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A Perspective on Consumer Behavior

- 1 Introduction to Consumer Behavior and Marketing Strategy
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Introduction to Consumer Behavior and Marketing Strategy

Online Shopping—2009

Marketing to consumers via the Internet has many advantages for marketers. It allows products and services to be offered 24 hours a day, 7 days a week, 365 days a year; it allows products and services to be offered globally in an efficient manner; it is cost efficient in that it saves the need for stores, paper catalogs, and salespeople; it provides a means for developing one-on-one relationships with consumers and establishing consumer databases for conducting online research. Online Business-to-Consumer marketing requires marketers to understand consumers and deliver the products and services consumers want and need, just as traditional marketing does.

In 2009, marketers proved their ability to serve consumers online, and Internet sales to consumers continue to grow faster than any other form of retailing. Although the e-commerce shakeout in the early 2000s led many analysts to declare that the Internet was

overhyped as a marketing tool, it is now firmly established as a critical element of overall marketing strategy.

One major criticism of online marketing is that it reaches only a small segment of the population. However, research shows that Internet shoppers reflected similar gender ratios and income levels as the population as a whole in the United States. ACNielsen research found more than 143 million U.S. households to be active home Internet users. The 11 countries tracked by Nielsen total over 315 million households. More than 40 million households in Japan were active Internet users, along with 32 million in Germany and 23 million in the United Kingdom. Thus, Internet marketers would seem to be able to reach a broad market, if they use appropriate strategies to do so.

A second major criticism of online marketing is that consumers shop on the Web to collect information about products and services but do not buy. Analysts thought that consumers preferred to shop in person at stores and did not want to risk giving hackers access to credit card or personal information





sent online. However, recent research found that two-thirds of shoppers with Internet access actually made a purchase online. Apparently, improved security on the Web has assuaged the fears of many online shoppers.

So what do consumers buy online? According to a recent study, travel-related purchases, including airline tickets, topped the list. In addition, several studies have shown that books, CD/DVD/video products, computer software, apparel and accessories, and specialty gift items like flowers account for a significant portion of Web-based purchases. Computer hardware, entertainment-related services, and housewares also are large categories.

Others use the Web for the vast selection of products and services available. If you are looking for unusual plants and landscaping, including miniature Alpine plants from Oregon or 40 varieties of cacti grown from seedlings collected from the Grand Canyon, contact John Shelley's Garden Center & Nursery in Winterstown, Pennsylvania, at **www.gdnctr.com**. Looking for high-end mountain bike components and accessories, the kind you can't find in local shops? If so, contact Aardvark Cycles in Provo, Utah, at **www.aardvarcycles.com**. If you want to bid on collectibles, such as an early 60s Barbie or a Lionel train set from the 1950s, contact eBay at **www.ebay.com**.

Sources: Anick Jesdanun, "Internet Not Key in Buying Choices," *Wisconsin State Journal*, May 19, 2008, p. 1A+; Enid Burns, "Active Home Web Use by Country, January 2006," *clickz.com*, March 13, 2006; Enid Burns, "Retail Sales Grew in 2005," *clickz.com*, January 5, 2006; Timothy J. Mullaney, Heather Green, Michael Arndt, Robert D. Hof, and Linda Hilelstein, "The E-Biz Surprise," *BusinessWeek*, May 12, 2003, pp. 60–68; Ken Cimino, "Reports Paint Profile of an Internet Shopper," *EcommerceTimes.com*, July 13, 2001; **www.acnielsen.com**. Screen capture reprinted by permission of John Shelley's Garden & Nursery Center, Inc. Microsoft Internet Explorer® screen shot reprinted with permission from Microsoft Corporation.

How can consumer behavior research help Internet marketers increase their chances of success? Marketers have long argued that the **marketing concept** is the appropriate philosophy for conducting business. Simply stated, the marketing concept suggests an organization should satisfy consumer needs and wants to make profits. To implement the marketing concept, organizations must understand their customers and stay close to them to provide products and services that consumers will purchase and use appropriately.

For many years, the marketing concept was not fully understood or implemented properly by U.S. firms. Often, even firms that accepted the marketing concept in principle did not recognize that the marketing concept required the organization to change its existing practices dramatically. In general, these firms viewed implementing the marketing concept as a marketing task rather than something in which the entire organization had to be involved. Although these companies conducted marketing and consumer research, this research was seldom used as the basis for designing not just the marketing strategy but also the entire organizational strategy.

Today many of the most successful companies in the world have become so by designing the entire organization to serve consumers and stay close to them. These companies are committed to developing quality products and services and selling them at a price that gives consumers high value. In these companies, the marketing department, as well as design, engineering, production, human resources, finance, and other departments, focus on doing their jobs in ways that enhance the value of products to consumers. Some firms have found they can actually increase product quality and reduce costs at the same time, and they encourage employees throughout the company to seek ways to do so. Other firms first determine what consumers want and how much they are willing to pay for a product and then design, produce, and market the best-quality product they can for the price consumers are willing to pay.

Companies are making changes to serve consumers better for three major reasons. First, the dramatic success of Japanese companies, such as Toyota and Sony, that focus on providing consumers with value-laden products has spurred other companies to follow suit. In previous years, many U.S. companies could sell almost anything they were able to produce. Consumers accepted the level of quality of goods and services produced by U.S. companies as being as good as could be expected. However, as American consumers discovered the superior quality and lower prices of many Japanese products, they began to realize that many American products offered inferior value and shifted to purchasing foreign-made goods. Several U.S. companies had to redesign their organizations to serve consumers in order to survive and compete not only in the United States but also in world markets. Many have done so and are now world leaders in their industries, while others have failed to do so and are no longer strong competitors in their industries.

The second major reason for the shift to focusing on consumers is the dramatic increase in the quality of consumer and marketing research. In the past, companies often did not have detailed information on the actual purchasers and users of their products. Although they conducted research to investigate new product concepts and to try to understand consumers, often this research was not continuous and did not identify the firm's actual customers. Today computer technology and scanners and other data sources have enabled companies to know personally who their customers are and the effects on those consumers of marketing strategy and changes in strategy. Both manufacturers and retailers can now carefully track consumer reactions to new products and

services and evaluate marketing strategies better than ever before. Thus, companies are now better able to actually implement the marketing concept. Consumer Insight 1.1 offers several examples of newer methods for researching consumers.

