CHAPTER 3

Analyzing Consumer Markets

Patanjali Ayurved, founded by Baba Ramdev (on right), produces its personal care and food products in the ancient Ayurvedic tradition of natural healing.
Source: Vipin Kumar/ Hindustan Times via Getty Images

Marketers must have a thorough understanding of how consumers think, feel, and act and must offer clear value to each and every target consumer. Understanding consumer needs is the key to designing a value proposition that creates value for each and every customer. One of India's fastest growing brands, Patanjali, has achieved phenomenal market success by developing products tailored to the needs of its customers.

>>> During the past decade, Patanjali Ayurved has become an omnipresent brand in India. Headquartered in Haridwar, a small city near the foothills of the Himalayas, about a four-hour drive from Delhi, Patanjali produces personal care and food products made from natural components that follow the Ayurvedic tradition. Ayurveda is a 5,000-year-old system of natural healing that has its origins in the Vedic culture of India. At its core, Ayurveda is not just a science of treating illness; it is also a science of life (*Ayur* means "life" and *Veda* means "knowledge"). The Patanjali brand is inextricably linked to the name of its founder, Baba Ramdev. A yoga guru credited with launching a yoga revival in India, Ramdev is technically neither an owner nor chief executive officer of the

company; as a sanyasi committed to ascetic life, he is not allowed to profit from business activities. Officially, Ramdev is the "brand ambassador" who runs Patanjali more like a spiritual organization than a traditional corporation. Neither he nor the company's official CEO draws a salary, and all profits are channeled back into charity, research and development, and cost-efficiency measures that enable Patanjali to undersell its global competitors. Ramdev's popularity, stemming from his television yoga show, greatly contributed to the meteoric rise of the Patanjali brand. In 2014, only eight years after its launch, the company generated close to $200 million in revenues and had a portfolio of 500 products. Three years later, its revenue surpassed $1 billion, and the company aims to reach $15 billion in annual sales by 2025. Patanjali's growth comes largely at the expense of large multinationals such as Nestlé, Colgate, Unilever, and Mondelēz, which are often unable to match Patanjali's low prices and the power of Baba Ramdev's brand.[1]

This chapter explores the buying dynamics of individual consumers. Adopting a holistic marketing orientation requires fully understanding customers and gaining a 360-degree view of both their daily lives and the changes that occur during their lifetimes to ensure that the right products are marketed to the right customers in the right way at the right time.

The Model of Consumer Behavior

Research on consumer behavior explores how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.[2] To create customer value, marketers must fully understand both the theory and the reality of consumer behavior.

The starting point for understanding consumer behavior is the model shown in Figure 3.1. The tactics shaping the offering and the context of the market in which the offering will be sold are filtered through the cultural, social, and personal lenses of target customers, as well as being influenced by consumer motivation, perception, emotions, and memory. This, in turn, influences the consumer buying process—a journey that entails recognition of a need, a search for the best means to fulfill that need, and evaluation of the available options to finally arrive at the ultimate decision of what, when, where, and how much to buy, and how to pay for these purchases.[3]

We discuss the key consumer characteristics and the psychological processes underlying consumer behavior in the following sections.

Consumer Characteristics

A consumer's buying behavior is influenced by cultural, social, and personal factors. Of these, cultural factors exert the broadest and deepest influence on people's perceptions and desires and on how they go about fulfilling their needs and wants.

Learning Objectives After studying this chapter you should be able to:

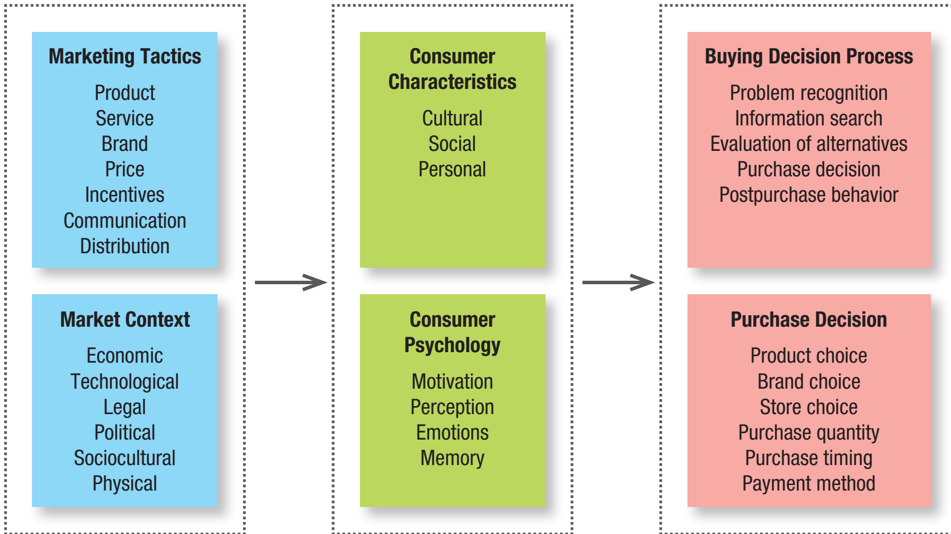
3.1 Identify the key factors that influence consumer behavior.

3.2 Explain the role cultural, social, and personal factors play in consumer behavior.

3.3 Explain how consumers' needs, emotions, and memory influence their behavior.

3.4 Illustrate the key stages of the buying decision process.

FIGURE **3.1**
Model of Consumer Behavior



CULTURAL FACTORS

A culture is a way of life among a group of people—the behaviors, beliefs, values, and symbols that they accept, generally without thinking about them, and that are passed along by communication and imitation from one generation to the next.[4]

Culture, subculture, and social class are particularly important influences on consumer buying behavior. Culture is a fundamental determinant of a person's wants and behavior. Through family and other key institutions, a child growing up in the United States is exposed to values such as achievement and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, humanitarianism, and youthfulness.[5] A child growing up in another country might have a different view of self, relationship to others, and rituals.

Cultures can differ on a variety of dimensions, such as the extent to which people prioritize close (vs. distant) others and whether they behave as if they are part of a collective (i.e., collectivistic cultures) or see themselves as independent agents who value their autonomy (i.e., individualistic cultures). Marketers must closely attend to cultural values in every country to understand how best to market their existing products and find opportunities to develop new products. Each culture also consists of subcultures that provide members with more specific identification and socialization. Subcultures include nationalities, religions, racial groups, and geographic regions. When subcultures grow sufficiently large and affluent, companies often design specialized marketing programs to serve them.

To determine the effect of culture on purchases, a recent longitudinal study examined data from 30,000 customers of a global fashion retailer in 30 countries. The study analyzed demographic background, shopping behavior, participation in loyalty programs, types of products bought, product returns, and advertising costs—including e-mail and catalogs—using a framework that enabled national culture to be examined according to the importance of individualism and collectivism, level of indulgence or restraint, type of offerings bought, loyalty to companies/brands, tendency to embrace new technologies, and use of media. Among the findings: Consumers in individualistic societies like Australia and the United States are more likely to buy for themselves, follow trends, use multiple purchase channels (including online and catalog) to find the best deal, and return items that fall below expectations, whereas consumers in collectivist countries (e.g., Portugal, Mexico, and Turkey) tend to follow the crowd, value long-term reputation, shop for their families, buy from trusted retailers, and prefer traditional brick-and mortar stores.[6]

Virtually all human societies exhibit *social stratification,* most often in the form of social classes—relatively homogeneous, enduring, and hierarchically ordered divisions in a society whose members share similar values, interests, and behavior. For example, the United States has lower, middle, and upper classes. Social class members show distinct product and brand preferences in many areas.

They may at times want to communicate that they belong to a specific social class by purchasing products that can be viewed as status symbols.[7] The rigidity of social hierarchies and how difficult it is to move up the social ladder also differ across cultures. For example, places like India and Brazil have relatively rigid social hierarchies, with people's positions on the various rungs being determined at birth.

Pervasive inequality still exists among the upper, middle, and lower classes in Brazil, which are often divided into A-B-C-D-E socioeconomic segments by statisticians and marketers. Although it is relaxing slightly, this strict social stratification still divides wealthier and better-educated property owners, and those with special technical skills and expertise (A and B classes), from the large and disproportionately poor E-class segment of the population that has limited access to employment, education, and even basic government services like health and sanitation. C-class individuals typically have at least a high school degree and provide services to those in the A & B classes as teachers, managers, nurses, and the like. Individuals in the D class serve the C class as maids, drivers, bartenders, mechanics, etc. Those in the lowest economic stratum typically have not completed elementary school, are often illiterate, and, when employed, are usually found in jobs such as cleaner and street sweeper that pay meager wages.[8]

SOCIAL FACTORS

In addition to cultural factors, social factors such as reference groups, including family, affect our buying behavior. We address these factors in more detail next.

Reference Groups. **Reference groups** include all the groups that have a direct or indirect effect on a person's beliefs, decisions, and behavior. Family members typically constitute the most influential primary reference group. Parents and siblings have a major influence in forming an individual's beliefs, value system, and behavior. An individual's spouse and children, on the other hand, have a more direct impact on everyday buying decisions, especially in the case of high-ticket items and items that are used by different members of the household.

Reference groups include not only those that individuals belong to, such as friends, neighbors, coworkers, and religious and interest-based groups. Individuals may also be influenced by groups to which they do *not* belong, such as aspirational groups that they hope to join and dissociative groups whose values or behavior they reject.

Where reference group influence is strong, marketers must determine how to reach and influence the group's opinion leaders. An **opinion leader**, or an **influencer**, is a person who offers informal advice or information about a specific product or product category, such as which of several brands is best or how a particular product may be used.[9] Opinion leaders are often highly confident, socially active, and frequent users of the product category. Marketers try to reach these leaders by identifying their demographic and psychographic characteristics and the media they read, as well as by directing messages to them.[10]

All of us participate in many groups—family, clubs, organizations—that often influence our norms of behavior. We can define a person's position in each group in terms of role and status. A *role* consists of the activities a person is expected to perform. Each role in turn connotes a *status*. A senior vice president of marketing may have more status than a sales manager, and a sales manager may have more status than an office clerk. People choose products that reflect and communicate their role and their actual or desired status in society. Thus, marketers must be aware of the status-symbol and self-defining potential of products and brands.

