elaborate processing*, also called *central processing*, involves active manipulation of information. A person engaged in elaborate processing pays close attention to a message and thinks about it; he or she develops thoughts in support of or counter to the information received. In contrast, *nonelaborate*, or peripherial, processing involves passive manipulation of information.[3] It is demonstrated by most airline passengers while a flight attendant reads preflight safety procedures. This degree of elaboration closely parallels the low-involvement, high-involvement theory, and the same logic applies.

4.4.1.4 Identification and Evaluation of Alternatives

After information is secured and processed, alternative products, services, and outlets are identified as viable options. The consumer evaluates these alternatives, and, if financially and psychologically able, makes a choice. The criteria used in evaluation varies from consumer to consumer just as the needs and information sources vary. One consumer may consider price most important while another puts more weight upon quality or convenience.

The search for alternatives and the methods used in the search are influenced by such factors as: (a) time and money costs; (b) how much information the consumer already has; (c) the amount of the perceived risk if a wrong selection is made; and (d) the consumer's pre-disposition toward particular choices as influenced by the attitude of the individual toward choice behavior. That is, there are individuals who find the selection process to be difficult and disturbing. For these people there is a tendency to keep the number of alternatives to a minimum, even if they have not gone through an extensive information search to find that their alternatives appear to be the very best. On the other hand, there are individuals who feel it necessary to collect a long list of alternatives. This tendency can appreciably slow down decision-making function.

4.4.1.5 Product/Service/Outlet Selection

The selection of an alternative, in many cases, will require additional evaluation. For example, a consumer may select a favorite brand and go to a convenient outlet to make a purchase. Upon arrival at the dealer, the consumer finds that the desired brand is out-of-stock. At this point, additional evaluation is needed to decide whether to wait until the product comes in, accept a substitute, or go to another outlet. The selection and evaluation phases of consumer problem solving are closely related and often run sequentially, with outlet selection influencing product evaluation, or product selection influencing outlet evaluation.

4.4.1.6 The Purchase Decision

After much searching and evaluating, or perhaps very little, consumers at some point have to decide whether they are going to buy. Anything marketers can do to simplify purchasing will be attractive to buyers. In their advertising marketers could suggest the best size for a particular use, or the right wine to drink with a particular food. Sometimes several decision situations can be combined and marketed as one package. For example, travel agents often package travel tours.

To do a better marketing job at this stage of the buying process, a seller needs to know answers to many questions about consumers' shopping behavior. For instance, how much effort is the consumer willing to spend in shopping for the product? What factors influence when the consumer will actually purchase? Are there any conditions that would prohibit or delay purchase? Providing basic product, price, and location information through labels, advertising, personal selling, and public relations is an obvious starting point. Product sampling, coupons, and rebates may also provide an extra incentive to buy.

Actually determining how a consumer goes through the decision-making process is a difficult research task. As indicated in the Newsline box, there are new research methods to better assess this behavior.

Newsline: Follow the consumer and see what happens

It seems that traditional market research no longer works with an increasingly diverse and fickle customer base. The methods marketers have relied on for decades—perfunctory written and phone surveys merely skim the surface of the shifting customer profile. Says Larry Keeley, president of the Doblin Group, a Chicago-based design and consulting firm: "The surveys are nothing more than tracking studies designed to measure if customers are a little more or a little less pleased with you than they were last year." Surely there must be a better way. Wise heads in the arcane world of customer research are onto something called *storytelling*. These folks advocate far more probing research than ever before, advising companies to elicit real-life stories from customers about how they behave and what they truly feel. The notion may seem like a leap into the unknown, but some companies have discovered that these storytelling methods work. Great service and, ultimately, breakthrough products have resulted. Kimberly-Clark built a new USD 500-million diaper market using in-depth customer research. At Intuit, storytelling customers helped its software writers revolutionize the way people all over the US handle their money. US clothing maker Patagonia, soliciting true tales about how customers live and use their gear, manages to keep its product ahead of the curve.

At the heart of this new brand of customer research is a search for subtle insight into human behavior—not only emotion-laden anecdotes, but also unspoken impulses. Just think, for example, of the last time you made eye contact with an attractive stranger. A whole range of feelings washed over you, and at that moment it would be hard to argue with the notion that at least 80 per cent of all human communication is nonverbal.

