Introduction to Advertising

Advertising Practices

MKTG 3809

Advertising Practices

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These materials have been adapted from the following OER resources:

Launch! Advertising and Promotion in Real Time by Solomon et al. 2009: <https://open.umn.edu/opentextbooks/textbooks/launch-advertising-and-promotion-in-real-time>

Principles of Marketing by Lumen Learning <https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016/>

Introduction to Marketing by USG Ecore <https://go.view.usg.edu/d2l/home/2366486>

# MODULE 2 - Understand the consumer

Why do marketing information and research matter? Because no one has all the answers all the time. Because people and attitudes and behaviors change. Because customers, competitors, the economy, and other factors can all affect your success. Marketing is an increasingly data-rich field, and these days, doing it well means using all the information you can to gain insights into what your customers want and how you can give them value. Without that information, you’re trying to shoot a target in the dark.

The business environment is increasingly competitive. With something as simple as a Google search, customers have unprecedented opportunities to explore alternatives to what any single company offers. Likewise, companies have ample opportunity to identify, track, and lure customers away from their less-vigilant competitors. A regular infusion of fresh customer insights can make all the difference between keeping customers and losing them. Marketing information and research are essential tools for marketers and the management team as they align strategy with customer wants and needs.

Knowledge is power. In the ad biz, that power comes from knowing as much as you can about your audience. Who is buying what you’re selling? What are their hot buttons? What are their needs, and which of those needs is your client’s product or service equipped to satisfy? You can create the prettiest ad in the world, but if it doesn’t address the right customer you might as well throw your money out the window.

## Marketing research

Marketing research is a systematic process for identifying marketing opportunities and solving marketing problems, using customer insights derived from the collection and analysis of marketing information. Marketing research identifies the problem to be solved or the opportunity to be explored, as well as the information required to address research questions. It also involves processes for collecting the information, analyzing it, identifying insights, and reporting findings and recommendations to those who will take action based on the results.[[1]](#footnote-1)

Marketing research may cover a full spectrum of topics related to customers, products, and market dynamics, and it can use a variety of research methods (which will be discussed later in this module). In general, marketing research requires some additional information beyond what marketers have at their fingertips (like, say, internal data). Sometimes it is necessary to collect new primary data directly from target audiences, such as current or prospective customers. In other situations, marketing research uses secondary data captured previously by another organization. Marketing research may incorporate internal data and/or competitive intelligence in order to provide a more complete answer to a marketing problem or question.

## What Should Marketers Investigate Using Marketing Information?

An easy—and truthful—answer to this question is “everything.” There is no aspect of marketing to which information and research do not apply. Every marketing concept and every element involved in the marketing management process can be subjected to a great deal of careful marketing research and inquiry.

Common subjects for marketing research include:

* **Environmental factors** and how they affect consumer behavior. These include factors such as the health of the economy, the legal environment, market trends and other social factors, technology and its influence, and cultural factors that make doing business different in one region or country compared to others.
* **Customer attitudes, behaviors, and perceptions**. Marketing research can be essential in understanding customer needs, how their needs are or aren’t being met by the market, views about various products and companies, satisfaction levels, preferences for product features and pricing, the consumer decision-making process, and factors that influence it.
* **Product research.**Product research explores where opportunities and gaps exist for improving existing products or introducing new ones, concept testing, sizing the market for a product, market penetration, prioritizing product features and preferences, testing product effectiveness and customer receptivity, user testing, pricing strategies, product naming and branding, and gauging how to position a product relative to competitors.
* **Marketing, advertising, and promotion research.** This area of research seeks to improve the effectiveness and reach of marketing activities such as market segmentation, messaging and communications, advertising and media testing, events and sponsorships, packaging and display testing.
* **Corporate research.** Corporate research investigates corporate reputation and opportunities for strengthening an organization’s position in the market through brand building, research and development, mergers and acquisitions, strategic partnerships, corporate planning and profitability.

Some important questions include:

* Who is the customer?
* What problems is the customer trying to solve with a given purchase?
* What does s/he desire in the way of satisfaction?
* How does the customer get information about available choices?
* Where does s/he choose to purchase?
* Why does s/he buy, or not buy?
* When does s/he purchase?
* How does s/he go about seeking satisfaction in the market?

Seeking answers to these questions yields insights into the customer’s needs, perceptions, and behaviors. Another area in which research is critical is profitability. Organizations need to forecast sales and related costs in order to understand how their operations will be profitable. They also need to plan competitive marketing programs that will produce the desired level of sales at an appropriate cost. The analysis of past sales and interpretation of cost information are important in evaluating performance and providing useful facts for future planning. All these activities rely on marketing information and a rigorous marketing research process to produce insights managers can trust and act on.

### Why research matters - example: Procter & Gamble goes to China[[2]](#footnote-2)

For decades, the consumer products company Procter & Gamble has been a visible leader when it comes to relying on marketing research and using it to guide marketing strategy decisions. In particular, it has focused on ways of entering new markets and establishing a leading market position. As it explored opportunities for market leadership in China, one standout product category was disposable diapers, a profitable category for P&G in the U.S. and other global markets.

In the early 2000s, the company rushed in to launch Pampers in China, its leading disposable diaper brand. The effort flopped. Culturally, Chinese parents did not see the need for the new American disposable diaper product. They were doing fine using cloth diapers and *kaidangku*, the open-crotch pants used traditionally for infants and young children. Instead of pulling out, P&G turned to marketing research for additional insights about ways of generating demand for Pampers. The research focused on identifying “winning qualities” of disposable diapers that would make Chinese mothers interested in trying the product. It concluded that improving infants’ sleep quality could become a powerful motivator.

In 2007, P&G launched campaign called “Golden Sleep” to promote the idea that Pampers disposable diapers can help babies fall asleep faster and sleep with less disruption. Marketing research was directly responsible P&G’s adjustments to product positioning and promotion strategy. The campaign invited parents to upload pictures of their sleeping babies to a Chinese Pampers Web site. This reinforced the link between Pampers products and the message of “better sleep for babies.” The ad campaign also featured research results linked to Pampers and infant sleep such as, “Baby Sleeps with 50 percent Less Disruption,” and “Baby Falls Asleep 30 percent Faster.”

“Golden Sleep” was a tremendous success, moving Pampers to a leading market position and creating broad demand for a product category that was previously almost nonexistent in China. P&G attribute this success to the insights generated by a marketing team and research effort focused on better understanding and addressing customer needs

### Why research matters - example: Shaking up the milkshake[[3]](#footnote-3)

A fast-food restaurant chain identified milkshakes as a focus for improving sales. Initial marketing research efforts were focused on creating a “typical” milkshake-drinker profile. The researchers then found people who fit the profile and were willing to help them understand what constituted the ideal milkshake: thick or thin? Which flavors? Smooth or chunky? These effort led the company to tinker with its milkshake products, segmentation, targeting, and promotion strategies, but sales still did not improve.

The company hired an outside researcher to help the company understand what they might be missing about milkshakes. This researcher spent time in a restaurant observing and documenting milkshake sales, as well as talking to milkshake buyers about why they had made their product choice. A couple of key insights emerged about milkshake buyers. First and somewhat surprising, 40 percent of milkshake sales took place early in the morning, and the buyers were commuters on their way to work. Second, the ideal milkshake for these customers was thick and substantial but easy to consume during a commute.  Third, another key buyer audience was parents purchasing a treat for children, but the ideal milkshake for them was a thinner product children can drink quickly with a straw.