Family. The family, as the most influential primary reference group,[11] is the most important consumer buying organization in society. There are two families in the buyer's life. The *family of orientation* consists of parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics, along with a sense of personal ambition, self-worth, and love.[12] Even if the buyer no longer interacts very much with his or her parents, parental influence on behavior can be a significant determinant of purchases.

A more direct influence on everyday buying behavior is the *family of procreation*—namely, the person's spouse and children. In the United States, purchases have in the past varied widely by product category, with the wife usually acting as the family's main purchasing agent, especially for food, sundries, and clothing items. Traditional purchasing roles are now changing, and marketers now see both men and women as viable targets.

For expensive products and services such as cars, vacations, or housing, the vast majority of spouses engage in joint decision making.[13] Men and women may respond differently to marketing messages, however. Research has shown that women tend to place greater value connections and relationships with family and friends and place a higher priority on people than on companies.[14] Accordingly, marketers have customized the positioning of many products such as Quaker's Nutrition for Women cereals and Crest rejuvenating and whitening toothpaste.

Another shift in buying patterns is an increase in the amount of dollars spent by children and teens and the direct and indirect purchasing influence they wield. Direct influence takes the form of children's hints, requests, and demands: "I want to go to McDonald's." Indirect influence means that parents know the brands, product choices, and preferences of their children without hints or outright requests: "I think Jake and Emma would prefer to go to Panera."

A recent survey of the social media habits of 13- to 33-year-olds reveals that only 2 percent say they do not use any social platform, and Millennials report that they use their smartphones more than 11 hours each day, mostly for messaging and social networking. The majority of participants say they have friended or followed a brand on social media; 38 percent have posted about a brand, with 54 percent of these posts being positive and only 22 percent negative.[15]

PERSONAL FACTORS

Personal characteristics that influence buyers' decisions include their age and stage in the life cycle, occupation and economic circumstances, personality and self-concept, and lifestyle and values. Because many of these factors have a direct impact on consumer behavior, it is important for marketers to follow them closely.

Our taste in food, clothes, furniture, and recreation is often related to our age. Consumption is also shaped by the *family life cycle* and the number, age, and gender of people in the household at any given time. U.S. households are evolving: The traditional family of four with a husband, wife, and two kids makes up a much smaller percentage of total households than it once did.

In addition, *psychological* life-cycle stages may matter. Adults experience certain passages, or transformations, as they go through life,[16] causing their behavior during these intervals to adapt to changing circumstances. Marketers should consider *critical life events or transitions*—marriage, childbirth, illness, relocation, divorce, first job, career change, retirement, death of a spouse—as giving rise to new needs. Companies should be alert to these needs and provide products and services that can best meet them.

It's not surprising that the baby industry attracts many marketers, given the enormous amount parents spend and the life-changing nature of parenthood.

> **The Baby Market** Although they may not yet have reached their full earning potential, expectant and new parents seldom hold back when spending on their loved ones, making the baby industry more recession-proof than most. Spending tends to peak between the second trimester of pregnancy and the twelfth week after birth. First-time mothers-to-be are especially attractive target customers since they will be unable to use many hand-me-downs and will need to acquire a full range of new furniture, strollers, toys, and baby supplies. Recognizing the importance of reaching expectant parents early to win their trust—industry pundits call it a "first in, first win" opportunity—marketers use a variety of media, including direct mail, inserts, space ads, e-mail marketing, and websites. Product samples are especially popular, and kits are often distributed at childbirth education classes and other places. Many hospitals have banned the traditional bedside gift bag, however, because of concerns with privacy and potentially adverse effects on a vulnerable audience (e.g., distributing baby formula may discourage new mothers from breastfeeding). Other avenues of access exist: For example, Disney Baby partners with a company that sells baby bedside photos, hands out playful Disney Cuddly Bodysuits, and solicits sign-ups for e-mail alerts from DisneyBaby.com. Not all expenditures go directly to baby-related purchases. Such a fundamental life change gives expectant or new parents a whole new set of needs that has them thinking differently about life insurance, financial services, real estate, home improvement, and automobiles.[17]

Occupation also influences consumption patterns. Marketers try to identify the occupational groups that have above-average interest in their products and services, and they even tailor products for certain occupational groups. Computer software companies, for example, design different products for brand managers, engineers, lawyers, and physicians. Michigan-based Carhartt Inc., founded in 1889, has become a global work-clothing dynasty with 800 products, a network of some 100 metro-Detroit retail stores, and corporate stores in seven states, as well as Carhartt Europe and Australia. Carhartt's line of durable industrial, farm, and outdoor clothing is known for quality fabrics and workmanship and through the years has gained traction as streetwear.[18]

Both product choice and brand choice are greatly affected by economic circumstances like the level, stability, and pattern of spendable income; savings and assets, including the percentage that is liquid; debts and borrowing power; and attitudes toward spending and saving. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and reprice their products or emphasize discount brands so they can continue to offer value to target customers.

Source: Carolyn Jenkins/Alamy Stock Photo

>> Brands like Disney Baby know that reaching expectant and new parents early is essential to success in the baby market.

Personality and Self-Concept. By **personality** we mean a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environmental stimuli, including buying behavior. We often describe personality in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.[19]

Consumers typically choose and use brands with a brand personality consistent with their *actual self-concept* (how we view ourselves), although the match may instead be based on the consumer's *ideal self-concept* (how we would like to view ourselves) or even on *others' self-concept* of us (how we think others see us).[20] These effects may be more pronounced for publicly consumed products than for privately consumed goods.[21] On the other hand, consumers who are high "self-monitors"—that is, are sensitive to the way others see them—are more likely to choose brands whose personalities fit the consumption situation.[22]

Finally, multiple aspects of self (serious, professional, caring family member, active fun-lover) may often be evoked differently in different situations or around different types of people. Some marketers, like Joie de Vivre Hotels, carefully orchestrate their brand experiences to appeal to a variety of different personalities.

Joie de Vivre Named one of best boutique hotel chains by the editors of *Smarter Travel* magazine, San Francisco-based Joie de Vivre boasts the largest collection of lifestyle boutique hotels in California, with additional locations in Chicago, Baltimore, and New York City. The chain views itself as "a collection of heartfelt stories brought to life" and aims to inspire "the spirt of playful travel through neighborhood connections." Guests at Joie de Vivre's sleek and intimate, pet- and family-friendly, community-focused hotels have the option to donate $1 a night, which goes directly to each hotel's philanthropic partners. The chain donates almost $1.5 million each year to neighborhood organizations in the form of gift certificates, cash and in-kind donations, and events. All hotels participate in recycling, composting, and textile and food donation programs, and all work to conserve water and energy, use environmentally safe products, and purchase organic, fair trade food.[23]

Values and Lifestyle. Consumer behavior is guided by a *value system*—a set of principles and notions of "right and wrong"—that determines what is meaningful and important to consumers and how they choose to live and interact with others. Consumer decisions are also influenced by these *core values,* which go much deeper than behavior or attitude and, at a basic level, guide people's choices and

Source: Keith Homan/Alamy Stock Photo

>> Market research spurred Hamburger Helper to introduce new flavors and varieties that reflected consumer tastes and ramped-up sales.

desires over the long term. Marketers who target consumers on the basis of their values believe that appealing to people's inner selves makes it possible to influence their outer selves—their purchase behavior.

People from the same subculture, social class, and occupation may adopt quite different lifestyles. A *lifestyle* is a person's pattern of living in the world, as expressed in activities, interests, and opinions. It portrays the "whole person" interacting with his or her environment.[24]

Lifestyles are shaped partly by whether consumers are *money-constrained* or *time-constrained*. Companies that aim to serve the money-constrained will create lower-cost products and services. By appealing to thrifty consumers, Walmart has become the largest company in the world. Its "everyday low prices" have wrung tens of billions of dollars out of the retail supply chain, passing the larger part of savings along to shoppers in the form of rock-bottom bargain prices.

Consumers are prone to multitasking. Some will also pay others to perform tasks because time is more important to them than money. Companies aiming to serve them will create products and services that offer multiple time-saving benefits. For example, multitasking beauty balm (BB) skin creams offer an all-in-one approach to skin care, incorporating a moisturizer, anti-aging ingredients, sunscreen, and sometimes even a whitening agent.[25]

In some categories, notably food processing, companies targeting time-constrained consumers need to be aware that these very same people want to believe they're *not* operating within time constraints. Marketers call those seeking both convenience and some involvement in the cooking process the "convenience involvement segment," as Hamburger Helper (rebranded as "Helper" in 2013) discovered.

Hamburger Helper Launched in 1971 in response to tough economic times, the inexpensive pasta-and-powdered-seasoning mix was designed to quickly and inexpensively stretch a pound of meat into a family meal. With an estimated 44 percent of evening meals prepared in under 30 minutes, and given the strong competition from fast-food drive-through windows, restaurant deliveries, and precooked grocery store dishes, it might have seemed that Hamburger Helper's days of prosperity were numbered. Market researchers found, however, that some consumers don't want the fastest microwaveable solution possible. They also want to feel good about how they prepare a meal. In fact, on average, they prefer to use at least one pot or pan and spend 15 minutes on food preparation. To remain attractive to this segment, marketers of Helper introduced new flavors and varieties, such as Tuna Helper, Asian Chicken Helper, and Whole Grain Helper, to tap into evolving consumer taste trends. The result: The brand sales steadily rose.[26]

Consumer Psychology

When marketing and environmental stimuli enter the consumer's consciousness, a set of psychological processes combine with certain consumer characteristics to result in decision processes and purchase decisions. The marketer's task is to understand what happens in the consumer's consciousness between the arrival of the outside marketing stimuli and the ultimate purchase decisions. Four key psychological processes—motivation, perception, learning, and memory—fundamentally influence consumer responses.