A third reason for the increased emphasis on consumers is the development of the Internet as a marketing tool. In the past, consumers received most of their information about products and services from traditional print and media advertising and shopped primarily in brick-and-mortar stores. While this is still the case for many purchases, marketers have recognized the potential for e-marketing to completely change the way consumers shop and purchase. This change could be a threat to traditional manufacturers and retailers unless they adapt their marketing strategies to include electronic commerce. This change is an opportunity for small companies and entrepreneurs, since the startup costs of marketing products and services are greatly reduced compared with traditional marketing methods. In either case, knowledge of consumers' shopping and purchasing patterns is needed to develop a successful e-marketing strategy, thus increasing the importance of consumer behavior research. Savvy marketers know that the Internet can be used to communicate vast amounts of information about products and product lines to consumers, to actually sell products and services directly to consumers, and to market to global consumers who could not be reached cost-effectively by traditional marketing methods. Finally, savvy marketers have also recognized that the Internet can be used to conduct marketing research studies and collect other useful information about consumers that can be used to develop effective marketing strategies.

In sum, many successful companies have recognized the importance of consumers and have sophisticated approaches and detailed data from which to develop organizational and marketing strategies. All of this should convince you that the consumer behavior course you are about to take is an important part of your business education. In the remainder of this chapter, we will discuss the nature of consumer behavior and the parties involved in studying and analyzing it. We will also investigate some relationships between consumer behavior and marketing strategy and the value of this course for a successful career. Although this text focuses on consumer behavior and marketing strategy, it should not be forgotten that employees in every business function should be involved in serving consumers. Consumer Insight 1.2 discusses a method used by retailers to understand consumer shopping patterns.

What Is Consumer Behavior?

The American Marketing Association defines **consumer behavior** as “the dynamic interaction of affect and cognition, behavior, and the environment by which human beings conduct the exchange aspects of their lives.”¹ In other words, consumer behavior involves the thoughts and feelings people experience and the actions they perform in consumption processes. It also includes all the things in the environment that influence these thoughts, feelings, and actions. These include comments from other consumers, advertisements, price information, packaging, product appearance, blogs, and many others. It is important to recognize from this definition that consumer behavior is dynamic, involves interactions, and involves exchanges.

Consumer Behavior Is Dynamic

Consumer behavior is *dynamic* because the thinking, feelings, and actions of individual consumers, targeted consumer groups, and society at large are constantly

Consumer Insight 1.1

Digging Deeper into Consumers' Minds and Lives

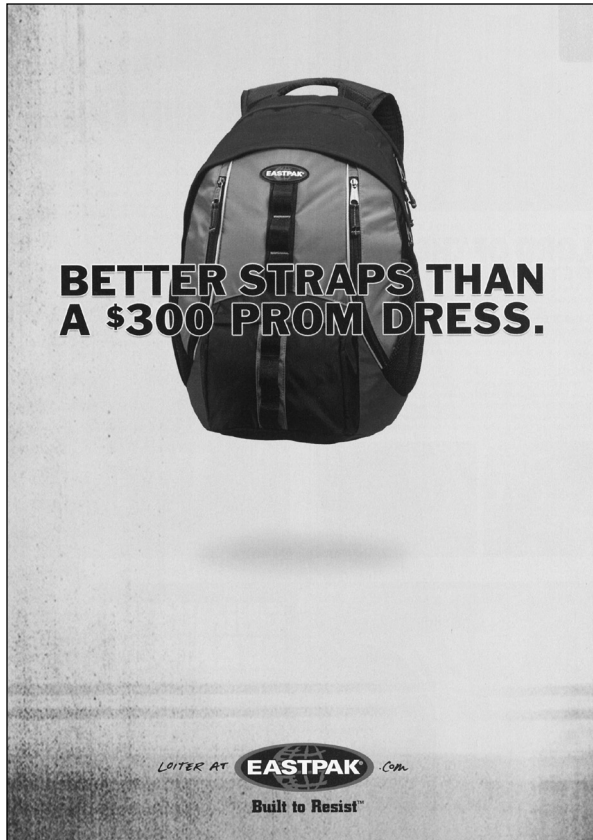


Market researchers use a variety of techniques to learn about consumers. For example, focus groups, surveys, experiments, and scanner data studies have long helped marketers develop more effective strategies. However, a recent trend in market research is to dig deeper into consumers' minds and lives using a variety of anthropological techniques to better understand the deeper meaning of products and brands. Catherine DeThorne, ad agency Leo Burnett's director of planning, calls these techniques "getting in under the radar." Below is a sample of some of the types of research companies are doing.

- Just as Kimberly-Clark Corporation was about to launch a line of Huggies baby lotions and bath products, it saw sales slip for its Huggies baby wipes. Since traditional focus group research could not come up with a reason for the decline in sales, the company tried a new approach. It decided to get consumers to wear a pair of glasses with a camera mounted on them so researchers could see product usage through the consumers' eyes. It didn't take long to see the problem: Although consumers said that they changed babies on beds, the truth was that they change them on beds, on floors, and on top of washing machines in awkward positions. The consumers were struggling with wipe containers and lotions that required two hands since one hand had to hold the child. The company redesigned the wipe package with a push-button one-handed dispenser and designed the lotion and shampoo bottles so they could easily be used with one hand.
- As Mary Flimin chops onions for risotto late one afternoon, a pair of video cameras and two market researchers stationed in a corner are recording her every move. Meg Armstrong and Joel Johnson, who represent a cookware company, want to see how a gourmet like Flimin cooks and what she likes. Hours later, Armstrong and Johnson review their observations. Even though Flimin said she often makes cakes and bakes with fresh fruit, Armstrong notes that "her baking dishes are stashed in the boondocks, so she doesn't bake much." This insight could not be captured by typical methods that rely on consumers to tell researchers what they do.
- Thomson Electronics hired E-lab to perform a study to find out how consumers mix listening to music with their daily lives. E-lab did a "beeper" study in which participants were instructed to write down what they were doing when they were paged. Participants recorded where they were; what music, if any, was playing; who picked it; and their mood. Researchers also tailed people around their homes, noting where they kept their stereos and how their music collections were organized. The company was trying to find out how often people sit down to enjoy a CD as opposed to using it for background music. This information would help Thomson Electronics in its new-product decisions.
- Procter & Gamble developed a program to help its employees better understand consumer behavior. In one part of the program, employees lived with consumers for several days in their homes, ate meals with the family, and went on shopping trips with them.

