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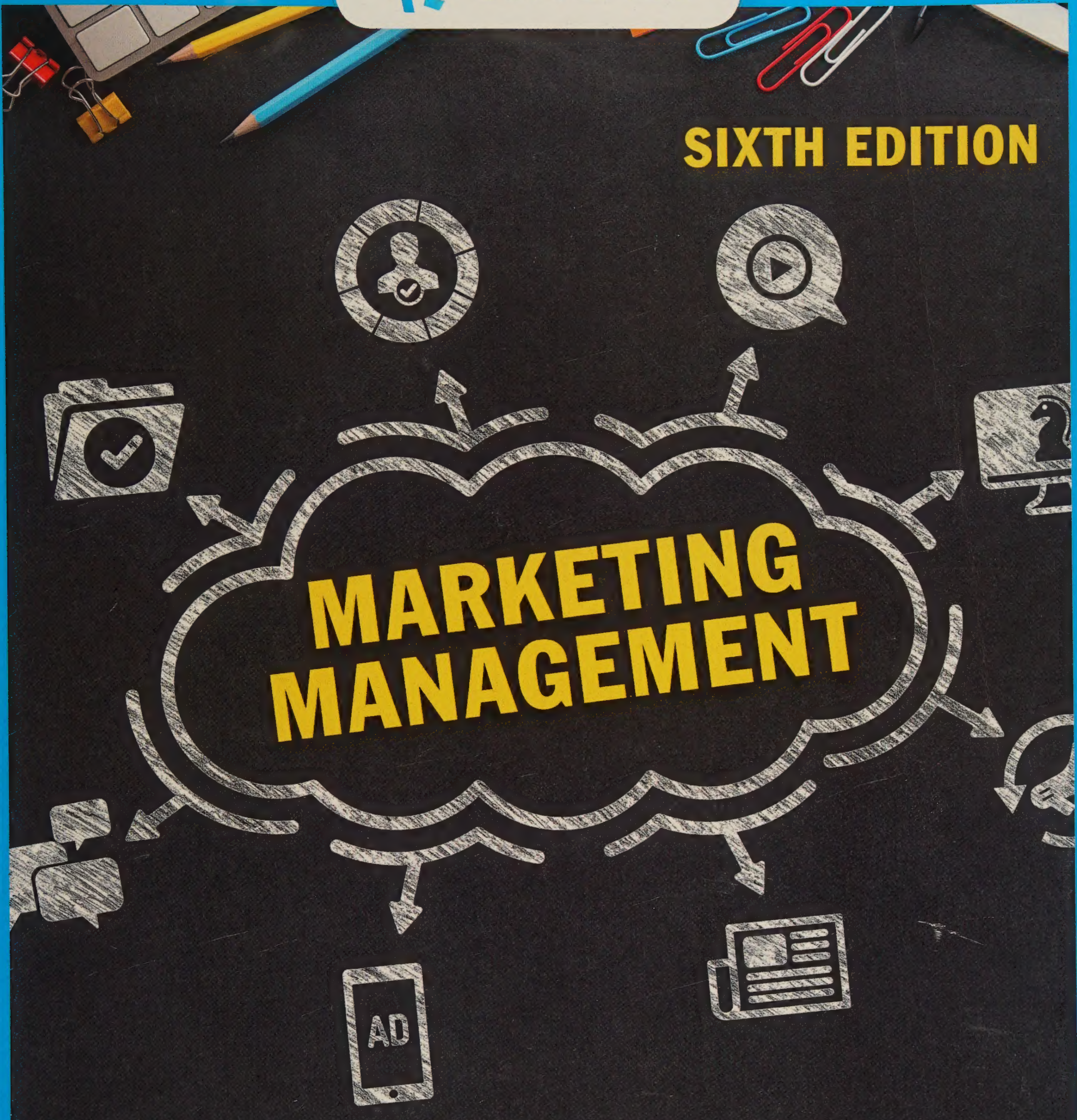
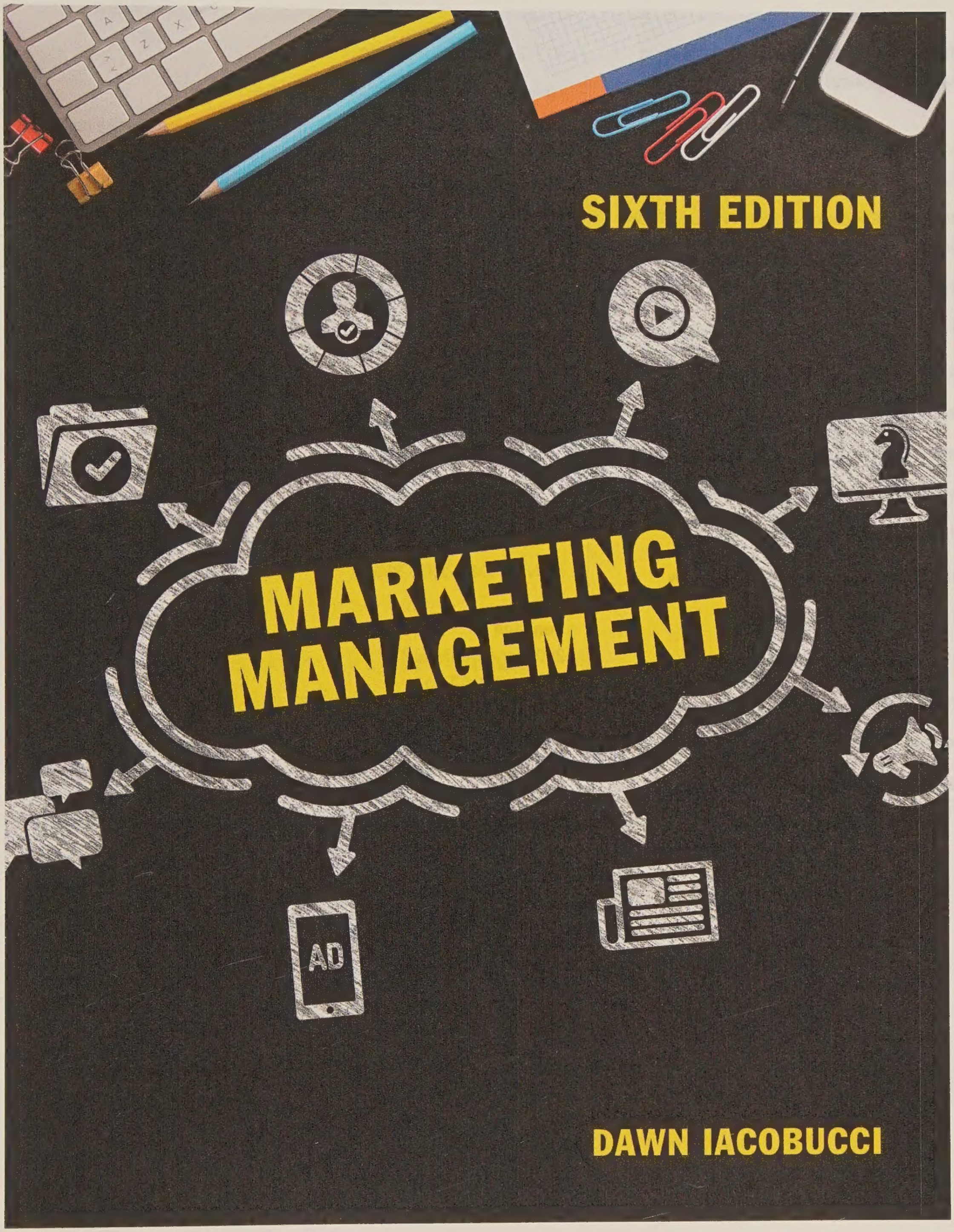


SIXTH EDITION

MARKETING MANAGEMENT

DAWN IACOBUCCI



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Marketing Management, **Sixth Edition**
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BRIEF CONTENTS

CONTENTS

Part 4 Positioning: Assessment Through the Customer Lens

Part 5 Capstone

PREFACE

As Chapter 1 opens, we acknowledge that some readers pick up this book willingly to learn more about marketing—marketing sounds interesting and exciting and they're thinking of choosing marketing as their career path. Other readers will have picked up this book because they have to learn marketing for a course or because they're on the job and all of a sudden find they need to know more about it. This book is for both audiences.

Marketing and customer care is pervasive throughout an organization. So, yes, marketers must know marketing. But so must an entrepreneur or a CEO. How do we build a brand? How do we satisfy customers? How do we strategically price our portfolio?

There are several really good marketing management texts, yet this text was created because the Cengage sales force recognized an opportunity. Existing texts present numerous lists of factors to consider in a marketing decision but offer little guidance on how the factors, lists, and multiple decisions all fit together.

In this book, an overarching Marketing Framework is used consistently in every chapter that consists of the 5Cs, STP, and 4Ps. The 5Cs are customer, company, competition, collaborators, and the context. Strategy is STP: segmentation, targeting, and positioning. Positioning is done through the marketing mix or 4Ps: product, price, place (distribution), and promotion (advertising, etc.). The framework helps the reader see how all these pieces fit together. So, for example, when facing a decision about pricing, readers must consider how pricing will impact a strategic element like positioning or a customer reaction like loyalty and word of mouth.

This book is practical, no-nonsense, and relatively short, to further heighten its utility. Everyone is busy these days, so it's refreshing when a writer gets to the point. After this relatively quick read, MBAs and EMBAs should be able to speak sensibly about marketing issues and contribute to their organizations.

Chapter Organization

The form of each chapter is very straightforward: Each chapter covers a concept, and the chapter begins with "What is it?" and "Why do marketers do it," then the chapter proceeds to show "How to do it well." This what-why-how structure is intended to be extremely useful to MBA and EMBA students, who will quickly understand the basic concepts (e.g., What is segmentation and why is it useful in marketing and business?). The details are in the execution, so the how is the focus of the body of the chapter.

Key Features

Each chapter opens with a managerial checklist of questions that MBA and EMBA students will be able to answer after reading the chapter. The framework gives students a sense of "you are here" to show perspective regarding how all the pieces of marketing fit together. Chapters close with a Managerial Recap that highlights the main points of the chapter and reviews the opening checklist of questions. Key terms introduced throughout the chapter are listed out for quick reference. Each chapter contains discussion questions to ponder and a Mini-Case that succinctly illustrates key concepts.

What's New for Instructors?

Marketing Management, 6th Edition, has refreshed the examples, illustrations, exhibits, and updated statistics.

- **Marketing Analytics**: This edition now has special callouts to draw attention to a number of marketing analytics topics, including Chapter 3 (cluster analysis mentioned as the tool for segmentation), Chapter 4 (target market sizing), Chapter 7 (brand equity), Chapter 8 (diffusion), Chapter 10 (profits in channels), Chapter 13 (recommendation agents and a bit of search engine optimization), Chapter 14 (customer lifetime value), Chapter 15 (big data, cluster analysis, perceptual mapping, conjoint analysis, scanner data, surveys, A/B tests), and Chapter 16 (marketing metrics, dashboard, KPIs for marketing strategy).
- **Deep Dives**: This edition offers a number of illustrative "deep dives," including Chapter 2, a grocery store layout and different kinds of memory and consumer choice; Chapter 3, e-vehicles for segment differences; Chapter 4, a particular market segment; Chapter 7, brand extensions; Chapter 8, the product life cycle; Chapter 10, an airplane supply chain; Chapter 11, advertising content and creation; Chapter 14, a customer satisfaction survey; and Chapter 15, a focus group.
- **Ethics**: This edition contains several ethical topics for discussion. These inserts are called "Have a Heart," and they include Chapter 1, definitions; Chapter 4, targeting disadvantaged groups; Chapter 7, legal topics like trademarking brands; Chapter 9, price fixing, ATM fees, and pink taxes; Chapter 11, the American Marketing Association's guidance on advertising; Chapter 12, not misleading consumers; and Chapter 16, corporate ethics.
- **Mini-Cases**: New mini-cases were created for Chapter 5 (repositioning a perfume), Chapter 6 (hotel flowchart blueprint), and Chapter 16 (holograms for cell phones and laptops). Mini-cases were updated for wearables (Chapters 1 and 15), *Consumer Reports* (Chapter 2), health care (Chapters 3 and 7), cosmetic health (Chapter 4), pet foods (Chapter 8), pricing personal branding (Chapter 9), Starbucks fair trade (Chapter 10), animal shelter (Chapter 11), ad placement (Chapter 12), Google Page Rank (Chapter 13), global customer satisfaction (Chapter 14), and a private butler service called Jeeves (Chapter 17).
- **Global**: Global examples permeate, including box inserts of materials, but are particularly in Chapter 2 (Hofstede's cross-cultural dimensions), Chapter 5 (global brand names), and Chapter 7 (global brands, branding places).
- **Social Media**: This edition contains more social media examples, including box inserts of content in Chapter 3 (segmentation), Chapter 4 (targeting), Chapter 6 (products and services), Chapter 12 (email marketing), Chapter 13 (gamification), Chapter 14 (text analytics), and obviously all of Chapter 11 on social media.
- **Nudges**: This edition contains examples of behavioral economic nudges and content in the chapters and insert boxes, including Chapter 2 (Systems 1 and 2 thinking, prospect theory), Chapter 8 (sunk costs in new product development), Chapter 9 (behavioral interpretations by consumers of pricing), Chapter 11 (advertising and mere exposure), and Chapter 13 (social media and information cues).