Acting on these new insights, the company adjusted its marketing strategy. Instead of focusing on a single “milkshake buyer” profile, it reformulated its milkshake products and promotion strategy to better fit the needs of different types of target milkshake customers. It offered a thicker, chunkier “morning milkshake” to appeal to commuters who wanted a satisfying alternative to a morning donut or bagel. The chain also introduced a different milkshake positioned as a kid treat, which offered the thinner, easier-and-quicker-to drink benefits parents wanted. Persistence and perseverance in the marketing research process led the company to dig deeper to understand customers, their unique needs, and how to adjust marketing strategy in response to this new information.

## Types of data

In research, we differentiate between two types of data – primary and secondary data. You will focus on primary data collection methods in other classes such as Marketing Research. In this class we will focus on collecting secondary data.

Figure 2.3. Types of data

### Primary data

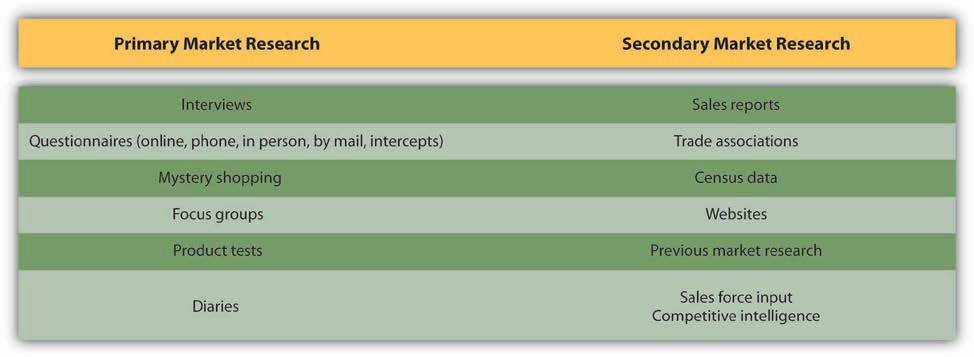
*Data is the key to knowing the customer*. An advertiser and its agency can obtain this knowledge from two basic kinds of sources, each with respective advantages and disadvantages. **Primary data** is new information the company gathers directly from respondents the company talks to, surveys, or interviews. Primary research focuses specifically upon the issues that need to be answered to develop the campaign. For example, if a company does a telephone survey of consumers’ opinions of the latest ad campaign, that’s primary research.

You will learn more about primary data from market research course, as you will not be collecting this kind of data for your campaign, in this class we are focusing only on the secondary data that can be collected through secondary market research methods listed in column 2 of the following figure.

### Secondary data – tapping into existing sources of information

In contrast**, secondary data** refers to information that has already been collected for a previous purpose, often by a third party that routinely performs such research. Internal data and some external data are freely available or have only a nominal cost. Other secondary-data providers charge fees to marketing researchers who want to access their data sets, reports, and customer insights. Common types of secondary data are described below. For example, government census data is secondary data—the government collects information about citizens’ household size, ages, and incomes for its own purposes. This information is available free in its raw form, and in addition numerous companies “package” it and sell it in various ways to third parties.

Figure 2.3. Primary vs secondary data



#### Internal data

A company’s internal data, such as sales and marketing records, customer account information, product purchasing and usage data are typical secondary data sources. Previously prepared marketing research reports may also be a great source of insights as you seek to solve a new or related business problem. Marketing researchers may also compile a large amount of internal data into a shared database and conduct marketing analytics to understand patterns in customer behavior, market trends, and other insights to guide management and marketing strategy decisions.

#### Government and Nongovernmental Organization (NGO) Data

Many government agencies as well as nonprofits and other nongovernmental organizations collect and publish vast amounts of freely available data that may be useful for marketing research purposes. For example, demographic data published by the [**U.S. Census Bureau**](http://www.census.gov/) offers great insight into the makeup of the U.S. population by age, gender, educational attainment, and many other factors.  The U.S. Bureau of Economic Analysis publishes economic indicators for the nation at large, as well as economic data associated with domestic industries, states, regions, and so forth. The World Trade Organization publishes economic data, trade statistics, and information about the regulatory environment for business for more than one hundred WTO member countries.

##### How can we use government research sources – Midas[[4]](#footnote-4)

When leading auto-repair franchise Midas developed a formula for “placing” their new franchised stores in successful locations, they turned to government research sources such as U.S. census data.  The company explains that they look for “streets with high traffic counts, with 50,000 or more residents within three miles, and with speed limits no higher than 45 miles per hour. We look for areas that have several other major food, automotive, or retail brands, and we like to put new locations near car dealerships, since many customers transition their freshly out-of-warranty cars from dealer maintenance to Midas.”

#### Industry Associations, Professional Journals, and Media

A variety of industry and professional associations publish data to inform professionals and the general public about what’s happening in their profession or economic sector. Most industries also have dedicated media that focus on pertinent news, research, and developments including online or offline news outlets, magazines, newsletters and journals, as well as popular Web sites, blogs, and other online forums. Similarly, academic journals and libraries can be great secondary data sources for influential developments. Topics can range broadly, from sizing industries and product categories to discussions of key challenges faced by organizational leaders such as corporate chief information officers or college and university presidents. Marketers should be attuned to the organizations and publications that cover the industries or product categories they work within. These will likely be the most fertile sources of insightful, up-to-date secondary data.

#### Commercial Marketing Research Data

A number of commercial marketing research companies offer syndicated marketing research. Syndicated research usually covers topics that may be of interest to multiple organizations. Research companies collect data, analyze it, and resell it to organizations interested in the topics and consumers these initiatives explore. Often these projects collect vast amounts of consumer data over time, providing a useful historical view about the consumer population and how it may be evolving over time.

For example, the research company Nielsen captures data associated with PRIZM, an elaborate lifestyle and behavioral segmentation of the U.S. consumer market. Marketers can purchase data and analyses from Nielsen to help them better understand the PRIZM segments and how these segments map to target audiences they want to reach and penetrate. Nielsen also collects *scanner data*, which are detailed information about the sale of consumer goods obtained by “scanning” the bar codes for individual products at electronic points of sale in retail outlets. The data can provide information about quantities, characteristics, and prices of goods sold[[5]](#footnote-5).

*Student Monitor,* another example of a commercial marketing research company, tracks attitudes, trends, and behaviors among American college students. Industry analysts like Forrester, Gartner, and Outsell publish research reports that estimate market size, penetration, and how competitors stack up against one another in various industries and product categories. Still other research firms offer syndicated research and insights about consumer trends and developments in various global geographies, industries, economic sectors, and product categories.

Database marketing organizations, sometimes called *customer insights services providers*, collect massive amounts of information about consumers by linking financial and credit data to tracking data about online and offline purchases and other behaviors. Then they mine these data to find patterns and indicators about which data points are most useful for sales and marketing purposes. Organizations can purchase access to this information for use in marketing research analyses as well as ongoing marketing activity. They can also combine it with their own internal data to get a richer view of their customers and target segments.