changing. For example, the Internet has changed the way people search for information about products and services. The fact that consumers and their environments are constantly changing highlights the importance of ongoing consumer research and analysis by marketers to keep abreast of important trends.

The dynamic nature of consumer behavior makes development of marketing strategies an exciting yet difficult task. Strategies that work at one time or in one market may fail miserably at other times or in other markets. Because product life cycles are shorter than ever before, many companies have to innovate constantly to create superior value for customers and stay profitable. This involves creation of new products, new versions of existing products, new brands, and new strategies for them. For example, Mercedes-Benz developed a more complete line of vehicles, including a



In another part, the P&G employees worked behind the counter in small shops to get insights into why shoppers buy or do not buy a product, how the shopkeeper stacks shelves, and what kind of business propositions are appealing. This program helped employees understand why consumers buy the prod-

ucts they do even if the consumers themselves could not articulate the reasons.

- Before a Miramax movie opens in theaters, the previews are usually screened by groups of movie-goers around the country observed by psychiatrist Russ Ferstandig. As people watch the previews and answer Ferstandig's questions, he watches their body language. Based on what he hears and sees, he may recommend that the Disney unit change previews to make them more compelling to audiences. He might suggest a short pause to let people catch up with a message or change the wording in a preview, such as taking out the word *comedy* in describing the movie *An Ideal Husband*.
- At Norman Thomas High School in Manhattan, Inez Cintron, 14, chats exuberantly with her girlfriends between classes. The topics: singer Lauryn Hill and Old Navy clothes. Tru Pettigrew, a 30-year-old researcher for a company called Triple Dot, leans close. The trend hunter dropped by the public high school to glean intelligence for Eastpak. He listens to the girls mix Spanish phrases into their English chatter—something new to Pettigrew that may result in Eastpak ads with “Spanglish.” Pettigrew also is interested to hear that the teens, who preferred rival Jansport's packs, buy as many as eight backpacks to mix with their wardrobes. “That’s a key piece of information,” he says later.

Not everyone is cheering these modern market research methods. “It’s kind of pathetic that people are willing to be subjects in order to help marketers get inside a certain group’s head and sell, sell, sell,” says Michael Jacobson of the Center for Science in the Public Interest. However, respondents are often paid—at least \$100 by E-lab—for participating and are free to choose whether or not they want to be in the study.

Source: A. G. Lafley and Ram Charan, “The Consumer Is Boss,” *Fortune*, March 17, 2008, pp. 120–126. David Kiley, “Shoot the Focus Group,” *BusinessWeek*, November 14, 2005, pp. 120–121; Melanie Wells, “New Ways to Get Into Our Heads,” *USA Today*, March 2, 1999, pp. B1, B2. Copyright March 2, 1999. Reprinted with permission.

sport utility vehicle, the ML 350, to try to reach more consumers. Garmin offers a complete line of automotive GPS receivers to meet the needs of different consumer groups with different price-range preferences.

Consumer Behavior Involves Interactions

Consumer behavior involves *interactions* among people’s thinking, feelings, and actions, and the environment. Thus marketers need to understand what products and brands mean to consumers, what consumers must do to purchase and use them, and what influences shopping, purchase, and consumption. The more marketers know about how these interactions influence individual consumers, target markets of similar consumers,

Consumer Insight 1.2

Snooping on Shoppers to Increase Sales



Hundreds of companies nationwide are turning to electronic and infrared surveillance equipment to snoop on shoppers in their stores. Some even conduct old-fashioned stakeouts, complete with walkie-talkies, from catwalks in the stores. These companies are not trying to spot shoplifters. Rather, they are learning about shoppers' traffic patterns to change consumer buying habits.



Take Bashas's Markets, Inc., in Chandler, Arizona. A study showed that only 18 percent of the grocery store's customers ever went down the aisle with greeting cards, which are high-profit items. So George Fiscus, the store layout manager, moved the section, sandwiching it between the floral department and an aisle with peanut butter, jelly, and health foods that regularly drew 62 percent of the store's traffic. Nestled in their new home, the greeting cards showed a second-quarter sales jump of 40 percent.

Tracking consumers' every move is giving marketers both revealing statistical detail and new insights. The research efforts have also turned up some surprises:

- By peering from the catwalks at 1,600 shoppers, researchers for Marsh Supermarkets unearthed a troubling trend: People heavily shopped the periphery of the store—the produce, dairy, and meat sections—but frequently circumvented the core dry-goods section that takes up the bulk of store space. The Indiana store chain's inner aisles drew only 13 to 30 percent of traffic, while the periphery accounted for as much as 80 percent.
- VideOcart, Inc., a Chicago company that uses infrared sensors in store ceilings to track shopping carts, has spotted a lot of “dippers.” These shoppers park their carts at the ends of aisles and then walk down, filling their arms with items from the shelves as they go. Marketers figure such shoppers probably buy less because they are limited by what they can carry.
- Certain departments draw huge numbers of people, but that doesn't guarantee proportionate sales, according to a study by the Food Marketing Institute

and society at large, the better they can satisfy consumer needs and wants and create value for them. For example, one major change in society is the shrinking number of middle-income consumers and the increase in low- and high-income groups. How this change affects consumers' thoughts, feelings, and actions has important implications for marketing strategy. Some companies are changing their offerings to appeal to the growing markets and thus put less emphasis on the middle-income group. Gap Inc. expanded its upscale Banana Republic chain and its lower-end Old Navy stores to tap these two markets while keeping growth of middle-market Gap stores more limited.² It is likely that many consumers who buy clothes from Banana Republic versus Old Navy have different thoughts and feelings about their purchases and may have purchased them for different reasons and different occasions.

trade group. By retracing the steps of 2,400 shoppers and checking what ended up in their grocery carts, the institute learned, for instance, that 77 percent of people walked through the bakery department, but only a third actually bought anything there.