Instructor Resources

Web resources for the book at Cengage.com provide the latest information in marketing management. The Instructor's Manual, Test Bank authored in Cognero, and PowerPoint slides can also be found there.

MindTap

The sixth edition of ***Marketing Management*** offers two exciting alternative teaching formats. Instructors can choose between either a hybrid print and digital offering or a version that provides completely integrated online delivery through a platform called MindTap. MindTap is a fully online, highly personalized learning experience built upon authoritative content. By combining readings, multimedia, activities, and assessments into a singular Learning Path, MindTap guides students through their course with ease while promoting engagement. Instructors personalize the Learning Path by customizing Cengage Learning resources and adding their own content via apps that integrate into the MindTap framework seamlessly.

Acknowledgments

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As always, special thanks to the Cengage sales force. I will forever be grateful for your notes of encouragement as we began this project (I've kept them!). I hope you like *Marketing Management, 6th Edition*.

ABOUT THE AUTHOR

DAWN IACOBUCCI is the Ingram Professor of Marketing at the Owen Graduate School of Management at Vanderbilt University (since 2007). She has been Senior Associate Dean at Vanderbilt (2008–2010) and a professor of marketing at Kellogg (Northwestern University, 1987–2004), Arizona (2001–2002), and Wharton (University of Pennsylvania, 2004–2007). She received her M.S. in Statistics, and M.A. and Ph.D. in Quantitative Psychology from the University of Illinois at Urbana–Champaign. Dr. Iacobucci's research focuses on modeling social networks and geeky statistical methods. She has published in *Journal of Marketing*, *Journal of Marketing Research*, *Harvard Business Review*, *Journal of Consumer Psychology*, *International Journal of Research in Marketing*, *Marketing Science*, *Journal of Service Research*, *Psychometrika*, *Psychological Bulletin*, and *Social Networks*. Dr. Iacobucci teaches Marketing Management and Marketing Analytics to Executives, MBA, and undergraduate students and multivariate statistics and methodological topics to Ph.D. students. She has been editor of both *Journal of Consumer Research* and *Journal of Consumer Psychology*. She edited *Kellogg on Marketing* and she is author of *Mediation Analysis* and coauthor on Gilbert Churchill's leading text, *Marketing Research: Methodological Foundations*.

1 Why Is Marketing Management Important?

Learning Objectives

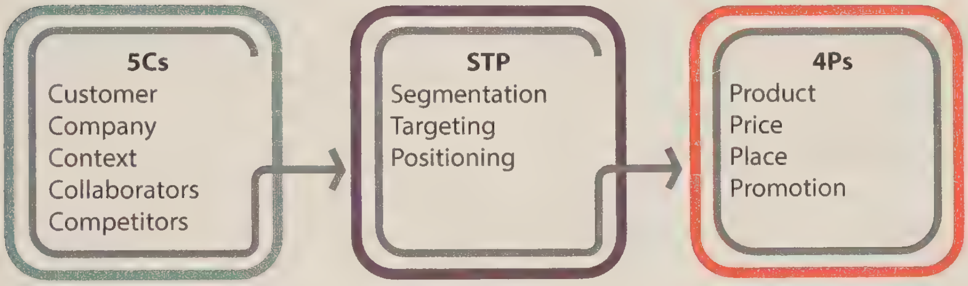
After you have finished this chapter, you should be able to:

LO 1-1 Define marketing

LO 1-2 Describe the role of marketing in relation to the consumer and the firm

LO 1-3 Explain the importance of marketing within a firm

LO 1-4 Describe how the "5Cs, STP, and 4Ps" enhance the marketing exchange between a consumer and a firm



Some business leaders are born marketers, others have marketing thrust upon them. Either way, whether you're a person who has sought out marketing responsibilities in your career path or you have found marketing to be inexplicably a part of your new responsibilities, this book is intended to be helpful to both types of marketers. The philosophy and principles of marketing are so pervasive now that everyone's job entails some marketing—namely, you have to think about the customer.

- For the brand manager or entrepreneur or consultant in you who wonders about your customers,
- For the financial analyst in you determining a brand's worth or wondering about a marketing campaign's ROI,
- For the CMO or CEO in you who must oversee a breadth of responsibilities including marketing to ensure a long-term healthy and wealthy company,

a knowledge of all the interworking elements of marketing, these days, is a must.

This chapter begins with an overview of marketing concepts and terms. We'll see the importance of marketing in today's companies and nonprofits. We'll then look at the Marketing Framework that structures the book and gives you a systematic way to think about marketing—the 5Cs, STP, and 4Ps. Specifically, to give us grounding, we need to understand the **5Cs**: our customer, our company, our competition, our collaborators, and the context in which we work. We will be strategic in **STP**: segmenting the market, choosing a segment to target, and positioning our market offerings to that segment. The positioning is done through the optimal combination of the marketing mix variables, the **4Ps**: the product, our pricing policies, our place (distribution channels), and our promotional communications. Throughout this chapter and this book, we'll see each of these concepts in much greater detail.

1-1 Defining Marketing

If you ask the average person "What is marketing?," they might say:

- "Marketing is advertising."
- "Marketers make people buy stuff they don't need and can't afford."
- "Marketers make those annoying pop-up ads."

Unfortunately, those comments are probably all deserved. The marketing profession, like any other, has its issues. But in this book, we'll take a more enlightened view. In particular, let's acknowledge that:

- Marketing brings in customers, and customers bring in money.
- Marketing helps to build brand equity and the company's reputation.
- Marketing helps engage the customer and the company can learn from its customer relationships.
- Marketing helps a company stay ahead of the competition.

1-2 Marketing Is an Exchange Relationship

Marketing is defined as an exchange between a firm and its customers.[1] Figure 1-1 shows the customer wants something from the firm, and the firm wants something from the customer. Marketers try to figure out what customers want and how to provide it profitably. Ideally, this can be a nice, symbiotic relationship. Customers don't mind paying for their purchases—and sometimes they are happy to pay a lot, if they really want what they're about to buy. Companies like taking in profits, of course, but great companies really do care about their customers. If we're lucky, the exchange depicted in Figure 1-1 is an ongoing exchange between the customer and the company, strengthening the tie between them.

Marketing strengthens the customer-brand exchange.

As a lifelong customer, you are already somewhat familiar with marketing from the consumer side. But on the job, you'll need to understand marketing from the firm's point of view. Throughout this book, you'll see both perspectives. In particular, you'll see all the issues that marketers deal with as they try to deliver something of value to their customers, while trying to derive value from them.

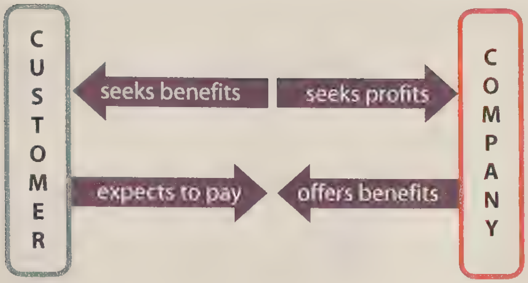


Figure 1-1 Marketing Is an Exchange.

1-2a Marketing Is Everywhere

Figure 1-2 illustrates that you can market just about anything. Marketing managers sell simple, tangible goods such as cookies or sunglasses, as well as high-end luxury goods such as Gucci driving shoes. Other marketing managers work in services, such as restaurants, airlines, hotels, salons, or retail. Marketers oversee experiences like theme parks and sports or events like theater and concerts. Marketers help politicians, entertainers, athletes, and other celebrities with their images in their respective "marketplaces" (intelligentsia, fans, agents, opinion). Tourist bureaus have marketers who advertise the selling points of their city's or country's unique features. Information providers use marketing because they want customers to think they're the best and most credible source of info. Marketers at nonprofits work on "causes" (e.g., encouraging organ donation, drinking responsibly, being green). And, of course, companies use marketing for their brands and themselves. Finally, you can certainly market yourself (e.g., to a job interviewer or potential amour). These goals may look different, but marketing can be used beneficially in all these situations.

1-3 Why Is Marketing Management Important?

Marketers have evolved beyond being merely product or production focused, where the company mind-set is, "Let's build a better mouse trap." We know that approach doesn't work. There's no point in just cranking out better gadgets unless customers want them because the gadgets won't sell on their own. However, there are still pockets of marketing naiveté in a number of industries. For example, some museums believe they don't need marketing. They think people should appreciate their exhibits and, if they don't, it's because the public is not very sophisticated. Perhaps the general public is indeed relatively naive culturally, but marketing can be used to educate the public.

We're also more advanced than the old sales-oriented days when the action in the marketplace was, "Let's make a deal." This mentality still exists in places like pharma companies, which push their sales forces to impress physicians. But

CUSTOMERS' PERSPECTIVE

Marketing can seem intuitive because we're all consumers. But we're not always the target customer for the brands we're building. As a brand manager or CEO, don't forget to put yourself in the shoes of your customers every once in a while, to see your brand from their perspective. When you do, you'll understand their wants and needs better. That alone will give you an advantage over your competitors!

Figure 1-2 What Can We "Market"?

usually sales dynamics occur where the product is perceived to be a commodity. In contrast, marketers should be good at communicating product distinctions. As much as direct-to-consumer pharma ads annoy physicians, they attest to the power of marketing. The ads result in patients asking their doctors for specific brand names.

These days we live in a truly customer-oriented and customer-empowered marketing world. Marketing is even said to be evidence of evolved markets—that an industry or country has moved beyond production and sales and seeks true relationships with its customers. Marketers seek to identify customers' needs and wants and try to formulate attractive solutions. Marketing can make customers happier, thereby making companies more profitable. Throughout the book, you'll see how.

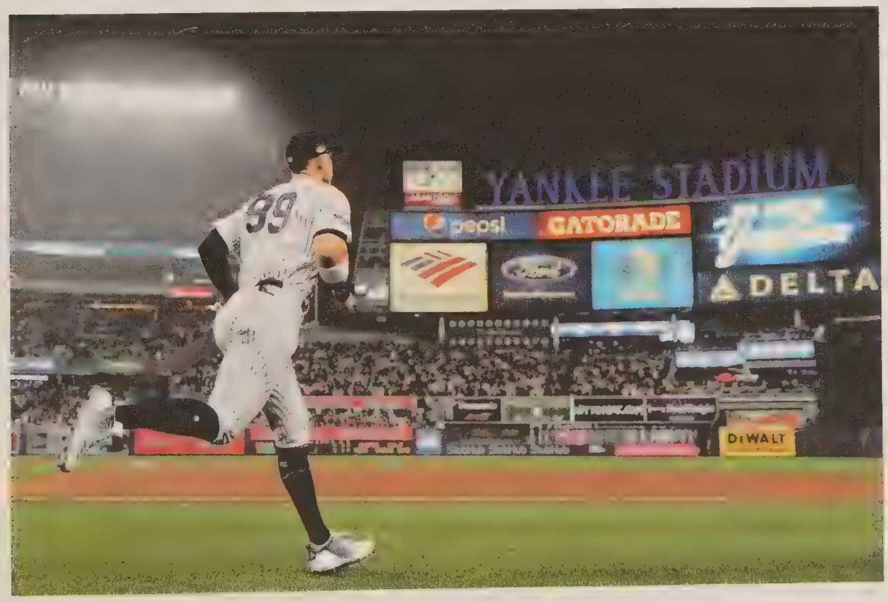
1-3a Marketing and Customer Satisfaction Is Everyone's Responsibility

Many management gurus believe that marketing has succeeded so well that it isn't just a "function" in an organization anymore. Marketing is more of a philosophy—a way to think about business. The marketing orientation should permeate the organization.