CONSUMER MOTIVATION

Understanding consumer motivation begins with understanding the needs consumers aim to fulfill with their actions. Thus, we first discuss the essence of consumer needs and then address the way these needs motivate consumer behavior.

Consumer Needs. *Needs* are the basic human requirements, such as air, food, water, clothing, and shelter. Some needs are *biological* and arise from physiological states of tension such as hunger, thirst, or discomfort. Other needs are *psychological* and arise from psychological states of tension such as the need for recognition, esteem, or belonging.

One of the best-known theories of human motivation, that of Abraham Maslow, carries important implications for consumer analysis and marketing strategy. Maslow sought to explain why people are driven by particular needs at particular times.[27] His answer is that human needs are arranged in a hierarchy from most to least pressing—from physiological needs to safety needs, social needs, esteem needs, and self-actualization needs (see Figure 3.2). People try to satisfy their most important needs first and then move to the next important. For example, a starving man will not take an interest in the latest happenings in the art world (need 5), or in the way he is viewed by others (need 3 or 4), or even in whether he is breathing clean air (need 2) until he has enough food and water (need 1), after which the next most important needs will become salient.

Needs become *wants* when directed to specific objects that might satisfy the need. Our wants are shaped by our society. A U.S. consumer needs food but may want a Chicago-style "deep-dish" pizza and a craft beer. A consumer in India needs food but may want chole, tandoori chicken, and naan.

Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes but only relatively few can buy one. Companies must measure not only how many people want their product but also how many are willing and able to buy it. These distinctions shed light on the criticism that "marketers get people to buy things they don't want." Marketers do not create needs: Needs preexist marketers. Marketers might promote the idea that a Mercedes satisfies a person's need for social status. They do not, however, create the need for social status.

Some customers have needs that they are not fully conscious of or cannot articulate. What does the customer mean when asking for a "powerful" lawn mower or a "peaceful" hotel? The marketer must probe further. Responding only to the stated need may shortchange the customer.[28] Consumers did not know much about tablet computers when they were first introduced, but Apple worked diligently to shape consumer perceptions and adoption of this technological innovation. To gain an edge, companies must help customers learn what they want—and make it convenient for them to obtain it. Dollar Shave Club's subscription service helped customers realize they could pay less for razors and Blue Apron helped people overcome a lack of confidence in their culinary skills that made cooking at home appear difficult.

Consumer Motivation. We all have many needs at any given time. A need becomes a motivation when aroused to a sufficient level of intensity to drive us to act.[29] Motivation has both direction (we select one goal over another) and intensity (we pursue the chosen goal with more or less vigor).

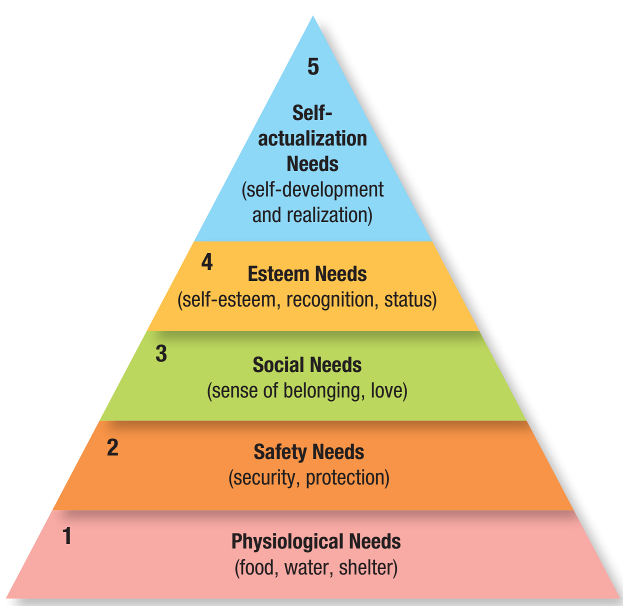


FIGURE **3.2**

Maslow's Hierarchy of Needs

Source: A. H. Maslow, *Motivation and Personality*, 3rd ed. (Upper Saddle River, NJ: Prentice Hall, 1987). Printed and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, NJ.

>> Since she sprang into being a century ago, Betty Crocker has lent her name to more than 200 General Mills products and has even hosted her own radio and TV cooking shows.

Source: Chronicle/Alamy Stock Photo

Motivation researchers often conduct in-depth interviews with a few dozen consumers to uncover deeper motives triggered by a product. They do this by using various psychology-based *projective techniques* such as word association, sentence completion, picture interpretation, and role play to probe consumers' mindset indirectly, which can yield information not elicited by explicit questioning.

Betty Crocker The name Betty Crocker, synonymous with cooking and baking, came into being in 1921 to personalize responses to consumer inquiries resulting from a promo for Gold Medal Flour. Betty catapulted to fame via a popular radio show and, according to *Fortune* magazine, in 1945 was second only to First Lady Eleanor Roosevelt in popularity. Betty's image has morphed from the first rather motherly figure in 1936 to that of a modern working woman, and she has managed to stay relevant throughout the years through painstaking research. For example, when sales of its instant Betty Crocker cake mix began to plateau in the 1950s, General Mills looked to Viennese-American psychologist and behavioral marketer Ernest Dichter. The dry cake mix required only the addition of water. Using Freudian methods to query focus groups of women, Dichter concluded that the ritual of baking a cake was rife with relationship and fertility symbolism and suggested removing the powdered egg from the mix, instead making housewives add their own fresh eggs. Sales soared after General Mills followed this advice.[30]

Another motivation researcher and cultural anthropologist, Clotaire Rapaille, worked on breaking the "code" behind product behavior—the unconscious meaning people give to a particular market offering. Rapaille worked with Boeing on its 787 "Dreamliner" to identify features in the airliner's interior that would have universal appeal. Based in part on his research, the Dreamliner has a spacious foyer; larger, curved luggage bins closer to the ceiling; larger, electronically dimmed windows; and a ceiling discreetly lit by hidden LEDs.[31] The opposite occurred with Chrysler's PT Cruiser, which reached the end of the road in less than a decade.

PT Cruiser When introduced at the beginning of the 21st century, the PT (Personal Transportation) Cruiser's retro looks and accessible price proved to be a hit with consumers in all age groups, although the polarizing design ("a cross between an old-time milk truck and luxurious sedans of the 1930s") had its critics as well as its imitators, like the Chevrolet HHR. The PT Cruiser was the first DaimlerChrysler vehicle designed using archetype research, a qualitative method developed by French medical anthropologist Clotaire Rapaille. Rapaille's approach focused on uncovering the deep-seated psychological drivers of consumers' behavior that go beyond such specific product attributes as color, size, and convenience to capture the feelings and emotions that define the "cultural unconscious" (or, in the words of Rapaille, consumers' "reptilian hot button") that defines product choice. The result was a five-door, tall-roofed hatchback that was intended to evoke a nostalgic emotional reaction. Upon its launch, the PT Cruiser was considered a massive success, selling 145,000 vehicles in 2001. But by 2009, sales had plummeted to 18,000. The reason for the PT's decline came down to Chrysler's failure to invest in improving and updating the car, as well as its failure to release new models in response to consumer demand. In addition, the design appealed to a distinctly American audience during a time when globalization was becoming increasingly important to recouping research and development costs.[32]

Source: imageBROKER/Alamy Stock Photo

<< The PT Cruiser was DaimlerChrysler's first foray into vehicle design using archetype research intended to trigger an emotional appeal and lead to purchase.

PERCEPTION

Perception is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world.[33] A motivated person is ready to act. *How* this person will act is influenced by his or her perception of the situation. In marketing, perceptions are more important than reality because they affect consumers' actual behavior.

Perception depends not only on physical stimuli but also on the stimuli's relationship to the surrounding environment and on conditions that exist within each of us. One person might perceive a fast-talking salesperson as aggressive and insincere, whereas another might regard the salesperson as intelligent and helpful. Each will respond to the salesperson differently. People emerge with different perceptions of the same object because of three perceptual processes: selective attention, selective distortion, and selective retention.

Selective Attention. Attention is the allocation of processing capacity to some stimulus. Voluntary attention is something we do purposefully; involuntary attention occurs when our attention is grabbed by someone or something. It's estimated that the average person may be exposed to thousands of ads or brand communications every day. Because we cannot possibly attend to all these, we screen out most stimuli, a process called selective attention. **Selective attention** means that marketers must work hard to attract the notice of consumers. The real challenge is to determine which stimuli people will notice. Here are some findings:

- *People are more likely to notice stimuli that relate to a current need.* A person who is motivated to buy a smartphone will notice smartphone ads and be less likely to notice non-phone-related ads.
- *People are more likely to notice stimuli they anticipate.* You are more likely to notice laptops than portable radios in a computer store because you don't expect the store to carry portable radios.
- *People are more likely to notice stimuli whose deviations are large in relationship to the normal size of the stimuli.* You are more likely to notice an ad offering $100 off the list price of a computer than one offering $5 off.

Although we screen out much information, we are influenced by unexpected stimuli, such as unanticipated offers in the mail, over the internet, or from a salesperson. Marketers may attempt to promote their offers intrusively in order to bypass selective attention filters.

Selective attention mechanisms require active engagement and thought on the part of the consumer. **Subliminal perception** has long fascinated armchair marketers, who argue that marketers embed covert, subliminal messages in ads or packaging that consumers are not consciously aware of but that affect their behavior. Although it's clear that mental processes include many subtle subconscious effects,[34] no evidence supports the notion that marketers can systematically control consumers at that level, especially enough to change strongly held or even moderately important beliefs.[35]

Selective Distortion. Ever noticed that stimuli don't always come across in the way the senders intended? **Selective distortion** is the tendency to interpret information to fit our preconceptions. Consumers will often distort information to make it consistent with prior brand and product beliefs and expectations. For a stark demonstration of the power of consumer brand beliefs, consider taste tests in which one group of consumers samples a product without knowing the brand, while another group is aware of the brand during sampling. Invariably, the groups will have different opinions despite consuming *exactly the same product*.