- A study of Procter & Gamble products in Kmart stores found that sales rose sharply when items like coffee and toothpaste were placed outside their normal aisles on display racks. With no coupons or price cuts, sales of the newly located toothpaste rose as much as 119 percent over a three-week test period, whereas coffee sales soared more than 500 percent.

Although primarily a tool for retailers, traffic analysis is being used by consumer product companies as well. One traffic study showed that shoppers often zip through the snack aisle, spending only 42.7 seconds there, whereas they spend more than twice that in the coffee aisle. At a Kroger store in Atlanta, PepsiCo Inc.'s Frito-Lay unit tried to raise its sales by advertising its chips in the coffee aisle. Over jars of Nestea and Maxwell House,

a red sign flashes, "America, Your Chip Has Come In," and suggests that shoppers pick up a bag of Doritos.

A study by New York City-based EnviroSell Inc. determined that the first 30 feet inside a store entrance, the "decompression zone," should not be used to sell products. Most consumers need this space to get their bearings. They are uninterested in elaborate displays until they are past this zone. The company also determined that most shoppers, especially women, do not like to enter narrow aisles where they may be jostled from behind. Consequently, items in these aisles generally go unsold.*

Paco Underhill, the founder of EnviroSell Inc., advises storekeepers to keep stacks of shopping baskets at various locations within the store. It seems that only 34 percent of shoppers who don't have baskets actually purchase something, while 75 percent of shoppers with baskets buy some items.*

Interestingly, a woman who shops with another woman spends twice as much time in the store than if she shops with a man. So Underhill suggests plenty of seating be available for men to relax and wait while their wives shop.*

Sources: Helen Coster, "Consumer Spy," *Forbes*, January 9, 2006, p. 91; Kenneth Labich, "Attention Shoppers: This Man Is Watching You," *Fortune*, July 19, 1999, pp. 131–134. Copyright 1999 Time, Inc. All rights reserved; The Wall Street Journal. Central Edition [Staff Produced Copy Only] by Michael J. McCarthy, "James Bond Hits the Supermarket: Stores Snoop on Shoppers' Habits to Boost Sales," *The Wall Street Journal*, August 25, 1993, pp. B1, B5. Copyright 1993 by Dow Jones & Co., Inc. Reproduced with permission of Dow Jones & Co., Inc. in the format textbook via Copyright Clearance Center.

Consumer Behavior Involves Exchanges

Consumer behavior involves *exchanges* between human beings. In other words, people give up something of value to others and receive something in return. Much of consumer behavior involves people giving up money and other things to obtain products and services, that is, exchanges between buyers (consumers) and sellers (marketers). In fact, the role of marketing in society is to help create exchanges by formulating and implementing marketing strategies.

Approaches to Consumer Behavior Research

Consumer behavior is a complex phenomenon and an eclectic field. The majority of published research is done by marketing academics who vary greatly in their training, objectives, and methods. As shown in Exhibit 1.1, there are three major approaches to studying consumer behavior.

The interpretive approach is relatively new in the field and has become quite influential. It is based on theories and methods from cultural anthropology. This approach seeks to develop a deep understanding of consumption and its meanings. Studies use long interviews and focus groups to understand such things as what products and services mean to consumers and what consumers experience in purchasing and using them. Other studies might concern how advertising depicts women, how art and films reflect consumption meaning, or how possessions influence self-images. Although these studies typically are not designed to help marketers develop successful strategies, implications for strategy development can be inferred from them.

Exhibit 1.1**Approaches to the Study of Consumer Behavior**

Approaches	Core Disciplines	Primary Objectives	Primary Methods
Interpretive	Cultural anthropology	Understand consumption and its meanings	Long interviews Focus groups
Traditional	Psychology Sociology	Explain consumer decision making and behavior	Experiments Surveys
Marketing science	Economics Statistics	Predict consumer choice and behavior	Math-modeling Simulation

The traditional approach is based on theories and methods from cognitive, social, and behavioral psychology, as well as sociology. It seeks to develop theories and methods to explain consumer decision making and behavior. Studies involve experiments and surveys to test theories and develop insights into such things as consumer information processing, decision processes, and social influences on consumer behavior. This approach has had a profound impact on marketing thought, with some researchers focusing on theory testing and others on investigating the impact of marketing strategies on consumers.

The marketing science approach is based on theories and methods from economics and statistics. It commonly involves developing and testing mathematical models to predict the impact of marketing strategies on consumer choice and behavior. This approach has become a mainstay in the consumer packaged goods industry because it can handle large scanner data sets in an efficient manner to help solve marketing problems.

