When You Finish This Chapter, You Should

1. Know about population and income trends in global markets—and how they affect marketers.

2. Understand how population growth is shifting in different areas and for different age groups.

3. Know about the distribution of income in the United States.

4. Know how consumer spending is related to family life cycle and other demographic dimensions.

5. Know why ethnic markets are important—and why increasingly they are the focus of multicultural marketing strategies.

6. Understand the important new terms (shown in red).

Chapter Five

Demographic Dimensions of Global Consumer Markets

Charles Schwab has been developing marketing strategies for the financial services company that bears his name for nearly three decades. When he started, investors who wanted to direct their own investments—without a lot of advice or pressure from a broker—didn't have many alternatives. Schwab filled that need with no-frills service and a discount price. In the 1980s, just as the large group of middle-age baby boomers were beginning to worry about investing for retirement, he was the first to give them a lot of choices in a big "supermarket" of mutual funds. Then in the 1990s Schwab pioneered low-cost website-based trading and quickly became the top online broker (www.schwab.com).

Schwab has found ways to satisfy many different types of customers, but he doesn't just

place price promotion produc

see all investors as one big market. Rather, he develops different marketing mixes to meet different needs. Consider, for example, the senior citizen group. Americans over 65 control about 70 percent of the country's investment assets, but Internet use among this group is low compared to younger people. To better meet the needs of the over-65 group, Schwab recently supplemented his online services by adding 3,500 new call-in advisors as well as new branch offices in high-growth areas. He has also added a new division that specializes in estate planning.

Similarly, Schwab has distinct strategies to reach fast-growing ethnic markets. It's no accident that branch offices in cities like San Francisco and New York have service reps who speak Chinese. Schwab has found that many Chinese Americans, even long-term residents of the U.S., like to converse with an advisor in their native language—and these customers are a key target market. While there are only 2.6 million Chinese Americans, the median income of their households is about $65,000, compared to about $40,000 for the typical American household. They also tend to trade stocks two or three times more often than the average investor, and that boosts commission income. To attract Chinese Americans who prefer online trading, Schwab has also set up a special website that offers Chinese language news services (www.schwab.com/chinese). A year after its creation this site had attracted five million hits.

Recently, Schwab's daughter, who was an assistant manager at the Atlanta office, saw a need for the firm to sharpen its focus on women investors. In the past, it appeared that it was enough to just be "gender neutral." However, with changing demographic patterns there has been significant growth in the number of women who manage their own investments. There are now more than 220,000 women who head households with incomes of more than $100,000—and by 2010 that group will double and will control more than a trillion dollars in investments. Importantly, their needs and interests are sometimes different. To better reach this group, Schwab is designing investment seminars specifically for, and taught by, women (www.schwab.com/women). These seminars avoid jargon and include topics on special concerns faced by women, such as how to handle finances after a divorce. Schwab also developed new promotion targeted at women. For example, one clever TV commercial featured Sarah Ferguson, the Duchess of York and a divorced mom, telling a little girl a bedtime tale about a young woman who is whisked away by a knight to a castle, married, and given her every wish "forever and ever." But the ad ends with a shot of Ms. Ferguson saying, "Of course, if it doesn't work out you'll need to understand the difference between a P/E ratio and a dividend yield."

Schwab's strategies and success have not gone unnoticed by competitors. For example, E*Trade, which started on the Web, is opening branches in Super Target stores. And firms like Fidelity Investments are putting multilingual brokers in many offices. So, Schwab will need to continue seeking markets with new growth opportunities.[1]

Target Marketers Focus on the Customer

Target marketers believe that the *customer* should be the focus of all business and marketing activity. These marketers hope to develop unique marketing strategies by finding unsatisfied customers and offering them superior value with more attractive marketing mixes. They want to work in less-competitive markets with more inelastic demand curves. Finding these attractive opportunities takes real knowledge of potential customers and what they want. This means finding those market dimensions that make a difference—in terms of population, income, needs, attitudes, and buying behavior.

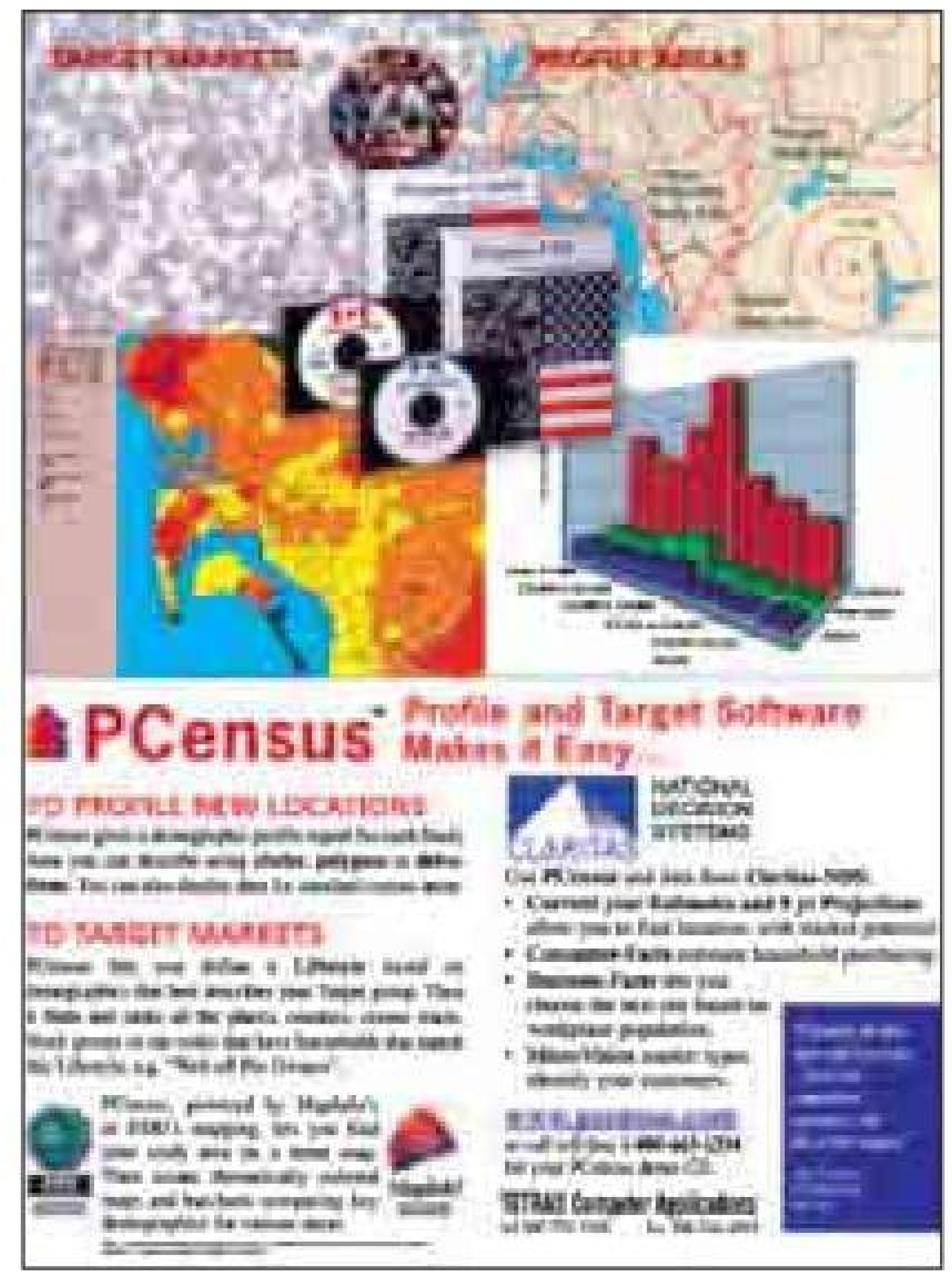
Marketers need to answer three important questions about any potential market:

1. What are its relevant segmenting dimensions?
2. How big is it?
3. Where is it?

The first question is basic. Management judgment—perhaps aided by analysis of existing data and new findings from marketing research—is needed to pick the right dimensions.

To help build your judgment regarding buying behavior, this chapter and the next two will discuss what we know about various kinds of customers and their buying behavior. Keep in mind that we aren't trying to make generalizations about average customers or how the mass market behaves—but rather how *some* people in *some* markets behave. You should expect to find differences.

In this chapter we focus on demographic dimensions. Demographic dimensions provide marketing managers with critical information about the size, location, and characteristics of target markets. Marketing managers must also be alert to



Information about demographic characteristics of consumer markets is readily available and can help marketing managers plan more successful strategies.

demographic trends. They often provide an early warning about new opportunities—or the need to adjust existing strategies.

Get the facts straight—for good marketing decisions

Everybody "knows" that there is a vast and largely untapped market in China and that many people in Somalia live in desperate poverty. It's also clear that demographic dimensions vary within countries: Lots of retired people live in Florida, many Californians speak Spanish, and the population in the Sun Belt states is growing fast. Generalities like these may be partly true—but "partly true" isn't good enough when it comes to making marketing strategy decisions.

Fortunately, much useful information is available on the demographic dimensions of consumer markets around the world. Most of it is free because it has been collected by government agencies. With valid data available, managers have no excuse for basing their decisions on guesses. Look at the data in the next few chapters in terms of selecting relevant market dimensions—and estimating the potential in different market segments. Also, check your own assumptions against this data. Now is a good time to get your facts straight!

People with Money Make Markets

Markets consist of people with money to spend. So it makes sense to start with a broad view of how population, income, and other key demographic dimensions vary for different countries around the world. This will help you to see why so many firms pursue opportunities in international markets. And our examples will illustrate why companies can't depend on half-truths in increasingly competitive international markets.

Marketers search for growing markets

Some marketing managers never consider opportunities outside of their own country. That may make sense in some cases, but it may also lead to missed opportunities. For example, crowded cities in the U.S. may seem to offer great potential, but the U.S. population makes up less than 5 percent of the total world population—which is now over 6 billion.

Marketers who are interested in the rapidly growing teen market often find that teens have many common interests, values, and needs—whether they are shopping online or in-store.

Although a country's current population is important, it provides only a snapshot of the market. The population trend is also important.