When consumers report different opinions of branded and unbranded versions of identical products, it must be that their brand and product beliefs, created by whatever means (e.g., past experiences, brand promotions, familial preferences), have somehow changed their product perceptions. We can find examples of this for virtually every type of product. When Coors changed its label from "Banquet Beer" to "Original Draft," consumers claimed the taste had changed even though the formulation remained the same.

In another study, Frédéric Brochet, at the University of Bordeaux, gave glasses of red and white wine to wine science students and asked for descriptions. At a follow-up tasting, the students received glasses of the same white wine, with the catch that half the wine was dyed red. They described the white wine as they had previously but described the same red-tinted white wine in terms of red wine, showing that visual cues can override smell, taste—and expertise.[36]

Selective distortion can work to the advantage of marketers with strong brands when consumers distort neutral or ambiguous brand information to make it more positive. In other words, coffee may seem to taste better, a car may seem to drive more smoothly, and the wait in a bank line may seem shorter, depending on the brand.

EMOTIONS

Emotions are mental states that arise spontaneously rather than from conscious effort and reflect people's positive or negative reactions to internal and external stimuli. We typically have little control of feelings such as joy, sorrow, anger, fear, and ambivalence, which vary in intensity and complexity depending on our personal reactions and can be accompanied by physiological and behavioral changes.

Consumer response is not all cognitive and rational. Many responses may be emotional and evoke different kinds of feelings. A brand or product may make a consumer feel proud, excited, or confident. An ad may create feelings of amusement, disgust, or wonder. Brands like Hallmark, McDonald's, and Coca-Cola have made an emotional connection with loyal customers for years. Marketers increasingly recognize the power of emotional appeals, especially if they are rooted in some functional or rational aspects of the brand.

To help teen girls and young women feel more comfortable talking about feminine-hygiene and feminine-care products, Kimberly-Clark used four different social media networks in its "Break the Cycle" campaign for its U by Kotex brand. With overwhelmingly positive feedback, the campaign helped Kotex move into the top spot in terms of word-of-mouth share for that feminine-care target market.[37]

An emotion-filled brand story has been shown to trigger's people desire to pass along things they hear about brands through either word of mouth or online sharing. Firms are giving their communications a stronger human appeal to engage consumers in their brand stories.[38] Ray-Ban's 75th anniversary campaign, "Never Hide," showed a variety of stand-out and stylish hipsters to suggest that wearers of the brand's aviator glasses and sunglasses feel attractive and cool. Some brands have tapped into the hip-hop culture and music to market a brand in a modern multicultural way, as Apple did with its iPod.[39]

Many marketers like Ray-Ban have leveraged the emotional appeal of the past to connect with current customers, particularly younger ones. Although e-mail, Webinars, and social media platforms have seriously displaced direct mail, seminars, and trade shows, the latter can still play an effective role in marketing efforts. Retro marketing tactics and products have shown that nostalgia can pay, as costumed mascots, spinning signs, community gatherings, and billboards continue to capture the attention of customers. Products like the revived Beetle, the Fiat 500, and Cadbury's resurrected Wispa chocolate bar show that products steeped in the aura of days gone by enjoy a visceral connection with customers. Fashion houses base new designs on those of past eras. MillerCoors announced a retro marketing campaign for Miller Lite beer, along with a version of the original Miller Lite label from the 1970s. Cartier, Motel 6, and Life Savers are among other major brands that have gone retro with ad campaigns. Even football players cash in on nostalgia marketing: The NFL Pittsburgh Steelers have worn jerseys that are a throwback to the team's 1932 uniforms.[40]

Just as products and brands can elicit certain emotions, different emotional states can influence people's judgments and decisions. For example, emotions such as fear can increase or decrease the effectiveness of different marketing strategies that include social proof (e.g., communicating a product's popularity) and scarcity (e.g., "limited edition").[41] Similarly, seeing the emotions of others can also be used as a marketing tool. For example, displaying sad (vs. neutral or happy) faces of victims could increase the likelihood that people will donate to a charity.[42]

MEMORY

Memory—the brain's ability to record, store, and retrieve information and events—also plays a role in consumers' purchasing decisions. The different types of memory and the way memory processes work are described in the following sections.

Memory Models. Cognitive psychologists distinguish between **short-term memory**—a temporary and limited repository of information—and **long-term memory**—a more permanent, potentially unlimited repository. All the information and experiences we encode as we go through life can end up in our long-term memory.

Researchers distinguish three types of long-term memory: episodic, semantic, and procedural.

- *Episodic memory* is responsible for storing information about events (i.e., episodes) that we have experienced in our lives. It is an individual's memory of autobiographical events that capture the context—such as times, places, and associated emotions—in which a particular event has occurred.
- *Semantic memory* is responsible for storing information about the world, such as facts, meanings, and concepts. Unlike episodic memory, which is directly linked to an individual's personal experience, semantic memory captures general knowledge that is independent of personal experience.
- *Procedural memory* is responsible for knowing how to perform certain procedures such as walking, talking, and riding a bike. It is a memory of motor skills typically acquired through repetition and involves automatic sensorimotor activities that are so deeply embedded in our minds that they do not involve conscious thought.

Most widely accepted views of the structure of long-term memory assume we form some kind of associative model. For example, the *associative network memory model* views long-term memory as a set of nodes and links. *Nodes* are stored information connected by *links* that vary in strength. Any type of information can be stored in the memory network, including verbal, visual, abstract, and contextual information.

An activation process that spreads from node to node determines how much information we retrieve and can recall in any given situation. When a node becomes activated because we're encoding external information (when we read or hear a word or phrase) or retrieving internal information from long-term memory (when we think about some concept), other nodes are also activated if they're associated strongly enough with the initially activated node.

Based on the associative network memory model, we can think of consumer brand knowledge as a node in memory with a variety of linked associations. The strength and organization of these associations are important determinants of the information we can recall about the brand. **Brand associations** consist of all brand-related thoughts, feelings, perceptions, images, experiences, beliefs, and attitudes that become linked to the brand node. For example, the Adidas brand can conjure thoughts of soccer, shoes, running, tennis, sports apparel, health, fitness, active lifestyle, and outdoor adventures. It also might evoke associations with competitive brands such as Nike, Puma, and Reebok; brand ambassadors such as Lionel Messi and Kylie Jenner; and country of origin—Germany.

In this context, we can think of marketing as a way of making sure consumers have product and service experiences that create the right brand knowledge structures and maintain them in memory. Companies such as Procter & Gamble like to create maps that depict the key associations likely to be triggered in consumers' minds by a particular brand in a marketing setting and their relative strength, favorability, and uniqueness.

Memory Processes. Memory is very much a process of construction, because people don't remember information completely and accurately. Often, we remember just bits and pieces and fill in the rest based on whatever else we know. In general, memory can be described as a process of encoding and retrieval.

Memory encoding describes how and where information gets into memory. The strength of the resulting association depends on the degree to which we process the information we're encoding (e.g., how much we think about it) and in what way.[43] In general, the more attention we pay to the meaning of information during encoding, the stronger the resulting memory associations. And the more we are able to associate new information with other information already encoded in our memory, the better we will be able to remember it.

Memory retrieval is the way we reclaim information from memory. Three facts are important about memory retrieval.

- Cognitive psychologists believe that once information is encoded and stored in long-term memory it is extremely durable and its strength of association decays very slowly.
- Information may be *available* in memory but not be *accessible* for recall without the proper retrieval cues or reminders. The effectiveness of retrieval cues is one reason why marketing *inside* a supermarket or retail store is so critical: The product packaging and use of in-store mini-billboard

displays remind us of information already conveyed outside the store and become prime determinants of consumer decision making. Accessibility of a brand in memory is important for another reason: People talk about a brand when it is top of mind.[44]

- Information about other offerings can produce interference effects and cause us to either overlook or confuse new data. One marketing challenge in a category crowded with many competitors—e.g., airlines, financial services, and insurance companies—is that consumers may mix up brands.

Because of *selective retention*, we're likely to remember only the positive aspects of a product we like, forgetting its negative aspects and the good points about competing products.

The Buying Decision Process

The basic psychological processes we've reviewed play an important role in consumers' actual buying decisions. Here are some key consumer-behavior questions that marketers should ask in terms of who, what, when, where, how, and why:

Who buys our product or service? Who makes the decision to buy the product or service?

Who influences the decision to buy the product or service? How is the purchase decision made? Who assumes what role in the decision process?

What does the customer buy? What needs must be satisfied? What wants are fulfilled?

Why do customers buy a particular brand? What benefits do they seek?

Where do customers go or look to buy the product or service? Online and/or offline? When do they buy? Any seasonality factors? Any time of day/week/month?

How is our product or service perceived by customers? What are customers' attitudes toward our product or service?

What social factors might influence the purchase decision? Do customers' lifestyles influence their decisions? How do personal, demographic, or economic factors influence the purchase decision?[45]

Smart companies try to fully understand a customer's buying decision process, which involves all the experiences in learning, choosing, using, and even disposing of a product. Marketing scholars have developed a "stage model" of this decision process (see Figure 3.3), in which the consumer typically passes through five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior.[46]

The process by which consumers make purchase decisions and their postpurchase behavior are often referred to as the *consumer decision journey*.[47] The reference to a journey stems from the fact that the manner in which consumers make purchase decisions is not always linear, as depicted in Figure 3.3. Instead, it is often an iterative process in which consumers are influenced by the new information they encounter at the different stages of their decision, which can involve the need to go back and revisit their earlier judgments. Recognizing this, marketers must develop activities and programs that reach consumers through different touchpoints at all stages of the decision process.

Consumers don't always pass through all five stages; they may skip or reverse some. When you buy your regular brand of toothpaste, you go directly from the problem-recognition stage to the purchase decision, skipping information search and evaluation. The model in Figure 3.3 provides a good frame of reference, however, because it captures the full range of considerations that arise when a consumer contemplates a new purchase or a high-involvement product that entails functional, psychological, or monetary risk. Later in the chapter, we will consider other ways in which consumers make decisions that are less calculated.