- Accounting and finance need to acknowledge the importance of marketing. Why? Because their CEOs do. Thinking about customers is unimportant only if you're a monopoly and, even then, you won't be one for long.
- Salespeople understand marketing immediately. They're the front line, interfacing with the customer. They want to push their firm's stuff, but they're thrilled when their company actually makes stuff that customers want. Then their jobs are so much easier.
- R&D people tend to understand the marketing spirit, too. They're hired because they're technically sophisticated, but they get jazzed when their inventions become popular. It doesn't take much marketing research to test concepts or prototypes and to veer an R&D path one way or another.

One of the factors stressing marketers these days is the pressure to show results. It's fair to hold any part of the corporation accountable, and results may be measured for a number of marketing activities. The Chief Financial Officer (CFO) who wants to see that a recent coupon promotion lifted sales can get reasonably good estimates from the Chief Marketing Officer (CMO) about effectiveness, for example, the percentage sales increase attributable to the coupon introduction. The Chief Operating Officer (COO) can also get good estimates of whether a recent email campaign to target customers has been effective in encouraging frequent buyers to go directly to the Web for purchasing.

However, it's important not to go overboard in the effort to quantify. For example, how does one assess the value of a good segmentation study? If segments are poorly defined, any subsequent marketing efforts would be completely off, so a good segmentation scheme is



Elsa/Getty Images Sport/Getty Images

Marketing speaks to customers wherever they are.

invaluable. Advertising is also a little tricky. Non-marketers have the misconception that advertising is supposed to bump up sales. It can, and that bump is easily measured. But really great advertising isn't intended for a short-term effect on sales—instead, it is intended to enhance brand image, a goal that is relatively longer term, somewhat subjective, and thus more difficult to measure.

In addition to quantifying the effectiveness of marketing programs, marketers are motivated to translate their efforts into dollars for another reason: to have a "seat at the table." Marketers want to make sure that the CMO carries as much weight in the firm as the CFO or COO or CIO or the rest of the C-suite. They all speak finance, so the marketer is frequently motivated to translate progress into financial terms. Fortunately, technology and data are increasingly enabling more opportunities for the marketer to capture such measures and make such assessments. For example, a good customer relationship management (CRM) program allows marketers to run a field study to assess the impact of a new promotion, and tracking clickstream Web data allows marketers to determine the product combinations that are most attractive to customers.

1-4 The "Marketing Framework": 5Cs, STP, and the 4Ps

Figure 1-3 provides the marketing management framework. Marketing is captured by the 5Cs, STP, and the 4Ps. The 5Cs are customer, company, context, collaborators, and competitors. The 5Cs force a businessperson to systematically frame the general analysis of the entire business situation. Figure 1-1 shows that the *customer* and *company* are the central players in the marketing exchange. The *context* includes the backdrop of macro-environmental factors: How is our economy and that of our suppliers doing? What legal constraints do we face, and are these changing? What cultural differences do our global segments manifest? The *collaborators* and *competitors* are the companies and people we work with vs. those we compete against (though drawing the line is sometimes difficult in today's interconnected world).

STP stands for segmentation, targeting, and positioning. A company or a brand may want to be all things to all people, but most are not. It's best to identify groups, or *segments*, of customers who share similar needs and wants. Once we understand the different segments' preferences, we're in a position to identify the segment we should *target* with our marketing efforts. We then begin to develop a relationship with that target segment by *positioning* our product to them in the marketplace, via the 4Ps.

Figure 1-3 Marketing Management Framework: 5Cs, STP, 4Ps.

The 4Ps are product, price, promotion, and place. A marketer is responsible for creating a *product* (goods or services) that customers need or want, setting the appropriate *price* for the product, *promoting* the product via advertising and sales promotions to help customers understand the product's benefits and value, and making the product available for purchase in easily accessed *places*.[2]

Marketing management oversees the 5Cs, STP, and 4Ps with the goal of enhancing the marketing exchange (of goods, services, payment, ideas and information, etc.) between a customer base and a firm. It all sounds easy! Group your customers and figure out which group to target. Then create a position in the marketplace by means of the features of the product, its price, communications and promotions, and distribution choices. Ah, but don't dismiss marketing as only common sense; after all, consider how few companies do it well!

If marketing is an exchange, then, just like an interaction between two people, a company has its best chance at keeping its customers happy if it is in close communication with them. The company that does its marketing research and really listens to its customers will be able to deliver goods and services that delight those customers. The best marketers put themselves in the place of their customers: What are they like? What do they want? How can we play a role in their lives? In this book, we'll elaborate on these themes. If you get overloaded while reading this book, you can step back and remember this: You'll always be a step ahead of your competition if you simply think about your customers! All marketing strategy derives from that.

To elaborate on marketing strategy and develop a particular marketing plan, start with a situation analysis, and sketch answers to the following questions:

- *Customers:* Who are they? What are they like? Do we want to draw different customers?
- *Company:* What are our strengths and weaknesses? What customer benefits can we provide?
- *Context:* What is happening in our industry that might reshape our future business?
- *Collaborators:* Can we address our customers' needs while strengthening our business-to-business (B2B) partnerships?
- *Competitors:* Who are the competitors we must consider? What are their likely actions and reactions?

With that background analysis, proceed to strategic marketing planning via STP:

- *Segmentation:* Customers aren't all the same; find out their various preferences, needs, and resources.
- *Targeting:* Pursue the group of customers that makes the most sense for our company.
- *Positioning:* Communicate our product benefits clearly to the intended target customers.

Similarly, marketing tactics to execute the intended positioning derive from a customer focus:

- *Product:* Will customers want what our company is prepared to produce?
- *Price:* Will customers pay what we'd like to charge?
- *Place:* Where and how will customers purchase our market offering?
- *Promotion:* What can we tell our customers or do for them to entice them to purchase?

Good marketing makes any company better!

That doesn't sound too difficult, right? But customers' preferences change. And the competition is also dynamic; who they are changes as well as what they offer your customers. Factors that are out of your control change as well. For example, as marketing manager or CMO, you won't have control over whether your company is merged with another whose image seems inconsistent with your brand, but you'll have to deal with it. Further, the legal environment in this country is different from that in another's, and each is always in flux. Many such contingencies call for modifying marketing plans. So the inputs keep changing. (But if marketing weren't challenging, it wouldn't be as fun!)

As Figure 1.3 indicates, if we keep an ongoing read on the 5Cs, it will make us better informed as we approach the STP task. These background indicators will apprise us of which qualities of a customer base are likely to be relevant as we identify segments. The P of positioning in STP is done via all 4Ps. Thus the 5Cs, STP, and 4Ps operate interdependently. Optimal business solutions (in real life or in class case discussions) should reflect a working knowledge of all these elements, and their connections; as a contextual factor changes, what is the predicted impact on distribution channels? As a collaborator shifts its demands, what will that do to our pricing structure? As our company sells off a nonperforming function, what impact might that have on our positioning and customer satisfaction? The plot thickens!

1-4a **Book Layout**

Marketing is involved in designing products that customers will enjoy, advertising the products' benefits to customers, pricing the products appropriately, and making them available for purchase at easy points of access in the marketplace. Throughout this book, we'll assume that we're talking about customers all over the world. This internationalism is already true for most big firms, and it will be true even for small entrepreneurs via e-commerce or once they succeed and grow. We'll also assume the omnipresence of the Internet and always

ethics

Ethics: Have a Heart

It is a good thought exercise to consider any dilemma from two perspectives:

1. Outcomes
   An outcome orientation is called consequentialism or teleological ethics (fancy words to impress an interviewer).
   This perspective believes that "the end justifies the means."
   As a manager, you'd ask, "What should I do to produce the most good (or the least harm)?"
2. Processes
   An orientation toward fair process is called deontological ethics.
   The idea is that the process must be fair, regardless of the outcome that might result.
   Managers suggest an action as the right one to take according to a principle, such as human rights (e.g., fair pay) or environmental sustenance (e.g., green packaging).

Throughout the book, we'll encounter several classes of ethical issues: don't price discriminate, don't target uninformed groups, don't advertise deceptively, and so on.

If you want an additional challenge, assess a scenario from multiple viewpoints. For example, deontologically, we might say, "We never price discriminate!" Teleologically, we might say, "To maximize value to our shareholders, we should charge different prices to different customer segments." See? The plot thickens!

consider it a factor in data intake or in customer channels of interactions with the company. In addition to aiming for global citizenship and recognizing the Internet as essential as air, we'll offer fresh, fun examples throughout the book, such as Vegas and Ferrari.

This book trains you to think like a marketer. You'll see that great marketing is not a soft discipline, it's not an art, nor is it simply intuitive. Great marketing is based on sound, logical—economic and psychological—laws of human and organizational behavior. You'll learn the scientific and rigorous way to think about marketing issues, so that you'll be well equipped, on the job and in life, for finding your optimal solutions. (*Hint:* Keep the marketing framework close at hand!)

1-4b Learning from the Marketing Framework

There are two key features to how the material is organized in this book. First, MBA and executive students learning marketing management typically want to see a framework depicting how all the marketing pieces come together to form the whole picture. To give you the big picture as well as to provide you with the in-depth details, Figure 1-3 kicks off every chapter with a Managerial Checklist of questions and issues that the reader can expect to understand better at the close of the chapter. Those questions are revisited at the end of the chapter in a list format called Managerial Recap. The chapters are mapped onto the framework as depicted in Figure 1-4.

You'll become very familiar with this marketing management framework. You will see the 5Cs, STP, and 4Ps over and over again, so you'll pick them up nearly by osmosis.

We want to make great marketing part of your DNA. You'll know that any marketing strategy and planning must begin with the 5Cs assessment and then a strategic look at STP, before turning to the strategies and tactics of the 4Ps. That's true when you're . . .

- Working on a case for class,
- Or trying to answer an interviewer intelligently,
- Or trying to impress your boss at work,
- Or trying to launch your own business.

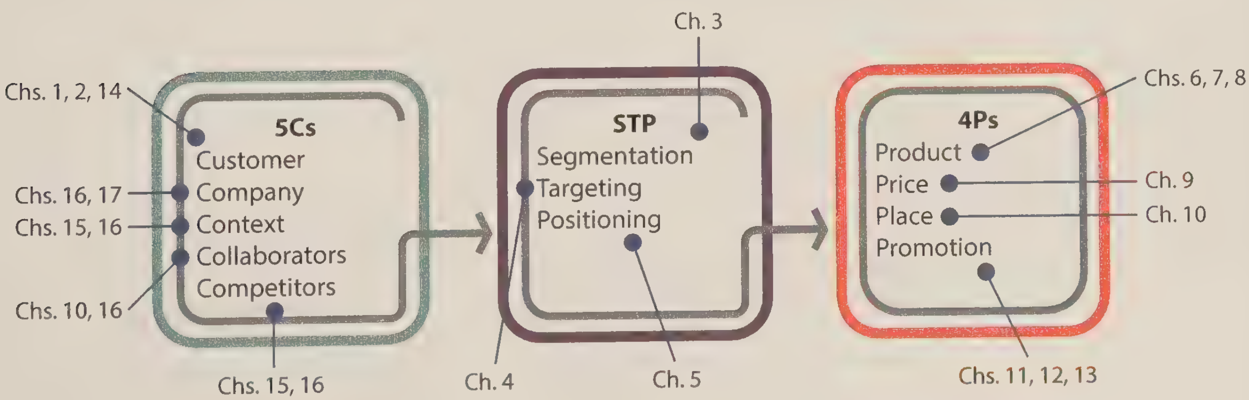


Figure 1-4 Chapters Mapped to Marketing Framework.

You'll see the framework in your head. It will remind you of everything that needs to be addressed and how all the pieces fit together. The framework makes you process these marketing questions very thoughtfully and systematically.

1-4c The Flow in Each Chapter: What? Why? How?

The presentation scheme adopted in this book is that each chapter covers the What, Why, and How. Specifically,

- What is the topic in this chapter?
- Why does it matter?
- How do I do this? Show me what to do so that I can be successful!

Between the marketing framework and the practical flow of the chapters, you'll gain a strong, clear knowledge of marketing both at the strategic, conceptual level and at the tactical, hands-on level. Both levels of insight will help ensure your success throughout your career, whether you're a marketer, a brand manager, an advertising executive, a CMO, or a well-informed financial analyst, CEO, or world guru.