#### Advantages and disadvantages of secondary data

Like primary data, secondary data offers pros and cons. The following are its advantages:

* *Inexpensive*. The costs are shared or already paid.
* *Rapidly accessible*. The data has already been collected and analyzed.
* *Large sample size*. The pooled resources of the government agency or trade organization allow it to survey thousands or millions of people.
* *Reliable*. The external research organization may have years of experience in gathering and analyzing a particular type of data.

The following are secondary data’s disadvantages:

* *Dated*. The secondary research may have been done months or years before.
* *Widely disseminated*. A company’s competitors have access to the same information when they devise their strategies.
* *Generic or off-target*. The goals of the external research organization may be different from those of the company.

Figure 2.3.2.5. Advantages and disadvantages of secondary data

## Who – Know your target audience

Before an advertiser can decide what a campaign should say, the advertiser needs to devote a lot of thought to identifying the target of the message. Target marketing is the process of identifying the types of people who are most likely to want your product and then tailoring your efforts to satisfy their unique needs. We do this when we use the STP (Segmenting, Targeting, Positioning) process, which consists of these three steps:

1. **Segmenting**subdivides the population to help you think about who are and are not the potential customers for your product and the potential audience of the advertising.
2. **Targeting**picks the segment(s) for the campaign that will be the focus of the advertising.
3. **Positioning**is how to think about the relationship between your product and the customer/audience, with the purpose of distinguishing your product from the competition.

In short, STP gives you a framework for understanding: Who are your customers? How many customers are there? Where do they live? How do they spend their time? Why do they buy?

One of the primary jobs of the account planner is to develop an empathic understanding of the target consumer, to get under their skin and understand their rational and sometimes irrational attractions to brands.

**Segmentation** is the process of dividing a larger market into smaller pieces based on one or more meaningful and measurable shared characteristics. It’s crucial to slice up the pie so you can focus your resources on customers whose needs you have the best chance of satisfying. These are the benefits of a segmentation approach.

Segmenting the population gives you a concrete vision of your potential customer. For example, targeting upper-income unmarried men with a college education gives you a more specific vision of the intended audience than does simply advertising to “people.”

Segmenting the population provides focus and specificity on those people most likely to buy your product. It’s better to find the five million people who are 80 percent likely to buy than it is to find the eighty million people who have a 5 percent chance of buying.

Segmenting the population lets you estimate the number of people in a given category (such as “Affluent Retirees”), which gives you an idea of your potential market size. Knowing how many potential customers you’ll have influences your sales estimates, your total marketing budget, and the advertising media you use.

### Demographic Segmentation

**Demographics** are measurable aspects of a population. Each key variable is usually defined in terms of a small number of categories or ranges. For example, age data might record the number of thirty- to forty- year-olds in aggregate, rather than separately tallying each age group of people who are thirty, thirty-one, thirty-two, thirty-three, and so on.

Figure 2.4.1. Demographics

These are widely used demographic measures:

* **Gender** of the individual or head-of-household (e.g., Female)
* **Age** (e.g., 18–24)
* **Life stage** (e.g., empty-nest parents who have more time for each other now that their kids are in college)
* **Household income** (e.g., $30,000–$40,000 per year)
* **Education** (e.g., college graduate)
* **Occupation** (e.g., banker)
* **Race/ethnicity** (e.g., African American)
* **Religion** (e.g., Buddhist)
* **Socio-economic status** or **SES** (e.g., DINKs—“double income, no kids”)

### Geographic Segmentation

Geography plays three roles in the target marketing process:

1. **Customer and market characteristics**. Geography defines key aspects of climate, culture, and customer density. Think about where people buy snowshoes, the time of year Midwesterners hold backyard barbecues, or the differences between laid-back Southern Californians and ambitious New Yorkers. News items and ads served on msnbc.com when possible need to be relevant to the geographic profile of a registered user; a web surfer in Florida probably isn’t too interested in today’s ski conditions.
2. **Advertising channels**. Some advertising strategies, such as newspapers and direct mail, are strongly tied to geography. For example, automobile companies tailor their ads by geography. Automakers purchase TV time on local cable stations and tailor the ads based on where people live. People who live in zip codes located in the suburbs see ads for SUVs, while those in the cities see commercials for cars—during the same programs. As you’ll learn in the media planning chapter, msnbc.com made very strategic geographic media and messaging decisions in order to maximize the value of their buy.[[6]](#footnote-6)
3. **Product distribution**: Many companies, especially small and medium-size businesses, have a regional scope. Even national companies like Wal-Mart want to assess how many people live within ten miles of a store that carries a product that they will promote.

Most geographic segmentation schemes use definitions the government created for census, postal, and economic forecasting purposes.

* *Zip code*. Zip codes, as defined by the U.S. Postal Service, identify each of roughly forty-three thousand neighborhoods. Other countries, too, have analogous postal code systems. Zip codes are often the basis for direct mail advertising. Car dealers use zip code information as a proxy for income, making different offers, such as lease-to-own or cash incentives, to entice potential buyers in different neighborhoods.

In addition to other applications, a widely used system called PRIZM helps clients to fine-tune their advertising by directing mailings to specific types of customers based upon where they live (“birds of a feather flock together”). PRIZM (Potential Rating Index for Zip Markets) classifies all U.S. neighborhoods into sixty-two distinct clusters based upon very detailed data about the products and media people who live in different neighborhoods consume relative to the national average. PRIZM offers a little something for everyone, with groups like Urban Gold Coast (elite urban singles and couples), New Empty Nests (upscale suburban fringe couples), and Norma Rae-ville (young families in biracial mill towns).

### Psychographic Segmentation

While demographics are useful, advertisers often need to slice and dice even further. Traditional demographic segments (such as gender, age, and income) provide only a rough estimate of the attitudes and desires of different groups, so marketers often give consumer groups labels that capture something about their lifestyles and motivations as well.

Imagine an advertiser that defines a segment as *recent moms*. This label implies that all women who have recently given birth are fairly similar and that they all will respond the same way to an advertising message—how accurate is that assumption? The company’s target market could be women aged thirty-five to forty-five who have gained weight after having their babies but don’t want to look matronly. They are affluent, suburban, and casual yet fashionable. She thinks classic sportswear like is too formal but contemporary sportswear is too young. The mom wants clothes that look pretty and feminine and have flair but offer a generous, not- too-tight fit.[[7]](#footnote-7)

**Psychographics** refers to dimensions that segment consumers in terms of personality, values, attitudes, and opinions. While demographics can divide people along specific (often quantitative) dimensions, psychographics captures the reasoning and emotion behind people’s decisions. This information also enables advertisers to capture the themes, priorities, and “inside meanings” that a specific taste culture identifies with.

Sometimes marketing and advertising firms create psychographic segmentation systems with cute names or acronyms for the segments, such as DINKs (double income, no kids), who are good targets for yuppie products like expensive roadsters and exotic vacations, or even DINKWADs (double income, no kids, with a dog), who are like DINKS but would add in lots of treats for a pampered pooch.

It’s very rare for an idea, product, or service to appeal to all consumers. Segmentation is the process of dividing the total population into groups that share important characteristics relevant to a client’s product or service. These segments may be based on demographics, psychological/lifestyle characteristics (psychographics), or behavior (e.g., heavy users versus light users of the brand).