PROBLEM RECOGNITION

The buying process starts when the buyer recognizes a problem or need triggered by internal or external stimuli. With an internal stimulus, one of the person's basic needs—hunger, thirst, sex—rises to a threshold level and becomes a drive. A need can also be aroused by an external stimulus. A person

FIGURE **3.3**
Five-Stage Model of the Consumer Buying Process

may admire a friend's new car or see a television ad for a Hawaiian vacation, which inspires thoughts about the possibility of making a similar purchase.

Marketers should identify the circumstances that trigger a particular need by gathering information from a number of consumers. They can then develop marketing strategies and effective advertising campaigns that spark consumer interest. Increasing consumer motivation can be particularly important to encourage serious consideration of discretionary purchases such as luxury goods, vacation packages, and entertainment options. The drivers behind consumers' recognition of a need that they want fulfilled include factors such as *natural depletion*—e.g., the need to replace a regularly used item like toothpaste; *dissatisfaction with the current offering*, which causes consumers to seek other means of fulfilling their need; *lifestyle and goal changes*—e.g., the birth of a child or a job promotion, which can have a significant impact on purchasing habits; and *social influences*—e.g., the opinions of family, friends, and colleagues or competition from peers.

INFORMATION SEARCH

Surprisingly, consumers often search for only limited information. Surveys have shown that half of all consumers look for durable goods at just one store, and a mere 30 percent look at more than one brand of appliances. We can distinguish between two levels of engagement in the search. The milder search state is called *heightened attention*. At this level a person simply becomes more receptive to information about a product. At the next level, the person may enter an *active information search:* looking for reading material, phoning friends, going online, and visiting stores to learn about the product.

Marketers must understand what type of information consumers seek—or are at least receptive to—at different times and places. Unilever, in collaboration with Kroger, the largest U.S. retail grocery chain, has learned that meal planning goes through a three-step process: discussion of meals and what might go into them (heightened attention), choice of exactly what will go into a particular meal (information search), and, finally, purchase. Monday, it turns out, is the critical meal-planning day for the week ahead. Conversations at breakfast time tend to focus on health, but later in the day, at lunchtime, discussion centers more on how meals can be repurposed for leftovers.[48]

Information Sources. Major information sources to which consumers turn fall into four groups: *personal*, such as family, friends, neighbors, acquaintances; *commercial*, such as advertising, websites, e-mails, salespersons, dealers, packaging, displays; *public*, such as mass media, social media, consumer-rating organizations; and *experiential*, such as handling, examining, or using the product.

The relative amount of information obtained from these sources and their influence vary with the product category and the buyer's characteristics. Generally speaking, although consumers receive the greatest amount of information about a product from commercial—that is, marketer-dominated—sources, the most effective information often comes from personal or experiential sources or public sources that are independent authorities.[49] The ubiquity of social media has forever blurred the boundaries and widened the range of information sources. People sharing information about their purchases on Facebook or writing product reviews on Amazon can be viewed by others as independent authorities whose opinions carry great weight and far-ranging influence.

Each source performs a different function in influencing the buying decision. Commercial sources normally perform an information function, whereas personal sources perform a legitimizing or evaluation function. For example, physicians often learn of new drugs from commercial sources but turn to other doctors for evaluations. Many consumers alternate between going online and offline (in stores) to learn about products and brands.

Consumers rely on both internal and external information to help them arrive at a decision. Internal information is based on one's own individual experiences. For example, an individual who wants to go out for dinner might recall having a great meal at a local Italian restaurant or seeing an ad for a recently opened French bistro. External information sources are typically sought for high-involvement decisions such as purchasing a car or buying a high-end appliance. External sources can include the suggestions and opinions of family, friends, and work colleagues; making trips to dealers and searching online to compare models and prices; and consulting sources like *Consumer Reports*.

Search Dynamics. By gathering information, the consumer learns about competing brands and their features. The first box in Figure 3.4 shows the *total set* of brands available. The individual consumer will come to know a subset of this group, the *awareness set*. Only some brands, the *consideration set*, will meet the consumer's initial buying criteria. As the consumer gathers more information, just a few options, the *choice set*, will remain strong contenders. The consumer makes a final choice from these.[50]

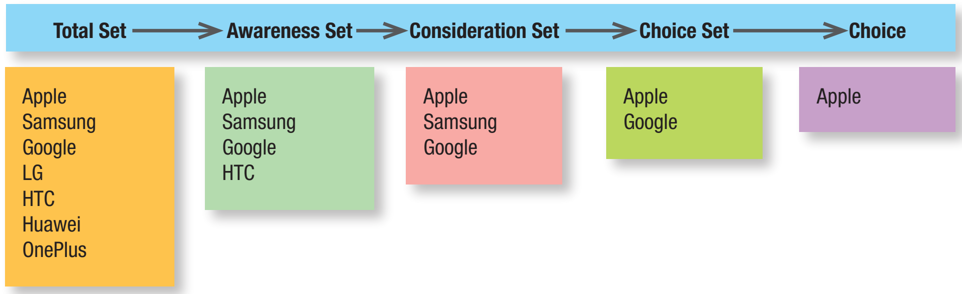


FIGURE **3.4**

Successive Sets Involved in Consumer Decision Making

Marketers need to identify the hierarchy of attributes that guide consumer decision making in order to understand different competitive forces and how various decision sets are formed. The process of identifying this attribute hierarchy is called *market partitioning*. Years ago, most car buyers first decided on the manufacturer and then on one of its car divisions (*brand-dominant hierarchy*). A buyer might favor General Motors cars and within this set choose a Chevrolet model. Today, many buyers decide first on the nation or nations from which they want to buy a car (*nation-dominant hierarchy*). Buyers may first decide they want to buy a German car and then opt for an Audi before zeroing in on the Audi A6.

The hierarchy of attributes also can reveal customer segments. Buyers who first decide on price are price dominant; those who first decide on the type of car (sedan, coupe, SUV, hybrid) are type dominant; those who choose the brand first are brand dominant. Type/price/brand-dominant consumers make up one segment; quality and service buyers make up another. Each segment may have distinct demographics, psychographics, and behaviors, as well as different awareness, consideration, and choice sets.

Figure 3.4 implies that a company must strategize to get its brand into the prospect's awareness, consideration, and choice sets. If a food store owner arranges yogurt first by brand (such as Dannon and Yoplait) and then by flavor within each brand, consumers will tend to select their flavors from the same brand. However, if all the strawberry yogurts are put together, then all the vanilla, and so forth, consumers will probably choose the flavors they want first and then choose the brand they want for that particular flavor.

Search behavior can vary online, in part because of the manner in which product information is presented. For example, product alternatives may be presented in order of their predicted attractiveness for consumers, who then may choose not to search as extensively as they otherwise would have.[51] Increasingly sophisticated recommendation engines use algorithms and data to uncover patterns in consumer choices and recommend the most relevant offerings for a particular consumer's needs and interests.

Amazon's item-to-item collaborative filtering algorithm presents recommendations to customers based on product lines and subject areas that match a customer's purchases to similar products. This involves the analysis of billions of data points derived from viewing online customer behavior, from purchase history to abandoned carts. Recommendations appear in several places: in personalized recommendations and previously viewed products links, as well as in a "Frequently Bought Together" section that helps Amazon cut delivery costs. Studies suggest that more than a third of consumer purchases on Amazon come from product recommendations.

The company must also identify the other brands in the consumer's choice set so that it can plan the appropriate competitive appeals. In addition, marketers should identify the consumer's information sources and evaluate their relative importance. Asking consumers how they first heard about the brand, what information they learned later, and the relative importance of these different information sources will help the company prepare effective communications for the target market. Digital marketing allows for easier detection and analysis of the other sites that are sending potential customers to the company's website. For instance, Amazon's affiliate network shows which websites and blogs are driving traffic not only to Amazon's site but also to specific products.

EVALUATION OF ALTERNATIVES

The way consumers decipher the pros and cons of available options is affected by the beliefs and attitudes they hold, whether these are valid or erroneous. These perceptions and the differing ways in which consumers process information weigh heavily in the purchase decision, as the following sections show.

Beliefs and Attitudes. Through experience and learning, people acquire beliefs and attitudes. These in turn influence buying behavior. A **belief** is a conviction that something is true or real, regardless of whether or not it is. Just as important are **attitudes**, a person's enduring favorable or unfavorable evaluations, emotional feelings, and behavioral tendencies toward an object or idea. People have attitudes about almost everything: religion, politics, clothes, music, food.

Attitudes put us into a frame of mind: liking or disliking an object, moving toward or away from it. They lead us to behave in a fairly consistent way toward similar objects. Because attitudes economize on energy and thought, they can be very difficult to change. As a general rule, a company is well advised to adapt its product to existing attitudes, rather than trying to change attitudes. If beliefs and attitudes become too negative, however, it may be necessary for the company to take more active steps.

Understanding consumers' attitudes is beneficial for marketers, because attitudes may at times predict behavior during the consideration and choice set stages of the customer decision process. For example, attitudes that are developed from interacting with a product during a trial can more accurately predict the likelihood of consumers purchasing the product than attitudes formed from exposure to a product ad.[52]

Information Processing. How does the consumer process the information about the available options and make a final value judgment? No single process is used by all consumers or by one consumer in all buying situations. The most current models see the consumer forming judgments largely on a conscious and rational basis.

Some basic concepts will help us understand the consumer evaluation process. First, the consumer is trying to satisfy a need. Second, the consumer is looking for certain benefits from the product offering a solution for that need. Third, the consumer sees each product as a bundle of attributes with varying abilities to deliver the benefits desired. The attributes of interest to buyers vary by product: for example, *hotels*—location, cleanliness, atmosphere, price; *mouthwash*—color, effectiveness, germ-killing capability, taste/flavor, price; *tires*—safety, tread life, ride quality, price. Consumers will pay the most attention to attributes that deliver the sought-after benefits. We can often segment the market for a product according to attributes and benefits important to different consumer groups.