At Patagonia, an outdoor-sports apparel company in Ventura, California, customer storytellers surf at the "Point" right outside the front door of headquarters. Founder Yoon Chouinard, who spends at least six months a year at the ends of the earth testing his company's gear himself, has made a point of hiring several of these customers so they could share their war stories in-house. He refers to them affectionately as his "dirtbags", people who spend so much time outside that it shows under their fingernails.

Patagonians collect such war stories from far-flung customers as well and use them as a marketing tool. Many of their wares are sold through a biennial catalogue that is unique among its peers. Instead of spending millions to shoot glossy spreads of unthinkably beautiful models, the company relies on its customers to pose while wearing Patagonia duds in exotic locales. This pictorial road map of customer adventures makes for great reading, but it has another role as well.

The placement of customers' stories front and center proves that their opinions and experience are valued, and they respond in droves. "We have trained them to believe that we are serious about responding to their feedback and improving our products," notes Randy Howard, the company's director of quality. [3]

4.4.1.7 Postpurchase Behavior

All the behavior determinants and the steps of the buying process up to this point are operative before or during the time a purchase is made. However, a consumer's feelings and evaluations after the sale are also significant to a marketer, because they can influence repeat sales and also influence what the customer tells others about the product or brand.

Keeping the customer happy is what marketing is all about. Nevertheless, consumers typically experience some postpurchase anxiety after all but the most routine and inexpensive purchases. This anxiety reflects a phenomenon called *cognitive dissonance*. According to this theory, people strive for consistency among their cognitions (knowledge, attitudes, beliefs, values). When there are inconsistencies, dissonance exists, which people will try to eliminate. In some cases, the consumer makes the decision to buy a particular brand already aware of dissonant elements. In other instances, dissonance is aroused by disturbing information that is received after the purchase.[4] The marketer may take specific steps to reduce postpurchase dissonance. Advertising that stresses the many positive attitudes or confirms the popularity of the product can be helpful. Providing personal reinforcement has proven effective with big-ticket items such as automobiles and major appliances. Salespeople these areas may send cards or may even make personal calls in order to reassure customers about their purchase.

Review

1. Buyer behavior takes place in an exchange setting and addresses two questions:

   a. How do potential buyers go about making purchase decisions?

   b. What factors influence their decision process and in what way?

2. Buyer behavior is a problem-solving process and entail the following decisions:

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3. *Sources*: Joanne Gordon, "Shrink Rap," *Fortune*, February 7, 2000, pp. 110-111; Ronald B. Liebier, "Storytelling: A New Way to Get Close to the Customer," *Fortune*, February 3, 1997, pp. 102-105; Kendra Darko, "Zooming In On What's Important." *American Demographics*, August 1999, pp. 46-47.

    a.   need identification

        i.   determined by the discrepancy between what we have and what we want

       ii.   determined by the relative importance of the problem

    b.   information search and processing is a five-step sequence:

        i.   exposure

       ii.   attention

      iii.   reception

      iv.   retention

       v.   retrieval and application

    c.   identification and evaluation of alternatives

    d.   product/service/outlet selection

    e.   the purchase decision

    f.   postpurchase behavior

4.4.2 Influencing Factors of Consumer Behavior

While the decision-making process appears quite standardized, no two people make a decision in exactly the same way. As individuals, we have inherited and learned a great many behavioral tendencies: some controllable, some beyond our control. Further, the ways in which all these factors interact with one another ensures uniqueness. Although it is impossible for a marketer to react to the particular profile of a single consumer, it is possible to identify factors that tend to influence most consumers in predictable ways.

The factors that influence the consumer problem-solving process are numerous and complex. For example, the needs of men and women are different in respect to cosmetics; the extent of information search for a low-income person would be much greater when considering a new automobile as opposed to a loaf of bread; a consumer with extensive past purchasing experience in a product category might well approach the problem differently from one with no experience. Such influences must be understood to draw realistic conclusions about consumer behavior.

For purpose of discussion, it may be helpful to group these various influences into related sets. Figure 4.2 provides such a framework. Situational, external, and internal influences are shown as having an impact on the consumer problem solving process.