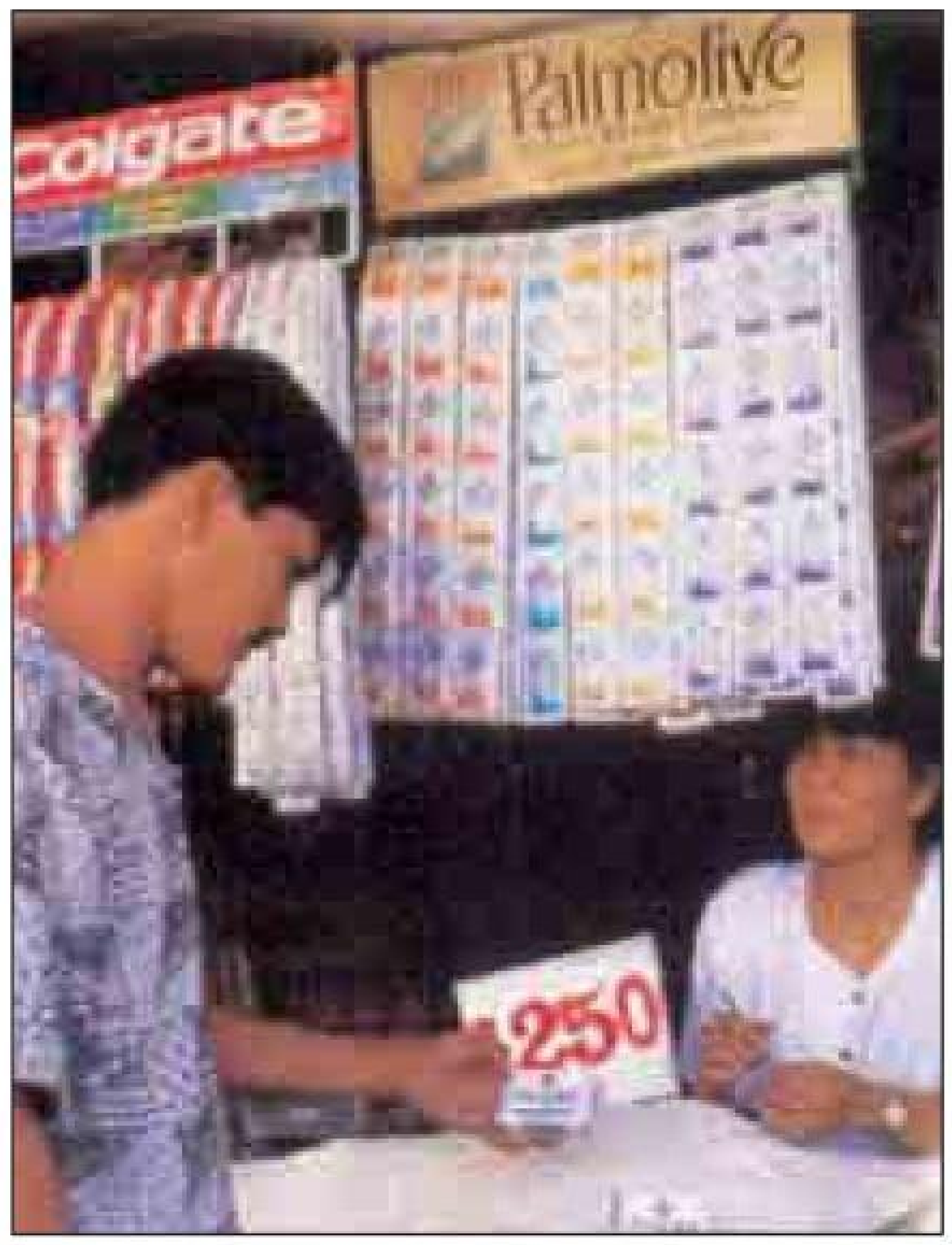
Thirty years ago, global population growth was over 2 percent per year. Now it's down to just 1.3 percent. Exhibit 5-1 shows where long-term world population growth will come from. Notice the expected growth of countries in the Middle and Far East. India (with a population of over 1 billion) and China (with a population of almost 1.3 billion) are getting even larger. You can see why so many firms from all over the world want to reach consumers in these countries now that trade barriers are relaxing. Although many of the countries in South America and Africa have much smaller populations, they too are growing at a rapid rate.[2]

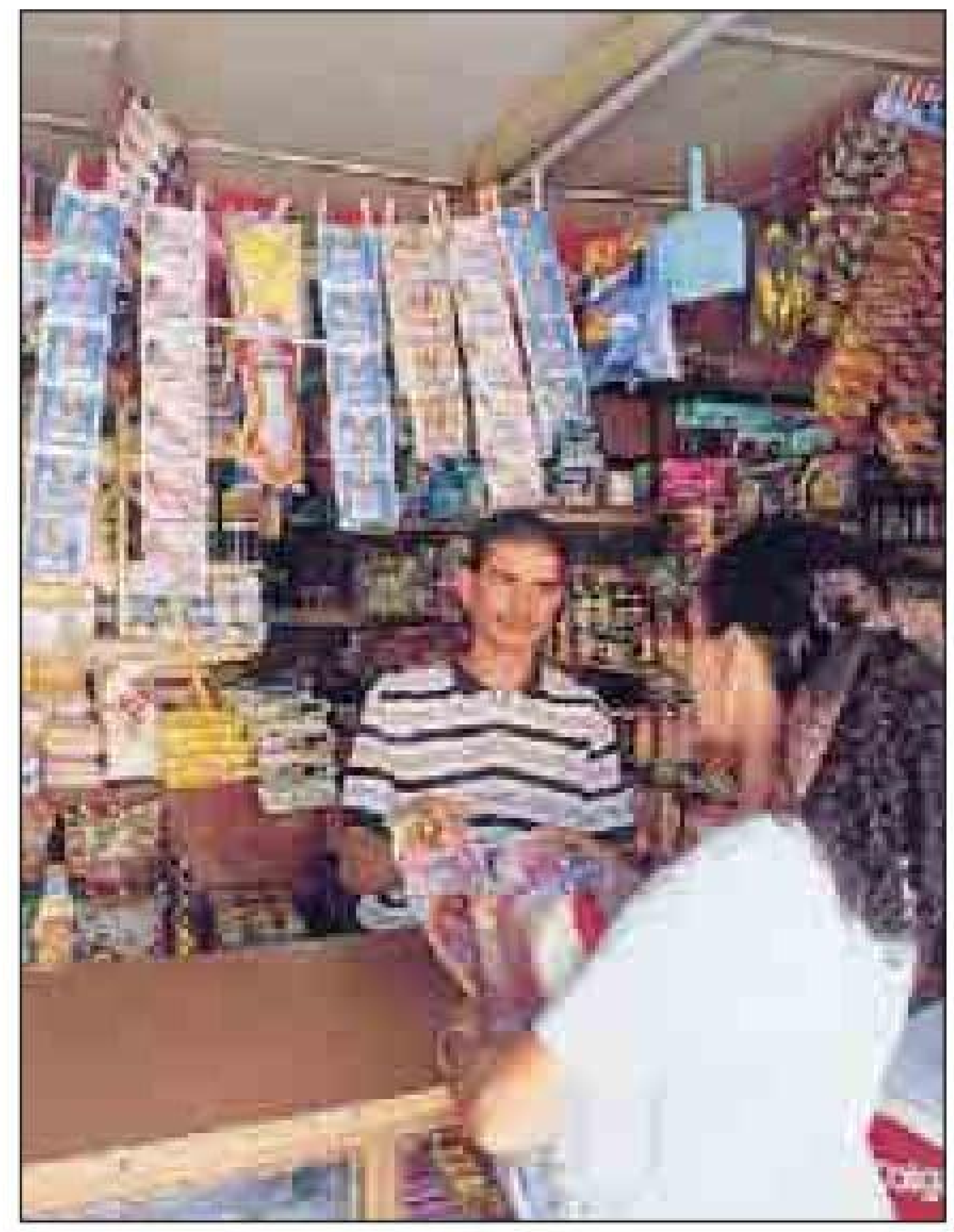
Exhibit 5-1 shows that over the long term population growth is expected in most countries. But how rapidly? And will output increase faster than population? These are important questions for marketers. The answers affect how rapidly a country moves to higher stages of development—and becomes a new market for different kinds of products.

Population, income, and other demographic dimensions help to answer these questions. Exhibit 5-2 on pp. 132–133 summarizes current data for representative countries from different regions around the world. Note that population growth varies dramatically from country to country. In general, less-developed countries experience the fastest rate of growth. The populations of Pakistan, Nicaragua, Nigeria, and Saudi Arabia are expected to double in 25 years or less. It will take about five times as long for the population of the U.S. to double. Population growth is even slower in Canada, Japan, and the European countries.[3]

Population is becoming more concentrated

The population in some countries is spread over a very large area. Population density is important to marketers. If the population is very spread out, as it is in many of the African countries, it is difficult and expensive for marketers to adjust time and place discrepancies between producers and consumers. This is especially a problem in countries without efficient highway and rail systems. Similarly, a widely





In countries like the Philippines and Venezuela, where consumers have less purchasing power and shops are small, Colgate is gaining widespread acceptance by providing products in economical sizes.

spread population may make promotion more difficult, especially if there are language differences or communication systems are poor. Of course, even in countries with low population density, major cities may be packed with people.

The extent to which a country's population is clustered around urban areas varies a lot. In the United Kingdom, Argentina, Australia, Israel, and Singapore, for example, more than 85 percent of people live in urban areas. See Exhibit 5-2. By contrast, in Ethiopia, Nepal, and Uganda less than 17 percent of the people live in major urban areas.

People everywhere are moving off the farm and into industrial and urban areas. Shifts in population—combined with already dense populations—have led to extreme crowding in some parts of the world. And the crowding is likely to get worse.

The worldwide trend toward urbanization has prompted increased interest in international markets. For many firms, the concentration of people in major cities simplifies Place and Promotion strategy decisions—especially for major cities in the wealthiest nations. Affluent, big-city consumers often have similar lifestyles and needs. Thus, many of the products successful in Toronto, New York, or Paris are likely to be successful in Caracas and Tokyo. The spread of the Internet, satellite TV, and other communication technologies will accelerate this trend.

However, keep in mind that many of the world's consumers—whether crowded in cities or widely spread in rural areas—live in deplorable conditions. These people have little hope of escaping the crush of poverty. They certainly have needs—but they don't have the income to do anything about the needs.

There's no market when there's no income

Profitable markets require income—as well as people. The amount of money people can spend affects the products they are likely to buy. When considering international markets, income is often one of the most important demographic dimensions.

There are a variety of different measures of national income. One widely used measure is **gross national product (GNP)**—the total market value of goods and services produced by a country's economy in a year. Gross domestic product (GDP) is a similar measure that often is used to describe the U.S. economy. The difference between the two measures is that GNP for a nation does not include income earned by foreigners who own resources in that nation. By contrast, the