MANAGERIAL RECAP

Marketing can make customers happier and therefore companies more profitable. Marketing will enhance your career, and marketing can make the world a better place. Honest!

- Marketing is about trying to find out what customers would like, providing it to them, and doing so profitably.
- Ideally, marketing facilitates a relationship between customers and a company.
- Just about anything can be marketed.
- The overarching marketing management framework—5Cs, STP, 4Ps—will structure the book and help you to think methodically about the big picture of marketing.
- Don't forget! Stay focused on your customer! If you can remain customer-centric, you'll be five steps ahead of the competition.

Chapter Discussion Questions

1. Before reading this chapter or beginning class, what did you expect marketing to be? Ask a family member, classmate, or coworker what they think marketing is. See whether you can persuade them that marketing enhances a mutually beneficial exchange between a customer and a company.
2. What are examples of brands and companies you like? Why do you think you like them? What is a brand you don't like, and why not?
3. Think about a recent time when you bought something or tried to do so and you were treated poorly as a customer. What was the essential problem? If you ran the company, what would you do to ensure happier and more loyal customers?
4. List three brands you're loyal to. List three things you tend to buy on sale. How are the product categories represented on these two lists different?

5. What social problem do you think is the world's biggest? Wars? Climate change? Resource imbalances? How could you start to solve a big social problem through marketing?

MINI-CASE

How to Design an Attractive Wearable

A large electronics manufacturer wishes to issue a new "wearable" like a Fitbit or an Apple Watch. It will essentially be a wearable smartphone that can capture exercise efforts and heart rates, and of course offer the usual phone capabilities of placing calls, playing video games, online e-commerce and Web access, credit card or bank debit payment at local retailers, and of course grabbing GPS information to provide mapping and travel and entertainment recommendations. Other wearables are moving toward this merging of a simple wearable and a smart phone functionality, but this manufacturer wants to lead the efforts and come out ahead in providing still more services.

Wearables vary in many ways, including their appearance. Initially, the brand management team proposed to issue a design that looked like a very small smartphone to be worn as a wristwatch. On the one hand, the team recognized that maybe that wasn't a good idea because the Apple Watch already looks like that, and yet on the other hand, there are worse things than to possibly be confused with an Apple.

Alternatively, the wearable could be designed as a small headband with earbuds like music headphones or speakers. (There was a third option that was considered for the wearable units to be an add-on to glasses, but the team was concerned that doing so would be difficult, if Google Glass has been developing such a thing and it hasn't yet taken off. So the glasses idea was put aside.) While the earbuds had the advantage over the wristwatch of not looking like Apple, early prototypes suggested that while it was good at capturing GPS, it wasn't as versatile in supporting multiple apps, and it wasn't as precise as exercise (step) counters (e.g., the head didn't move as distinctly as the user's wrist while walking). At this point, the brand team wasn't sure how to go forward in choosing the design to launch the ideal product.

Regarding pricing, the company wants to create the wearable such that it will make money with the purchase of the unit, of course, but that it will also make money as its customers use it, leasing various services, again, more like a phone with data and call plans, and something that Fitbit subscriptions and the Apple Watch (in coordination with Apples iPhones) are providing. In addition, the company would like to capture data about the customers' profiles, in terms of their activities, spending patterns, and so on to further strengthen its own recommendation algorithms.

Given the still relative novelty of wearable units, the company thought it should charge on the high end, about $500, maybe even instituting a small annual fee. To get supplementary data, they thought they'd issue periodic surveys, about once a month, via the unit or the consumer's email.

The youngest marketer, newest to the team, asked, "Well, that's good for us, but how is it attractive to our customers? Why would they want this unit—when there are plenty of others out there?" One older manager shot out a withering look. Well, that'll teach someone who is less experienced from speaking up in the meeting. But the senior-most manager spoke up and said, "Well, you're right, we're only looking at it from our point of view. What would this wearable look like that our customers would want—and that can be profitable to us?"

What would help these marketers? What steps could they take to design a wearable that would be both optimally appealing to its customers (and perhaps attract new customers), as well as optimally profitable?

There were many possibilities: Should the unit look like a small smartphone wristwatch or a small headband with earbuds? Should the apps be accessed by touch only or should the apps also be voice-activated? Should there be an annual licensing fee? Should they allow co-branding with affiliations (e.g., a professional sports team or one's college alma mater)? Which features should be recommended as the unit is designed?

This electronics firm has little experience in marketing research as well, so the older managers were uncertain as to how to proceed. One mentioned a focus group, another suggested an ethnography, and a third mentioned surveys. The information that is sought, as well as the method by which the information would be obtained, are both to be determined. Naturally, the company wants to roll out the new wearable as soon as possible, so while the research project could be well funded, the team would face time pressure and would have to be judicious in their choice of research avenues.

Case Discussion Questions

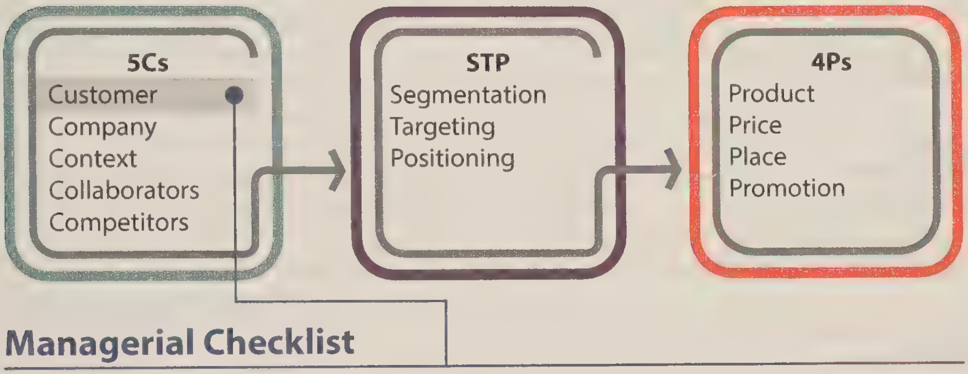
1. A lot of other wearables focus on counting steps or enabling apps. Is that what this group should design, so as to be seen as a legitimate competitor and not confuse customers, or should they design something different to be seen as innovative?
2. Are all team members on this brand project a good proxy for their customers? Which team members have life or work experiences that might resemble those of the target customers, and are we listening to them (those team members, and those target customers)?
3. What additional information would be helpful to strengthen a recommendation?
4. How would that information best be obtained?

Customer Behavior 2

Learning Objectives

After you have finished this chapter, you should be able to:

- LO 2-1 Describe the phases of the purchase process
- LO 2-2 Discuss the different types of purchases and the challenges they pose to marketers
- LO 2-3 Understand different consumer psychological needs and the impact they have for marketing



Managerial Checklist

- What are the three phases of the buying process?
- What kinds of purchases are there?
- How do consumers make purchase decisions—and how can marketers use this information?

There is some subjectivity in marketing (and in business generally), but there are also many known, reliable patterns that comprise the science of consumer behavior. This chapter talks about how managers can use this knowledge wisely. We first consider the three major phases that consumers go through when making any purchase. Next, we'll see the different kinds of purchases that consumers make. Then we'll drill down and see what makes consumers tick.

2-1 Three Phases of the Purchase Process

Customers go through predictable stages in making a purchase. In the ***pre-purchase phase***, the customer identifies that something is lacking—there is a need or a desire to be satisfied. Critics sometimes say that marketers create desires in people that they didn't already have. There is some truth in that (e.g., "Is your breath fresh?" "Do you own the coolest running shoes?"), but even without marketers, people really do need and want all kinds of things. Then the hunt begins. Buyers search for information about products and brands that may be suitable.

For example, a newly minted MBA student has multiple wants: new clothes, a car, a condo and furnishings, a list of restaurants in a new city to take clients or visiting friends, a new dentist, a drycleaner, and so on. Consumers search for options by asking friends, and of course, by going online to read reviews on Amazon, BizRate, *Consumer Reports*, and others. (Even though the reviews are written by strangers—the wisdom of the crowds?) For B2B purchases (such as when one is further into one's career, as a newly promoted business executive, desiring a corporate jet!), possible vendors would be investigated and alternatives would be evaluated by soliciting and entertaining bids. While the objects and details of these two purchases may look different, both entail a variety of pre-purchase activities.

During the *purchase phase* itself, the consumer is creating a consideration set that includes all the brands that are deemed potential candidates for purchase and that excludes the brands that have been rejected.[1] For example, a consumer searching for a new car may limit the set to include only hybrids. A search for a condo will probably include only those within a certain price range. Searching for restaurants might focus on only those who post their menus for preview online. Analogous considerations factor into the executive's jet quandary: What attributes are important? What attributes must I have or not have? What attributes do I not care about and therefore will not pay high prices for?

The final stage is the customer evaluation *post-purchase*. Buyers assess their purchase and the purchase process, posing such questions as: Am I satisfied as a customer? Will I buy this brand again? Will I tell my friends what a great brand I've found? Figure 2-1 shows the complete process, from seeing that there is a need, to choosing and buying something expected to be a solution to the need, and finally, to assessing one's satisfaction with that purchase. For example, imagine running to an interview and the strap on your messenger bag breaks. You're able to grasp the bag before it hits the ground and cracks your phone. However, obviously you realize you need a new messenger bag. You go online and order a new bag. When it arrives, you like the looks, the protective inner sleeve for your electronics, it has a few new features you like, and you had thought the price was pretty reasonable. You're pleased that the bag achieved its mission.

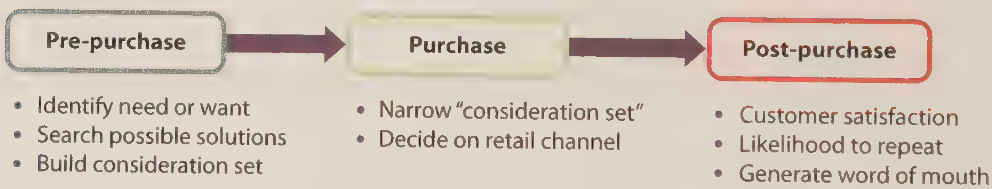


Figure 2-1 The Purchase Process.

B2B BUYING CENTER ROLES

In B2B, big, expensive purchases can be complicated because it's not just one person making the decision. Each purchase involves a half dozen or so roles in a buying center:

The Initiator: For example, an administrative assistant who notices that one of the photocopiers/scanners in the office is frequently breaking down.

The User: Every staff member who tries to use that copier/scanner.

The Influencer: The IT expert who says, "Well, Brand X is cheaper, but Brand Y is cooler."

The Buyer: The head administrative person whose responsibilities are to facilitate supplies but also to answer to . . .

The Gatekeeper: A conservative accountant type whose job it is to tighten the purse strings.

A decision to buy a new copier/scanner is complicated by the fact that each of these roles seeks slightly different attributes. Some care only about price, others want great features, and still others may appreciate wiggle room in negotiating delivery dates or follow-up customer service.

The buying process is consistent whether the buyer is a consumer or a business. Consumer buying is easy to relate to. It involves people buying something for themselves or their households, and we are those people. A business customer is an agent buying something on behalf of an organization. The agent can be an administrative assistant deciding to use UPS or FedEx, or the agent can be a group of people, representing different aspects of the organization (accounting, operations, etc.), comprising a collective buying center. All purchases, business-to-consumer (B2C) or business-to-business (B2B), go through the three stages, but the amount of time spent in any stage depends in part on what is being bought. For example, sometimes the pre-purchase phase is extensive (often if the purchase is expensive), and sometimes it is very quick. So let's consider some classes of purchases.[2]

2-2 Different Kinds of Purchases

Marketers distinguish between types of purchases. For consumers, a convenience item is a fairly mindless purchase of "staples" (standard, frequently consumed goods, such as bread or gas) or an impulse purchase (such as candy or breath-mints or batteries that are available near grocery checkouts, or "add-ons" suggested online). There are also shopping purchases that require some thought or planning, as when using OpenTable to find a restaurant before heading out of town. Finally, there are specialty purchases such as a car or a new laptop. These purchases are occasional, they are often more expensive than other types of purchases, and as a result they require more thought.

For B2B customers, the terms are different from consumer buying, but the ideas are analogous. A purchase can be a straight rebuy, such as when the office coffee maker needs more coffee pods and the office manager buys the usual brand. Another purchase may be a modified rebuy, such as when software leases come up and there is a desire to consider a different vendor. Last, there is the new buy. For example, perhaps the company is considering buying extended teleconferencing equipment for the first time, and it is not yet well understood what attributes to consider.