Situation influences include the consumer's immediate buying task, the market offerings that are available to the consumer, and demographic traits. Internal influences relate to the consumer's learning and socialization, motivation and personality, and lifestyle. External influences deal with factors outside the individual that have a strong bearing on personal behaviors. Current purchase behavior is shown as influencing future behavior through the internal influence of learning. Let us now turn to the nature and potential impact of each of these sets of influences on consumer problem solving. Figure 4.2 focuses on the specific elements that influence the consumer's decision to purchase and evaluate products and services.
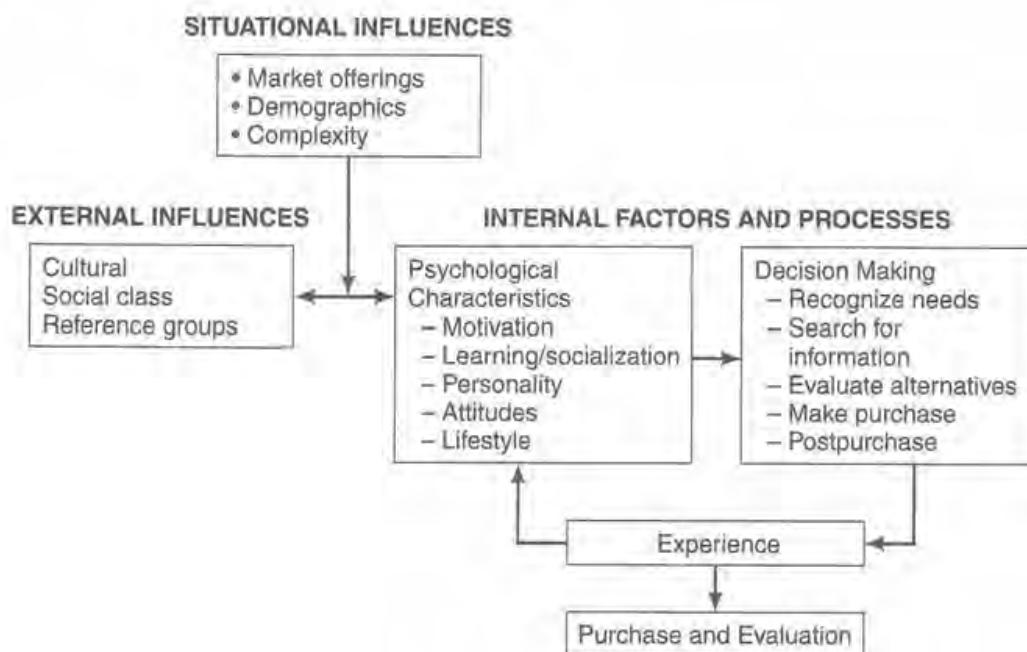

Figure 4.2 A model of consumer behavior.

4.4.2.1 Situational Influences

4.4.2.1.1 Buying Task

The nature of the buying task has considerable impact on a customer's approach to solving a particular problem. When a decision involves a low-cost item that is frequently purchased, such as bread, the buying process is typically quick and routinized. A decision concerning a new car is quite different. The extent to which a decision is considered complex or simple depends on (a) whether the decision is novel or routine, and on (b) the extent of the customers' involvement with the decision. A great deal of discussion has revolved around this issue of involvement. *High-involvement decisions* are those that are important to the buyer. Such decisions are closely tied to the consumer's ego and self-image. They also involve some risk to the consumer; financial risk (highly priced items), social risk (products important to the peer group), or psychological risk (the wrong decision might cause the consumer some concern and anxiety). In making these decisions, it is worth the time and energies to consider solution alternatives carefully. A complex process of decision making is therefore more likely for high involvement purchases. *Low-involvement*

decisions are more straightforward, require little risk, are repetitive, and often lead to a habit: they are not very important to the consumer.[5] Financial, social, and psychological risks are not nearly as great. In such cases, it may not be worth the consumer's time and effort to search for information about brands or to consider a wide range of alternatives. A low involvement purchase therefore generally entails a limited process of decision making. The purchase of a new computer is an example of high involvement, while the purchase of a hamburger is a low-involvement decision.