1. *Segmenting* subdivides the population to help you think about who are and are not the potential customers for your product and the potential audience of the advertising.
2. *Targeting* picks the segment(s) for the campaign that will be the focus of the advertising.
3. *Positioning* is how to think about the relationship between your product and the customer/audience, with the purpose of distinguishing your product from the competition.

Today, companies define and manage finer and finer segments. In the past, segments had to be broad because it was difficult to reach finer-level segments and because such fine-grain data were not available. Now, companies can process terabytes of data on customers, and new ad channels (such as keyword advertising on the Internet) allow companies to reach smaller segments, down to segments of one (yes, like you).

**Behavioral targeting** refers to putting ads in front of people customized to their Internet use. It’s become fairly easy for marketers to tailor the ads you see based on prior Web sites you’ve visited. The logic is inescapable: you’re more likely to respond (and probably appreciate) an ad for an idea, product, or service that’s relevant to your needs.

Obviously, privacy concerns arise as advertisers learn more about the sites we visit. But many consumers seem more than happy to trade off some of their personal information in exchange for information they consider more useful to them. More than half of respondents in one recent survey said they’re willing to provide demographic information in exchange for a personalized online experience. [2] While the ethics of gathering personal information are still being evaluated, behavioral targeting is the next frontier for many advertisers.

### Behavioral Segmentation

**Behavioral segmentation** slices the market in terms of participation or nonparticipation in an activity. Sometimes this involves identifying the different ways consumers use products in a category. Segmenting by behavior often singles out heavy users of a product, because even though these consumers may be relatively small in number, they often are key to sales in a category. Indeed, there is a lot of truth to the so-called 80/20 rule: this is a rough rule of thumb that says 20 percent of customers buy 80 percent of a product.

## Positioning

**Positioning** means developing a strategy to influence how a particular market segment perceives a good or service in comparison to the competition. Positioning increases potential ad effectiveness by clarifying the message. This step is all about defining a space in the mind of the customer— something that your customer thinks of and associates with your product.

Remember that positioning doesn’t just mean what your target market thinks about your product. Rather, it’s about how she thinks about it relative to competitors’ products—your product is less expensive, performs better, or fits better with the customer’s lifestyle. Positioning often relates to a brand’s strategic objectives. Looking back at our previous discussion of behavioral segmentation, the advertiser might think about potential customers in terms like these:

* *Does not use* the advertised product category—the company wants to convert nonusers to users (grow the market).
* *Uses a competitor’s version* of the advertised product category—the company wants to gain market share at the expense of competitors by creating or capturing *brand switchers*.
* *Uses an alternative version* of your product in the advertised product category—the company wants to upsell customers (get them to buy a more expensive version of its product) or migrate them to future product variants.
* *Uses the advertised product*—the company wants to increase the frequency or volume of purchases or reinforce brand loyalty.

### Positioning Dimensions

* *Value*: The product reaches price-sensitive customers by being low cost. An example would be Wal-Mart’s “Every Day Low Prices.” Companies often create *subbrands* to create distinctive positioning for the brand based on price. The Gap, for example, is a mid-price clothing store, while its sister company Banana Republic is a higher-priced clothing store, and Old Navy is the value-priced offering. Similarly, Volkswagen’s Skoda brand is known as the low-cost car brand.
* *Performance*: The product is high performing on one or more dimensions that the target audience seeks. For example, if you focus on a lifestyle or design position, you appeal to the customer who values the social or aesthetic statement a brand makes—and often what others will think about him or her after the purchase. For example, Chanel is a designer-led luxury brand. The company has identified a new group of customers it wants to target. Chanel calls the group “new wealth”—women who have acquired a significant amount of money at an earlier age than previous generations. These women, with a net worth of over $1 million, have more cutting-edge fashion tastes. When Chanel CEO Maureen Chiquet strategizes about launching a new perfume to appeal to this customer segment, her watchword is exclusivity. “Let’s not be thinking about how big we can make this,” she tells her team, “but how exclusive and special you can keep it.”[[8]](#footnote-8)
* *Functional*: Solves a specific problem or accomplishes a specific goal for the customer. Tide-to-Go®, for example, solves the problem of removing a stain when there’s no time to launder the garment.

Positioning your product or service to appeal to the needs of a specific group can set it apart from competitors that are also vying for the same consumers. A client’s product or service can be positioned relative to the competition along such dimensions as lifestyle, reasons for use, or quality/price tradeoffs.

## Promotional strategy – example

Dan conducted both primary and secondary research to get a handle on who Bookends’ customers are—and who they aren’t. Here is the profile data you compiled of three target segments that the company should focus on:

Figure 2.6. Bookends Target Segment Profiles

|  |  |  |  |
| --- | --- | --- | --- |
| Characteristics | Bored Empty-Nesters | Busy Families | Hipster Wannabes |
| **Age & family status** | 45–75, mix of single and married | 25–50, mostly married with kids under 12 | 15–35, mostly single |
| **Times most likely to visit Bookends** | Daytime, evenings, weekends, holidays | After school, weekends, summertime, holidays | Evenings & weekends |
| **Most likely to buy** | Cards, gifts, novels, history/biography | Kids’ books, how-to books, bestsellers | Magazines, used books, graphic novels, snacks |
| **Why they come to Bookends** | Socialize, shop, read | Family outing | Socialize |
| **Communications preferences** | Hard copy, email, face-to-face | Email, texting, Facebook | Texting, Twitter, Instagram & beyond |
| **Effective promotions** | Coupons, loyalty cards | Loyalty points (recorded electronically) | Point-of-sale |
| **What they wish Bookends would offer** | Book clubs & discounts | More hours in the day | Coffee, beer & wine, live music |
| **% of all customers/month** | 36% | 27% | 21% |
| **Avg. # of customers/month** | 144 | 108 | 84 |
| **% of monthly revenue** | 43% | 29% | 18% |
| **Avg. monthly revenue/person** | $30 | $27 | $21 |

Together, these segments make up more than 80 percent of Bookends’ clientele and about 90 percent of its monthly revenue. Looking at what they buy and why they come to Bookends, you’re getting some good ideas for ways of making the store more attractive for current customers, and you’ve got some ideas for bringing in new ones. With this new and improved information, it’s time to get to work on a marketing strategy and mix for each target segment. This information would inform the marketing mix strategies for each target segment, including the promotion strategy which is our focus in this class.

### Promotion strategy for Bored Empty-Nesters

Bookends’ Bored Empty-Nesters are both the largest and the most profitable of the target segments. They have more time and more disposable income, and they spend more of both at your uncle’s bookstore. They like to use Bookends as a meeting place with friends and acquaintances, and you think that is a promising direction. The “product” you’re adjusting is not just the books you carry, but the whole experience customers have when they come to Bookends. Dan is excited about introducing book clubs—one for fiction and one for nonfiction books—to cater to this segment’s interests. Since Empty-Nesters have told you they love both socializing and getting a discount, you and Dan are trying out a “buddy night” promotion, in which people get a better price if they talk their friends into spending at Bookends, too.