As Figure 2-2 indicates, what differentiates these purchases is not the product itself. The distinction is more in the minds of the customers and in their involvement with the brand and product category. For example, the purchase of the same product—an energy drink—can be convenience when shoppers mindlessly put their usual brand in their grocery cart, whereas it can be a new shopping purchase when customers see a new brand or flavor that they consider trying; and it can be a specialty purchase when customers see an expensive brand that promises new benefits such as antioxidants, which they choose to read about before making a purchase.

← Customer Involvement →

	Low	Medium	High
B2C	Convenience	Shopping	Specialty
B2B	Straight rebuy	Modified rebuy	New buy
Action	"Add to Cart" or "Click to Buy"	Needs some thought	Needs research and serious thought

Figure 2-2 Types of Purchases in B2C and B2B Is a Matter of Customer Involvement.

Consumers purchase convenience items—or business customers buy a straight rebuy—in a fairly mindless manner. It's the proverbial no-brainer. Buyers won't spend much time thinking about brands or attributes because they just don't care enough to do so. The challenge for marketers is to break into that way of thinking, to shake up the consumer with news of their brand and break through that white noise clutter.

For items that customers care more about, they'll expend some time and effort prior to the purchase, seeking out more information to be a smart shopper and to obtain good value. For even higher customer involvement, as in specialty purchases or new buys, the customers are more engaged. A great deal of effort is put into researching the best brands, quality, and price. The marketer's challenge is to convince the buyer that their brand is the best choice.

TYPES OF B2B CUSTOMERS

B2B customers are often classified according to what they sell:

- Business services (e.g., insurance, legal, consulting)
- Raw materials (e.g., lumber, plastics)
- Components (processed items that are components in a later finished product)
- Installations (e.g., equipment for new factories)
- Accessories (e.g., computers to help run the office)

Ultimately, the most important classification is how much the buying business cares about the purchase. Then we'll know whether they care primarily about quality or price.

Marketing satisfies (and creates) consumers' needs and wants.

The category that a brand and target segment is in will suggest the appropriate marketing activities that we'll select from the chapters that follow. For example, for lower-involvement purchases, we can expect customers to be somewhat more price sensitive. They'll pay more when they buy things they really like or want (e.g., a cool laptop) or that they expect to be of high quality (e.g., a great restaurant) or that is important to them (e.g., health care for their kids).

Consider the implications for loyalty programs. The marketer can create such programs regardless of the level of customer engagement, but they take different forms, e.g., price discounts for low-involvement purchases versus brand communities and events for high-involvement products and brands. Customer satisfaction can be fine for low-involvement purchases, but customers won't generate word of mouth; they don't care enough. In contrast, for high-involvement purchases, strong followers and satisfied customers can be zealots and brand ambassadors.

Consider the implications for channels of distribution. Low-involvement products need to be widely available so that the customer can pick them up without thinking. High-involvement products will be sought out by more customer activity and effort.

Finally, consider the implications for promotions. For low-involvement products, the marketer just hopes to cut through the noise and clutter—getting customers' attention only long enough to register the brand name in the mind of the customer for sheer familiarity. With high-involvement purchases, customers are hungry for information, and marketers can provide much more.

So how do customers learn about brands and make choices? In the rest of the chapter, we'll look at how customers think and how marketing can have an impact on their decisions and choices.

Deep Dive into a Grocery Store

Sergey Ryzhov/
Shutterstock.com

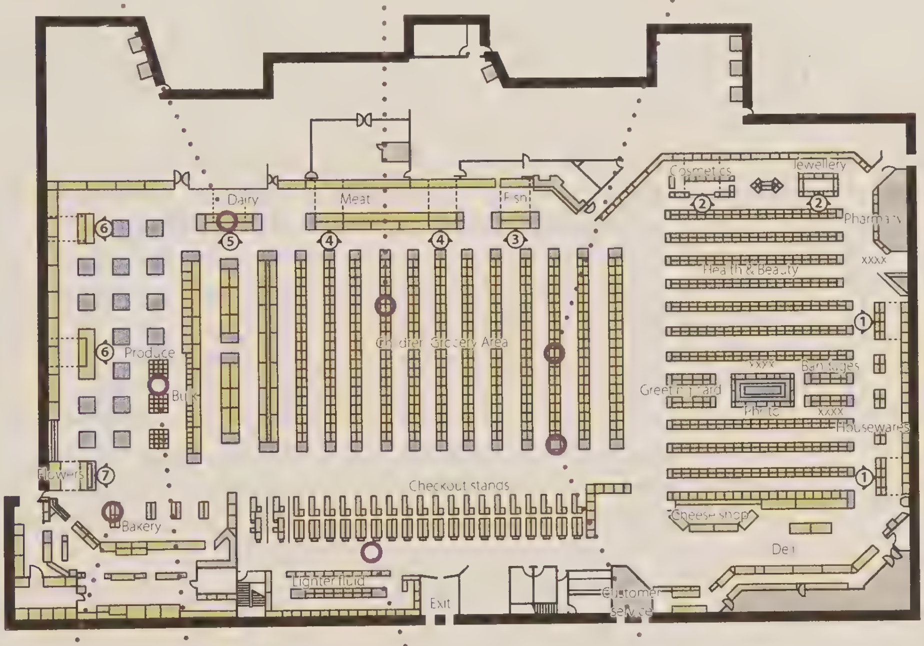
The dairy section contains milk, which is the most commonly purchased item. Because of this, it is located in an area of the store that requires the customer to travel through the store, increasing the likelihood of other (e.g., impulse) purchases.

Kaytoo/Shutterstock.com

In grocery stores, consumers form consideration sets (and then choose brands) as a function of brand recognition (brand recall helps when searching online). Retailers also place specific brands where they can be seen by specific customers, such as brands aimed at children shelved at eye level to toddlers seated in shopping carts.

Jeramey Lende/
Shutterstock.com

Complementary items are shelved close together (chips and dip).



In the produce section, similar items are close together (e.g., fruits and vegetables).

olcha/Shutterstock.com

Checkout counters provide the store the opportunity to capture customer information through the use of loyalty cards, and bar codes can provide a wealth of data that can be data-mined to provide insights into customer purchasing decisions.

The end of each aisle ("aisle-caps") and near the checkout lanes display high-profit items or grouped items (such as marshmallows, chocolate bars, and graham crackers for s'mores) designed to inspire impulse buys. It's been shown that "People are 30% more likely to buy items on the end of the aisle versus in the middle of the aisle–often because we think what's at the end is a better deal," says Brian Wansink of Cornell University and author of *Mindless Eating*

Layout is designed to facilitate the shopper. Upon entering the shopper has a choice of selecting a traditional shopping cart, a smaller basket, or shopping carts designed for shoppers with children. For physically challenged shoppers, motorized shopping carts are often provided.

Dmitry Kalinovsky/
Shutterstock.com

ZikG/Shutterstock.com

2-3 The Marketing Science of Customer Behavior

Consumers are human beings and, as such, are sometimes simple and predictable, but often rather complex. In this section, we'll delve into consumer psychology, examining sensation and perception; learning, memory, and emotions; motivation; and attitudes and decision making.

2-3a Sensation and Perception

When marketers formulate positioning statements or produce perceptual maps, they presuppose a complicated system through which consumers sense and perceive their environment. An enormous wave of sensory stimulation washes over and through us every day. We are selective in our attention, choosing to consider certain stimuli and effectively screening out others. For example, if we are in the market for a car, we'll notice and watch ads for cars (even pop-ups!). If we're not in the market for a car, we barely "see" the ads for cars. We know that consumer involvement creates a state of heightened motivation to learn more about a purchase or to pay attention to advertisements. The human organism is very efficient at adapting to the multitude of stimuli, helping us focus and block out what we deem to be irrelevant.

Let's consider how marketers can use information through each of the senses. Visual stimuli are obviously important to marketers. Ads show products, product design, print information, imagery visualization to facilitate desirable lifestyles, etc. Even simple colors imbue brand associations and can be integral to some brand identities:

- Toothpaste packaging is dominated by whites and blues, implying freshness, cleanliness, water, and so on.
- Tiffany's aqua blue boxes have saved many a relationship.
- Dell's blue is deeper and darker than Tiffany's, and also trademarked.

Marketers frequently use color to convey information. There are color wheels to guide the brand manager considering a new logo or packaging. For example, blue seems to connote dependability and is used widely (American Express, Ford, Intel, IBM). Red tends to imply passion, as in the excitement of breaking news (CNN) or sporting events (ESPN). Green often implies environmental sustainability (although judge for yourself whether that applies to the green in BP, or whether it's relevant to H&R Block, maybe money?).

The symbolism of colors also varies across cultures, so it is important for a brand manager responsible for a global multinational brand to test the color's meaning in its major markets. In the United States, brides wear white because it symbolizes purity (like newly fallen snow). In India, red conveys purity. In the United States, red conveys danger and passion; a bride in red would be…unusual. In Western civilizations, purple has traditionally denoted royalty; but in Thailand, it's the color of mourning. Mourners in Egypt wear yellow, yet yellow implies courage in Japan and the opposite, cowardice, in the United States. There are a zillion colors and many cultures. Imagine the challenge for a brand manager in selecting packaging or logo designs for global multinational brands.

Hearing is also important to marketers. Research shows that when retailers play background music that is energetic, with a quick tempo, customers spend more. There are other aural brand associations:

- iPhone vs. Samsung vs. T-Mobile vs. AT&T ringtones
- United Airlines' frequent use of Gershwin's *Rhapsody in Blue* in their ads

BRAND COLORS

White	Apple, Honda, Wikipedia
Yellow	Hertz, National Geographic, Shell
Orange	Crush, Fanta, Harley-Davidson
Red	Coca-Cola, CNN, ESPN, Heinz, Target
Purple	Hallmark, Yahoo, FedEx
Blue	AmEx, AT&T, Dell, Ford, IBM, Intel, Twitter, Tiffany's
Green	BP, H&R Block, John Deere, Starbucks, Whole Foods
Brown	M&M's, UPS
Black	Channel, Gucci, Prada

- Fancy Feast television commercials feature a high-pitched "ding, ding" (a fork clinking against fine crystal), implying that the food is special and therefore worth its higher price.

Car and motorcycle enthusiasts know that manufacturers are meticulous in delivering distinctive sounds and, as a result, consumers have come to learn the sounds, expect them, and pay for them. A high-end Honda motorcycle ("Gold Wing") runs about $25k, whereas something like that from Harley-Davidson runs more like $35k. Obviously, the sound is not the only difference between the two bikes, but if the Harley didn't sound like a Harley, a biker won't fork over the extra $10k. Similarly, a Porsche 911 turbo at $190k is no clunker, but Ferrari's engineers create a symphony of car sounds and charge $350k! Again, even acknowledging other differences, sound is nevertheless a part of the purchase decision.

A third sense is smell. Think of how many times you've walked through an airport (or an old shopping mall!) and felt carried away on the wafting scent of a Cinnabon store or an Auntie Anne's pretzel store in the food court. Strong perfume scents are a large part of the Bath & Body Works or The Body Shop stores' ambience. Scent can also be alluded to, drawing on the consumer's memory, as when Folger's coffee commercials depict a person being awakened by the aroma of brewing coffee.

A fourth sense is taste. A classic marketing exercise is to run blind taste tests in order to declare that one's own product is superior to the market leader, or that a "me-too" brand is liked as well as a market leader. These tests can be dramatic and compelling. They are also interesting to marketers because they clearly distinguish the power of the brand from the product itself. For example, most people swear they can identify a Pepsi from a Coke, and yet many people actually cannot. (Try it on your friends!)

A fifth sense is touch. The predominant means of conveying brand imagery through touch is when marketers create well-designed products, compared to products intended to be positioned for value. For example, design can mean good ergonomics, as in good kitchen knives, wrist-friendly mice or keyboards, good office chairs, etc. Design can also mean clean lines, simplicity, and beauty, such as the products that Apple creates. Finally, design can also certainly mean a sensual experience, like leather interior options in cars, compared to their less expensive, less touchable alternatives.