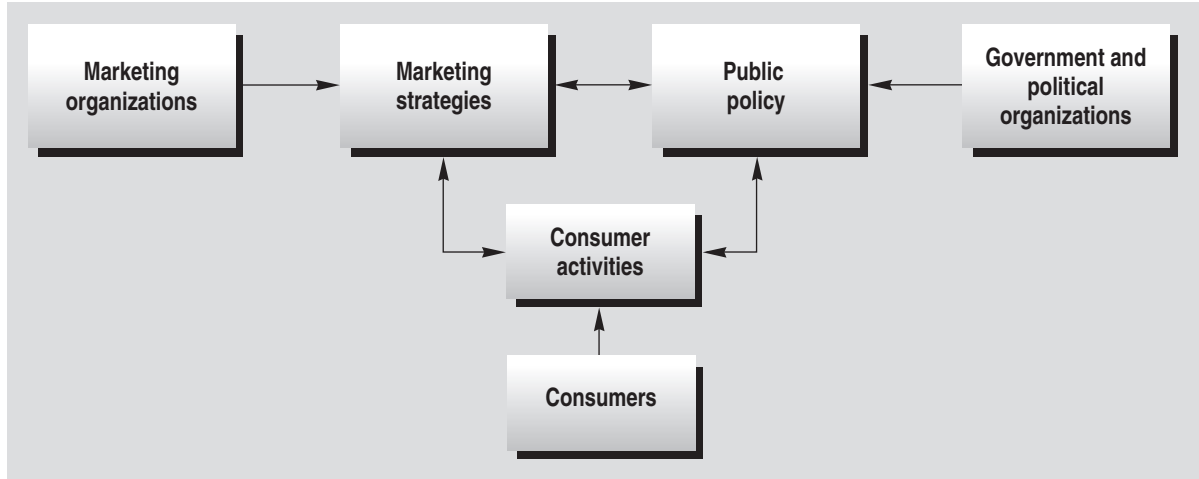
All three approaches have value and provide insights into consumer behavior and marketing strategy in different ways and at different levels of analysis. Insights from all three are integrated in this text, although the core of the book is based on the traditional approach.

It should also be noted that marketing practitioners spend millions of dollars each year to study consumers. These companies do their own research or hire marketing research firms, ad agencies, consulting firms, and academics to help them develop better marketing strategies to serve consumers. These companies may use any of the three approaches depending on the nature of the marketing problem or decision.

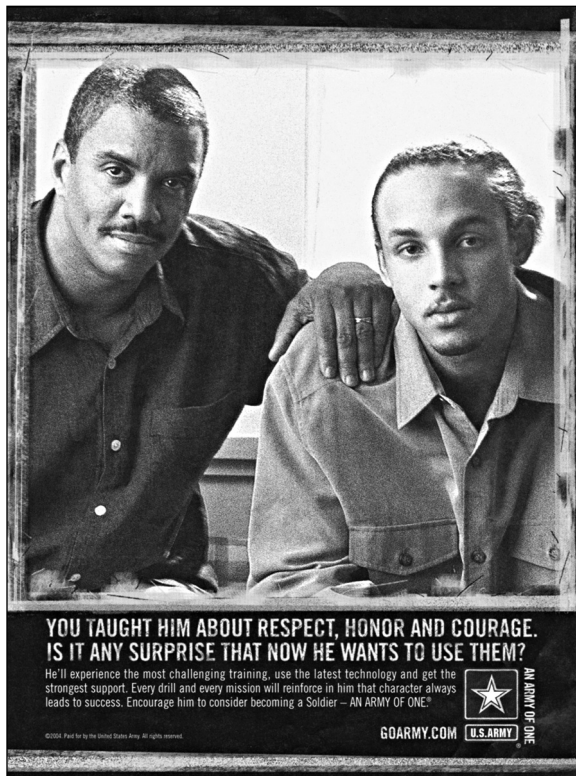
Uses of Consumer Behavior Research

As shown in Exhibit 1.2, three groups—marketing organizations, government and political organizations, and consumers—use knowledge about consumer behavior and consumer behavior research. Each group is interested in consumer behavior as it influences the consumer's interactions and exchanges with the other groups.

The first group is marketing organizations, which include not only businesses attempting to sell products but also hospitals, museums, parks, law firms, universities, and other organizations that seek exchanges with consumers. Although the primary emphasis in this text is on exchanges between businesses and consumers,

Exhibit 1.2**Relationships among Action-Oriented Groups Interested in Consumer Behavior**

Nonprofit and government organizations can benefit from studying their consumers



the ideas presented can also be used by other marketing organizations, such as the American Cancer Society, Yellowstone Park, or your college or university.

The second group in Exhibit 1.2 consists of various government and political organizations. These include government agencies such as the Federal Trade Commission and the Food and Drug Administration. The major concern of these organizations is monitoring and regulating exchanges between marketing organizations and consumers. This is accomplished through the development of public policies that affect marketing organizations and consumers. Political organizations include consumer activists such as Students Against Drunk Driving and various industry and trade organizations such as the American Marketing Association. These groups exert pressure on marketing organizations and consumers to behave in certain ways.

The third group interested in consumer behavior includes both consumers and organizational buyers who exchange resources for various goods and services. Their interest is in making exchanges that help them achieve their goals and in understanding their own behavior. Consumer Insight 1.3 discusses how consumers and marketers change their behavior in difficult economic environments.

Consumer Insight 1.3

Consumers' and Marketers' Reactions to Recessionary Times



The recession starting in 2008 changed the behavior of consumers and marketers. According to a Gallup Poll, 55 percent of consumers said they cut household spending as a result of lower prices in the stock market and fears about the economy. They said they cut back on travel for the holidays (63 percent), eating out at restaurants (81 percent), entertainment such as going to the movies (72 percent), and household services such as housekeeping and lawn service (37 percent).

Consumers also sold old jewelry and ransacked closets to find “stuff” to put on eBay. According to eBay CEO John Donahoe, Americans typically have about \$3,200 worth of goods at home they could sell to raise cash. Coupon usage to trim grocery costs also went up for the first time in 15 years. Rather than use credit cards, many consumers started saving money to buy something they wanted, and layaway plans in which consumers pay in advance for items weekly or monthly also made a comeback. eLayaway, a start-up that handles layaway programs for 1,000 retailers, had its customer base jump from 150 to 3,000 in the fall of the year.

The number of consumers who had both a full-time and a part-time job increased 11 percent over the previous year, according to the Bureau of Labor Statistics. Many of these consumers were trying to increase their income so they could save more to help make up some of the losses in their retirement accounts. Also, sales of Blu-ray high definition disks more than tripled during the year as consumers found watching them at home a lot cheaper than a night at the movies. Finally, 29 percent of consumers said they were buying more store and generic brands to save money.