Exhibit 5-1 Projected Population Increase (millions) between 1994 and 2020

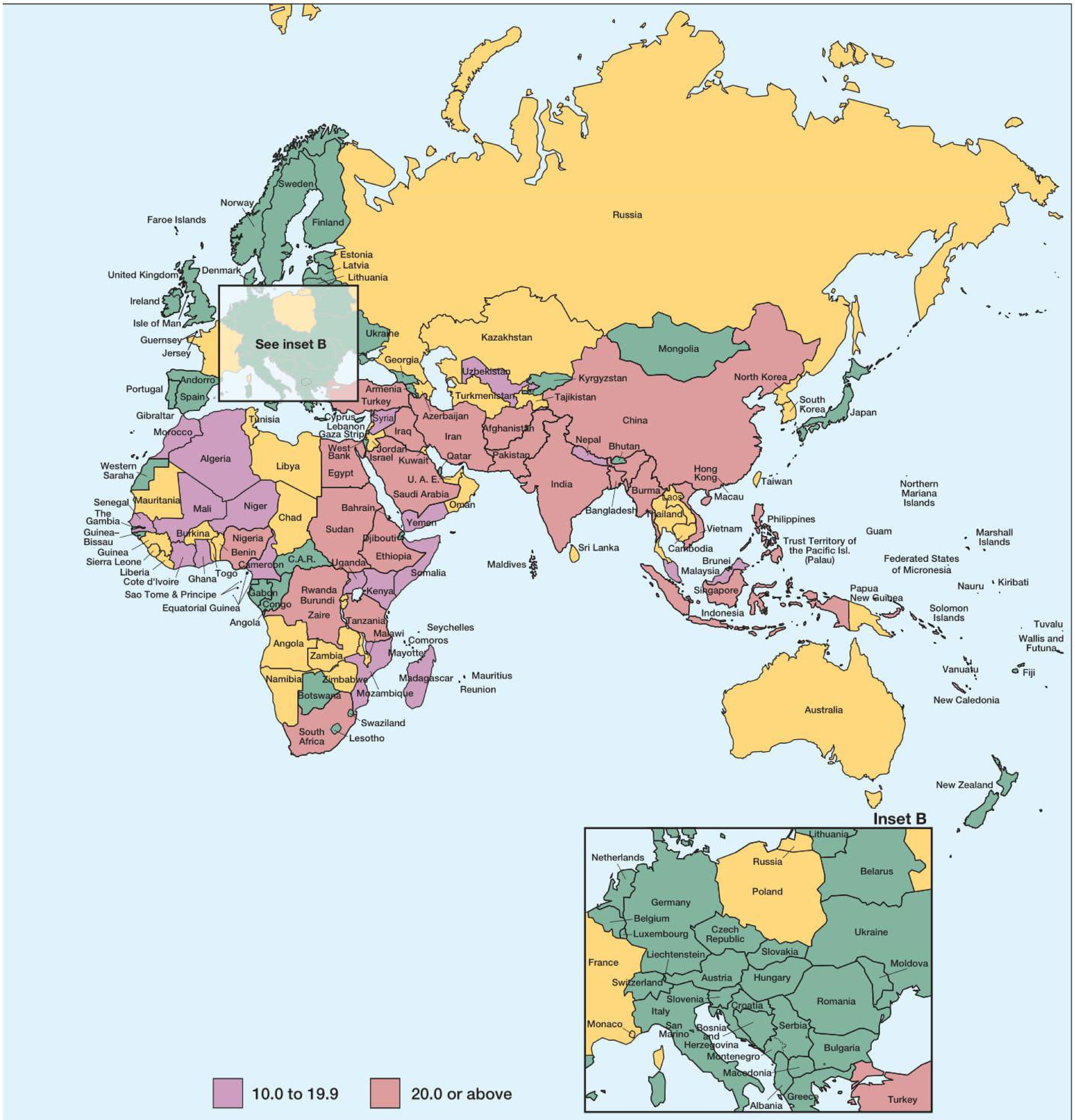

Russia
Sweden
Norway
Finland
Faroe Islands
Estonia
Latvia
Lithuania
United Kingdom
Denmark
Ireland
Isle of Man
Guernsey
Jersey
See inset B
Ukraine
Kazakhstan
Mongolia
Georgia
Uzbekistan
Kyrgyzstan
North Korea
Portugal
Andorra
Spain
Armenia
Turkey
Turkmenistan
Tajikistan
South Korea
Japan
Gibraltar
Morocco
Tunisia
Cyprus
Lebanon
Gaza Strip
Syria
Iraq
Azerbaijan
Iran
Afghanistan
China
West Bank
Israel
Jordan
Kuwait
Qatar
Pakistan
Nepal
Bhutan
Western Sahara
Algeria
Libya
Egypt
U. A. E.
Saudi Arabia
Bahrain
Oman
India
Hong Kong
Taiwan
Macau
Burma
Laos
Bangladesh
Thailand
Northern Mariana Islands
Senegal
Mauritania
Mali
Niger
Chad
Sudan
Yemen
Philippines
Vietnam
The Gambia
Guinea-Bissau
Guinea
Sierra Leone
Liberia
Cote d'Ivoire
Ghana
Togo
Burkina
Nigeria
Benin
Cameroon
C.A.R.
Djibouti
Ethiopia
Uganda
Somalia
Maldives
Sri Lanka
Cambodia
Brunei
Malaysia
Trust Territory of the Pacific Isl. (Palau)
Guam
Marshall Islands
Federated States of Micronesia
Sao Tome & Principe
Equatorial Guinea
Gabon
Congo
Rwanda
Burundi
Zaire
Kenya
Singapore
Indonesia
Papua New Guinea
Nauru
Kiribati
Solomon Islands
Angola
Tanzania
Malawi
Seychelles
Comoros
Mayotte
Zambia
Tuvalu
Wallis and Futuna
Namibia
Zimbabwe
Madagascar
Mauritius
Reunion
Vanuatu
Fiji
Botswana
Mozambique
New Caledonia
Australia
Swaziland
South Africa
Lesotho
New Zealand
Inset B
Lithuania
Netherlands
Russia
Belarus
Poland
Germany
Belgium
Luxembourg
Czech Republic
Ukraine
France
Liechtenstein
Slovakia
Moldova
Switzerland
Austria
Hungary
Slovenia
Croatia
Romania
Italy
Monaco
San Marino
Bosnia and Herzegovina
Serbia
Bulgaria
Montenegro
Macedonia
Greece
Albania
Turkey
10.0 to 19.9
20.0 or above

Exhibit 5-2 Demographic Dimensions for Representative Countries

Country	2000 Population (000s)	1990–2000 Annual Percent Population Growth	2000 Years for Population to Double	2000 Population Density (people/ square mile)	1999 Percent of Population in Urban Areas	1999 GNP (millions of $U.S.)	1999 GNP per Capita	1999 GDP (millions of $U.S.)	1999 Illiteracy Percent
Algeria	31,194	2.1	29	34	60	46,455	1,550	47,015	33
Argentina	36,955	1.2	62	35	90	277,882	7,600	281,942	3
Australia	19,165	1.2	110	6	85	380,791	20,050	389,691	0
Bangladesh	129,194	1.6	38	2,305	24	46,960	370	45,779	59
Brazil	172,860	1.3	45	52	81	742,819	4,420	760,345	15
Cameroon	15,422	2.7	27	84	48	8,509	580	8,781	25
Canada	31,278	1.2	178	8	77	591,354	19,320	612,049	0
Chile	15,154	1.4	54	52	85	71,145	4,740	71,093	4
China	1,261,832	1.0	79	342	32	980,246	780	991,203	17
Colombia	39,686	1.9	34	91	73	93,558	2,250	88,596	9
Croatia	4,282	−0.5	no	211	57	20,932	4,650	21,752	2
Cuba	11,142	0.6	103	260	75	—	—	—	3
Ecuador	12,920	2.2	33	116	64	16,231	1,310	18,713	9
Egypt	68,360	2.0	35	177	45	87,530	1,400	92,413	45
Ethiopia	64,117	2.8	29	150	17	6,578	100	6,534	63
Finland	5,167	0.4	433	40	67	122,874	23,780	126,130	0
France	59,330	0.4	204	279	75	1,427,160	23,480	1,410,260	0
Germany	82,797	0.4	no	596	87	2,079,230	25,350	2,081,200	0
Ghana	19,534	2.4	29	212	38	7,396	390	7,606	30
Greece	10,602	0.4	no	208	60	124,010	11,770	123,934	3
Haiti	6,868	1.3	40	599	35	3,163	410	3,871	51
Hungary	10,139	−0.2	no	279	64	46,810	4,650	48,355	1
Iceland	276	0.8	81	7	92	8,109	29,280	8,483	0
India	1,014,004	1.8	39	789	28	442,233	450	459,765	44
Indonesia	224,784	1.8	44	289	40	119,544	580	140,964	14
Iran	65,620	1.6	48	107	61	110,535	1,760	101,073	24
Iraq	22,676	2.2	25	137	74	—	—	—	45
Ireland	3,797	0.8	116	140	59	71,405	19,160	84,861	0
Israel	5,842	2.6	45	766	91	104,081	17,450	125,031	4
Italy	57,634	0.2	no	497	67	1,135,990	19,710	1,149,960	2
Jamaica	2,653	0.7	45	615	56	6,042	2,330	6,134	14
Japan	126,550	0.2	462	870	79	4,078,920	32,230	4,395,080	0
Kenya	30,340	2.4	33	135	32	10,601	360	10,603	19
Kuwait	1,974	−0.8	32	318	97	32,270	19,020	29,572	18
Libya	5,115	2.1	28	8	87	—	—	—	21
Madagascar	15,506	3.0	24	66	29	3,716	250	3,733	34
Malaysia	21,793	2.2	34	183	57	77,278	3,400	74,634	13

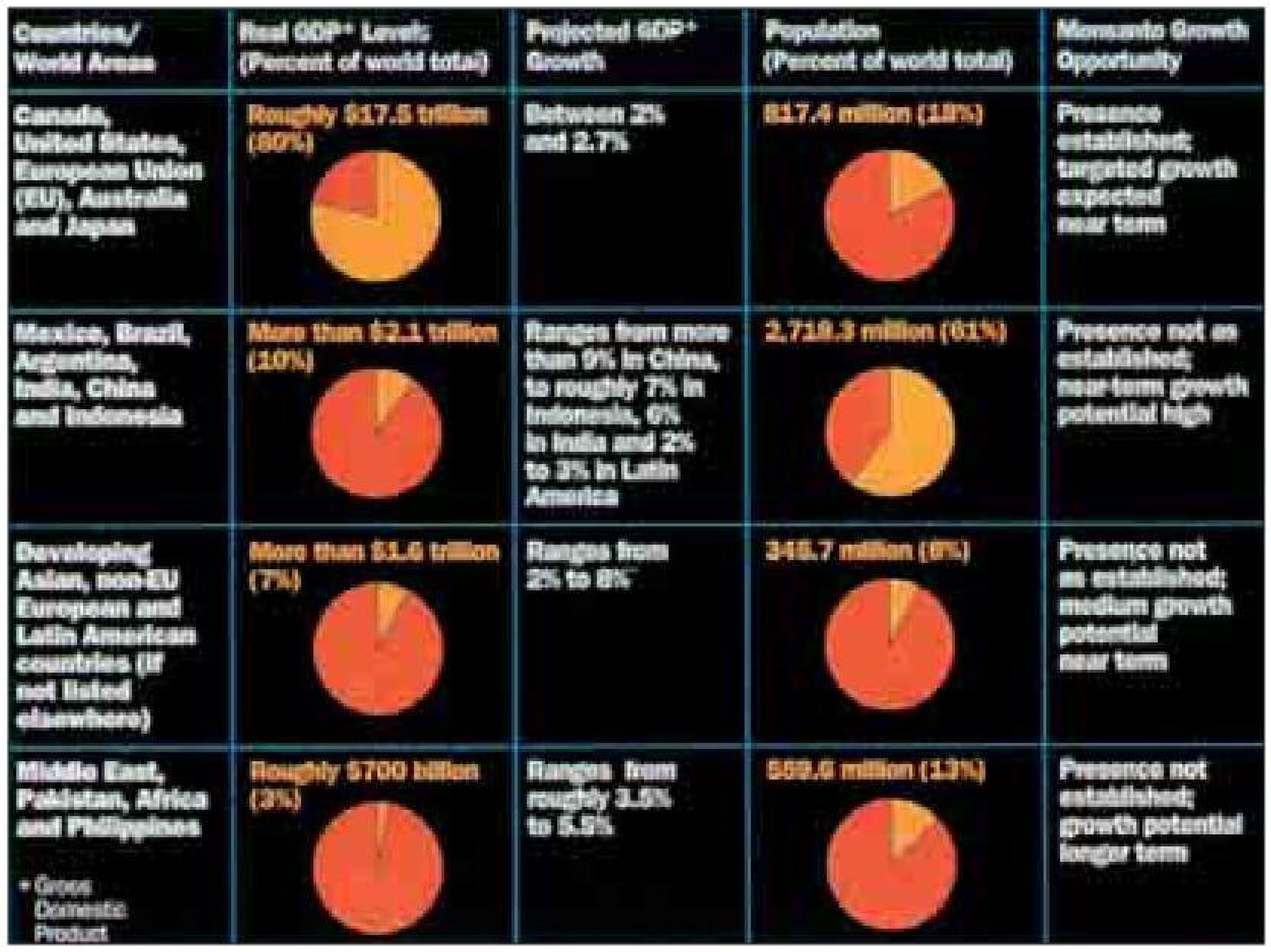
GDP does include foreign income. The measure you use can make a difference, especially when comparing countries with different patterns of international investment. For example, Ford has a factory in Thailand. The GDP measure for Thailand would include the profits from that factory because they were earned in that country. However, Ford is not a Thai firm and most of its profit will ultimately flow out of Thailand. Thus, the Thai GNP would not include those profits. You should see that using GDP income measures can give the impression that people in less-developed