When a consumer has bought a similar product many times in the past, the decision making is likely to be simple, regardless of whether it is a high- or low-involvement decision. Suppose a consumer initially bought a product after much care and involvement, was satisfied, and continued to buy the product. The customer's careful consideration of the product and satisfaction has produced brand loyalty, which is the result of involvement with the product decision.

Once a customer is brand-loyal, a simple decision-making process is all that is required for subsequent purchases. The consumer now buys the product through habit, which means making a decision without the use of additional information or the evaluation of alternative choices.

Figure 4.3 Ordering DishPVR is a high-involvement decision

4.4.2.1.2 Market Offerings

Another relevant set of situational influences on consumer problem solving is the available market offerings. The more extensive the product and brand choices available to the consumer, the more complex the purchase decision process is likely to be.

For example, if you already have purchased or are considering purchasing a DVD (digital versatile disc), you know there are many brands to choose from—Sony, Samsung, Panasonic, Mitsubishi, Toshiba, and Sanyo, to name several. Each manufacturer sells several models that differ in terms of some of the following features—single or multiple event selection, remote control (wired or wireless), slow motion, stop action, variable-speed scan, tracking control, and so on. What criteria are important to you? Is purchasing a DVD an easy decision? If a consumer has a need that can be met by only one product or one outlet in the relevant market, the decision is relatively simple. Either purchase the product or let the need go unmet.

This is not ideal from the customer's perspective, but it can occur. For example, suppose you are a student on a campus in a small town many miles from another marketplace. Your campus and town has only one bookstore. You need a textbook for class; only one specific book will do and only one outlet has the book for sale. The limitation on alternative market offerings can clearly influence your purchase behavior.

As you saw in the DVD example, when the extent of market offerings increases, the complexity of the problem-solving process and the consumers' need for information also increases. A wider selection of market offerings is better from the customer's point of view, because it allows them to tailor their purchases to their specific needs. However, it may confuse and frustrate the consumer so that less-than-optimal choices are made.

4.4.2.1.3 Demographic Influences

An important set of factors that should not be overlooked in attempting to understand and respond to consumers is demographics. Such variables as age, sex, income, education, marital status, and mobility can all have significant influence on consumer behavior. One study showed that age and education have strong relationships to store selection by female shoppers. This was particularly true for women's suits or dresses, linens and bedding, cosmetics, and women's sportswear.

DeBeers Limited, which has an 80 per cent share of the market for diamonds used in engagement rings, employed a consumer demographic profile in developing their promotional program. Their target market consists of single women and men between the ages of 18 and 24. They combined this profile with some lifestyle aspects to develop their promotional program.

People in different income brackets also tend to buy different types of products and different qualities. Thus various income groups often shop in very different ways. This means that income can be an important variable in defining the target group. Many designer clothing shops, for example, aim at higher-income shoppers, while a store like Kmart appeals to middle- and lower-income groups.

4.4.2.2 External Influences

External factors are another important set of influences on consumer behavior. Among the many societal elements that can affect consumer problem solving are culture, social class, reference groups, and family.

4.4.2.2.1 Culture

A person's *culture* is represented by a large group of people with a similar heritage. The American culture, which is a subset of the Western culture, is of primary interest here. Traditional American culture values include hard work, thrift, achievement, security, and the like. Marketing strategies targeted to those with such a cultural heritage should show the product or service as reinforcing these traditional values. The three components of culture—beliefs, values, and customs—are each somewhat different. A *belief* is a proposition that reflects a person's particular knowledge and assessment of something (that is, "I believe that ..."). *Values* are general statements that guide behavior and influence beliefs. The function of a value system is to help a person choose between alternatives in everyday life.

Customs are overt modes of behavior that constitute culturally approved ways of behaving in specific situations. For example, taking one's mother out for dinner and buying her presents for Mother's Day is an American custom that Hallmark and other card companies support enthusiastically.

The American culture with its social values can be divided into various subcultures. For example, African-Americans constitute a significant American subculture in most US cities. A consumer's racial heritage can exert an influence on media usage and various other aspects of the purchase decision process.

4.4.2.2.2 Social Class

Social class, which is determined by such factors as occupation, wealth, income, education, power, and prestige, is another societal factor that can affect consumer behavior. The best-known classification system includes upper-upper, lower-upper, upper-middle, lower-middle, upper-lower, and lower-lower class. Lower-middle and upper-lower classes comprise the mass market.