Here is your Bored Empty-Nester game plan for the next couple of months:

Figure 2.6.1. Bookends Segment Strategy: Bored Empty-Nesters

|  |  |
| --- | --- |
| Element | Marketing Mix Adjustment |
| **Marketing Goals** | 15% increase in store visitors for this segment 20% increase in monthly revenue per person |
| **Product** | Carry larger selection of history and biography Adjust shelves and seating to create more socializing spaces Launch two book clubs led by Dan and longtime employee Emma, one featuring new fiction and the other on new nonfiction |
| **Promotion** | Print flyers, posters, and send emails about book clubs, buddy discount Set up in-store sign-up table for book club Introduce Thursday night “buddy discount”: Get 5% off if you and a buddy each spend over $20 Explore interest in loyalty program: Spend $100 to get 10% discount on next purchase |
| **Price** | Offer 5% discount on monthly book club selection |
| **Place** | No changes (yet). Explore opening online store |

### Promotion strategy for Busy Families

Research tells you that Busy Families come to Bookends as a family outing, so you need to make some aspects of the store more family-friendly, without ruining the atmosphere for your other target segments. The socializing-area adjustments you’re already planning for the Empty Nesters will be good for the Family segment, as well. You’re trying to get parents to spend a little more money at Bookends each month, so you’re adding a small toy section, a slightly expanded children’s book section, and also bottled drinks, packaged cookies, and brownies from a delicious local bakery. These adjustments add to the Bookends experience and include some new items Dan can sell with a nice profit markup.

Your Busy Families marketing mix is shaping up like this:

Figure 2.6.2. Bookends Segment Strategy: Bored Empty-Nesters

|  |  |
| --- | --- |
| Element | Marketing Mix Adjustment |
| **Marketing Goals** | 10% increase in store visitors for this segment 10% increase in monthly revenue per person |
| **Product** | Increase selection of DIY, crafting, and “How-To” books Slightly expand children’s book selection and add a small toy section Add child seating to the kids’ area, and donate your old train table to the Bookends cause Hold children’s story hour on Tuesdays and Saturdays with stories, songs, games Sell packaged baked goods from a local bakery and bottled drinks |
| **Promotion** | Send emails and post to Facebook about story time, bigger kids’ area, buddy discount, social media discount promo Explore interest in loyalty program: Spend $100 to get 10% discount on next purchase |
| **Price** | Run Facebook promotion offering 5% discount to people who post about Bookends |
| **Place** | No changes (yet). Explore opening online store |

### Promotion strategy for Wannabe Hipsters

The Wannabe Hipsters are an interesting group. You almost didn’t include them in the three target segments because they are a smaller-sized group and don’t spend as much as the others. However, they do make up one in five Bookends customers, so it’s worth reaching out to see if you can bring more of them into the store and get them to spend more money while there. Fortunately, they like to come to Bookends during times when there aren’t many Busy Families around, so that opens some unique possibilities for ways of appealing to both segments.

Dan is excited about your suggestion to invite local bands to perform on Saturday nights. The Hipsters you spoke with suggested Dan try this, and it could make Bookends more of a social draw for that crowd. By rearranging shelving to create more socializing space, it opens up enough area for a live band to play for a small audience.

The Hipster crowd has decidedly different communication preferences compared to the other groups, so your communication and promotion activities reflect this. To make sure they see the buddy discounts you’re offering, you suggest that Dan add signage about this promotion near the checkout counter, since that’s the place this audience is most likely to notice it.

The broad strokes of your Hipster Wannabe strategy are the following:

Figure 2.6.3. Bookends Segment Strategy: Bored Empty-Nesters

|  |  |
| --- | --- |
| Element | Marketing Mix Adjustment |
| **Marketing Goals** | 15% increase in store visitors for this segment 20% increase in monthly revenue per person |
| **Product** | Adjust shelves and seating to create more socializing spaces Invite local bands to play on Saturday evenings Add more prominent shelf placement to feature graphic novels Sell packaged baked goods from a local bakery and bottled drinks |
| **Promotion** | Promote live music nights and buddy discount nights via social media Add point-of-sale signage about Thursday and Saturday night “buddy discounts” Explore interest in loyalty program: Spend $100 to get 10% discount on next purchase |
| **Price** | Thursday and Saturday night “buddy discounts”: Get 5% off if you and a buddy each spend over $20 |
| **Place** | No changes (yet). Explore opening online store. |

### The consumer decision-making process

The figure below outlines the process a consumer goes through in making a purchase decision. The following section discusses each step of the consumer decision-making process.

Figure 2.6.4 The Consumer Decision-Making Process

Consumer decision making process:
Need recognition
Information search an processing
identification and evaluation of alternatives
purchase decision
post-purchase behavior

#### Need Recognition

The first step of the consumer decision process is **recognizing that there is a problem**or unmet need and that this warrants some action. Part of need recognition is defining the problem in a way that allows the consumer to take the next step toward finding a solution.

#### ***Information Search***

After recognizing a need, the prospective consumer seeks information to help identify and evaluate alternative products, services, experiences, and outlets that will meet that need. Information may come from any number of sources: family and friends, search engines, and so forth. Which sources are most important depends on the individual and the type of purchase he or she is considering.

#### Evaluation of Alternatives

As a consumer finds and processes information about the problem she is trying to solve, she identifies the alternative products, services, and outlets that are viable options. The next step is to evaluate these alternatives and make a choice, assuming that choice meets the consumer’s financial and psychological requirements. Evaluation criteria vary from consumer to consumer and from purchase to purchase, just as the needs and information sources vary. One consumer may consider price the most important while another puts more weight on quality or convenience. For any given purchasing decision, each consumer develops a set of criteria (often only a mental list) along with the relative importance of each quality in their final selection.

#### The Purchase Decision

Next, consumers decide whether they are going to buy the product. Anything marketers can do to simplify purchasing will make the process easier for the buyers. For example, in advertising, marketers might suggest the best size of the product for a particular use or the right wine to drink with a particular food.

#### Post-purchase Behavior

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

It is normal for consumers to experience some postpurchase anxiety after any significant or nonroutine purchase. This anxiety reflects a phenomenon called *cognitive dissonance*. According to this theory, people strive for consistency among their cognitions (knowledge, attitudes, beliefs, and values). When there are inconsistencies, dissonance arises, which people try to eliminate.

In some cases, the consumer makes the decision to buy a particular brand already aware of dissonant elements or things that are inconsistent with their internal criteria. A common example is price: a consumer falls in love with every aspect of a product, but it costs more money than he intended to spend. His cognitive dissonance is whether to spend the extra money for a product he loves or else stick with a second-best product that fits the budget. In other cases, cognitive dissonance is aroused by information received after the purchase.  For instance, a disturbing report about sweatshop labor comes out days after you purchase a pair of athletic shoes from the company involved.

#### Implications for Marketing

We discuss the five-stage consumer decision-making process because marketers can influence the consumer at each stage of this process in a number of ways:  
   
At the stage of **need recognition**, marketers get involved in the need recognition state at three points:

* Knowing what problems consumers are facing, so they can develop a marketing mix to address these problems
* Activating problem recognition, in order to trigger the start of the purchasing process
* Shaping how consumers define the need or problem, in order to influence their wants as they look for a solution

Marketing interactions through ads, Web sites, salespeople, and any number of other activities create opportunities for marketers to communicate with consumers and become engaged in need recognition. Listening to customers through social media or the customer support team provides insight into the ways consumers perceive the problems they face. A public service announcement espousing the dangers of cigarette smoking helps trigger a sense of needing to do something about cancer prevention.   
   