Country	2000 Population (000s)	1990–2000 Annual Percent Population Growth	2000 Years for Population to Double	2000 Population Density (people/ square mile)	1999 Percent of Population in Urban Areas	1999 GNP (millions of $U.S.)	1999 GNP per Capita	1999 GDP (millions of $U.S.)	1999 Illiteracy Percent
Mexico	100,350	1.7	36	132	74	428,794	4,400	474,951	9
Morocco	30,122	2.0	41	167	55	33,816	1,200	35,238	52
Mozambique	19,105	2.9	32	62	39	3,889	230	4,169	57
Nepal	24,702	2.5	28	421	12	5,091	220	4,904	60
Netherlands	15,892	0.6	193	1,010	89	384,325	24,320	384,766	0
Nicaragua	4,813	2.8	23	101	56	2,110	430	2,302	32
Nigeria	123,338	2.9	24	346	43	37,882	310	43,286	37
North Korea	21,688	0.8	48	466	60	—	—	—	1
Norway	4,481	0.5	217	36	75	146,430	32,880	145,449	0
Pakistan	141,554	2.2	25	490	36	63,971	470	59,880	55
Panama	2,808	1.6	41	98	56	8,624	3,070	9,606	8
Peru	27,013	2.1	32	55	72	60,319	2,390	57,318	10
Philippines	81,160	2.2	31	693	58	77,966	1,020	75,350	5
Poland	38,646	0.1	no	310	65	153,065	3,960	154,146	0
Romania	22,411	−0.2	no	244	56	34,188	1,520	33,750	2
Russia	146,001	−0.1	no	22	77	332,536	2,270	375,345	1
Saudi Arabia	22,024	3.3	23	26	85	143,361	6,910	128,892	24
Singapore	4,152	3.2	84	16,714	100	95,429	29,610	84,945	8
Somalia	7,253	0.8	24	29	27	—	—	—	—
South Africa	43,421	1.3	55	92	52	133,216	3,160	131,127	15
South Korea	47,471	1.0	82	1,234	81	397,910	8,490	406,940	2
Spain	39,997	0.2	6,931	202	77	551,560	14,000	562,245	2
Sri Lanka	19,239	1.1	60	757	23	15,176	810	15,707	9
Sudan	35,080	2.8	32	30	35	8,300	290	10,695	43
Sweden	8,873	0.4	no	51	83	221,764	25,040	226,388	0
Switzerland	7,262	0.6	315	448	68	273,061	38,350	260,299	0
Syria	16,306	2.7	25	231	54	15,172	970	19,380	26
Tanzania	35,306	3.0	24	97	32	8,027	240	8,777	25
Thailand	61,231	1.1	70	313	21	121,019	1,960	123,887	5
Turkey	65,667	1.6	46	218	74	186,289	2,900	188,374	15
Uganda	23,318	3.1	24	251	14	6,786	320	6,349	34
Ukraine	49,153	−0.5	no	212	68	42,713	850	42,415	0
United Kingdom	59,508	0.3	546	632	89	1,338,080	22,640	1,373,610	0
United States	281,422	1.0	120	77	77	8,350,960	30,600	8,708,870	0
Venezuela	23,543	2.0	34	69	87	86,963	3,670	103,918	8
Vietnam	78,774	1.7	48	615	20	28,157	370	28,567	7
Zimbabwe	11,343	1.2	69	75	35	6,131	520	5,716	12

countries have more income than they really do. For that reason, we'll focus on comparisons that are based on GNP.

Exhibit 5-2 gives an estimate of GNP and GDP for each country listed. You can see that the more developed industrial nations—including the U.S., Japan, and Germany—have the biggest share of the world's GNP. This is why so much trade takes place between these countries—and why many firms see them as the more important markets.[4]

This chart from Monsanto's annual report shows how the firm wants to build its presence in countries with large populations and projected strong economic growth. India is an example of a key target.



People can't spend what they don't have

GNP tells us about the income of a whole nation, but in a country with a large population that income must be spread over more people. GNP per person is a useful figure because it gives some idea of the income level of people in a country. Exhibit 5-2 shows, for example, that GNP per capita in the U.S. is quite high—about $30,600. Japan, Norway, Switzerland, and Singapore are among those with the highest GNP per capita. In general, markets like these offer the best potential for products that are targeted at consumers with higher income levels.

Many managers, however, see great potential—and less competition—where GNP per capita is low. For example, Mars is making a big push to promote its candy in the countries of Eastern Europe. As with many other firms, it hopes to establish a relationship with consumers now, and then turn strong brand loyalty into profitable growth as consumer incomes increase.

A business and a human opportunity

The large number of countries with low GNP per capita is a stark reminder that much of the world's population lives in extreme poverty. Even among countries with the largest overall GNPs, you see some sign of this. In India, for example, GNP per person is only $450 a year. Many countries are in the early stages of economic development. Most of their people work on farms—and live barely within the money economy. At the extreme, in Ethiopia GNP per person per year is only about $100 (in U.S. dollars). To put this in perspective, 60 percent of the world's population—in 61 countries—receive only 6 percent of the world's total income, or about $2 a day.

These people, however, have needs, and many are eager to improve themselves. But they may not be able to raise their living standards without outside help. This presents a challenge and an opportunity to the developed nations—and to their business firms.

Some companies are trying to help the people of less-developed countries. Corporations such as Pillsbury, Monsanto, and Coca-Cola have developed nutritious foods that can be sold cheaply—but still profitably—in poorer countries.[5]

Computer Company Creates Legendary Success in China

China is the home of almost 1.3 billion people and accounts for about 25 percent of the world's population. Its population would be even larger, but about 20 years ago the communist government set a rule that most families could have only one child. Although the Chinese economy is changing rapidly, the gross national product per capita in China is only about 2.5 percent what it is in the U.S. and Japan. To put that in perspective, the average per capita income in China is less than $70 per month. Yet, not everyone in China is on the low end of the income distribution, and with so many people the demand for some goods and services is huge. In fact, China is becoming the world's fastest growing market for personal computers and mobile phones. For example, by 2005 it is expected that one out of four mobile phones in the world will be in China—a total of 250 million units. Similarly, although only about 1 out of every 175 Chinese currently has a personal computer, sales in China are already over 1.5 million units a year. It's easy to see why firms like Compaq and Dell that are leaders in other parts of the world want to capture more of this market. But they are finding it difficult to compete with Legend, a Chinese computer maker. One reason is that managers at Legend understand their customers better. For example, unlike customers in more developed markets, most Chinese are first-time buyers who want a lot of hand-holding and service. So Legend developed easy-to-use software and Chinese language tutorials for its high-quality computers. Legend also installs speech recognition software; that helps because there are many more characters in the Chinese language than letters in the English alphabet (and keys on the typical keyboard). Legend also has a big advantage in reaching customers. It has over 1,800 local distributors and more than 50 of its own stores. They help overcome distribution problems caused by China's inefficient highway and rail system, and they support customers with good service and free training. When China enters the World Trade Organization, lower import tariffs on foreign made computers will probably increase competition. However, by then, market growth may be slower.[6]

www.mhhe.com/fourps

What do Third World consumers really need?

Marketing managers from developed nations sometimes face an ethical dilemma about whether their products help or hurt consumers in less-developed nations. For example, a United Nations report criticized Coke and Pepsi for expanding their soft-drink sales in the Philippines. The study concluded that consumers had shifted to soft drinks from local beverages—such as a mixture of lime juice and coconut water—that provided needed vitamins.

In another much publicized case, producers of infant formula were criticized for giving free samples to hospitals. Nestlé and other big suppliers in this market say that they only gave the free samples to children who were in need—and at the request of hospitals. But critics argued that the practice encouraged new mothers to give up breast feeding. Away from the hospital, mothers would rely on unsanitary water supplies. Such improper use of the formula could lead to malnutrition and other illnesses. So, Nestlé and the others pledged to stop giving away free samples. Although that step stopped some misuse, now the formula is not available to many people who really need it. For example, over a million babies have been infected with AIDS from breast feeding. To help fight this staggering epidemic, Nestlé is willing to donate formula, but not unless the World Health Organization agrees that it is not a violation of its pledge.

In cases like these, a marketing manager may need to weigh the benefits and risks of trying to serve Third World markets. For example, in the U.S. Quicksilver Enterprises sells its 250-pound aluminum and fiberglass "ultralight" airplanes—that look like go-carts with wings—to wealthy hobbyists. However, Quicksilver found a growing market for ultralights in developing nations, where farmers use them for crop dusting. They help farmers increase production of much needed foods. So what's the problem? In the U.S., the government bans ultralights as not being safe enough for crop dusting. Some critics argue that a firm shouldn't sell its products in foreign markets if they are illegal in the U.S. But ultimately, the marketing manager often must decide what to do.[7]

Reading, writing, and marketing problems

The ability of a country's people to read and write has a direct influence on the development of its economy—and on marketing strategy planning. The degree of literacy affects the way information is delivered—which in marketing means promotion. Unfortunately, only about three-fourths of the world's population can read and write. Data on illiteracy rates is inexact because different countries use different measures. Even so, you may be surprised by the high illiteracy rates for some of the countries in Exhibit 5-2.

Illiteracy sometimes causes difficulties with product labels and instructions—for which we normally use words. This was one issue in the infant formula conflict. In an even more extreme case, some producers of baby food found that consumers misinterpreted a baby's picture on their packages. Illiterate natives believed that the product was just that—a ground-up baby! Many companies meet this lack of literacy with instructions that use pictures instead of words. Singer used this approach with its sewing machines.

Even in Latin America—which has generally higher literacy rates than Africa or Asia—a large number of people cannot read and write. Marketers have to use symbols, colors, and other nonverbal means of communication if they want to reach the masses.[8]

Much segmenting may be required

Marketers can learn a great deal about possible opportunities in different countries by studying available demographic data and trends. The examples we considered here give you a feel, but much more useful data is available. For example, *The World Factbook* is prepared by the Central Intelligence Agency (CIA) for the use of U.S. government officials, but it is available to everyone. It gives facts and statistics on each country in the world. This book can be accessed at the CIA's website (www.odci.gov/cia/publications/factbook). The World Bank publishes *The World Development Indicators,* another excellent source for statistics on individual countries. It is available at the World Bank's website (www.worldbank.org/data/wdi). The International Programs Center of the U.S. Census Bureau also publishes an analysis on world population and related topics called *World Population Profile*. You can also access useful statistics for individual countries at the Census Bureau's website (www.census.gov/ipc).

Internet

Internet Exercise Visit the website for the CIA's *World Factbook* (www.odci.gov/cia/publications/factbook) and compare the profile data for Canada and Australia. How are they similar and how are they different?