So what did marketers do to try to keep merchandise moving and the economy from stalling? Most retailers put products on sale at deep discounts and many companies tried to promote the idea that their

products provided value to consumers. For example, Procter & Gamble promoted its new Total Care versions of Tide detergent and Downy fabric softener as products that preserved the look of new clothes. In other words, the products would keep clothes looking new longer so consumers wouldn't have to buy clothes as often and could save money. Since consumers were eating more meals at home, Campbell and Kraft banded together to promote a low-cost classic meal: tomato soup and a grilled cheese sandwich. “Warm hearts without stretching budgets” read the copy in the ad that shows a package of Kraft Singles cheese slices and a can of Campbell's tomato soup. Kraft's DiGiorno pizza aired ads that stated that a home-delivered pizza cost twice as much as a DiGiorno.

Gillette ran a series of ads to justify the \$20 to \$25 price for eight Fusion Power razor blades arguing that “In the world of high performance, what machine can you run for as little as a dollar a week?” Kellogg cereals played up the idea that a bowl of cereal with milk was a meal that cost only 50 cents. It also snatched up paid search terms including “cereal,” “breakfast,” and “value,” on portals such as Google.com to drive budget-conscious consumers to its Web site. When they click on the ad, consumers are linked to a site that plays up the “excellent economic value” of Kellogg's cereal and offers a dollar-off coupon to buy some. Velveeta cheese ads tell shoppers to “forget the cheddar, Velveeta is better,” and claim that a package of Velveeta is “twice the size of cheddar, for the same price.”

In sum, many consumers tried to find new ways to live within their means and still live comfortably during a difficult economic time. Many marketers tried to convince consumers that their products provided good value for the money, but in a way that did not detract from their high-quality image.

Sources: Jarne O'Donnell and Sandra Block, “Consumers Get Frugal, So Retailers Get Creative,” *USA Today*, January 28, 2009, p.B1; Mindy Fetterman, “Americans Are Digging Deep to Save Money,” *USA Today*, November 17, 2008, p. 1A+; Laura Petrecca, “Marketers Try to Promote Value Without Cheapening Image,” *USA Today*, November 17, 2008, p.1B+.

Consumer Behavior's Role in Marketing Strategy

A **marketing strategy** is the design, implementation, and control of a plan to influence exchanges to achieve organizational objectives. In consumer markets, marketing strategies are typically designed to increase the chances that consumers will have favorable thoughts and feelings about particular products, services, and brands, and

mpg:)

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And, believe it or not, it can save you up to 250 gallons of fuel a year² if you're driving a conventional, gas-only vehicle. Another benefit? You create nearly 80% less smog-forming emissions.³ So you get better mileage, better air and a better planet. And if that's not worth smiling about, we don't know what is. Learn more at toyota.com

¹Based on 15,000 miles per year and EPA combined mileage rating. Compared to the average gas vehicle.

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Understanding consumer behavior has helped Toyota develop and market a number of successful vehicles

will try them and repeatedly purchase them. Also, marketing strategies are developed by retail stores, catalog retailers, e-tailers and other direct marketers to increase the chances that consumers will have favorable thoughts and feelings about purchasing from them and will actually do so. In addition, credit card companies, ATM companies, banks, and other organizations that make funds available for purchases develop strategies to increase the chances that consumers will use their services. Marketing strategies involve developing and presenting marketing stimuli directed at selected target markets to influence what they think, how they feel, and what they do.

Of course, organizations develop strategies at many levels, from planning the future of large, multinational, multibusiness corporations like General Electric and Philip Morris down to planning a change in the strategy for a single brand/model or a single store. Although consumer behavior research is useful for all levels of strategic analysis, it is most commonly studied and applied at the brand and store levels. Also, published consumer behavior research most frequently focuses on North American markets. Although this book attempts to reflect the state of the art in terms of knowledge about consumer behavior, it will also go beyond these boundaries when possible.

Exhibit 1.3 lists some marketing strategy questions that knowledge of consumer behavior and consumer behavior research can help answer. They can

be addressed in formal consumer research, informal discussions with consumers, and intuition and thinking based on a sound understanding of consumer behavior principles.

It should be clear from Exhibit 1.3 that understanding consumers is a critical element in developing successful marketing strategies. Marketers have to analyze and understand not only consumers of their products and brands but also consumers of competitive offerings and the reasons they purchase competitive products. Understanding markets and developing and implementing superior strategies to attract and hold them profitably is the essence of marketing strategy. Consumer Insight 1.4 discusses the use of consumer research to turn around a failing company.

Finally, it should be clear that marketing strategies, particularly as developed and implemented by successful companies, have a powerful force on consumers and society at large. We believe that marketing strategies not only adapt to consumer needs and wants but also change what consumers think and feel about themselves, about various marketing offerings, and about reasons and situations for purchase and use. This does not mean that marketing is unethical or an inappropriate activity. However, the power of marketing and the ability of consumer research and analysis to yield insight into consumer behavior should not be discounted or misused.

Exhibit 1.3**Some Marketing Strategy Questions Consumer Behavior Research Can Help Answer**

1. Which consumers are likely to buy this product and our brand, what are they like, how are they different from consumers who don't buy, and how do we reach them?
2. What criteria are consumers likely to use to decide which products and brands to purchase? What will the consumer decision process entail, and what will influence it?
3. Is brand image, convenience, price, particular product attributes, or other criteria most important to consumers of this product?
4. What strategies should be used to encourage consumers to purchase our brand and not purchase those of competitors?
5. How do consumers process information about products, and how can this process be influenced to increase the chances that consumers will have a favorable impression of our brand?
6. What do consumers think and feel about our brand versus competitive brands? What can be done to improve their opinion of our brand?
7. How can we increase the chances that consumers will process information about our brand and come up with a favorable impression?
8. What behaviors do consumers have to perform to purchase and use this product and our brand? How can we increase the frequency with which consumers perform these behaviors? Are there opportunities to change the way consumers purchase and use this product that could give us a competitive advantage?
9. In what situations are consumers likely to purchase and use this product and our brand? How can the number of these situations be increased? What environmental factors influence purchase and use?
10. What price are consumers willing to pay for our product and still believe they are getting good value? Should sales promotions be used and, if so, which ones and how should they be timed?
11. What can we do to satisfy and even delight consumers with our brand so that they become loyal customers?
12. How can we delight consumers of our brand and also meet the needs of owners, employees, suppliers, channel members, society, and other stakeholders?