The upper-upper class and lower-upper class consist of people from wealthy families who are locally prominent. They tend to live in large homes furnished with art and antiques. They are the primary market for rare jewelry and designer originals, tending to shop at exclusive retailers. The upper-middle class is made up of professionals, managers, and business owners. They are ambitious, future-oriented people who have succeeded economically and now seek to enhance their quality of life. Material goods often take on major symbolic meaning for this group. They also tend to be very civic-minded and are involved in many worthy causes. The lower-middle class consists of mid-level white-collar workers. These are office workers, teachers, small business people and the like who typically hold strong American values. They are family-oriented, hard-working individuals. The upper-lower class is made up of blue-collar workers such as production line workers and service people. Many have incomes that exceed those of the lower-middle class, but their values are often very different. They tend to adopt a short-run, live-for-the-present philosophy. They are less future-oriented than the middle classes. The lower-lower class consists of unskilled workers with low incomes. They are more concerned with necessities than with status or fulfillment.

People in the same social class tend to have similar attitudes, live in similar neighborhoods, dress alike, and shop at the same type stores. If a marketer wishes to target efforts toward the upper classes, then the market offering must be designed to meet their expectations in terms of quality, service, and atmosphere. For example, differences in leisure concerts are favored by members of the middle and upper classes, while fishing, bowling, pool, and drive-in movies are more likely to involve members of the lower social classes.

4.4.2.2.3 Reference Groups

Do you ever wonder why Pepsi used Shaquille O'Neal in their advertisements? The teen market consumes a considerable amount of soft drinks. Pepsi has made a strong effort to capture a larger share of this market, and felt that Shaquille represented the spirit of today's teens. Pepsi is promoted as "the choice of a new generation" and Shaquille is viewed as a role model by much of that generation. Pepsi has thus employed the concept of reference groups.

A *reference group* helps shape a person's attitudes and behaviors. Such groups can be either formal or informal. Churches, clubs, schools, notable individuals, and friends can all be reference groups for a particular consumer. Reference groups are characterized as having individuals who are opinion leaders for the group. Opinion leaders are people who influence others. They are not necessarily higher-income or better educated, but perhaps are seen as having greater expertise or knowledge related to some specific topic. For example, a local high school teacher may be an opinion leader for parents in selecting colleges for their children. These people set the trend and others conform to the expressed behavior. If a marketer can identify the opinion leaders for a group in the target market, then effort can be directed toward attracting these individuals. For example, if an ice cream parlor is attempting to attract

the local high school trade, opinion leaders at the school may be very important to its success.

The reference group can influence an individual in several ways:[6]

- Role expectations: The role assumed by a person is nothing more than a prescribed way of behaving based on the situation and the person's position in the situation. Your reference group determines much about how this role is to be performed. As a student, you are expected to behave in a certain basic way under certain conditions.
- Conformity: Conformity is related to our roles in that we modify our behavior in order to coincide with group norms. Norms are behavioral expectations that are considered appropriate regardless of the position we hold.
- Group communications through opinion leaders: We, as consumers, are constantly seeking out the advice of knowledgeable friends or acquaintances who can provide information, give advice, or actually make the decision. For some product categories, there are professional opinion leaders who are quite easy to identify—e.g. auto mechanics, beauticians, stock brokers, and physicians.

4.4.2.2.4 Family

One of the most important reference groups for an individual is the family. A consumer's family has a major impact on attitude and behavior. The interaction between husband and wife and the number and ages of children in the family can have a significant effect on buying behavior.

One facet in understanding the family's impact on consumer behavior is identifying the decision maker for the purchase in question. In some cases, the husband is dominant, in others the wife or children, and still others, a joint decision is made. The store choice for food and household items is most often the wife's. With purchases that involve a larger sum of money, such as a refrigerator, a joint decision is usually made. The decision on clothing purchases for teenagers may be greatly influenced by the teenagers themselves. Thus, marketers need to identify the key family decision maker for the product or service in question.