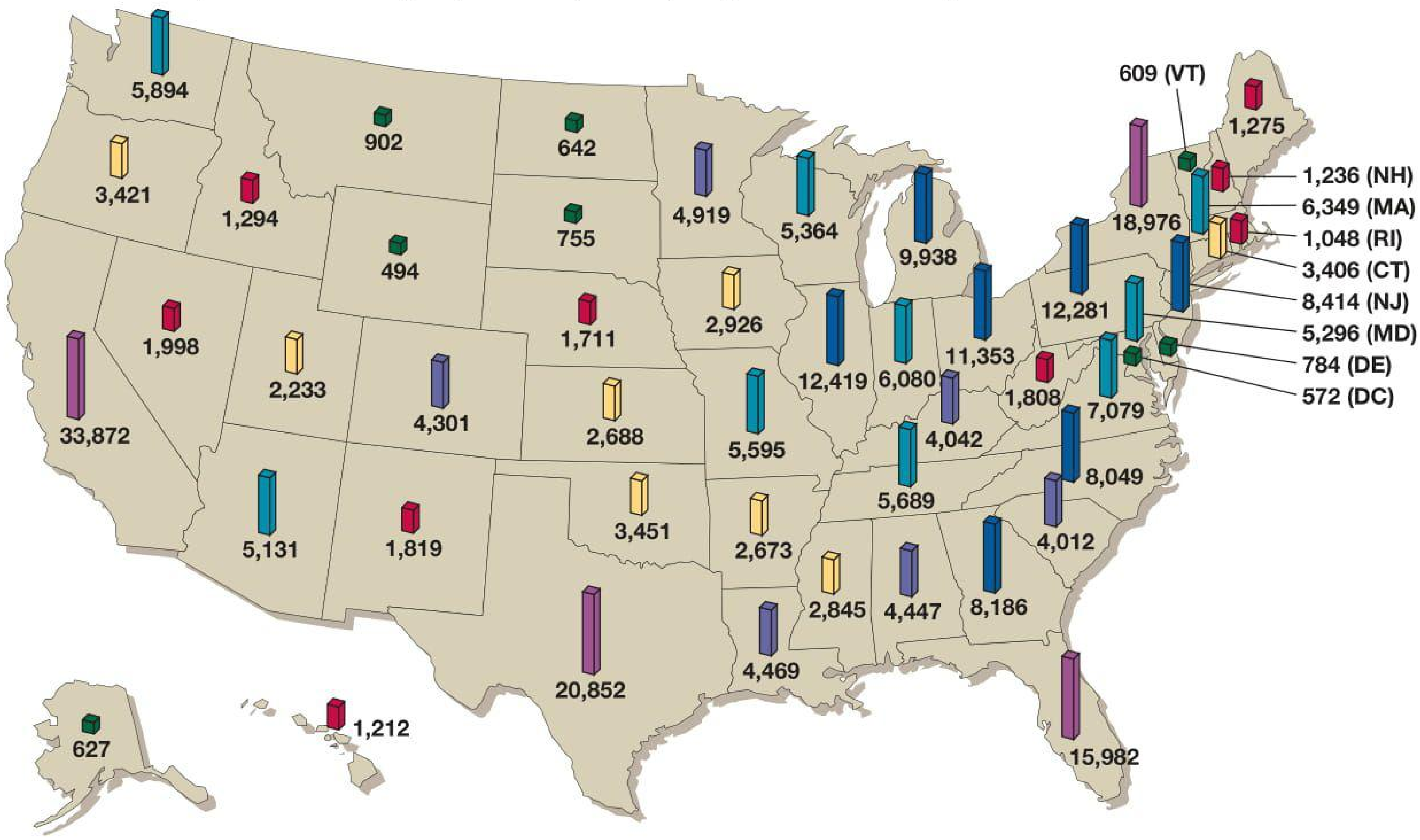
After finding some countries or regions of possible interest (and eliminating unattractive ones), much more segmenting may be required. To illustrate how useful demographic dimensions can be in this effort, we will consider specific characteristics of the U.S. market in some detail. For additional data on the U.S. market, you can go to the Census Bureau's website (www.census.gov). Similar ideas apply to other markets around the world.

Population Trends in the U.S. Consumer Market

Where does your state stand?

Exhibit 5-3 is a map of the U.S. showing the relative population for each state. The "high areas" on this map emphasize the concentration of population in different geographic regions. Note that California is the most populated state, with Texas a distant second. New York, in third place, still has almost as large a population as Texas, but Texas' population is more spread out. More generally, the heavy concentration of people in the Northeast makes this market larger than the whole West Coast.

Exhibit 5-3 Map of U.S. Showing Population by State (all figures in thousands)



2000 Population: ■ 0–1,000 ■ 1,001–2,000 ■ 2,001–4,000 ■ 4,001–5,000 ■ 5,001–8,000 ■ 8,001–15,000 ■ Over 15,000

Note: The height of the block in each state shows its relative population level.

As is the case in many countries, the most populated U.S. areas developed near inexpensive water transportation—on ocean harbors (East and West Coasts), along major rivers (like the Mississippi), or in the Great Lakes region. Obviously, these markets are attractive to many marketers. But this can also mean tough competition—as in the big urban East and West Coast markets.

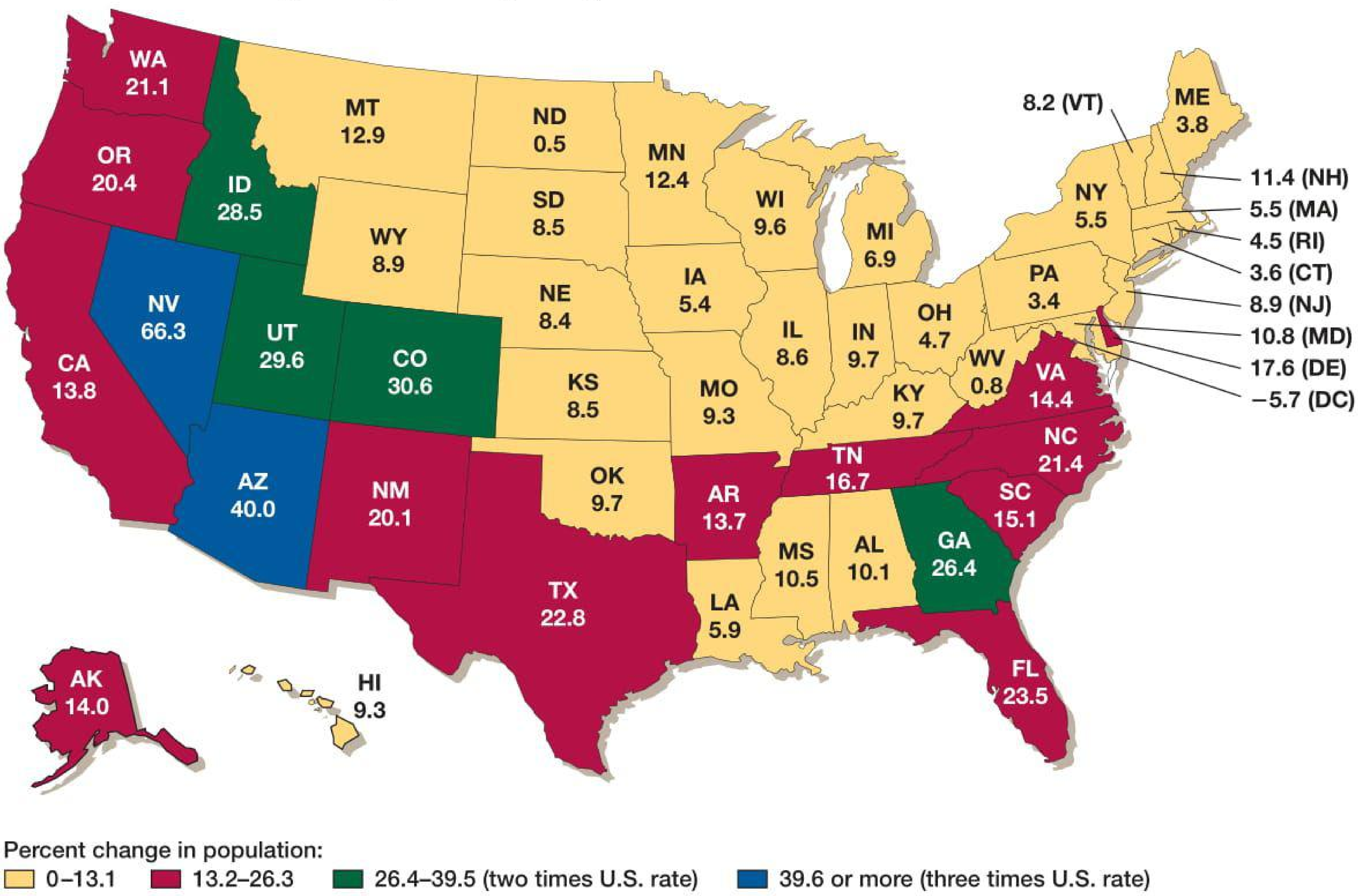
Marketers anxious to avoid the extremely competitive East and West Coast markets often view the midwestern and southern states as unique target markets. Note, too, the few people in the plains and mountain states, which explains why some national marketers pay less attention to these areas. Yet these states can provide an opportunity for an alert marketer looking for less competitive markets.

Where are the people today and tomorrow?

Population figures for a single year don't show the dynamic aspects of markets. Currently, U.S. population is about 281 million. By 2050, the U.S. population could rise to more than 400 million. But it is important to remember that the population has been growing continuously since the founding of the country. It almost doubled from 1950 to the present. But—and this is valuable to marketers—the population did *not* double everywhere. Marketers always look for fast-growing markets. They want to know where growth has occurred recently—and where growth is likely to occur in the future.

Exhibit 5-4 shows the percentage growth in population in different regions of the country. The states with the darkest shading are growing at the fastest rate. Note that the greatest growth is in the West—in states such as Nevada, Arizona, Idaho, Utah, and Colorado. Growth continued in the Sun Belt states of the South as well, with Georgia leading the way with 26 percent, and other Sun Belt states like Florida, Texas, North Carolina, and Tennessee growing rapidly.

Exhibit 5-4 Percent Change in Population by State, 1990–2000



Notice that some of the most populated areas in Exhibit 5-3 are not growing the fastest. The population of New York, for example, grew at less than 6 percent during the last decade. Other states like Connecticut and Pennsylvania grew less than 4 percent. In fact, the West is growing at almost four times the rate of the Northeast.

These different rates of growth are especially important to marketers. Sudden growth in one area may create a demand for many new shopping centers—while retailers in declining areas face tougher competition for a smaller number of customers. In growing areas, demand may increase so rapidly that profits may be good even in poorly planned facilities.