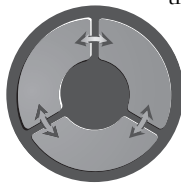
Back To...

Online Shopping-

As noted earlier, Internet marketing enables marketers to establish one-on-one relationships with consumers and build consumer databases for conducting online consumer research. Successful brick-and-mortar stores like Wal-Mart and JCPenney, as well as point-and-click companies like Amazon.com and eBay, have improved their profitability by serving

consumers well. Online consumer research can help these and other companies become even more profitable by answering the questions discussed below.

A first question an Internet marketer might research is whether people who want or need a product are also Internet users. In other words, does the target market have access to computers and a willingness and



Consumer Insight 1.4

Coach: Using Consumer Research to Turn Around a Business



Founded in 1941 in a SoHo loft in New York City, Coach built a reputation for quality leather purses in classic styles. By 1995, however, sales declines had CEO Lew Frankfurt well aware that the company was about to hit the wall. Upscale consumers preferred the offerings of companies like Louis Vuitton, Chanel, Gucci, and newcomer Kate Spade. Coach purses were viewed as conservative, traditional bags, the kind women carried to country clubs, rather than as fun, exciting, sexy, or modern.

To turn the company around, new designs using fabric, nylon, and lighter-weight leathers were selected to make the bags trendier. Instead of offering a new collection twice a year, Coach began offering a new collection every month. The company also redesigned its stores and expanded its distribution. It priced its bags between \$200 and \$400, making them an accessible luxury that appeals both to consumers who have to stretch their budgets to get one and to those who think nothing of spending \$700 for Yves Saint Laurent's hot Mombasa bag.

Perhaps the most important change the company made was to select styles based on what consumers

thought was cool rather than have designers decide what consumers *should* want. The company spends about \$2 million a year on consumer surveys alone. A year before rolling out a product, Coach talks to hundreds of customers, asking for their opinions on every feature of a purse from comfort and strap length to style and color. It asks consumers to rank new designs against existing items. Coach test markets new products in a cross section of stores around the country. This focus on consumers and understanding what they want sets the company apart in the fashion industry.

Using consumer research and focusing marketing efforts on what consumers want has paid off handsomely for Coach. Coach stores have annual sales per square foot that are two to three times higher than traditional retailers. In fiscal 2008, Coach had \$3.18 billion in sales in its 548 stores in North America and Japan, a 21.8 percent increase over the previous year. Its net income was \$742 million for the year, a 16.6 percent increase over the previous year. Clearly, consumer research that helps Coach understand its customers and deliver products they want is a profitable strategy for the company.

Sources: Coach.com, December 14, 2008; Jane Porter, "As Belts Tighten, Coach Feels the Pinch," *BusinessWeek*, June 9, 2008, p. 66; Diane Brady, "Coach's Split Personality," *BusinessWeek*, November 7, 2005, pp. 60–61; LouAnn Lofton, "Coach's Success Story," *Fool.com*, June 12, 2003; Amy Tsao, "It's in the Bag for Coach," *BusinessWeek Online*, April 23, 2003; Julia Boorstin, "How Coach Got Hot," *Fortune*, October 28, 2002, pp. 131–134.

ability to shop and purchase through them? If not, and the likely growth of Internet use in the target market is small, other modes of distribution would seem more promising.

A second question for research is the size of the target market for the product or service and its geographic dispersion. If the market is small and widely dispersed, marketing on the Internet may make products available that consumers could not easily obtain otherwise.

A third question is whether buying the product or service through the Internet provides value to potential consumers. Surely,

making airline reservations at any time of day or night at a lower price is something that many consumers value. Because Internet reservations save commissions that airlines would have to pay travel agents, airlines can offer even greater value by cutting fares purchased on the Internet. Because many airline travelers are highly educated and regular computer users, this service matches the market well. Similarly, a company like Peapod, which accepts orders and delivers groceries for a fee to busy households in its trading areas, provides value to its customers.

A fourth question is why consumers should buy through the Internet rather than more traditional modes of distribution. Although it can be a convenience, Internet marketers have disadvantages. Consumers cannot examine products firsthand as they can in retail stores. Some consumers are still fearful of giving out credit card information over the Internet, and some do not trust companies and products they do not know well. Thus, in order to be successful, Internet marketers must develop secure Web sites that are convenient to use and provide products and services that consumers want. Lower prices and/or broader selections than brick-and-mortar stores offer would also be advantages. Consumer research can help Internet marketers develop such Web sites.

Summary In this chapter, we argued that consumer behavior is an important topic in business education because achieving marketing objectives depends on knowing, serving, and influencing consumers. We discussed the nature of consumer behavior and the various groups interested in the topic. We also discussed the relationships between consumer behavior and marketing strategy. We hope that after reading this chapter you now appreciate the relevance and importance of a consumer behavior course for your business education. We also hope you will learn something about yourself by considering how the framework and information in our text apply to you as a potential marketing manager, a consumer, and a human being.

Key Terms and Concepts

consumer behavior	5
marketing concept	4
marketing strategy	12

Review and Discussion Questions

1. Why is consumer behavior an important course in business education?
2. Do you think marketing is a powerful force in society? Why or why not?
3. What is the role of consumer analysis in developing marketing strategies?
4. Offer three examples of situations in which a marketing strategy influenced your purchase behavior. Why did each succeed over competitive strategies?
5. Using Exhibit 1.3 as a takeoff point, discuss other questions and decisions in marketing strategy that could be affected by your study of consumer behavior.
6. Select a market segment of which you are not a member and, with classmates, discuss the kinds of information you would need to develop a strategy aimed at that segment.
7. Using a campus organization of interest (e.g., student government, professional fraternity, political interest group), discuss how a better understanding of the consumer behavior of students could help the organization improve its influence strategies.