At the stage of **information search**, the promotion element of the marketing mix should provide information to assist consumers in the decision process. In some cases, consumers already have the information they need based on past purchasing and consumption experience. Information search involves both mental and physical activities that consumers must perform in order to make decisions and solve their problems through the marketplace.  
   
When consumers are **evaluating the alternatives**, from the marketer’s perspective, understanding your target consumer’s evaluation criteria is critical. You need to demonstrate these qualities in order to be short-listed in the selection set. Often these qualities make the difference in your offering being selected over competitors’.   
   
To do a better job of marketing at the stage of consumers **making a purchase decision**, a seller needs to have answers to questions about consumers’ shopping behavior. Those answers will increase the likelihood of closing the sale and maximizing value at the moment of purchase. Useful questions to ask include the following:

* How much effort is the consumer willing to spend in shopping for the product?
* What factors influence when the consumer will actually make the purchase?
* Are there any conditions that would prohibit or delay the purchase?

Marketers should look for opportunities to influence things in their favor at the point of purchase. Product pricing, labeling, and packaging can be hugely influential at this stage of the process. Product sampling, coupons, and rebates may also give an extra incentive to buy. Personal selling, product display, convenience, and ease of finding the product may also lead the consumer to make one choice over another.   
   
Marketing will also play an important role at the **post-purchase stage** of the consumer decision-making process. Marketers may take specific steps to reduce post-purchase dissonance. One obvious way is to help ensure the delivery of a quality solution that will satisfy customers. Another step is to develop advertising and new-customer communications that stress the many positive attributes or confirm the popularity of the product. Providing personal reinforcement has proven effective with big-ticket items such as automobiles and major appliances. Salespeople in these areas may send cards or even make personal calls in order to reassure customers about their purchase.

### Factors influencing consumers

The factors that influence the consumer problem-solving process are many and complex. For example, families with young children tend to make different dining-out choices than single and married people with no children. A consumer with a lot of prior purchasing experience in a product category might approach the decision differently from someone with no experience. As marketers gain a better understanding of these influencing factors, they can draw more accurate conclusions about consumer behavior.

We can group these influencing factors into four sets, illustrated in the figure below:

* **Situational Factors** pertain to the consumer’s level of involvement in a buying task and the market offerings that are available
* **Personal Factors** are individual characteristics and traits such as age, life stage, economic situation, life stage, lifestyle, and personality
* **Psychological Factors** relate to the consumer’s motivation, learning, socialization, attitudes, and beliefs
* **Social Factors** pertain to the influence of culture, social class, family, and reference groups

Figure 2.6.5. Factors Influencing Consumer Decisions

Factors Influencing Consumer Decisions
Situational factors - buying task, market offerings
Personal Factors - demographics, life stage, lifestyle, personality
Psychological factors: motivation, learning, attitude and beliefs
Social factors: culture/subculture, social class, family, reference groups
Above listed factors influence:
Consumer decision making process:
Need recognition
Information search an processing
identification and evaluation of alternatives
purchase decision
post-purchase behavior

#### Personal Factors

There are individual traits and characteristics that can shape purchasing decisions. These include things like demographics, life stage, lifestyle, and personality.

##### Demographics

Demographics include variables such as age, gender, income level, educational attainment, and marital status. Each of these can have a strong influence on consumer behavior.

Historically, marketers have focused on generational differences, looking for the best ways of reaching different generational cohorts such as Baby Boomers, Generation Xers, Millennials, and so on. Many of the distinctions between these groups are related to the groups’ ages and related needs. For example, as Baby Boomers head into their retirement years, marketers target them with messages about prescription drugs and other health care products, insurance, home, and financial security - the issues of growing concern for people as they age. Generational differences can also be factors in the ways people use media and where they go for information to guide their consumer choices.

Gender is also a defining characteristic for many consumers, as is the marketing that targets them. You have to only watch TV ads during an NFL game vs. TV ads during the women-oriented talk show The View to see how the different needs and wants of men and women are translated into marketing messages and imagery.

Marketers consider the **demographic** marker of economic status when designing their offering. As people in different income brackets tend to buy different types of products, shop in very different ways, and look for different qualities, shops will target their specific needs. For instance, many designer clothing shops aim their marketing at higher-income shoppers. Meanwhile, a retail chain like Wal-Mart sticks closely to its “lowest prices” positioning in order to maintain its appeal for middle- and lower-income shoppers.

*A 2013 study found that Millennial moms (birth years 1981–1997) were online “followers” of 22.5 brands, on average, while Generation X moms (birth years 1965–1980) followed just 13.7 brands online. Understanding differences like these can be essential to developing the right marketing mix whenever age is an identifying factor in market segmentation.*

##### Life Stage

Linked to demographics is the concept of life stage: consumer behavior is tied to significant life events and circumstances people are experiencing at any given moment. Moving out of your parents’ home, going to college, getting married, buying a house, starting a family, sending children to college, retiring: all of these are life events that shape consumer attitudes, behaviors, and decisions.

Marketers take into account one’s **life stage**when advertising their products. For instance, many women will start seeing the ads of engagement rings popping up on their social media in their twenties. You may have also received product samples, coupons, and other promotional items from the sellers of baby products like Procter & Gamble, Johnson & Johnson, and Target if you were identified as an expecting or new parent based on your age or new marital status. Families of young children are invited to sign their kids up for LEGO’s free quarterly magazine and become part of their VIP promotions and offers program. As a new college student, you were also likely targeted by financial services companies with offers for credit card and banking plans. And once you buy a home, Home Depot or Lowe’s will likely send you a promotional welcome packet. All these firms are trying to capitalize on your current life stage.

##### Lifestyle

In this context, “lifestyle” refers to the patterns of being or living in the world and related psychographics (a set of attitudes, opinions, aspirations, and interests). The variables determining lifestyle are wide-ranging:

* Activities and interests (e.g., hunter; fitness enthusiast; fashionista; foodie; lawyer; musician; pet lover; farmer; traveler; reader; crafter, etc.)
* Opinions about oneself and the world (e.g., politically conservative; feminist; activist; entrepreneur; independent thinker; do-gooder; early adopter; technophobe; populist; explorer, etc.)

Lifestyle variables reveal what consumers care about, how they spend their time, what they’re likely to spend money on, and how they view themselves. Inevitably these individual characteristics impact consumer decisions and brand preferences.

##### Personality

Personality is used to summarize all the traits of a person that make him or her unique. Various personality types are likely to respond in different ways to different market offerings. For example, an extrovert may enjoy the shopping experience in this case, in-store promotion becomes an important communication tool. Knowing the basic personality traits of target customers can be useful information for the manager in designing the marketing mix.

**Lifestyle** and related **personality** are used by marketers to present their brand in a way that is consistent with your personal values, interests, and daily activities. **Red Bull** has been famous for its “Red Bull. It gives you wings.” slogan appealing to people with adventurous lifestyle. It capitalizes on the personality of its consumers sponsoring extreme sports events like cliff diving in Hawaii and skateboarding in San Francisco, or this record-setting freefall from 128,000 feet to reinforce the brand’s extreme, on-the-edge image.

#### Psychological Factors

When we talk about psychological factors that influence consumer decisions, we are referring to the workings of the mind or psyche: motivation, learning and socialization, attitudes, and beliefs.