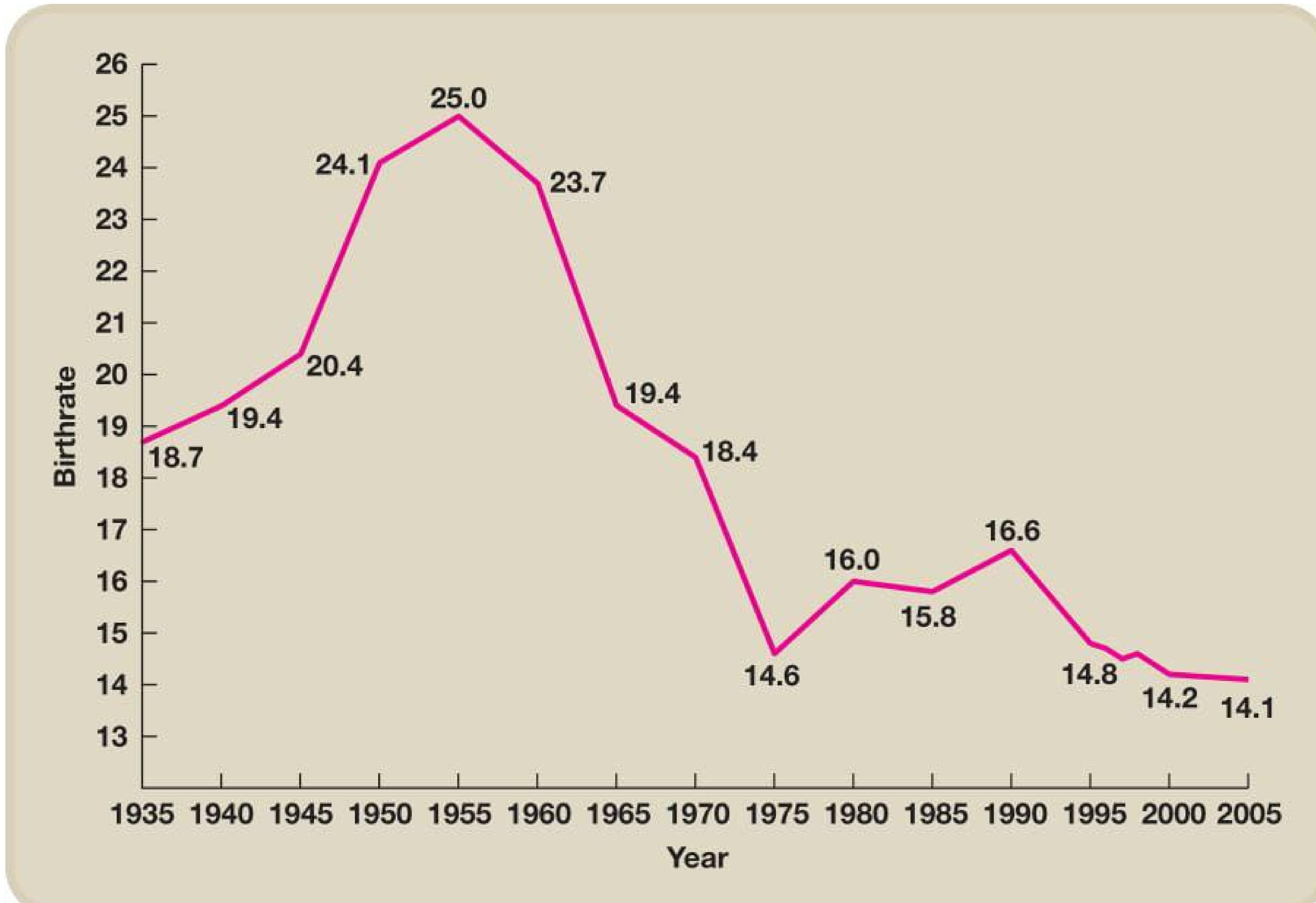
These maps summarize state-level data to give the big picture. However, much more detailed population data is available. You can obtain detailed census data—or updated estimates—for very small geographic areas. Just as we mapped population changes at the state level, a local marketer can divide a big metropolitan area into many smaller areas to see where the action is. As this decade continues, census data may become outdated—but by then local and state government planning groups may be able to provide updates.

Population will keep growing, but . . .

Despite the large increases, the *rate* of population growth in the U.S. has slowed dramatically—to about 1 percent a year during the last decade. In fact, many U.S. marketers who enjoyed rapid and profitable growth in the 1960s and 1970s know that the domestic picnic is over. They now turn to international markets where population—and sales revenues—continue to grow.

In the U.S., most of our future growth is expected to come from immigration. In fact, even now the total U.S. population would start to decline if immigration stopped. Let's look at some of these trends—and what they mean to marketing managers.[9]

Exhibit 5-5
Changes in the U.S. Birthrate, 1935–2005



Birthrate—boom or bust?

The U.S. **birthrate**—the number of babies born per 1,000 people—fluctuated greatly in the last 50 years. Exhibit 5-5 shows a clear pattern. A post–World War II baby boom began as returning soldiers started families, and it lasted about 15 years into the early 1960s. In the 1970s the situation changed to a "baby bust" as more women stayed in the workforce and couples waited longer to have children. When you see the dip in the birthrate—and think about the declining market for baby products—you can understand why Johnson & Johnson promotes its baby shampoo to adults who want a gentle product. You can also understand why Johnson & Johnson looks for opportunities in Asia and Latin America where the birthrate is higher.

The U.S. birthrate hit a low in 1976 and then rose again—but only slightly. From 1980 to 1990 the birthrate was between 15 and 17. It is starting to drop again now, and this trend should continue—with an estimated birthrate of about 14.1 around the year 2005. These shifts are easy to explain. As the baby boom generation entered its child-bearing years, there were more women to have babies. However, as the boomers aged this baby "boomlet" passed and turned to what some have called a "baby bust." In addition, American couples are having fewer children. There may be more demand for small apartments, in-home entertainment, travel, and smaller food packages.

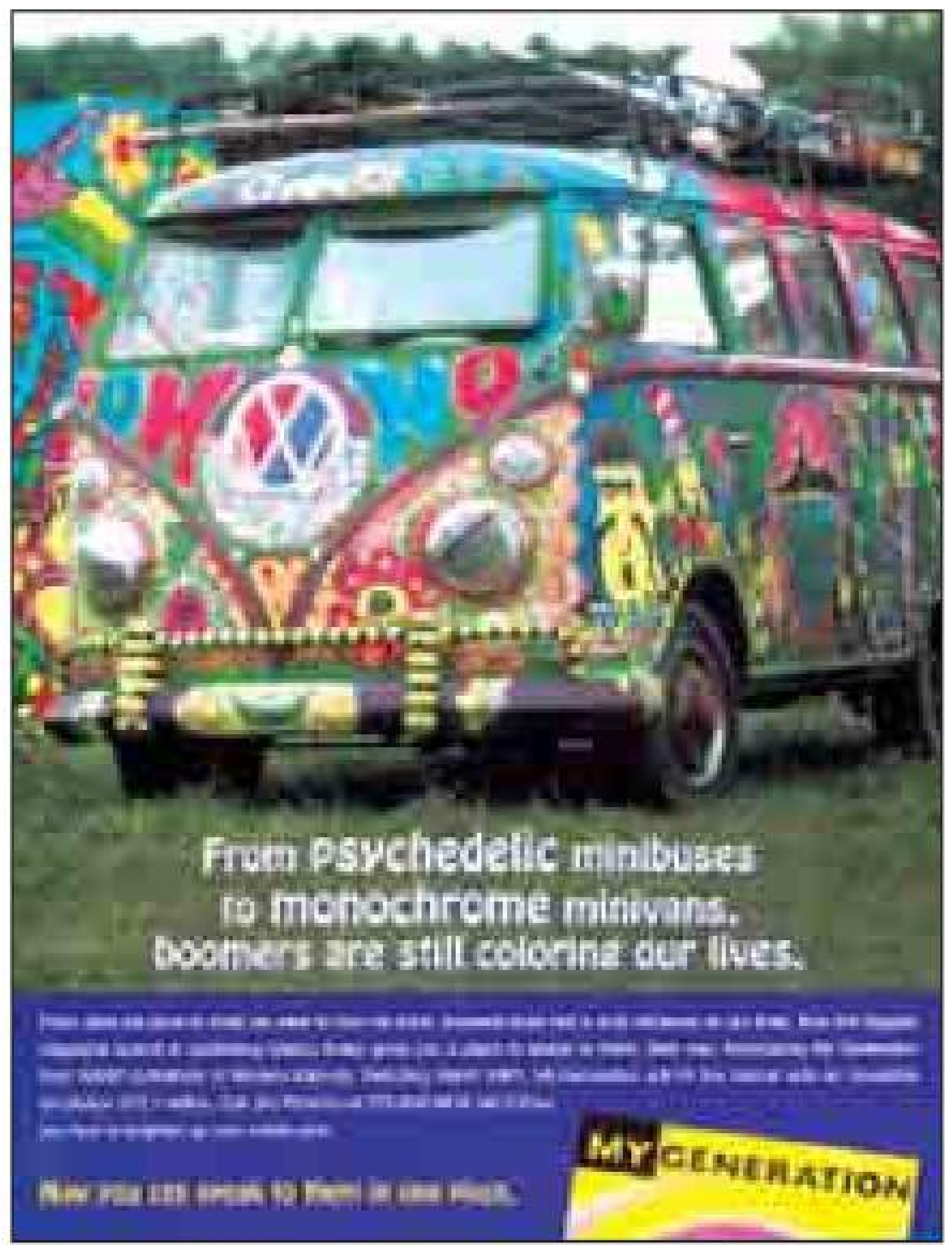
With fewer children, parents can spend more money on each child. For example, expensive bikes, video game consoles, MP3 players, and designer clothes for children have all sold well in recent years because parents can indulge one or two children more easily than a houseful.[10]

The graying of America

Because our population is growing slowly, the average age is rising. In 1970, the average age of the population was 28—but by the year 2000 the average age jumped to about 36.

Stated another way, the percentage of the population in different age groups is changing. Exhibit 5-6 shows the number of people in different age groups in 1990 and 2000—and how the size of these groups will look in 2010. Note the big increases in the 45–64 age group from 1990 to 2000 and also 2000 to 2010.

Highly targeted advertising media such as magazines and cable TV are proving especially effective at targeting messages to specific groups.



The major reason for the changing age distribution is that the post–World War II baby boom produced about one-fourth of the present U.S. population. This large group crowded into the schools in the 1950s and 60s—and then into the job market in the 1970s. In the 1980s, they swelled the middle-aged group. And early in the 21st century, they will reach retirement—still a dominant group in the total population. According to one population expert, "It's like a goat passing through a boa constrictor."