Another aspect of understanding the impact of the family on buying behavior is the *family lifecycle*. Most families pass through an orderly sequence of stages. These stages can be defined by a combination of factors such as age, marital status, and parenthood. The typical stages are:

- The bachelor state; young, single people.
- Newly married couples; young, no children.
- The full nest I and II; young married couples with dependent children:
  - Youngest child under six (Full nest I)
  - Youngest child over six (Full nest II)
- The full nest III; older married couples with dependent children.
- The empty nest I and II; older married couples with no children living with them:

- ◦ Adults in labor force (Empty nest I)
- ◦ Adults retired (Empty nest II)
- • The solitary survivors; older single people:
    - ◦ In labor force
    - ◦ Retired

Each of these stages is characterized by different buying behaviors. For example, a children's clothing manufacturer would target its efforts primarily at the full nest I families. Thus, the family cycle can be helpful in defining the target customers.

4.4.2.3 Internal Influences

Each customer is to some degree a unique problem solving unit. Although they can be grouped into meaningful segments, in order to fully appreciate the totality of the buying process, a marketer needs to examine the internal forces that influence consumers. They are learning/socialization, motivation and personality, and lifestyle.

4.4.2.3.1 Learning and Socialization

As a factor influencing a person's perceptions, learning may be defined as changes in behavior resulting from previous experiences. However, learning does not include behavior changes attributable to instinctive responses, growth, or temporary states of the organism, such as hunger, fatigue, or sleep. It is clear that learning is an ongoing process that is dynamic, adaptive, and subject to change. Also, learning is an experience and practice that actually brings about changes in behavior. For example, in order to learn how to play tennis, you might participate in it to gain experience, be exposed to the different skills required, the rules, and so forth. However, the experience does not have to be an actual, physical one. It could be a conceptualization of a potential experience. In other words, you could learn to play tennis by reading about how to play without actually doing it. This is called *nonexperiential learning*.

Nonexperiential learning is particularly relevant in consumer behavior. For example, assume you are considering purchasing a bottle of Zinfandel wine. You ask the salesclerk what it tastes like, and he tells you it tastes like a strong ginger ale. Not liking the taste of ginger ale, you reject the purchase. Thus you have learned that you do not like Zinfandel wine without having a direct taste experience. A great deal of our learning is of this type. This may be one reason why marketers try to identify opinions leaders who in turn tell others in the market about the benefits of the product.

Another characteristic of learning is that the changes may be immediate or anticipated. In other words, just because we do not see immediate evidence that learning has taken place is no reason to assume that learning has not occurred. We can store our learning until it is needed, and frequently do this in terms of making

purchase decisions. For example, we are willing to learn about many product attributes even though we do not expect to buy the product in the near future.

As new information is processed and stored over time, consumer learning takes place. There are several theories of learning: one of the most useful to marketers is that of socialization. *Socialization* refers to the process by which persons acquire the knowledge, skills, and dispositions that make them more or less able members of their society. The assumption made is that behavior is acquired and modified over the person's lifecycle.

The social learning approach stresses sources of influence—"socialization agents" (i.e. other people)—that transmit cognitive and behavioral patterns to the learner. In the case of consumer socialization, this takes place in the course of the person's interaction with other individuals in various social settings. Socialization agents might include any person, organization, or information source that comes into contact with the consumer.

Consumers acquire this information from the other individuals through the processes of modeling, reinforcement, and social interaction. *Modeling* involves imitation of the agent's behavior. For example, a teenager may acquire a brand name preference for Izod from friends. Marketers can make use of this concept by employing spokespersons to endorse their products and services who have strong credibility with their target consumers, as in the case of Bill Cosby (Jell-O). *Reinforcement* involves either a reward or a punishment mechanism used by the agent. A parent may be reinforced by good product performance, excellent post-purchase services, or some similar rewarding experience. The social interaction mechanism is less specific as to the type of learning involved; it may include a combination of modeling and reinforcement. The social setting within which learning takes place can be defined in terms of variables such as social class, sex, and family size.

These variables can influence learning through their impact on the relationship between the consumer and others. It should be noted that an individual who promotes learning can be anyone—such as parent, friend, salesperson, or television spokesperson.