Figure 2.6.5.2. Psychological Factors

##### Motivation

A motive is an inner drive or pressure to take action to satisfy a need. Motivation is the inward drive we feel when we have a need. For example, my mouth is getting dry and I begin to feel thirsty. My thirst is a need that will motivate me to engage in a behavior to satisfy this need by acquiring a glass of water.

In the mid 1900s, Abraham Maslow, an American psychologist, developed the hierarchy of needs. Maslow theorized that people have to fulfill their basic needs - food, water, and sleep - before they can begin fulfilling higher-level needs. For example, you most likely had something to eat and something to drink before you started reviewing this lesson.

Figure 2.6.5.2.1. Maslow’s Hierarchy of Needs

Maslows-Hierarchy-of-Needs
Deficiency needs:
Basic needs: Physiological needs, safety needs
Psychological needs: social needs, self-esteem needs
Growth/self-fulfillment needs - self-actualization needs

Source: https://commons.wikimedia.org/wiki/File:Maslows-Hierarchy-of-Needs-1.png

The **physiological**need for food is recurring. Other needs, such as shelter, clothing, and **safety**, tend to be enduring. Still, other needs arise at different points in time in a person's life. For example, during grade school and high school your **social needs** were very high. You were motivated to have friends and spend time with them. After high school you probably had a need to pursue college or other professional development. This relates to fulfilling your need for **esteem**because it probably became important to you how other people view you as a professional.

One day, if it has not happened yet, you will reach your full potential, also known as a **self-actualizing** need. This is the final need when you believe you have become the person in life that you feel you were meant to be. While achieving self-actualization may be a goal for many individuals in the United States, consumers in Eastern cultures may focus on fulfilling needs for belongingness and group needs. The role of groups is important in consumers' decision-making and therefore is factored in the design of marketing strategies.

##### Learning and Socialization

In the context of consumer behavior, learning is defined as changes in behavior that result from previous experiences. Learning is an experience and practice that actually brings about changes in behavior. For example, in order to learn to play tennis, you might learn about the rules of the game and the skills tennis players need. You would practice the skills and participate in tennis games to gain experience. Learning can also take place without actually participating in the physical experience. You can learn about something conceptually, too. In other words, you could learn to play tennis by observing experts and reading about it without actually doing it. This is called **nonexperiential learning**.

Another characteristic of learning is that the changes may be immediate or anticipated. In other words, learning may be taking place even if there is no evidence of it. We can store our learning until it’s needed, and we do this often with purchasing decisions. For example, a person might read up on product reviews for the latest set of tablet computers even though she doesn’t expect to buy one soon. Eventually she may be in the market, and at that point she can put her learning to use.

**Reinforcement** is the process of having your learning validated through rewards or punishments, which confirm that what you learned was correct. Suppose a consumer’s first car purchase is a Subaru. He loves the car and finds it to be safe, reliable, energy efficient, and a great value for the money. Each positive experience with his car rewards him and reinforces what he has learned about Subarus: they are great cars. When he decides to replace the car, positive reinforcement will almost certainly lead him to consider a Subaru again. Reinforcement can work in positive or negative ways, with consumers experiencing rewards or punishments that influence their decisions.

**Socialization** is the process by which people develop knowledge and skills that make them more or less able members of their society. Socialized behaviors are learned and modified throughout a person’s lifetime. This social learning approach stresses “socialization agents” (i.e., other people), who transmit cognitive and behavioral patterns to the learner. These people can be anyone: a parent, friend, celebrity spokesperson, teacher, role model, etc. In the case of socialization in consumer behavior, this takes place in the course of the person’s interaction with other people in various social settings. Socialization agents may include any person, organization, or information source that comes into contact with the consumer.

##### Attitudes and Beliefs

Attitudes and beliefs represent another psychological factor that influences consumer behavior. A **belief** is a conviction a person holds about something, such as “dark chocolate is bitter,” or “dark chocolate is delicious,” or “dark chocolate is good for baking.” An **attitude** is a consistent view of something that encompasses the belief as well as an emotional feeling and a related behavior. For example, an attitude toward dark chocolate may be expressed as a belief (“dark chocolate is delicious”), a feeling (“dark chocolate makes me happy”), and a behavior (“I eat dark chocolate every afternoon as a pick-me-up”).

People have beliefs and attitudes about all sorts of things: food, family, politics, places, holidays, religion, brands, and so on. Beliefs and attitudes may be positive, negative, or neutral, and they may be based on opinion or fact.

#### Social Factors

Social factors represent another important set of influences on consumer behavior. Specifically, these are the effects of people and groups influencing one another through culture and subculture, social class, reference groups, and family.

Figure 2.6.5.3. Social factors

##### Culture

A person’s *culture*is represented by a large group of people with a similar heritage. Culture exerts a strong influence on a person’s needs and wants because it is through culture that we learn how to live, what to value, and how to conduct ourselves in society. The American culture, which is a subset of the Western (European) culture, will be the primary focus of this discussion, although other societies in other parts of the world have their own cultures with accompanying traditions and values.

For marketers anywhere in the world, it is essential to develop a strong understanding of the local **culture** and its accompanying beliefs, values, and customs. Not understanding these cultural nuances can result in a major failure as that of Wal-Mart in Germany. In 2006, **Wal-Mart** had to pull out of Germany after opening eighty-five stores. The company expected success in Germany using the formula that works well in the U.S.: streamlined supply chain, low-priced products sold in big stores with a wide selection, and long operating hours. What Wal-Mart didn’t account for was the strong cultural preference in Germany for several things that directly oppose the Wal-Mart model. Germans prefer small and medium-sized retailers grounded in local communities. They have a cultural suspicion of low prices, which are associated with low quality. German law includes significant restrictions on retail establishments’ operating hours and many labor protections, and these laws are viewed, in part, as vital to protecting the German quality of life. Due in large part to these cultural disconnects, Wal-Mart was unable to sustain successful operations.

An example of how marketers can successfully target the local culture is the **Oreo cookie** developed specifically for the Chinese market. Consumers there can enjoy Oreos with cream flavors such as green tea ice cream, raspberry-blueberry, mango-orange, and grape-peach. All of these Oreo formulations have been market tested and are based on the unique preferences of Chinese consumers.

##### Subculture

Subcultures are cohesive groups that exist within a larger culture. Subcultures develop around communities that share common values, beliefs, and experiences. They may be based on a variety of different unifying factors. For example, subcultures exist around the following:

* Geography: Southerners, Texans, Californians, New Englanders, Midwesterners, etc.
* Ethnicity: Latinos, Asian Americans, African Americans, etc.
* Religion: Catholics, Jews, Mormons, Baptists, Muslims, etc.
* Nationality: Italians, Koreans, Hungarians, Japanese, Ethiopians, etc.
* Occupation: military, technology worker, state department, clergy, educator, etc.

Marketers can appeal to subcultures in a similar manner they do to cultures. In the United States, many organizations and marketing activities focus on major ethnicity-based subcultures such as Latinos, Asian Americans, and African grows Americans. Each subculture has distinct experiences living and working within the broader U.S. culture, and it has shared customs and values that shape consumer needs and preferences. As each of these subcultures in size and buying power, they become a distinct market for companies to target. The following video shows how a shopping mall managed to save itself by catering and marketing to the unique needs of the Latino subculture.