More choice seems like a good thing, but this isn't always so—particularly when a consumer has no marked preferences or when no superior option exists in the awareness/consideration sets. Negligible differences among the options and time constraints further complicate the decision. Also, consumers will expend brainpower, time, and effort only in proportion to the importance of the decision task. The astute marketer must know when to reduce choice overload (and the cognitive effort imposed) by adding a superior option to the assortment (total set), reducing the amount of information customers must sift through, asking pertinent questions that aid in decision making, and alleviating time constraints involving sales or special offers.

Expectancy-Value Model. The consumer arrives at attitudes toward various brands through an attribute-evaluation procedure, developing a set of beliefs about where each brand stands on each attribute.[53] The **expectancy-value model** of attitude formation posits that consumers evaluate products and services by combining their brand beliefs—both positive and negative—according to importance.

Suppose a consumer has narrowed her choice set to four laptops (A, B, C, and D). Assume she's interested in four attributes: memory capacity, graphics capability, size and weight, and price. Table 3.1

TABLE 3.1 Laptop Computer Choice Set

Laptop Computer	Attribute			
	Memory Capacity	Graphics Capability	Size and Weight	Price
A	8	9	6	9
B	7	7	7	7
C	10	4	3	2
D	5	3	8	5

Note: Each attribute is rated from 0 to 10, with 10 representing the highest level on that attribute. Price, however, is indexed in a reverse manner, with 10 representing the lowest price, which consumers prefer.

shows her beliefs about how each brand rates on the four attributes. If one computer dominated the others on all the criteria, we could predict that this consumer would choose it. But, as is often the case, her choice set consists of brands that vary in their appeal. If she wants the best memory capacity, she should buy C; if she wants the best graphics capability, she should buy A; and so on.

If we knew the weight this consumer attaches to each of the four attributes, we could more reliably predict her choice. Suppose she assigned 40 percent of the importance to the laptop's memory capacity, 30 percent to graphics capability, 20 percent to size and weight, and 10 percent to price. To find this consumer's perceived value for each laptop according to the expectancy-value model, we would multiply these weights by her beliefs about each computer's attributes. This computation leads to the following perceived values:

$$\text{Laptop A} = 0.4(8) + 0.3(9) + 0.2(6) + 0.1(9) = 8.0$$
$$\text{Laptop B} = 0.4(7) + 0.3(7) + 0.2(7) + 0.1(7) = 7.0$$
$$\text{Laptop C} = 0.4(10) + 0.3(4) + 0.2(3) + 0.1(2) = 6.0$$
$$\text{Laptop D} = 0.4(5) + 0.3(3) + 0.2(8) + 0.1(5) = 5.0$$

An expectancy-model formulation predicts that this consumer will favor Laptop A, which (at 8.0) has the highest perceived value.[54] The expectancy-value model implies several strategies that a company can use to increase the probability that consumers will choose its offering. Suppose most laptop buyers form their preferences the same way. Knowing this, the marketer of Laptop B, for example, could apply the following strategies to stimulate greater interest in Brand B. First, the company might choose to redesign the laptop—for example, by changing its functional attributes, modifying its form, and improving service. Alternatively, the company can alter consumers' beliefs about the laptop, without necessarily modifying the laptop itself, by better communicating its benefits. The company might also alter consumers' beliefs about competitors' offerings by communicating the drawbacks of the competitive products. Finally, the company might alter consumers' beliefs about the importance of the different product attributes by persuading buyers to attach more weight to the attributes in which the brand excels.[55]

PURCHASE DECISION

In the evaluation stage, the consumer forms preferences among the brands in the choice set and may also form an intention to buy the most preferred brand. In executing a purchase intention, the consumer may make as many as five purchase decisions: brand (Brand A), distribution channel (Retailer X), quantity (one computer), timing (weekend), and payment method (credit card). This decision complexity often leads consumers to use mental shortcuts, or heuristics.

Decision Heuristics. The expectancy-value model is a compensatory model, in that perceived good things about a product can help to overcome perceived bad things. Thus, even though Brand A in the previous example lacked the graphics capability of Brand C, had the second lowest size/weight evaluation, and was more expensive than any other brand, its overall memory and graphics capacity won out relative to the other computers in the choice set. With non-compensatory models of consumer choice, positive and negative attribute considerations don't necessarily net out. Evaluating attributes in isolation facilitates decision making for consumers, but it also increases the likelihood that they would have made a different choice if they had deliberated in greater detail.

Rather than calculating the perceived importance of every attribute across products in a consideration set, consumers often take "mental shortcuts," called **heuristics** or rules of thumb, in the decision process. This is especially true when people are short on time or cognitive resources.[56] Our brand or product knowledge, the number and similarity of brand choices, time pressures, and the social context (such as the need for justification to a peer or boss) may affect whether and how we use choice heuristics. Consumers don't necessarily use only one type of choice rule. For example, they might use a non-compensatory decision rule.

A number of factors will determine the manner in which consumers form evaluations and make choices. University of Chicago professors Richard Thaler and Cass Sunstein show how marketers can influence consumer decision making through what they call *choice architecture*—designing the environment in which consumer decisions are structured and buying choices are made. According to these researchers, presenting choices in the right environment can give consumers a "nudge" via some small feature that attracts attention and leads to a specific desired behavior. They maintain that Nabisco is employing smart choice architecture by offering 100-calorie snack packs, which have solid profit margins, while nudging consumers to make healthier choices.[57]

The Level of Consumer Involvement. The expectancy-value model assumes a high level of consumer involvement and active processing by the consumer in response to a marketing stimulus. Richard Petty and John Cacioppo's **elaboration likelihood model**, an influential model of attitude formation and change, describes how consumers make evaluations in both low- and high-involvement circumstances.[58]

There are two means of persuasion in their model: the *central route,* in which attitude formation or change stimulates much thought and is based on the consumer's diligent, rational consideration of the most important product information; and the *peripheral route,* in which attitude formation or change provokes much less thought and results from the consumer's association of a brand with either positive or negative peripheral cues. *Peripheral cues* for consumers might include a celebrity endorsement, a credible source, or any object that generates strong emotional response.

Consumers follow the central route only if they possess sufficient motivation, ability, and opportunity. In other words, they must want to evaluate a brand in detail, have the necessary brand and product or service knowledge in memory, and have sufficient time and the proper setting. If any of those factors is lacking, consumers tend to follow the peripheral route and consider less central, more extrinsic factors in their decisions. We buy many products under conditions of low involvement and without significant brand differences. Consider salt. If consumers keep reaching for the same brand in this category, it may be out of habit, not strong brand loyalty.

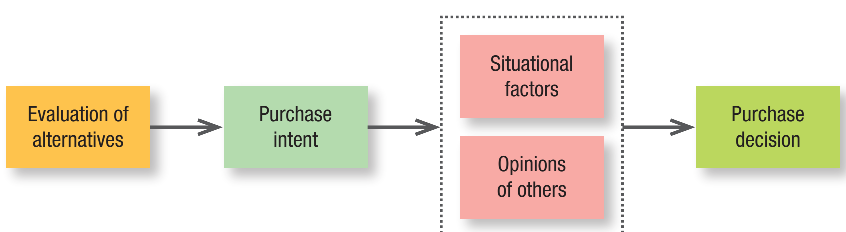
Evidence suggests there is low involvement with most low-cost, frequently purchased products. Low-involvement products carry little cost or risk and are not well differentiated, which also means that it's easy for consumers to switch to other products in this category or indulge in impulse buying to satisfy their need for variety. Marketers can boost habituation to the purchase of these products by stressing quality and brand affiliation and by ensuring effective distribution so that consumers aren't forced to look elsewhere if, for example, their usual bath gel or soap is not available.

Marketers use four techniques to try to convert a low-involvement product into one that encourages higher involvement. First, they can link the product to an engaging issue, as when Crest linked its toothpaste to cavity prevention. Second, they can link the product to a personal situation—for example, fruit juice makers began to include vitamins and calcium to fortify their drinks. Third, marketers might design advertising to trigger strong emotions related to personal values or ego defense, as when cereal makers began to advertise to adults the heart-healthy nature of cereals and the importance of living a long time to enjoy family life. Fourth, they might add an important feature—for example, GE's introduction of "Soft White" lightbulbs. These strategies at best raise consumer involvement from a low to a moderate level: They do not necessarily propel the consumer into highly involved buying behavior.

If consumers have low involvement with a purchase decision regardless of what the marketer does, they are likely to follow the peripheral route. Marketers must give consumers one or more positive cues to justify their brand choice, such as frequent ad repetition, visible sponsorships, and vigorous PR to enhance brand familiarity. Other peripheral cues that can tip the balance in favor of the brand include a beloved celebrity endorser, attractive packaging, and an appealing promotion.

Intervening Factors. Even if consumers form an evaluation, two general factors can intervene between the purchase intention and the purchase decision (see Figure 3.5). The first factor is the *attitudes of others.* The degree to which we're influenced by another person's attitude depends on two factors: (1) the intensity of the other person's attitude toward our preferred alternative and (2) our motivation to comply with the other person's wishes.[59] The more intense the other person's attitude and the closer he or she is to us, the more we will adjust our purchase intention. The converse is also true.

FIGURE **3.5**
Steps between Evaluation of Alternatives and a Purchase Decision



Related to the attitudes of others is the role played by infomediaries' evaluations: The *New York Times* Wirecutter website, which offers recommendations for tech and electronic products; *Consumer Reports,* which provides unbiased expert reviews of all types of products and services; J. D. Power, which provides consumer-based ratings of cars, financial services, and travel products and services; professional movie, book, and music reviewers; customer reviews of products, books, and music on such sites as Amazon.com; and the increasing number of chat rooms, bulletin boards, blogs, and other online sites like Angie's List where people discuss products, services, and companies.[60]

The second intervening factor involves the *situational considerations* that may erupt to change the purchase intention. The consumer might lose her job before she purchases a laptop, some other purchase might become more urgent, or a store salesperson might turn her off. Preferences and even purchase intentions are not completely reliable predictors of purchase behavior.