4.4.2.3.2 Motivation

Motivation is a concept that is difficult to define. In fact, the difficulty of defining motives and dealing with motivation in consumer research accounts for its limited application. For the most part, the research in motivation involves benefit segmentation and patronage motives. Patronage motives typically concern the consumer's reasons for shopping at a particular outlet. Consumers are classified, for example, as price-conscious, convenience-oriented, service-oriented, or in terms of some other motivating feature.

A motive is the inner drive or pressure to take action to satisfy a need. To be motivated is to be a goal-oriented individual. Some goals are positive, some are negative, some individuals have a high level of goal orientation, some have a very low

level. In all cases, the need must be aroused or stimulated to a high enough level so that it can serve as a motive. It is possible (and usual) to have needs that are latent (unstimulated) and that therefore do not serve as the motive of behavior. The sources of this arousal may be internal (people get hungry), environmental (you see an ad for a Big Mac), or psychological (just thinking about food can cause hunger).

For motivation to be useful in marketing practice, a marketing manager must understand what motives and behaviors are influenced by the specific situation in which consumers engage in goal-directed, problem-solving behavior.

Motivation flows from an unmet need, as does all consumer problem solving. Perhaps the best known theory dealing with individual motivation is provided in the work of A H Maslow. One of the most important parts of Maslow's theory is his development of a model consisting of several different levels of needs that exist in a human being and relate to each other via a "need hierarchy". Maslow has differentiated between five levels of needs. The first of these concerns itself with physiological needs; that is, hunger, thirst, and other basic drives. All living beings, regardless of their level of maturity, possess physiological needs. Physiological needs are omnipresent and are of a recurrent nature.[7]

Safety and security needs are second in Maslow's hierarchy. The difference between physiological needs and safety and security needs is somewhat hazy. Safety and security imply a continued fulfillment of physiological needs. This is an extension of the more basic needs.

Third in Maslow's hierarchy of needs are the love needs. These are the needs for belonging and friendship. They involve a person's interaction with others. The fourth level of needs in Maslow's hierarchy is the esteem needs. These are needs related to feeling good about oneself and having a positive self-image.

The fifth and highest level in Maslow's needs hierarchy is the need for self-actualization or self-fulfillment. This need can be defined as the need of a person to reach his full potential in terms of the application of his own abilities and interest in functioning in his environment.

It is important in discussing these levels of Maslow's hierarchy to point out two additional factors. First, Maslow has clearly indicated that these five levels of needs operate on an unconscious level. That is, the individual is probably not aware of concentration upon one particular need or one assortment of needs. One of the misunderstandings associated with Maslow's theory is that he believes the five needs to be mutually exclusive. That, in fact, is not the intent of Maslow. To the contrary, several of these needs may occur simultaneously for any one individual; the relative importance of each need for any one individual determines the hierarchy involved.

When we attempt to integrate Maslow's needs hierarchy with the concept of segmentation, we can see that a manager might find certain subgroups that fit together because of some homogeneity of needs. For example, a marketer may target a group with strong self-esteem needs in designing a promotional program for cosmetics. Appeals to higher-order needs are important for many products and services, even basic commodities.

Personality is used to summarize all the traits of a person that make him/her unique. No two people have the same traits, but several attempts have been made to classify people with similar traits. Perhaps the best-known personality types are those proposed by Carl Jung, as is a variation on the work of his teacher, Sigmund Freud. His personality categories are *introvert* and *extrovert*. The introvert is described as defensive, inner-directed, and withdrawn from others. The extrovert is outgoing, other-directed, and assertive. Several other more elaborate classifications have also been devised.

Various personality types, like people with various motives, are likely to respond in different ways to different market offerings. For example, an extrovert may enjoy the shopping experience and rely more on personal observation to secure information; thus, in-store promotion would become an important communication tool. Knowing the basic personality traits of target customers can be useful information for the manager in designing the marketing mix. Marketers have, however, found personality to be difficult to apply in developing marketing strategy. The primary reason for this is the lack of good ways to measure personality traits. Most available measures were developed to identify people with problems that needed medical attention. These have little value with consumers who are mentally healthy. As a result, most marketers have turned to lifestyle analysis.

4.4.2.3.3 Lifestyle

One of the newer and increasingly important set of factors that is being used to understand consumer behavior is lifestyle. Lifestyle has been generally defined as the attitudes, interests, and opinions of the potential customer. Such variables as interest in hunting, attitude toward the role of women in society, and opinion on the importance of dressing well can be used to better understand the market and its behavior.