Finally, a discussion about sensation and perception wouldn't be complete without mention of so-called subliminal advertising. The idea is that an ad can be shown very quickly, online, on TV, or in the movies, so that it doesn't quite meet the threshold of liminal recognition and consciousness, and therefore it is said to be subliminal. Yet somehow the vision is captured subconsciously, and marketers hope the message will compel action (e.g., buy more popcorn). Print ads depend not on brief time exposure but on ambiguity. If you think companies don't do this anymore, take a look at the logo for the Chicago White Sox baseball team in Figure 2-3. That's "sox," right?

Staff/MCT/Newscom

Figure 2-3 Subliminal Ad.

While marketers have debunked the notion that subliminal advertising works, they nevertheless conduct a great deal of research in areas called "mere exposure" and "perceptual fluency." Neither of these effects is subliminal, per se, but they share a certain subtlety. For example, mere exposure, as its name suggests, says that, though you might not think the billboard you drive past every day is having a persuasive effect on you, it is. Marketers know that repeated exposures to a brand name brings familiarity, and with familiarity comes a comfortable, positive feeling. Thus, brands advertised on online sidebar ads or sides of buses become familiar and would probably rate fairly positively.

Perceptual fluency is also a subtle phenomenon. When consumers thumb through a magazine or click through websites, they are probably paying most of their attention to the content of the message. However, other information is being expressed. Colors and fonts can make a message seem more professional, more emotional, more contemporary, more gothic, and those cues make an impression as well. The cues are liminal but subtle, and they are part of the brand.

2-3b Learning, Memory, and Emotions

All those sensory and perceptual impressions can become brand associations. To say that consumers have brand associations means that in their memory they have stored certain attributes attached to the brand. When the brand is mentioned, those associations are brought to mind. Learning is the process by which associations get past the sensory and perception stages into short-term memory and then, with repetition and elaboration, into long-term memory. There are several theories about learning, but two are so fundamental and pervasive that every marketer should know them.

Deep Dive into Memory and Consumer Choice (Recognition is Easier!)

Brand Recognition

Jon Kraft/Shutterstock.com

Brand Recall

Source: Google LLC

Viorel Sima/Shutterstock.com

Masson/Shutterstock.com

Marketers must create a strong link between the brand and positive associations, so that their brand is selected from the vast array confronting the consumer.

Marketers must create a strong link between the brand and the product category, so that consumers even think of the brand in their consideration sets.

The first way that people learn is through ***classical conditioning***. This type of learning is so well known and integrated into our culture that most people have heard of the demonstrations by Ivan Pavlov of his salivating dogs. Learning goes through stages:

- *Stage 1:* A food bowl placed in front of a dog naturally elicits its drool.
- *Stage 2:* A bell rung in front of the dog initially elicits no response.
- *Stage 3:* A bell rung while a food bowl is simultaneously placed in front of the dog elicits drool.
- *Stage 4:* With time, simply ringing the bell in front of the dog elicits drool. The dog has come to learn that the bell is associated with food.

Perhaps you're thinking, "But that's just a dog." Indeed. However, consider Figure 2-4. It's common to hear that "sex sells," but why or how does it work? The process is this:

- *Stage 1:* A highly attractive person elicits drool.
- *Stage 2:* Some brand or product initially elicits no response.
- *Stage 3:* That brand or product in a picture with aforementioned gorgeous person elicits drool.
- *Stage 4:* With time, the brand itself elicits drool.

That might sound a little far-fetched, but that's the learning process. Consider more neutral figures, such as the logos in Figure 2-5. At their introduction, these abstract symbols convey no information and function much like the bell in Pavlov's lab. With time, while logos might not elicit drool, consumers come to learn and associate these fairly similar-looking symbols with their unique brands.

It's also worth noting, in this ever-changing world, that sometimes companies want to shed negative associations, and they change their names and logos to do so. For example, in

cdrin/Shutterstock.com

Figure 2-4 Sex Sells Due to Classical Conditioning.

Figure 2-5 Logos Gain Meaning through Classical Conditioning.

recent years, Blackwater became Xe, Philip Morris became Altria, ValuJet became AirTran, and Andersen Consulting became Accenture. The hope is that the slate has been wiped clean, so that fresh associations might become attached to the new company names and logos.

A fun use of classical conditioning is jingles. It takes only a few exposures before people learn the catchy lyrics. Consider these jingles; it's hard to resist finishing them, and it's hard to stop thinking about them:

- Gimme a break, gimme a break, break me off a piece of that . . .
- I'd like to buy the world a . . .
- Like a good neighbor . . .
- M'mm m'mm good . . .
- Oh, I wish I were an Oscar . . .
- Plop, plop, fizz, fizz . . .
- Sometimes you feel like a nut; . . .

And the master of all jingles:

- Two all-beef patties . . .

The second way that people learn is through ***operant conditioning***. This type of learning is also so well known that most people have heard of Skinner boxes. B. F. (that's Burrhus Frederic) Skinner studied pigeons pecking at a target, or rats pressing a bar, to receive food pellets. The pigeons (and rats) learned the desired behavior by being rewarded. The behavior is said to be positively reinforced.

Skinner boxes are programmed to reward the pigeon every time it pecks, or only after every fourth peck, or only at 20 after the hour, etc. When the bird is rewarded every time or every fourth time, the reinforcement schedule is said to be on a fixed ratio reinforcement schedule. When the bird is rewarded on average every fourth time (so perhaps after two pecks, then after six pecks, then after four, etc.), the reinforcement schedule is said to be on a variable ratio. This difference matters because the unpredictability of the variability drives the birds (and humans) a little nuts. In the same amount of time, say 30 minutes, the bird will peck a lot more on the variable, rather than on the fixed, ratio schedule.

So what? Well, consider loyalty programs. Marketers reward consumers who carry their loyalty cards by giving them every 10th coffee free, for example. If marketers want their consumers to purchase even more frequently and ring up more sales, they would design a variable ratio reinforcement program. Each coffee card could have a scratch-off number indicating that the customer would receive a free coffee after, say, seven coffees. The next card might say five or 15, and so on.

With current programs, the customer's behavior is very predictable. With a variable program, the customer would be excited about the seven because it means a free coffee is coming much faster than after 10. Even when they scratch off and get a higher number, like 15, they'll still recall that they have had smaller numbers in the past. So the sooner they get to 15 and redeem this card, the sooner they'll get another card, perhaps with a smaller number.

There are also reinforcement schedules based on duration lapses, but these are not implemented in marketing as frequently. One famous exception, however, is the policy by Southwest Airlines that allows passengers to obtain their boarding pass classification 24 hours prior to the flight, but no sooner. Passengers who wait too long get less desirable status, so many fliers find themselves poised over their keyboard to press the right letters at just the right time. (Keyboard pressing is not that different from pigeons pecking, just sayin'.)

As any student knows, a big factor in learning and memory is motivation. Thus, we consider it next.

2-3c Motivation

Figure 2-6 depicts psychologist Abraham Maslow's hierarchy of needs. We have to meet basic needs—have food on the table and a roof overhead—before we think about buying nice clothes. Once we have met our basic needs, we are driven by more abstract motivations, such as love and esteem, qualities that begin to define humanity. At the peak of this pyramid is the phrase *self-actualization*, an achievement of our ideal self, with no needs, no excessive wants, and no jealousies.

Figure 2-6 Maslow's Hierarchy of Needs.

One way that marketers use this hierarchy is by identifying their product with a certain level of needs. They use imagery to appeal to those motivations. For example, the VW crash ads appeal to our need for safety. Similarly, the entire Volvo brand is positioned for safety. Beyond cars, other examples involve different kinds of security. For example, in B2B, they used to say, "You won't get fired for buying IBM." Even though IBM was often the most expensive choice, buyers knew that the quality would be good, so any risk-averse buyer would feel security in having chosen a good brand.

Many of us are fortunate enough that our simpler needs are met, so a great number of brands are positioned to heighten a consumer's sense of belonging or, at the next level, social acceptance and respect. Belonging can be signaled by explicitly affiliative products, such as team logos, or by conspicuously branded products, as in certain men's athletic shoes or women's handbags. Belonging can also be more subtle; many ads appeal to a person's concern with fitting in with the norm. For example, when you start a new job, are you wearing the right clothing? If all your friends drive a hybrid, will they accept you and your SUV? And so on.

At the higher level, the acceptance, by self (esteem) and others (respect), is often signaled by marketers by pointing a consumer to an aspiration group. You might be a business school student right now, but ads will show you the clothes, restaurants, and cars that the most successful CEOs wear, dine in, and drive. Dress for the job you want, show the bosses you mean business. In addition, the implication is that you should begin to shape your preferences accordingly so that, when you achieve that CEO status, your purchases will exhibit good taste.

Another way that marketers have used this hierarchy is to offer an extended brand line that encourages a customer to reach ever higher in the pyramid. For example, Mercedes makes their entry-level cars for drivers who want the brand but cannot afford much beyond the "basics." Mercedes hopes that drivers will like the cars and, when they're ready, trade in for an E-, then S-, then CL-Class. This product range is a simple manifestation of customer relationship management.

Yet another way that the hierarchy is used is when brand managers think about positioning their brands as high in the pyramid as possible. Walmart makes basic sneakers that satisfy simple needs at the bottom of the hierarchy. However, stronger brands like New Balance can charge more, not just because the product may be somewhat better but because the consumer wants to believe that the shoes will make them better—better athletes, more fit, more attractive, better people. The basic Walmart sneaker probably can't be positioned as high in the pyramid; it's too basic.

It would behoove any brand manager to strive for imagery and positioning *as high in the hierarchy as possible*. For one thing, the product attributes and benefits at the bottom of the hierarchy can change. Furthermore, consider again the VW and Volvo; they're great brands, no question, but Subaru produces ads with the tagline, "Love. It's what makes a Subaru a Subaru." Wow! Subaru has gone for the abstract, high-level brand association of love. If you love your family, if you want safety for your driving-age kids or older parents, how can you bypass that brand association? Subaru own that space. Other brands could have claimed such a position, after all, VW and Volvo safety records imply taking care of oneself and one's loved ones. But Subaru went up there, owns it, and there's less competition in the more abstract space.

Beyond the Maslow pyramid, there are other ways to distinguish needs and motivations. Many consumer psychologists speak of utilitarian versus hedonic products in fulfilling needs and wants. A consumer might need a new interviewing suit but want the Armani threads.

Consumer psychologists also point to the motives that coexist in all of us, for conformity vs. individuality. One need may be more salient than another throughout a person's life, or over an array of situations (e.g., depending on their company's corporate culture). If conformity is winning, the consumer buys a popular brand; if individuality is more important, then the consumer finds an atypical, quirky brand. Luckily, in most product categories, there are large brand assortments; hence, either need may usually be satisfied.

A final means of distinguishing consumer motivations is whether they are risk-seeking or risk-averse. In some product categories, consumers may be very knowledgeable, opinion leaders, and ready to try the newest that the market has to offer (the latest music, fashion, etc.). In other product categories, those same persons may be more risk-averse for a variety of reasons, including caring less about the category or not having the expertise to make choices confidently. For these purchases, the consumers would be more conservative, trying to prevent a bad purchase rather than striving for a good purchase.

PREDICTING THE WEATHER AND BRAND CHOICE

We can't even predict the weather very well, so why would we expect to be able to predict consumer purchasing?

Weather is simple compared to human decision making and purchasing. It's comprised of very few components: wind, water, dirt particles, gravity, and temperature. Yet the best we tend to say is, "Tomorrow's weather will look something like today's." Well, not surprisingly, we make the fewest marketing forecast mistakes if we say, "You'll buy the same brand of toothpaste this time as you did last time."

Consider the factors that enter into a toothpaste purchase: What brand did you grow up with? What's on sale? What flavor do you like? Do you need a small tube for travel or a big tube for home? Do you want a whitener? Are your teeth sensitive? Do you want to try something new? Do you have a coupon? Are you buying this for yourself or someone else? Do you need floss because that brand is bundled with a container of floss? It's complicated!

Yet marketers have sophisticated research techniques to enhance predictions and answers to questions such as whether a customer is likely to be a brand switcher, sensitive to a price discount, affected by recent advertising, etc. Methods to gather information from customers are discussed throughout this book and in particular are concentrated in Chapter 15 on marketing research.

EENIE, MEANIE, JELLY BEANIE

In their article, "Active Choice: A Method to Motivate Behavior Change," Professors Keller and Harlam studied different kinds of opting behaviors:

1. Opt-in: Check this box if you wish to receive a reminder to . . .
2. Opt-out: Check this box if you do not wish to receive a reminder to . . .