A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by one or more types of *perceived risk*.[61] These involve the *functional risk* that the product does not perform to expectations, the *physical risk* that the product poses a threat to the physical well-being or health of the user or others, the *financial risk* that the product is not worth the price paid, the *social risk* that the product results in embarrassment in front of others, the *psychological risk* that the product affects the mental well-being of the user, and the *opportunity risk* that the failure of the product results in spending more time and money to find another, more satisfactory product.

The degree of perceived risk varies with the amount of money at stake, the amount of attribute uncertainty, and the level of consumer self-confidence. Consumers develop routines for reducing the uncertainty and negative consequences of risk, such as avoiding decisions, gathering information from friends, and developing preferences for national brand names and warranties.[62] Marketers must understand the factors that provoke a feeling of risk in consumers and provide information and support to reduce it.

POSTPURCHASE BEHAVIOR

After the purchase, the consumer might experience dissonance from noticing certain disquieting features or hearing favorable things about other brands and will be alert to information that supports his or her decision. Marketing communications should supply beliefs and evaluations that reinforce the consumer's choice and help her or him feel good about the brand. The marketer's job doesn't end with the purchase. Marketers must monitor postpurchase satisfaction, postpurchase actions, and postpurchase product uses and disposal.

Satisfaction is a function of the closeness between consumer expectations and the product's perceived performance.[63] If performance falls short of expectations, the consumer is disappointed; if it meets expectations, the consumer is satisfied; if it exceeds expectations, the consumer is delighted. These feelings make a difference in whether the customer buys the product again and talks favorably or unfavorably about it to others. The larger the gap between expectations and performance, the greater the dissatisfaction. This is where the consumer's coping style comes into play. Some consumers magnify the gap when the product isn't perfect and are highly dissatisfied; others minimize it and are less dissatisfied.

Satisfaction influences customers' *postpurchase actions.* A satisfied consumer is more likely to purchase the product again and will also tend to say good things about the brand to others. In fact, one can argue that the highest level of success is achieved when a customer becomes an advocate and recommends the company's offering to others. Dissatisfied consumers may abandon or return the product. They may take public action by complaining to the company, going to a lawyer, complaining directly to other groups (such as business, private, or government organizations), or expressing their dissatisfaction to others online. Private actions include deciding to stop buying the product (exit option) or warning friends (voice option).[64]

Postpurchase communications to buyers have been shown to result in fewer product returns and order cancellations. Computer companies, for example, can send a letter to new owners congratulating them on having selected a fine new tablet computer. They can place ads featuring satisfied brand owners. They can solicit customer suggestions for improvements and list the location of available services. They can write intelligible instruction booklets. They can send owners e-mail updates describing new tablet applications. In addition, they can provide effective channels for speedy redress of customer grievances.

An important aspect of postpurchase behavior that marketers should monitor involves the *use* and *disposal* of the product. A key driver of sales frequency is the product consumption rate: The more

>> Quip created a sleek and simple toothbrush that relies on a subscription service that mails replacement batteries and brush heads to users every three months.

Source: ZikG/Shutterstock

quickly buyers consume a product, the sooner they may be back in the market to repurchase it. Consumers may fail to replace some products soon enough because they overestimate product life.[65]

One strategy to speed replacement is to tie the act of replacing the product to a certain holiday, event, or time of year (such as promoting changing the batteries in smoke detectors when Daylight Savings ends). Another is to offer the product on a subscription basis like Dollar Shave Club, whose razors are shipped monthly, and Quip, which delivers its electric toothbrush head refills every three months. Companies send monthly boxes to subscribers containing a variety of related products in areas that range from cosmetics (Birchbox) to clothing (Le Tote), food (Blue Apron), and dog care (BarkBox).

Another strategy is to provide consumers with better information about when they need to replace the product to sustain its current level of performance. Batteries have built-in gauges that show how much power they have left; razors have colored lubricating strips to indicate when blades may be worn; toothbrushes have colored bristles to indicate wear; and so on. Perhaps the simplest way to increase usage is to learn where actual usage is lower than recommended and persuade customers about the benefits of regular usage or of increasing the amount of product used on each occasion, which is behind the "shampoo, rinse, and repeat" instructions on everyone's favorite shampoo bottle.

marketing INSIGHT

Behavioral Decision Theory

Consumers don't always process information or make decisions in a deliberate, rational manner. One of the most active academic research areas in marketing over the past three decades has been behavioral decision theory, which studies how consumers make decisions in these situations. Behavioral decision theorists have identified many scenarios in which consumers make seemingly irrational choices. Here we review some of the decision issues in two broad areas: (1) heuristics and biases and (2) framing effects.

Heuristics are simple decision rules (or mental shortcuts) that people use to save time and minimize cognitive effort when forming judgments and making decisions. Thus, heuristics tend to focus only on the most relevant aspects of the problem, while paying little or no attention to other factors. This simplified approach to decision making often leads to choices characterized by lower accuracy and systematic errors that could result in suboptimal outcomes. These systematic errors, also referred to as *decision biases*, are particularly common in complex

(*continued*)

marketing insight *(continued)*

decisions when consumers have limited information while facing time constraints. Some of the most common decision heuristics are outlined below.

- The *availability heuristic* reflects people's tendency to judge that an event is more likely to occur if they can recall more instances of that event. For example, if asked whether more people in the United States die from homicide or emphysema, most people would attribute a greater number of deaths to homicide because it more easily comes to mind (news media give more coverage to homicide than to emphysema), even though in reality emphysema causes more deaths than homicide.
- The *representativeness heuristic* reflects people's tendency to judge the likelihood of an event occurring based on the degree to which this event is similar to the category it represents. A pale, meek, quiet person wearing glasses is more likely to be considered a computer geek than an active, outgoing, and outspoken one. This heuristic leads to a number of decision biases, including base-rate neglect, which ignores the actual probability of an event occurring.
- The *conjunction fallacy* results from people's erroneous belief that the probability of two events occurring jointly is greater than the probability of either event occurring independently. A classic example of the conjunction fallacy provided respondents with a description of Linda as bright, outspoken, and concerned with discrimination and social justice as a student. When asked to evaluate whether Linda is (A) a bank teller or (B) a bank teller and active in the feminist movement, most respondents chose the latter, even though a conjunction (B) cannot be more probable than one of its constituents (A).

Decision framing is the manner in which choices are presented to and seen by a decision maker. A $200 cell phone may not seem that expensive when compared to a $400 phone, but it may seem very expensive when compared to a phone costing $50. Framing effects are pervasive and can be powerful.

We find *framing effects* in comparative advertising, where a brand compares itself favorably to another brand with inferior features ("twice the cleaning power"); in pricing, where unit prices can make the product seem less expensive ("only pennies a day"); in product information, where larger units can seem more desirable (a 24-month warranty versus a two-year warranty); and in pitting a new product against existing products so consumers can better understand its superior functions and features.

When making financial decisions, consumers use a specific form of framing called *mental accounting*. Research has found that consumers tend to place different transactions into different mental accounts, even though there is no logic to doing so because money from any of these accounts can be used toward achieving any of the goals. Mental accounting is based on a set of core principles:

- Consumers tend to *segregate gains.* When a seller has a product with more than one positive dimension, it's desirable to have the consumer evaluate each dimension separately. Listing the multiple benefits of a large industrial product, for example, can make the sum of the parts seem greater than the whole.
- Consumers tend to *integrate losses.* Marketers have a distinct advantage in selling something if its cost can be added to another large purchase. For example, house buyers are more inclined to view additional expenditures favorably given the already high price of buying a house.
- Consumers tend to *integrate smaller losses with larger gains.* The "cancellation" principle might explain why withholding taxes from monthly paychecks is less painful than making large, lump-sum tax payments: The smaller withholdings are more likely to be overshadowed by the larger pay amount.
- Consumers tend to *segregate small gains from large losses.* The "silver lining" principle might explain the popularity of rebates on big-ticket purchases such as cars.

Consider a choice between two scenarios. In Scenario A, you spend $50 to buy a ticket for a concert. As you arrive at the show, you realize you've lost your ticket. You decide to buy a replacement. And in Scenario B, you decide to buy a ticket to a concert at the door. As you arrive at the show, you realize somehow you lost $50 along the way. You decide to buy the ticket anyway.

Which loss would you feel less keenly? Most people choose Scenario B. Although the loss is the same, in the first case you may have mentally allocated $50 for the concert, and buying another ticket would exceed your mental concert budget. In the second case, the money you lost did not belong to any account, so you have not exceeded any mental budget.[66]

summary

1. To successfully compete in the market and create customer value, managers must fully understand both the theory and the reality of consumer behavior.
2. Consumer behavior is influenced by three factors: cultural, social, and personal. Research into these factors can provide clues to help companies reach and serve consumers more effectively. Of these, cultural factors exert the broadest and deepest influence on people's perceptions and desires and on how they go about fulfilling their needs and wants.
3. Four main psychological processes affect consumer behavior: motivation, perception, learning, and memory.
4. Understanding consumer motivation begins with understanding the needs that consumers aim to fulfill with their actions. Some needs are biological and arise from physiological states of tension such as hunger, thirst, or discomfort. Other needs are psychological and arise from psychological states of tension such as the need for recognition, esteem, or belonging. A need becomes a motivation when it is aroused to a sufficient level of intensity to drive us to act. Motivation has both direction and intensity.
5. Perception is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world. In marketing, perceptions are more important than reality because they affect consumers' actual behavior. People emerge with different perceptions of the same object because of three perceptual processes: selective attention, selective distortion, and selective retention.
6. Consumer response is not all cognitive and rational; much may be emotional and evoke different kinds of feelings. Emotions are mental states that arise spontaneously rather than from conscious effort and reflect people's positive or negative reactions to internal and external stimuli.
7. Memory—the brain's ability to record, store, and retrieve information and events—plays an important role in consumers' purchasing decisions. There are two types of memory: *short-term memory*—a temporary and limited repository of information—and *long-term memory*—a more permanent, potentially unlimited repository. The *associative network model* views long-term memory as a set of nodes and links. *Nodes* are stored information connected by *links* that vary in strength.
8. The typical *buying process* consists of the following sequence of events: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. Consumers will not necessarily go through the buying process in an orderly fashion: They may skip and reverse stages and alternate between shopping online and offline. The marketers' job is to understand the buyer's behavior at each stage.
9. Consumers are constructive decision makers and are subject to many contextual influences. They often exhibit low involvement in their decisions, using many heuristics as a result. The attitudes of others and unanticipated situational factors may influence the decision to buy. A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by one or more types of *perceived risk*.
10. Marketers must monitor customer satisfaction and the ways in which customers use the company's offerings. Satisfaction is a function of the match between consumer expectations and the product's perceived performance. Monitoring satisfaction is important because it reflects the value customers receive from the company's offering. Examining customers' postpurchase behavior aims to capture the *use* and *disposal* of the offering both to detect potential problems and to identify new market opportunities.

marketing SPOTLIGHT

Mayo Clinic

Mayo Clinic is the first and largest integrated nonprofit medical group practice in the world. William and Charles Mayo founded the clinic over 100 years ago as a small outpatient facility and pioneered the concept of a medical group practice—a model that is widely used today.