It is the multifaceted aspect of lifestyle research that makes it so useful in consumer analysis. A prominent lifestyle researcher, Joseph T Plummer, summarizes the concept as follows:

> *...life style patterns, combines the virtues of demographics with the richness and dimensionality of psychological characteristics....Life style is used to segment the marketplace because it provides the broad, everyday view of consumers life style segmentation and can generate identifiable whole persons rather than isolated fragments.*[8]

A useful application of the lifestyle concept relates to consumer's shopping orientation. Different customers approach shopping in very different ways. They have different attitudes and opinions about shopping and different levels of interest in shopping. Once people know their alternatives, how do they evaluate and choose

among them? In particular, how do people choose among brands of a product? Current description of this process emphasizes the role of attitudes. An *attitude* is an opinion of a person, idea, place, or thing. Attitudes range based on a continuum from very negative to very positive. Traditionally, an attitude is broken down into three components: cognitive, affective, and behavioral. That is, an attitude is first what we know/believe, followed by what we feel, and ending with an action. Thus, we have learned that a particular company has been polluting a local river; we feel very strongly that business should not do this and feel very angry; and we boycott the product made by that company.

A great deal of marketing strategy is based on the idea that the cognitive, affective, and behavioral components of an attitude tend to be consistent. Thus, if it is possible to change what people believe about Yamaha CD players, their feelings and their actions may eventually change as well. However, this relationship among the three components of an attitude seems to be situation—or even product—specific. For example, attitudes tend to predict behavior better in high-involvement decisions. Thus, if someone has a strong attitude about wearing stylish clothes, then it is possible to predict that the person will restrict purchases to a particular set of brands. Furthermore, we do not react to products in isolation. The situation, or our attitude toward the situation, plays an important role in how well attitudes predict behavior. For example, assume that a consumer likes pizza but does not like Pizza Inn pizza. In a social setting where everyone wants to go to Pizza Inn for pizza, this person might eat this brand rather than not have pizza at all.

Despite limitations on the predictive power of attitudes, attitudes can help us understand how choices are made. However, we need to carefully assess the validity of the attitude-behavior relationships for each situation and product.

Review

1. The following factors influence consumer behavior:

    a. situational influences

        i.   the buyer task: high−involvement vs low−involvement

        ii. market offerings

        iii. demographics

    b. external influences

        i.   culture

        ii. social class

        iii. reference groups

        iv. family

    c. internal influences

> i. learning and socialization
>
> ii. motivation
>
> iii. personality
>
> iv. lifestyle
>
> v. attitudes

Given the hypothesis that attitudes influence buying behavior, how can a company bring its products and consumers' attitudes into a consistent state; that is, into a situation where consumers evaluate a given product or brand as satisfying their need? Marketers have two choices: either they can change consumers' attitudes to be consistent with their product, or they can change the product to match attitudes. It is easier to change the product than to change consumers' attitudes. Nevertheless, attitudes can sometimes be modified. Modifying attitudes might be the only reasonable choice, as when a firm is introducing a truly new product or an unusual new use for an existing one. Marketers should nevertheless face the fact that it is extremely difficult to change consumers' attitudes. If there is to be change, it is most likely to occur when people are open-minded in their beliefs or when an existing attitude is of weak intensity; that is, when there is little information to support the attitude or very little ego involvement on the individual's part. The stronger a person's loyalty to a certain brand, for example, the more difficult it is to change that attitude.

4.5 ORGANIZATIONAL BUYER BEHAVIOR

Those who supply goods and services to consumer markets are themselves in need of goods and services to run their business. These organizations—producers, resellers, and government—make up vast marketing organizations that buy a large variety of products, including equipment, raw material, and labor and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers.

Despite the importance of organizational markets, far less research has been conducted on factors that influence their behavior than on factors that influence consumers. However, we can identify characteristics that distinguish organizational buying from consumer buying and typical steps in the organizational buying process.

4.5.1 Characteristics of Organizational Buying

Many elements of the sociocultural environment discussed earlier influence organizational as well as consumer buying, but some additional forces are salient only in the organizational setting. In particular, each organization has its own business