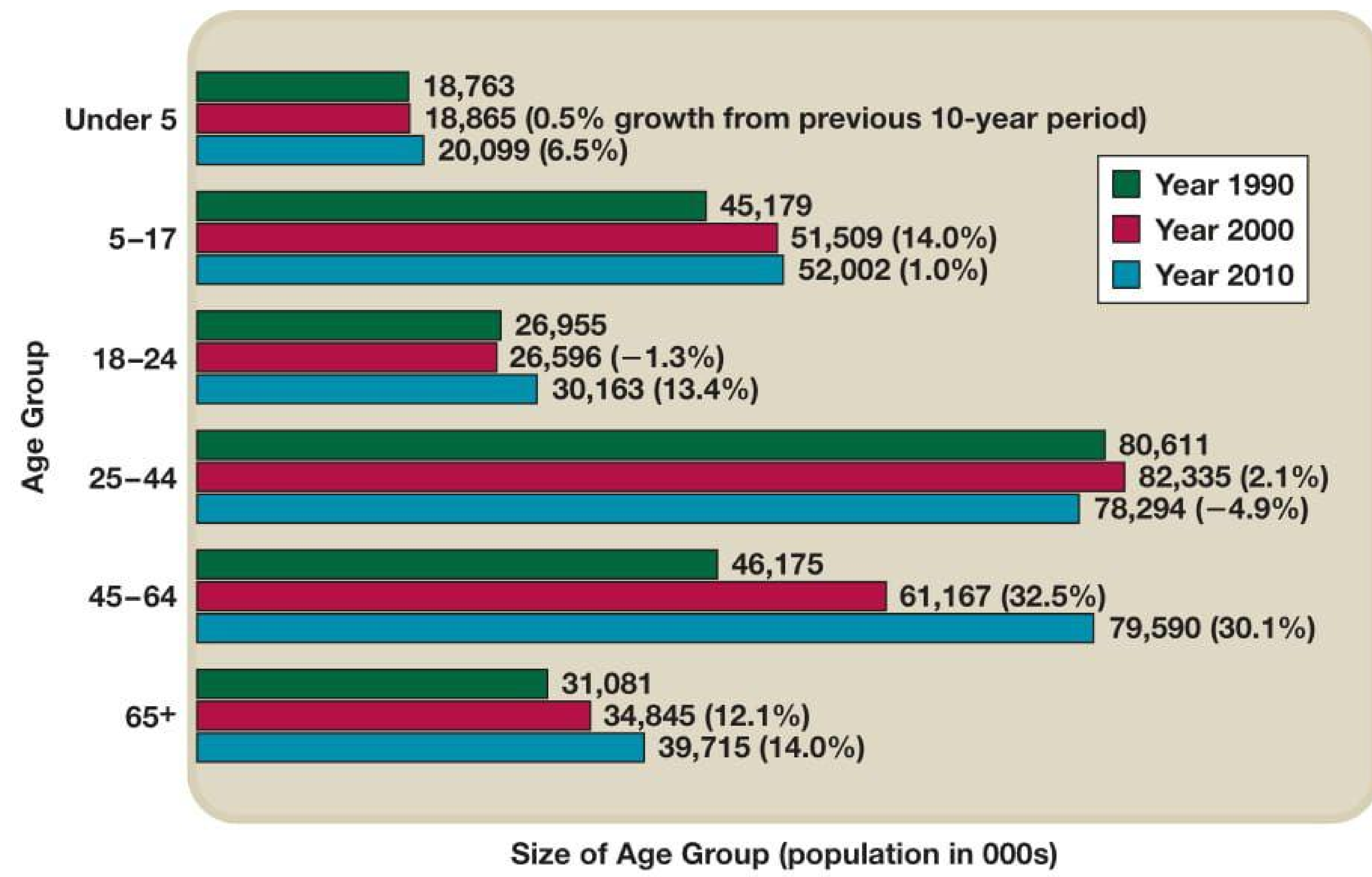
Some of the effects of this big market are very apparent. For example, recording industry sales exploded—to the beat of rock and roll music and the Beatles—as the baby boom group moved into their record-buying teens. Soon after, colleges added facilities and faculty to handle the surge—then had to cope with excess capacity and loss of revenue when the student-age population dwindled. To relieve financial strain many colleges now add special courses and programs for adults to attract the now-aging baby boom students. On the other hand, the fitness industry and food producers who offer low-calorie foods are reaping the benefit of a middle-aged "bulge" in the population.

Medical advances help people live longer and are also adding to the proportion of the population in the senior citizen group. Note from Exhibit 5-6 that the over-65 age group will grow another 14 percent by 2010. Even more dramatic, by 2030 the over-65 group will double in size and they will be almost 20 percent of the total U.S. population. This ongoing growth creates new opportunities for such industries as tourism, health care, and financial services.[11]

The teen cycle is starting again

While society—and many marketers—have been fixated on the aging baby boomers, the ranks of teenagers have started to grow again. This is in part reflected in the 14.0 percent growth of the 5–17 age group between 1990 and 2000 and the 13.4 percent growth rate of the 18–24 age group in this decade (see Exhibit 5-6). But the coming changes are even bigger than this suggests. For 15 years, there was a steady decline in the number of teenagers. Now that has reversed. Between 1995 and 2005, the teenage group will grow at close to twice the rate of the overall population. By the time the number of teens peaks in 2010, the size of this group will top the baby boom–fueled teen explosion of the 1970s. In 2010, there will be over

Exhibit 5-6
Population Distribution (and Percent Growth Rate) by Age Groups for Different 10-Year Periods



35 million U.S. teens—and along the way a new teen-oriented culture will reshape society and markets. However, marketers who simultaneously try to appeal to aging baby boomers and to teens may find themselves right in the middle of a real clash of cultures.[12]

Household composition is changing

Many people incorrectly think of the "typical" American household as a married couple with two children—living in the suburbs. This never was true and is even less true now. Less than 24 percent of households consist of a husband, wife, and children under 18. Another 28 percent of households involve married couples, but ones without children living at home.

Although almost all Americans marry, they are marrying later, delaying child bearing, and having fewer children. And couples don't stay together as long as they used to. The U.S. has the highest divorce rate in the world—about 50 percent of marriages end in divorce. That helps to explain why more than 12 percent of U.S. households are now families headed by a single woman. Yet, divorce does not seem to deter people from marrying again. Over 80 percent of divorced people remarry in what is described as "the triumph of hope over experience." Still, even with all this shifting around, at any given time only about 60 percent of all adults are married.

Nonfamily households are increasing

Many households are not families in the traditional sense. There are now about 5.5 million unmarried couples who live together. That's a whopping 70 percent increase during the last decade. Some of these arrangements are temporary—as in college towns or in large cities where recent graduates go for their first "real" job. But the majority are older couples who choose not to get married. The number of these nontraditional households is still relatively small. But marketers pay special attention to them because they are growing at a much higher rate than the traditional family households. And they have different needs and attitudes than the stereotypical American family. To reach this market, some banks changed their policies about loans to unmarried couples for homes, cars, and other major purchases. And some insurance companies designed coverage for unmarried couples.

Single-adult households are also on the rise and they account for over one-fourth of all households—almost 27 million people! These include young adults who leave home when they finish school, as well as separated, divorced, or widowed people who live alone. In some big cities, the percentage of single-person households is even higher—around 30 percent in New York and Washington, D.C. These people need smaller apartments, smaller cars, smaller food packages, and, in some cases, less-expensive household furnishings because many singles don't have much money. Other singles have ample discretionary income and are attractive markets for top-of-the-line clothing, expensive electronic gadgets, status cars, travel, nice restaurants, and trendy bars.[13]

The shift to urban and suburban areas

Migration from rural to urban areas has been continuous in the U.S. since 1800. In 1920, about half the population lived in rural areas. By 1950, the number living on farms dropped to 15 percent—and now it is less than 2 percent. We have become an urban and suburban society.[14]

Since World War II, there has been a continuous flight to the suburbs by middle-income consumers. By 1970, more people lived in the suburbs than in the central cities. Retailers moved too—following their customers. Lower-income consumers—often with varied ethnic backgrounds—moved in, changing the nature of markets in the center of the city.

Industries too have been fleeing the cities, moving many jobs closer to the suburbs. Today's urban economic system is not as dependent on central cities. A growing population must go somewhere—and the suburbs can combine pleasant neighborhoods with easy transportation to higher-paying jobs nearby or in the city.

Purchase patterns are different in the suburbs. For example, a big city resident may not need or own a car. But with no mass transportation, living carless in the suburbs is difficult. And in some areas, it almost seems that an SUV or a minivan—to carpool kids and haul lawn supplies or pets—is a necessity.

Local political boundaries don't define market areas

These continuing shifts—to and from urban and suburban areas—mean that the usual practice of reporting population by city and county boundaries can result in misleading descriptions of markets. Marketers are more interested in the size of homogeneous *marketing* areas than in the number of people within political boundaries. To meet this need, the U.S. Census Bureau has developed a separate population classification based on metropolitan statistical areas. Much data is reported on the characteristics of people in these areas. The technical definition of these areas has changed over time. But basically a **Metropolitan Statistical Area (MSA)** is an integrated economic and social unit with a large population nucleus. Generally, an MSA centers on one city or urbanized area of 50,000 or more inhabitants and includes bordering urban areas.

The largest MSAs—basically those with a population of more than a million—are called Consolidated Metropolitan Statistical Areas. Over three-fourths of all Americans live in MSAs and almost 40 percent live in the 18 largest CMSAs. More detailed data is available for areas within these sprawling, giant urban areas.

Big targets are attractive—but very competitive

Some national marketers sell only in these metro areas because of their large, concentrated populations. They know that having so many customers packed into a small area can simplify the marketing effort. They can use fewer middlemen and still offer products conveniently. One or two local advertising media—a city newspaper or TV station—can reach most residents. If a sales force is needed, it will incur less travel time and expense because people are closer together.

Metro areas are also attractive markets because they offer greater sales potential than their large population alone suggests. Consumers in these areas have more money to spend because wages tend to be higher. In addition, professionals—with higher salaries—are concentrated there. But, remember that competition for consumer dollars is usually stiff in an MSA.[15]

The mobile ones are an attractive market

Of course, none of these population shifts is necessarily permanent. People move, stay awhile, and then move again. In fact, about 16 percent of Americans move each year. Although about 6 out of 10 moves are within the same county, both the local and long-distance mobiles are important market segments.

Often people who move in the same city trade up to a bigger or better house or neighborhood. They tend to be younger and better educated people on the way up in their careers. Their income is rising—and they have money to spend. Buying a new house may spark many other purchases too. The old sofa may look shabby in the new house. And the bigger yard may require a new lawn mower—or even a yard service.

Many long-distance moves are prompted by the search for a better lifestyle. Many affluent retirees, for example, move to find a more comfortable life. Young people also hop from place to place—attracted by better job opportunities. This applies to graduates moving to high-paying, new-economy jobs as well as recent immigrants whose only choice may be a low-wage service job.

Regardless of why someone moves, many market-oriented decisions have to be made fairly quickly after a move. People must find new sources of food, clothing, medical and dental care, and household products. Once they make these basic buying decisions, they may not change for a long time. Alert marketers try to locate these potential customers early—to inform them of offerings before they make their purchase decisions. Retail chains, "national" brands, and franchised services available in different areas have a competitive advantage with mobiles. The customer who moves to a new town may find the familiar CVS sign down the street and never even try its local competitors.[16]

Income Dimensions of the U.S. Market

So far, we have been concerned mainly with the *number* of different types of people—and *where* they live.

More people are in middle and upper income levels

Earlier in this chapter you saw how GNP figures can be helpful in analyzing markets. But GNP figures are more meaningful to marketing managers when converted to family or household income—and its distribution. Family incomes in the U.S. generally increased with GNP. But even more important to marketers, the *distribution* of income changed drastically over time.

Fifty years ago, the U.S. income distribution looked something like a pyramid. Most families were bunched together at the low end of the income scale—just over a subsistence level—to form the base of the income pyramid. There were many fewer families in the middle range, and a relative handful formed an elite market at the top. This pattern still exists in many nations.

By the 1970s, real income (buying power) in the U.S. had risen so much that most families—even those near the bottom of the income distribution—could afford a comfortable standard of living. And the proportion of people with middle incomes was much larger. Such middle-income people enjoyed real choices in the marketplace.

This revolution broadened markets and drastically changed the U.S. marketing system. Products viewed as luxuries in most parts of the world sell to "mass" markets

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Marketers are very aware that spending varies with income and other demographic dimensions.

in the U.S. And these large markets lead to economies of scale, which boost our standard of living even more. Similar situations exist in Canada, many Western European countries, Australia, New Zealand, and Japan.

Real income growth has slowed—but for how long?