Source: Bob Pool/Shutterstock

Mayo Clinic provides exceptional medical care and leads the nation in many specialties, such as cancer, heart disease, respiratory disorders, and urology. It consistently ranks at the top of *U.S. News & World Report*'s Best Hospitals list and enjoys over 80 percent brand recognition among U.S. adults. Mayo Clinic has reached this level of success by taking a different approach from most clinics and hospitals and placing unwavering focus on the patient experience. The clinic's two interrelated core values can be traced back to its founders and are at the heart of all the organization does: placing the patient's interests above all others and practicing teamwork.

Every aspect of the patient experience is considered at Mayo Clinic's three campuses in Rochester, Minnesota; Scottsdale, Arizona; and Jacksonville, Florida. From the moment patients walk into one of Mayo Clinic's facilities, they experience something entirely different.

It all starts with Mayo Clinic's greeters, who welcome new patients into the building and walk them through the administrative process. Returning patients are greeted by name with a warm smile. The buildings and facilities themselves are designed and built with the needs of patients in mind. One architect explained that the buildings are meant to make "patients feel a little better before they see their doctors." For example, the lobby of the Mayo Clinic hospital in Scottsdale has an indoor waterfall and a wall of windows overlooking mountains.

The 21-story Gonda Building in Rochester is Mayo Clinic's headquarters of sorts and where people from around the world come for medical help. The building has spectacular wide-open spaces, boasts huge windows reaching to the sky, and hosts Mayo Clinic's Center for Innovation, where many of Mayo's cutting-edge ideas come to life. The Center for Innovation was created with the mission of "Transforming the Delivery and Experience of Health Care." In order to come up with ideas that will accomplish this lofty goal, Center employees observe patients, interview families, and conduct research, as well as test and model possible solutions. For example, when Mayo Clinic called for a major room innovation, the Center for Innovation used prototype exam rooms in a flexible space so employees and patients could test the new layouts and discover the most efficient and patient-friendly environment. The resulting design was called "Jack and Jill rooms," a concept that separated the exam space from the conversation space. Two conversation rooms are now located on either side of the exam room and accessed by internal doors. This design benefits both patients and physicians, who like having a separate place to talk away from medical tools and equipment and the space to accommodate family members. In addition, physicians found it beneficial not to have furniture in the exam room.

The other significant difference in serving patients is Mayo Clinic's concept of teamwork. A patient can come to Mayo Clinic with or without a physician's referral. At the time of arrival, the patient's team is assembled; it can be composed of any blend of medical professionals, including the primary physician, surgeons, oncologists, radiologists, nurses, residents, or other specialists with the appropriate skill, experience, and knowledge.

Teams of medical professionals work together to diagnose each patient's medical problems. This can involve analyzing and debating test results for hours in order to determine the most accurate diagnosis and most effective treatments. Once a team consensus has been reached, the leader meets with the patient and discusses his or her options. Throughout the process, patients are encouraged to take part in the discussion. If surgery is necessary, the procedure is often scheduled to take place within 24 hours, a dramatic difference from the long wait that patients experience at many other hospitals. Mayo Clinic's doctors understand that those who seek their care want action as soon as possible.

Mayo's doctors are on salary instead of being paid by the number of patients seen or tests ordered. As a result, patients receive more individualized attention and care, and physicians work together instead of against one another. As one pediatrician at Mayo explained, "We're very comfortable with calling colleagues for what I call 'curbside consulting.' I don't have to make a decision about splitting a fee or owing someone something. It's never a case of quid pro quo."

Because Mayo Clinic is a nonprofit organization, all of its operating income is invested back into its research and education programs. Breakthrough research is quickly implemented into the quality care of the patients. Mayo Clinic offers educational programs through its five schools, and many of its physicians come up through these programs with Mayo's philosophy ingrained in their heads, including Mayo's motto: "The best interest of the patient is the only interest to be considered."

Mayo Clinic has been recognized by many third parties for its independent thinking, outstanding service and performance, and core focus on patient care and satisfaction. CEO Dr. John Noseworthy stated, "Sometimes we have to make decisions that don't make a lot of sense from a business standpoint, but they're the right thing for the patient." Perhaps that is why over a million patients come to Mayo Clinic for treatment each year, including U.S. presidents and foreign heads of state.[67]

Questions

1. Explain why Mayo Clinic is exceptional at serving patients. What value does Mayo Clinic create for patients?
2. What are the key points differentiating Mayo Clinic from other hospitals and medical facilities?
3. Do conflicts of interest exist between wanting to make patients happy and providing the best medical care possible? Why or why not?

marketing
SPOTLIGHT

Source: Casimiro/Alamy Stock Photo

Intuit

Intuit develops and sells financial, accounting, and tax preparation software and related services for small businesses, accountants, and individual consumers. The company was founded in 1983 by a former Procter & Gamble employee, Scott Cook, and a Stanford University programmer, Tom Proulx, after Cook realized there must be a better way to automate his bill-paying process. For over 35 years, Intuit's mission has been to "revolutionize people's lives by solving their important business and financial management problems."

Intuit launched its first product, Quicken, in 1984 but almost went out of business twice during those first few years. In order to survive, Intuit changed its distribution strategy and sold its software to banks. After some favorable reviews in the trade journals and an effective print advertising campaign that featured a 1-800 number, the company got its first break. By 1988, Quicken was the best-selling finance product on the market. The company launched QuickBooks, a bookkeeping and payroll software product for small businesses, in 1992 and went public the following year.

Intuit grew quickly in the early 1990s, thanks to the success of Quicken, QuickBooks, and TurboTax, a tax preparation software program. Intuit's products did something for small businesses that more complicated accounting packages didn't: They solved finance and tax problems in a simple, easy-to-use manner. Intuit was not the first company offering tax preparation software. There were at least 46 other companies already offering similar products. What made the original version of Quicken stand out is that it was well designed and had an intuitive interface: Instead of looking like a spreadsheet, it displayed the familiar images of a check register and individual checks. As a result, Quicken instantly became the market leader in personal finance software, even though it offered only one-third the features of many competing products.

Intuit's recognition that simplicity, rather than in-depth accounting analysis, was the key to creating customer value stemmed from its extensive consumer research. Intuit spends a significant amount of time and money—approximately 20 percent of net revenues—on research and development each year. Consumer research helps Intuit understand exactly how customers use and feel about their products amid the fast-paced world of technology, shifting consumer needs, and increased competition.

Field researchers can uncover insights from consumers in a variety of ways. Intuit researchers visit users' homes or offices to observe exactly how their products are used, what works well, what frustrates consumers, and how the products could be improved. Intuit conducts about 10,000 hours of these visits annually. Intuit also invites consumers to one of its research labs to test out and experiment with the company's new products and ideas. In addition, consumers are interviewed over the phone and are often asked to view new design concepts on the internet. The company also conducts extensive ongoing research to learn more about the future trends affecting small businesses. Intuit uses what it learns to improve versions of its products each year and better understand the next generation of financial and tax software.

This in-depth research has led to innovative new products and services in recent years. For example, Intuit employees watched younger consumers get frustrated using an Intuit tax software program because they couldn't complete their taxes via their mobile device. This frustration and Intuit's keen empathy for the consumer led to the development of the tax app SnapTax. The program automatically recognizes the data from consumers' W-2 forms and inputs these data directly into TurboTax. SnapTax was the first tool to allow people to completely prepare and e-file federal and state returns from their smartphones. Consumer response was overwhelming: Within two weeks of its release, SnapTax had replaced Angry Birds as the number-one app on iTunes.

Realizing the importance of streamlining the data entry process, Intuit acquired Mint—an online personal finance management service that enabled customers to enter their bank password and download all their spending information automatically, eliminating data entry and showing them a pie-chart view of their finances. Following the acquisition, Intuit incorporated many of Mint's features into its own software, reducing the "time to pie," the number of minutes between when customers begin using a program and when they see the first payoff—clear, well-presented budgets and pie charts. Understanding that tax preparation is an effortful and highly emotional process, Intuit begun to focus not only on software functionality but also on the emotional payoff by reducing effort and speeding up the process by which customers receive their tax refunds.

Although Intuit's marketing campaigns have evolved over the years, positive word of mouth and exceptional customer service have been the company's most effective marketing tools since the early days. Indeed, roughly 8 out of 10 customers buy Intuit products because of informal, word-of-mouth endorsements. Inuit's ability to gain and defend market position is greatly facilitated by the power of its consumer ecosystem—comprising TurboTax, Quicken, QuickBooks, and Mint—to offer its customers more money, time, and confidence. As Intuit expands globally, it is developing new products to better address ever-evolving customer needs. In 2019, the company developed a solution that allows Coinbase and Coinbase Pro clients to upload their transactions, gains, and losses directly to TurboTax Premier, which will then help customers determine how to file their taxes.[68]

Questions

1. Why are consumer research and design thinking so critical to Intuit's success?
2. What value does Intuit create for its customers?
3. What are the challenges Intuit faces in the near future?