Marketing Strategy in Action

Toyota—2008

For 77 years, in good times and bad, General Motors sold more cars annually than any other company. However, in the first quarter of 2007, Toyota sold 109,000 more vehicles than GM to become the largest auto company in the world. There are many reasons why Toyota passed its rivals in the industry. For one thing, it was a more customer-oriented company. A former Toyota marketing VP stated that his job was to find out what consumers wanted and then convince Toyota's product development team to give it to them. This was a radical departure from the Detroit Three (General Motors, Ford, Chrysler) automakers' approach of building cars and trucks and then trying to convince consumers to buy them.

Another reason is that Toyota simply is tops in quality, production, and efficiency. From its factories pour a wide range of cars, built with unequalled precision. Toyota turns out luxury sedans with Mercedes-Benz-like quality using *one-sixth* the labor Mercedes does. The company originated just-in-time production and remains its leading practitioner. It has close relationships with its suppliers and rigid engineering specifications for the products it purchases.

Toyota's worldwide leadership in the automotive industry was built on its competitive advantage across the supply chain. In the 90s, Toyota reduced part defects by 84 percent, compared to 47 percent for the Big 3. It also reduced the ratio of inventories to sales by 35 percent versus 6 percent. These reduction advantages occurred despite the fact that the Big 3 relied on identical suppliers. A study by Jeff Dyer of The Wharton School of the University of Pennsylvania and Kentaro Nobeoka of Kobe University attributed Toyota's success partly to its implementation of bilateral and multilateral knowledge-sharing routines with suppliers that result in superior interorganizational or network learning. Toyota uses six approaches to facilitate knowledge sharing: (1) a supplier association; (2) teams of consultants; (3) voluntary study groups; (4) problem-solving teams; (5) interfirm employee transfers; and (6) performance feedback and monitoring processes. This effort also involves intense levels of personal contact between Toyota and its suppliers.

Toyota pioneered quality circles, which involve workers in discussions of ways to improve their tasks and avoid what it calls the three Ds: the dangerous, dirty, and demanding aspects of factory work. The company has invested \$770 million to improve worker housing, add dining halls, and build new recreational facilities. On the assembly line, quality is defined not as zero defects but, as another slogan puts it, "building the very best and giving the customer what she/he wants." Because each worker serves as the customer for the process

just before hers, she becomes a quality control inspector. If a piece isn't installed properly when it reaches her, she won't accept it.

Toyota's engineering system allows it to take a new car design from concept to showroom in less than four years versus more than five years for U.S. companies and seven years for Mercedes. This cuts costs, allows quicker correction of mistakes, and keeps Toyota better abreast of market trends. Gains from speed feed on themselves. Toyota can get its advanced engineering and design done sooner because, as one manager puts it, "We are closer to the customer and thus have a shorter concept time." New products are assigned to a chief engineer who has complete responsibility and authority for the product from design and manufacturing through marketing and has direct contacts with both dealers and consumers. New-model bosses for U.S. companies seldom have such control and almost never have direct contact with dealers or consumers.

In one study of automaker competencies in assembly, stamping, and powertrain operations, the top assembly facility in North America (based on assembly hours per vehicle) is Toyota's plant in Cambridge, Ontario. In this plant, a Corolla is produced in 17.66 hours. Toyota was also rated number one in engine assembly, taking just 2.97 hours to produce an engine.

In Toyota's manufacturing system, parts and cars don't get built until orders come from dealers requesting them. In placing orders, dealers essentially reserve a portion of factory capacity. The system is so effective that rather than waiting several months for a new car, the customer can get a built-to-order car in a week to 10 days.

Toyota is the best carmaker in the world because it stays close to its customers. "We have learned that universal mass production is not enough," said the head of Toyota's Tokyo Design Center. "In the 21st century, you personalize things more to make them more reflective of individual needs."

Although the recession in 2008 led to Toyota's first U.S. sales decline in 13 years, the company remained the largest and most successful automotive company in the world. While other companies have tried to copy its strategies, Toyota is clearly the leader in effective consumer marketing in the automotive industry.

Why the drive toward customization of vehicles? Part of this is due to fierce competition that provides consumers with a multitude of choices. The Internet enables consumers to be more demanding and less compromising. They now have access to the lowest prices available for specific models of vehicles with all of the bells and whistles they desire. From the comfort of their homes, they are able to bypass dealers and still find the vehicle of their dreams.

Discussion Questions

1. In what ways is Toyota's new-product development system designed to serve customers?
2. In what ways is Toyota's manufacturing system designed to serve customers?
3. How does Toyota personalize its cars and trucks to meet individual consumer needs?
4. In its price ranges, how do you think Toyota cars stack up against the competition? (You can check out all of its models at www.toyota.com.)
5. How has the Internet changed the way consumers shop for and buy cars?

Sources: Alan Ohnsman, "Toyota Scrubs U.S. Dealer Meeting as Slump Triggers Cost Cuts," www.bloomberg.com, December 11, 2008; James Surowiecki, "The Open Secret of Success," www.newyorker.com, May 12, 2008; Bryce G. Hoffman, "Ford Lures Toyota VP to Bolster Marketing," www.detnews.com, October 12, 2007; Micheline Maynard, "Move Over G.M., Toyota Is No. 1," www.nytimes.com, April 25, 2007; Alex Taylor III, "How Toyota Does It," *Fortune*, March 6, 2006, pp. 107–124; Jerry Flint, "Toyota's Onslaught," *Forbes*, December 26, 2005, p. 100; Alex Taylor III, "And It's Toyota by a Nose!" *Fortune*, June 9, 2003, p. 34; Marc Halpern, "Integrating the Supplier Chain, Toyota's U.S. Advantage," *Computer-Aided Engineering*, September 1999, pp. 52–53; Gary S. Vasilash, "Making It: How the Automakers Measure Up," *Automotive Manufacturing and Production*, September 1999, pp. 70–71; Oren Harari, "Kaizen Is Not Enough," *Management Review*, September 1997, pp. 25–29. www.toyota.com.