Options 1 and 2 did okay, but the setup that was much more effective was:

3. Check one: I will remind myself to . . . vs.
   Yes, please send me a reminder to . . .

Getting reminders is very important to engaging in a variety of behaviors, such as getting flu shots, signing an organ donation card, or enrolling in a company's 401k program.

2-3d Attitudes and Decision Making

Marketers want to understand how consumers think and what motivates them so that they might persuade consumers to have positive regard for a particular brand and see it as superior to all others, at least for their needs. Attitudes and decision making affect the extent to which consumers buy a brand, repeatedly purchase it, become loyal, and recommend it to others. If we're really lucky, our brand fans will prefer our brand so much that they'd even be price insensitive if we had to, or wished to, raise prices. So if we seek to enhance attitudes about brands and encourage particular brand choices, let's begin with two questions: What are attitudes? What does the decision-making process look like?

Attitudes are conceptualized as a mix of beliefs and importance weights. Beliefs are opinions, such as: BMWs are fast, they're nice to look at, they're expensive, etc. Importance weights are things like, "I don't care much about whether my car is fast, but I would like it to be attractive" or "I care about the cost." People can differ on both their beliefs and importance weights. Some people might say that BMWs aren't that attractive or are expensive relative to other cars. Some people might not care how much a car costs but care very much about speed.

Importance weights are like the concept of customer involvement. It is an important truism in marketing, with its natural implications, that in any purchase category, customers can be classified according to how much they care about the given purchase. For the things consumers care about, they spend more time learning about the options and brands, and they're usually willing to pay more for excellence. For the things consumers care less about, they spend less time investigating, and it's likely that they won't want to pay much.

The job of marketers is to play with both components of attitudes—beliefs and importance weights. Marketers seek to make the beliefs in a product feature or benefit more positive and to make those attributes on which the brand dominates other brands seem even more important. The beliefs and importance weights are modified or strengthened through learning and memory and by appealing to consumer motivations that the brand purportedly satisfies.

Attitudes contribute to decision making and brand choice. In some product categories, there aren't that many choices, so brands can be compared fairly readily. In categories with a lot of choices, consumers usually proceed through two stages. In the first, quick stage, they decide which brands should be considered in more detail versus those that don't make the cut to be in the consideration set. The second stage is relatively prolonged, during which consumers compare the brands in the set to make a purchase choice.

The first stage is thought to be conducted quickly by non-compensatory mechanisms. "Non-compensatory" means that some attributes are very important. If the brand has them, then it may be considered further; otherwise, the brand is precluded. Even if the brand excels at something else, that other excellent attribute does not compensate for the lack of the first, important quality. For example, if a consumer is set on buying a hybrid car, then that's the first attribute that reduces the set—cars that are not hybrids are cut from further consideration. Whichever brands make the cut on this first dimension continue to be considered. The consumer proceeds lexicographically, selecting the attribute or dimension that is next most important, so on. That subset of brands is compared on the next most important attribute and so on until the set is reduced to only a few brands.

Once the consideration set has been reduced to a manageable number, consumers switch gears and use a compensatory model. This model uses a costs and benefits logic, whereby excellence on one attribute can make up for the fact that the brand is not so great in some other ways. One such model is that of averages, for example, if a brand is strong on attribute A and only so-so on B, it may dominate a brand that is average on both attributes A and B.

A lot of online sites allow consumers to select from a number of brands or models to enable side-by-side comparisons. This information sorting helps consumers see which brands are best on the attributes they care most about. The algorithms request that consumers first select the brands to be compared. This stage mimics the non-compensatory stage in reducing the number of possible brands to a more manageable number for further consideration. The online comparators facilitate the second, compensatory stage, in that the attributes are lined up for easy viewing. A brand choice is made, and the decision process is completed.

2-3e Behavioral Economics and the Psychology of the Consumer

In the last 20 years or so, marketers have learned more about behavioral economics or the psychology of consumer behavior and have been thinking smartly about how to put those observations to use. In particular, marketers think about these principles as they affect customers' decision making. The idea is basically that economic models predict that people should behave in certain ways, make certain choices, and so on and then we are surprised to find that people don't. Early reactions were to conclude that people were behaving irrationally. But marketers can see that consumers are behaving quite rationally; they are simply optimizing different sets of values.

One of the primary principles of behavioral economics is the difference between what is called *System 1* and *System 2* thinking. As captured in Figure 2-7, System 1 thinking is very fast. It's nearly automatic to reach out on the shelf in the drug store for a particular brand of pain reliever or click online to select the same brand of pet

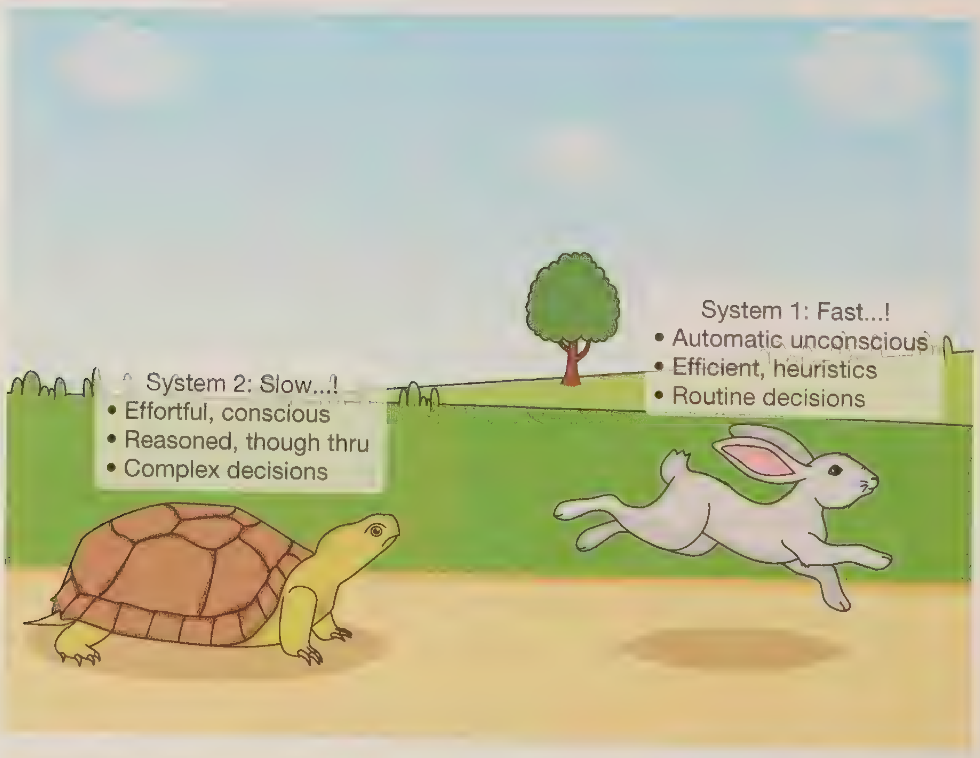


Figure 2-7 Behavioral Economics: The Psychology of System 1 and System 2 Thinking.

food—in either case, the brand we typically use, because we don't want to rethink our brand choice every time we go shopping. System 1 is very efficient and quick and ideal for easy, routine decisions.

System 1 makes use of heuristics. A *heuristic* is simply a short-cut in decision making. For example, consumers who are price sensitive will consider an item's price as more important than other features or attributes when making their selections—they won't even pay attention to those other features—if the price is right, it goes in the basket. Of course, consumers may be price sensitive for a variety of reasons; perhaps they simply have little money or maybe they don't like spending the money they have. It's also true for most of us that there are some product categories we don't care that much about, so for those products we don't want to spend a lot of money, even if we're willing to spend a great deal on items we care more about. In such a purchase, keeping an eye on the price tag (to the exclusion of pretty much everything else) becomes a heuristic.

Other purchases require more thoughtful deliberations, so System 2 thinking is needed. For example, when consumers are about to buy something expensive or something that isn't a frequently recurrent purchase, such as for cars, computers, phones, etc., it is important to re-think, and re-decide. The consumer puts more time and effort thinking through the options. Consumers might search longer to be better informed, to look for a better deal, etc. It's easy to see that System 2 is slower and more effortful. This extended reasoning is usually engaged for these relatively more complex purchase decisions, where there would be a greater cost to making a poor choice, so the greater effort is thought to be worth it.

When comparing Systems 1 and 2, is one better? No. It might seem that System 2 will produce the "smarter" choices, but that's only when consumers have the time and want to spend that much effort thinking about the options. When consumers choose to let a quick heuristic lead their choice, System 1 is fine, and consumers won't look back with regret. System 2 might optimize certain product features, say, but System 1 may optimize that a consumer can spend less time thinking about the purchase.

One of the primary theories of behavioral economics is called prospect theory. The classic story asks you how great you'd feel if you found $50, and then asks how bad you'd feel if you lost $50. It's $50 either way, but the loss feels worse. Figure 2-8 shows the nonlinear

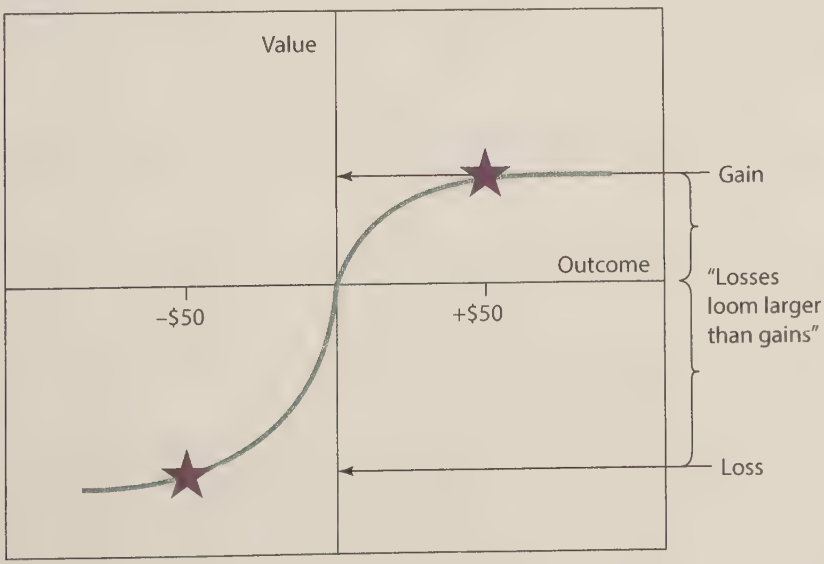


Figure 2-8 Behavioral Economics: The Psychology of Prospect Theory.

relationship that the increased value (in the upper-right quadrant) levels off faster and lower than the decreased value (lower-left). That is, moving from \$0 to +\$50 results in the star in the upper-right level of some happiness, but moving from \$0 to –\$0 results in the star in the lower-left level of relatively more unhappiness. Marketers refer to this by saying, "Losses loom larger than gains."

Think of how happy you are when you see a price tag that says, "~~\$5.99~~, now \$4.99!", denoting a sale. (Marketers have always run sales, long before they knew about prospect theory! But now we know better why it works.) Providing the initial value of \$5.99 is called "framing"—it serves as a comparative context for consumers to understand that they're saving or gaining a dollar. More lingo includes the phrase "anchor and adjust," meaning, we anchor to the information of \$5.99, but then we adjust to \$4.99 and are happy to see that we'd spend \$1 less. Yet more jargon is "reference dependence," which says we interpret the \$4.99 by comparing it to the reference point of \$5.99 and think it's a good deal.

Why does this all matter? Throughout this book, we'll see numerous implications, and they will guide us in making marketing decisions. For example, earlier in this chapter, we previewed some branding and advertising tools, including the use of colors in logos and packaging, sounds and jingles, and the use of sex in advertising. We'll revisit those topics in later chapters in greater detail and see the effects of these behavioral economic and psychological principles. These ideas also impact how consumers understand numbers, so we will see numerous applications when we turn to the topics of pricing.

Finally, you'll hear marketers refer to a "nudge." Like a physical gentle push, a mental nudge is a gentle means of persuasion. When marketers use appealing and vivid colors, or sexy models, or the brand continues to be present and top-of-mind through constant pop-up ads, the marketers are nudging consumers to think about the brand, to see the brand as familiar and therefore likeable, and, of course, perhaps in turn encouraging consideration and purchase.

Nudges operate on the level of nonconsciousness, where the mental information processing is not quite unconscious, but neither is it operating in the realm of explicit awareness either. If you ask a consumer, "Why did you choose that brand?," they might not be able to pinpoint the actual reason.