##### Reference Groups

Consumer behavior can be influenced by the groups a person comes into contact with, through friendship, face-to-face interaction, and even indirect contact. Marketers often call these reference groups. ***A reference group*** may be either a formal or informal group. Examples include churches, clubs, schools, online social networks, play groups, professional groups, and even a group of friends and acquaintances. Individuals may be influenced by the groups of which they are members. They may also be influenced by ***aspirational groups*** – a reference group a person hopes to belong to one day, such as young boys hoping to grow up and become Major League Soccer (MLS) players.

Reference groups also have opinion leaders for the group. ***Opinion leaders*** are people who influence others, they can be celebrities and online influencers, but it can also be that popular student in the class who seems to set the trends for what is popular. Those opinion leaders are often paid by the marketers to promote their products.

##### Family

One of the most important reference groups for an individual is the family. Many consumer decisions are made by family members on behalf of the family, so understanding the family consumer decision-making dynamics around your product is essential.

Depending on the product or service under consideration, different **family** members may be in the role of primary decision-maker or influencer. Marketers have long been aware that children can influence the purchases of their parents even for products that are not commonly thought of as a product for children.

#### Situational factors

The buying task refers to the consumer’s approach to solving a particular problem and how much effort it requires. **The level of consumer involvement** is an important part of the buying task: whether the buyer faces a high-involvement decision with lots of associated risk and ego involved, versus a low-involvement decision with little risk or ego on the line.

##### Low-Involvement vs. High-Involvement Decisions

You’re at the grocery store, looking at the dog food selection. How long does it take you to choose a product, buy it, and get out the door?

Change of scene…

You’re on a car sales lot, looking at the selection of vehicles for sale. How long does it take you to choose a product, buy it, and drive off the lot?

For most people, these scenarios are worlds apart in terms of the time, effort, emotional, and psychological work it takes to make a purchasing decision.

When a purchasing decision involves a low-cost item that is frequently bought such as bread or toothpaste, the buying process is typically quick and routinized. Buying a new car is quite different. The extent to which a decision is considered complex or simple depends on the following:

* Whether the decision is novel or routine
* The extent of the customers’ involvement with the decision

Let’s imagine another couple of scenarios.

* *Situation 1*: You have just moved in with roommates for the first time. Excitement about your new independence temporarily dims when you scour the kitchen and find just three forks, four spoons, and zero table knives.  On your way to Walmart, you stop off at Goodwill, and you are delighted to pay less than $4 for an unmatched service for eight.
* *Situation 2:* You are a soon-to-be bride. You have spent days looking through magazines, browsing online, and visiting shops to find the perfect silverware to match the dishes on your wedding registry. It gives you pause, though, when you learn that your dream flatware costs $98 per place setting. Still, you rationalize that you only get married once—or at least that’s your plan.

In each of these situations, the consumer is making a purchasing decision about the same product: silverware. But the level of **involvement**in each situation is very different. The new roommate wants to spend as little time and money as possible to get a product that will get the job done. The soon-to-be bride is pinning her future happiness on selecting the right pattern. Who is more involved?

Now suppose you are a marketer trying to promote the flatware designs your company makes. Which of these consumers will pay any attention to the full-page ads you have placed in seven popular women’s magazines? Which of these consumers will click on the paid search listing Google placed in their search results for new silverware patterns? Which one is most likely to come to a store to see the beautiful sheen of your new product line and feel its perfectly balanced weight with her fingertips?

As a marketer, you should recognize **high-involvement** versus **low-involvement** consumers of your products and strategize accordingly. It is entirely possible for your target segments to include a mix of both. When you recognize the differences in how they make decisions, you can create a marketing mix designed to impact each type of consumer. For the customer who wants little involvement, your marketing mix can simplify their buying process. For the consumer who is highly involved, you can provide the information and validation they seek.

###### High-involvement decisions

**High-involvement decisions** are those that are important to the buyer. These decisions are closely tied to the consumer’s ego and self-image. They also involve some risks to the consumer. This may include financial risk (highly-priced items), social risk (products that are important to the peer group), or psychological risk (the wrong decision may cause the consumer some concern and anxiety). In making these decisions, consumers generally feel it is worth the time and energy needed to do research and consider solution alternatives carefully. The full, six-stage, complex process of consumer decision-making is more likely to happen with high-involvement product purchases. In these cases, a buyer gathers extensive information from multiple sources, evaluates many alternatives, and invests substantial effort in making the best decision.

###### Low-involvement decisions

**Low-involvement decisions** are more straightforward, require little risk, are repetitive, and often lead to a habit. In effect, these purchases are not very important to the consumer. Financial, social, and psychological risks are not nearly as great. In these cases, it may not be worth the consumer’s time and effort to search for exhaustive information about different brands or to consider a wide range of alternatives. A low-involvement purchase usually involves an abridged decision-making process. In these situations, the buyer typically does little if any information gathering, and any evaluation of alternatives is relatively simple and straightforward. Consumers are diligent enough to get a product they want, but they generally spend no more time or effort than is needed.

There are general patterns about what constitutes a high-involvement decision (buying cars, homes, engagement rings, pets, computers, etc.) versus a low-involvement decision (buying bread, chewing gum, toothpaste, dishwasher detergent, trash bags, etc.). However, the real determinant is the individual consumer and how involved they choose to be in solving the problem or need they have identified.

##### Product or brand familiarity

Product or brand familiarity is another, related dimension of the buying task. When a consumer has purchased a similar product many times in the past, the decision-making is likely to be simple, regardless of whether it is a high- or low-involvement decision. Suppose a consumer initially bought a product after much care and involvement, was satisfied, and continued to buy the product. For the buyer, this is still a high-involvement decision, but now it’s simpler to make.

##### Market Offerings

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

This is not ideal from the customer’s point of view, but it does happen. For example, suppose you are a student on a campus in a small town many miles from another marketplace. Your campus and town have only one bookstore. You need a textbook for class tomorrow; only one particular book will do, and only that bookstore carries it. Amazon and other online retailers have the book at a lower price, but they can’t get the book to you overnight, so you’re stuck. In this case, the limitation on alternative market offerings has a clear influence on your purchase behavior.

When the number of **market offerings** increases, the complexity of the problem-solving process and the consumers’ need for information also increase. A wider selection of market offerings is better from the customers’ perspective because it allows them to tailor their purchases to their specific needs. However, lots of choices may also confuse and frustrate the consumer, such that less-than-optimal choices are made. Marketers can find opportunities in either scenario—a crowded competitive set and a complex decision for the consumer, or a narrow competitive set with limited choices and a simpler decision for the consumer. In a crowded field, the marketer’s challenge is to make compelling offerings and useful information prominent in the consumer’s processes for gathering information and evaluating alternatives. In a narrow field with limited choices, effective marketing can help the consumer feel good about the choice they had to make. A good experience with the product during and after purchase is a recipe for brand loyalty.

1. American Marketing Association, <https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>

   These materials have been adapted from the following OER resources:

   Launch! Advertising and Promotion in Real Time by Solomon et al. 2009: <https://open.umn.edu/opentextbooks/textbooks/launch-advertising-and-promotion-in-real-time>

   Principles of Marketing by Lumen Learning <https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016/>

   Introduction to Marketing by USG Ecore https://go.view.usg.edu/d2l/home/2366486 [↑](#footnote-ref-1)
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