Nudges can seem borderline unethical, or at least controversial, yet as always it's a fine line. Consumers can reject direct in-your-face attempts at persuasion, so nudges are a tool that marketers can implement that work more gently, entering into the consumers' information processing in a subtler way. We'll see more on nudges in later chapters.

2-3f How Do Global and Cultural Differences Affect Consumers' Behavior?

In addition to individual differences in how consumers respond to ads and brands, there are also predictable sociocultural effects. We consider two examples: social class and age.

Some societies have clearer class distinctions than others, but gradations in socioeconomic standing are discernible even in relatively classless societies. People tend to be more comfortable with others in comparable standing.

Social class is a construct that is more complicated than just economic access to resources. Income is important, but so is family background (e.g., old money vs. nouveau riche) and career paths (e.g., some allowance for social mobility). Old-monied people seek exclusivity in their brands, to affirm their special standing in society. They are alarmed by the mass-class movement, in which designers of high-end luxury goods produce far less expensive lines (albeit not of the same quality) to allow access by us regular folk.

GLOBAL CONSUMER BEHAVIOR

When multinational companies launch brands internationally, they face the global-local decision. That is, should the brand be a unitary, global entity, the same in every market, or should it be tailored to the tastes and preferences of local customers? Those who argue for a single global brand say that there needs to be brand consistency across markets to keep a brand strong and its image clear and to allow some financial and operational efficiencies. Those who argue for tailored offerings say that customers will be more favorably inclined to build a connection to a product that is more meaningful to them. The essence of this strategic decision will be revisited throughout the book, but in this chapter, the main concern is an understanding of consumers.

There may be ways to leverage some similarities across some countries and cultures so that a company can enjoy some efficiencies and not have to reinvent a truly unique brand for every marketplace. Many researchers have studied the similarities and differences among many countries, but perhaps the best-known framework is that of Geert Hofstede. He uses five dimensions to describe "cross-cultural" differences:

1. "Power distance": clear delineation between those who have power and those who do not. High power distance cultures are typically very hierarchical, such as Brazil, England, Japan, Portugal, and many Latin, Asian, and African countries. Low power distance cultures are more egalitarian, such as Israel, New Zealand, Norway, and the United States.
2. Cultures also vary along the continuum from "individualism," in which people mostly look out for themselves, to "collectivism," in which people's identities and esteem are rooted in the groups to which they belong—their families, their companies, their country, etc. Does a person tend to think in terms of "I" or "we"? Individualistic countries include the United States and Canada, Australia and New Zealand, England, France, and Germany. Collectivistic cultures dominate Asia, Latin America, and Africa.
3. Countries and cultures differ on whether they are characterized as "masculine," focused on achievement, success, and assertiveness, or "feminine," and more focused on modesty, caring for others, and enhancing the quality of life. Masculine countries include China, Hungary, Italy, Mexico, the U.K., and the United States Feminine countries include Chile, Denmark, Finland, the Netherlands, Portugal, and Sweden.
4. "Uncertainty avoidance" is the extent to which people are uncomfortable by ambiguity and therefore try to resolve such situations, usually by imposing rules and structure. Countries with high uncertainty avoidance are Belgium, France, Germany, Greece, Italy, Portugal, and Spain. Countries with relatively more tolerance for ambiguity are Denmark, Ireland, Poland, Sweden, the U.K., and the United States.
5. "Long-term orientation" is the extent to which people of the culture look to long-term traditions and look to and save for the future, compared to short-term orientation, which is a focus on achieving quick results. Countries that are longer-term oriented are China, Hong Kong, and Japan, compared to shorter-term oriented U.K., United States, and Latin American countries.

These differences have clear marketing implications. For example, the marketer can expect more conspicuous consumption in masculine countries, in which achievement is celebrated, thus helping Cartier, Rolex, and Philippe Patek be judicious in the marketing dollars they allocate across countries. Similarly, in high power distance countries, such as Brazil or Japan, people tend to dress up, a bit formally, to show respect and to reflect their own position. By comparison, people in low power distance countries will dress more casually. It's no accident that "casual Friday" was invented in the United States.

In contrast, nouveaus try to make purchases to attain their status, the purchases being the so-called status symbols. They indulge in conspicuous consumption, for example, buying goods with garish, loud branding that shows the world they've made it. Obviously, designing products, brands, and marketing communications for these two different groups would call for different approaches.

Age cohorts also produce reliable, predictable shopping patterns. Some patterns are obvious, following the household composition and income availability. Young people first buy furniture and kitchenware, entertainment and travel, and large-screen TVs. Some proceed to the stage of buying diapers and toys and minivans. Soon there is college to pay for, then maybe travel, and soon, health care. All highly predictable.

Age groups are particularly important when they are large in size. The infamous baby boomer group is beginning to retire. Older people are traditionally ignored by advertisers who like to feature youth, but the deep wallets of baby boomers force companies to pay attention.

The baby boomer generation was always societal minded, so we might expect to see large-scale altruism and record levels of infusions of resources into nonprofits. In an odd contradiction, this generation was also dubbed "the me generation," and indeed sales of Viagra and cosmetic surgeries have also risen.

Social class and age cohort are among the various sociocultural factors that impinge on how buyers form impressions and preferences, collect information, form opinions, and make brand choices. Gender matters: Different genders are socialized differently, they think about products differently, and they shop differently.

Finally, ethnicity and country culture provide different perspectives, and they can be very interesting (and complicated). We'll see examples throughout the book. Be forewarned: It is difficult to provide generalizations without devolving into stereotypes, so note there are always exceptions. To foreshadow a few observations now:

- Wealthy Chinese like their consumption conspicuous. Due to their purchases, Louis Vuitton has found its busy season has moved to late-January and early-February, just before Chinese New Year (from traditional fourth-quarter peaks, attributable to Christmas shopping).
- Danes are fond of luxury goods, and their society is so egalitarian that they believe luxury goods should be accessible to all.
- European brands tend to dominate the high end, due not just to a perception or cultural heritage but also to structural industry differences, such as:
  - Fine craftsmanship in watches built in Switzerland,
  - Fashion or exotic cars designed in Italy, or
  - Supply chains such as extensive fields of flowers or vineyards for perfumeries or vintners in France.

MANAGERIAL RECAP

Keep the buyer in mind, whether you deal with consumers or business customers. Marketing managers can be nimble and adaptive to industry changes if they have a basic understanding of consumer behavior:[3]

- There are three major phases of consumption: pre-purchase, purchase, and post-purchase.
- There are three major classes of purchases: For B2C, these are called convenience, shopping, specialty; for B2B, these are called straight rebuy, modified rebuy, and new buy. The difference among the three has to do with customer involvement.

- How do consumers think?
  - They begin with sensing and perceiving information, which may be learned and stored in memory.
  - Motivations help marketers understand what consumers are seeking to satisfy with their purchases.
  - Attitudes and decision making are subject to influence by good information as well as biases.
  - Finally, social norms, such as generational preferences or choices based on wealth, define us as well.

Chapter Discussion Questions

1. If consumers are being deluged by sensory overstimulation, what can a marketer do to cut through the clutter?
2. Using the principles of classical conditioning or operant conditioning, design a marketing program for a nonprofit or for a political candidate.
3. What should ads say to help brands make the first (non-compensatory) cut in decision making and be included in a consumer's consideration set? What should ads say to help a brand be chosen, once in the set?
4. Run a taste test. Compare Pepsi and Coke, or bottled water and tap, or an expensive bottle of wine and the boxed stuff. Note participants' level of knowledge and surprise.
5. New businesses are frequently launched as a means to address a current glitch in the industry. Pick an industry and identify a typical customer problem. What changes could you make to enter that industry and enhance customer satisfaction (and be profitable)?
6. Go online and find the average length of a "lifetime" for purchases in the categories of houses, cars, gym memberships, baby diapers, birth control pills, and Viagra prescriptions.

MINI-CASE

Insight into Consumer Decision Making for TVs

Various media equip consumers to make side-by-side comparisons of brands' relative strengths (e.g., *Consumer Reports*, bizrate.com, cnet.com). These comparisons are not claims from the manufacturer, but a third party, so they're perceived as objective and neutral.

The table below (based on reviews at BestBuy.com) compares televisions on a number of criteria. The selection criterion was that the TV had a 65-inch screen. These are 4k TVs (also called Ultra HD, for four times the pixels or clarity of HD) and HDR (High Dynamic Range, which offers great contrast between light and dark colors and brightness), and the display technology is either LCD (liquid crystal display; or LED), OLED (organic light-emitting diode), or QLED (quantum dot LED). How would a consumer choose from these brands?

Sometimes customers know just what they want: a particular brand or a particular feature. The brand or feature (like affordability) becomes their primary, go-to heuristic. Sometimes consumers' thought processes are a little more meandering (they might not quite know what they want, which is an opportunity for marketers to inform them as to why their brands' features offer the best consumer benefits). Some consumers are rather systematic decision makers, such as when they follow a procedure that will eliminate some alternatives by some criteria. Use the table below to simulate the thought processes of a consumer. Which TV would you buy?

Brand:	**LG**	**Sony**	**Samsung**
Model	CX	X800H	Q80
Display Tech	OLED	LED	QLED
Price	$2,499	$1,199	$1,799
Screen size	65″	65″	65″
Smart TV	☺	☺	☺
Performance	☺☺☺☺	☺☺	☺☺☺☺
Appearance	☺☺☺	☺☺	☺
Weight	58 lbs	50 lbs	55 lbs
Protection	2- ($279) or 5-year ($499)	2- ($129) or 5-year ($229)	2- ($199) or 5-year ($399)

Case Discussion Questions

Imagine you were a consumer thinking about buying one of these TVs.

1. First, quickly at a glance, what TV do you think you would buy?
2. On what criteria do you think you based that decision?

Try these decision-making processes, see what brand results for each, and see how confident you feel about the resulting brand suggested from each approach:

3. What attribute do you find least informative? Eliminate that row. Continue to do so until a clear brand winner emerges.
4. Is there a brand of TV that seems weaker than the others on some attribute you care about? Eliminate that brand. Continue until an obvious choice results.
5. If you made a price-based decision, would you be happy?
6. How would your final brand choice define you?

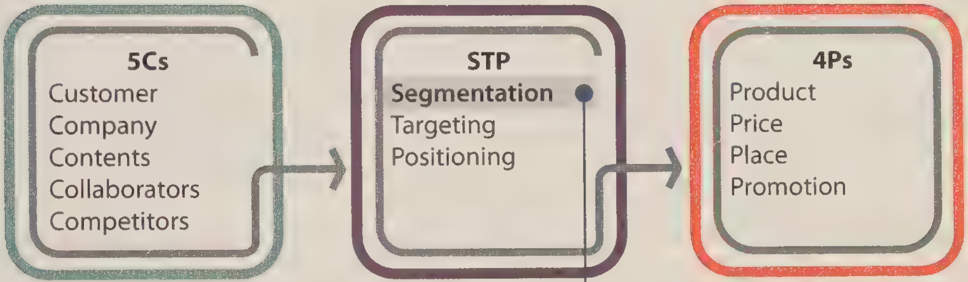
How similar was this thought process to your natural analysis? How can you find out if your consumers think along these lines?

Segmentation 3

Learning Objectives

After you have finished this chapter, you should be able to:

LO 3-1 Explain segmentation and why it's important in marketing
LO 3-2 Identify the types of market segments
LO 3-3 Describe the four bases for segmentation
LO 3-4 Discuss the differences between the two approaches used to identify market segments



Managerial Checklist

- Why do marketers think about segmentation?
- What are segments?
- What kinds of customer knowledge can be used to identify segments?
- How do you know a good "marketing segmentation" when you see one?

3-1 Why Segment?

Think about the last time you went to a restaurant with a couple of your friends.[1] Afterward, when you talked about the evening, how did people respond? Was everyone in complete agreement about whether they liked the food? Did everyone agree on the service or the ambience? Probably not. Even among our friends, who tend to be similar to us, tastes and opinions vary. No one is right or wrong (well, okay, you were right, and your friends were wrong); it's just a matter of differences in preferences and attitudes.

A company can't be all things to all customers. It must choose a segment to serve.

Psychologists would say that these different preferences and attitudes motivate people to make different choices. Consumers purchase products to fulfill their needs and desires, so if their needs and desires are different from one another, no surprise, their purchase patterns will be different as well. For example, consumers who are price conscious make purchase