Trends in median family income from 1960 to 1999 reflect this upward shift in the income distribution—and the increased number of families with more money to spend. See Exhibit 5-7. Note, though, that (real) median income stopped its continuous rise during the inflation-ridden 1970s. Since then it has gone through periods of both upswings and decreases, but the changes in recent years have not been as great as they were a few decades ago.

Exhibit 5-7
Median Family Income over Time (in 1999 dollars)

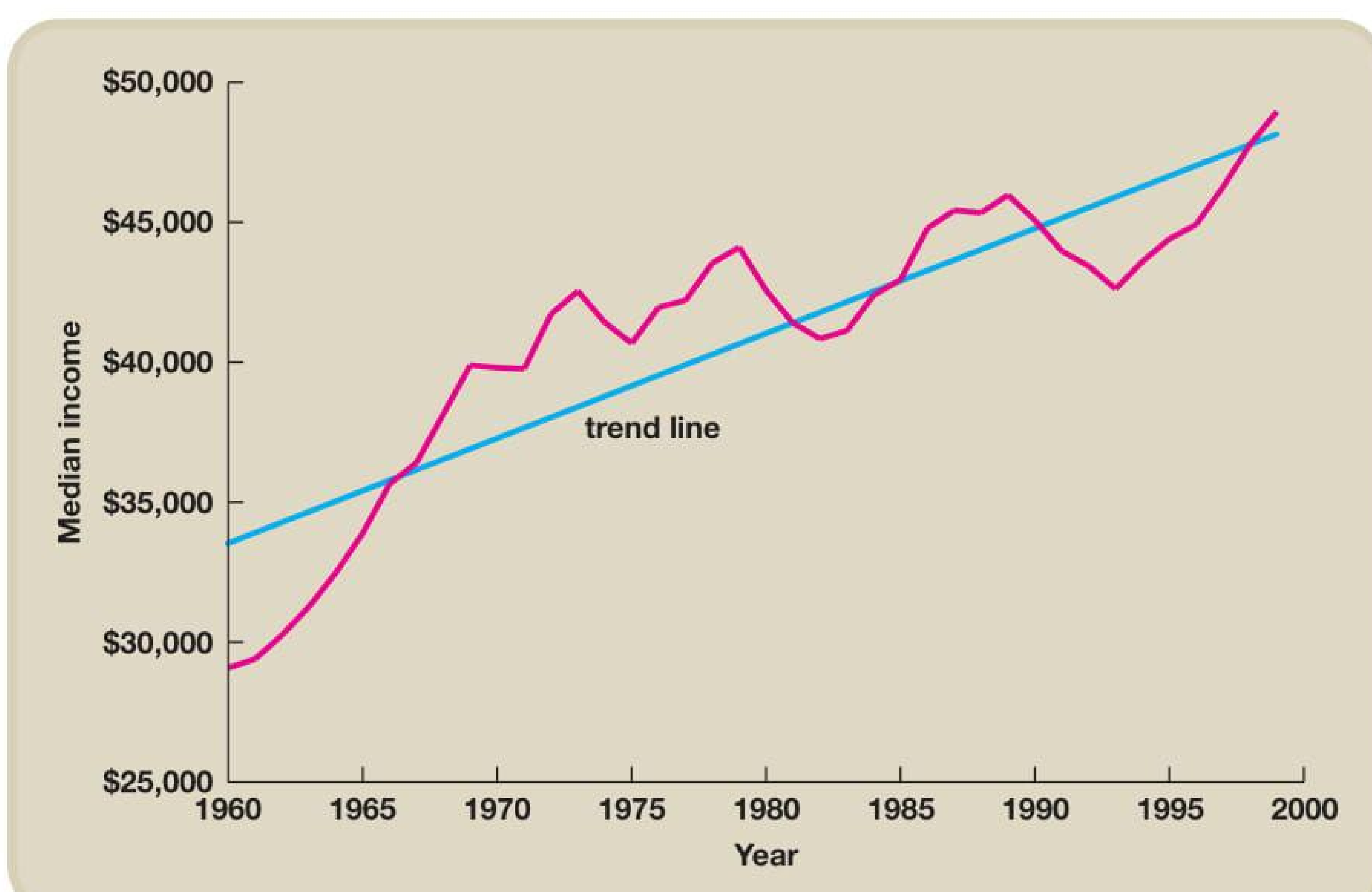
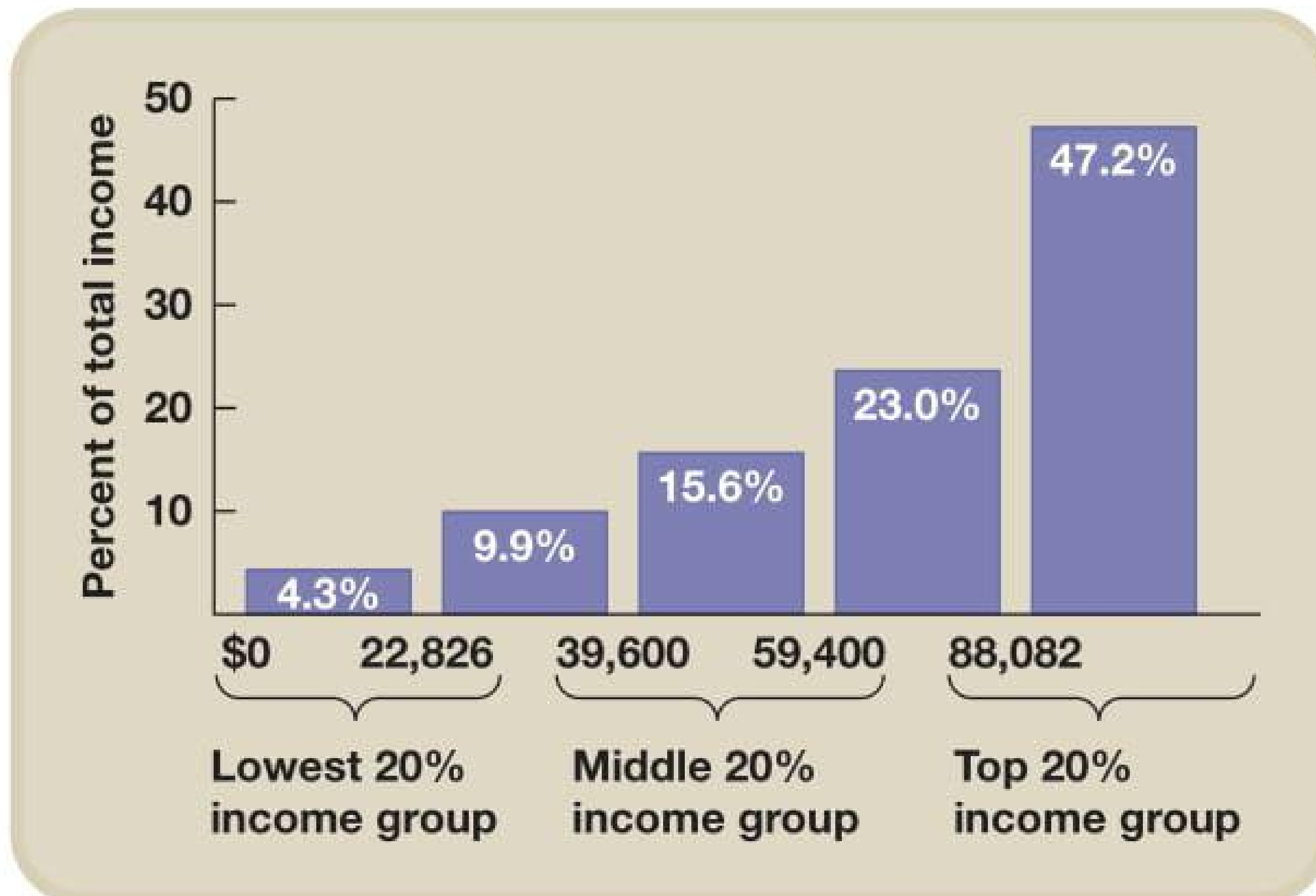


Exhibit 5-8
Percent of Total Income Going to Different Income Groups in 1999



There is heated debate about what will happen to consumer incomes—and income distribution—in the future. Some business analysts feel that the lack of significant income growth signals worse things to come. They think that a decline in the manufacturing sector of the economy threatens America's middle-class standard of living. These analysts argue that in industries with traditionally high wages, firms are replacing workers with technology—to be able to compete with low-cost foreign producers. At the same time, new jobs are coming from growth of the lower-paying service industries. But other analysts are not so pessimistic. They agree that the percentage of the workforce earning middle-income wages has declined recently—but they think this is a temporary shift, not a long-term trend, and that over time the efficiencies that come from new information technologies will "lift" the whole economy.

What happens to income levels will be critical to you—and to American consumers in general. It is easy for both consumers and marketing managers to be lulled by the promise of a constantly increasing standard of living. Both consumer thinking—and marketing strategy—will have to adjust if growth does not resume.

The higher-income groups receive a big share

Higher-income groups in the U.S. receive a very large share of total income, as you can see in Exhibit 5-8, which divides all families into five equal-sized groups—from lowest income to highest. Note that although the median income of U.S. families in 1999 was about $48,950, the top 20 percent of the families—those with incomes over $88,082—received over 47 percent of the total income. This gave them extra buying power, especially for luxury items like cellular phones, memberships in country clubs, and yachts. Well-to-do families with incomes over $155,040—the top 5 percent nationally—got more than 20 percent of the total income.

At the lower end of the scale, over 14 million families had less than $22,826 income. They account for 20 percent of all families but receive only 4.3 percent of total income. Even this low-income group is an attractive market for some basic commodities, especially food and clothing—even though almost half of them live below the poverty level of $17,029 for a family of four. These consumers may receive food stamps, medicare, and public housing, which increases their buying power. Some marketers target this group, usually with a lower-price marketing mix.

How much income is "enough?"

We can't stress the importance of income distribution too much. Many companies make serious marketing strategy errors by overestimating the amount of income in various target markets. Marketers can easily make such errors because of the natural tendency for people to associate with others like themselves—and to assume that almost everyone lives like they do. A marketing manager who earns $125,000 a year may have no clue what life is like for a family that lives on $25,000 a year.

The 1999 median family income of about $48,950 is a useful reference point because some college graduates start near this level. And a young working couple together can easily go way over this figure. This may seem like a lot of money at first—but it is surprising how soon needs and expenses rise and adjust to available income. America's middle-income consumers have been hit hard by the spiraling costs of health care, housing, energy, cars, taxes, and tuition bills. More than ever, these consumers look for purchases that offer good value for the money spent. Some high-living marketers may not understand that these consumers *need* to pinch their pennies, but that practical reality now explains much of the buying behavior of lower and middle-income markets in the U.S.[17]

Can low-income consumers protect themselves?

In market-directed economies, consumers are free to make choices in the marketplace. But with little income, education, or opportunity to become informed, many consumers in the lowest income groups have few real choices. Some marketing managers struggle over whether to serve these markets. A credit company, for example, may find customers willing to pay a high finance charge to borrow money. And the high rate may be needed to cover the risk of unpaid loans. But is it exploitation to charge a higher rate to those who can least afford it and who really have no other choice?[18]

Spending Varies with Income and Other Demographic Dimensions

We've been using the term *family income* because consumer budget studies show that most consumers spend their incomes as part of family or household units. They usually pool their incomes when planning major expenditures. So, most of our discussion will concern how families or households spend their income.

Disposable income is what you get to spend

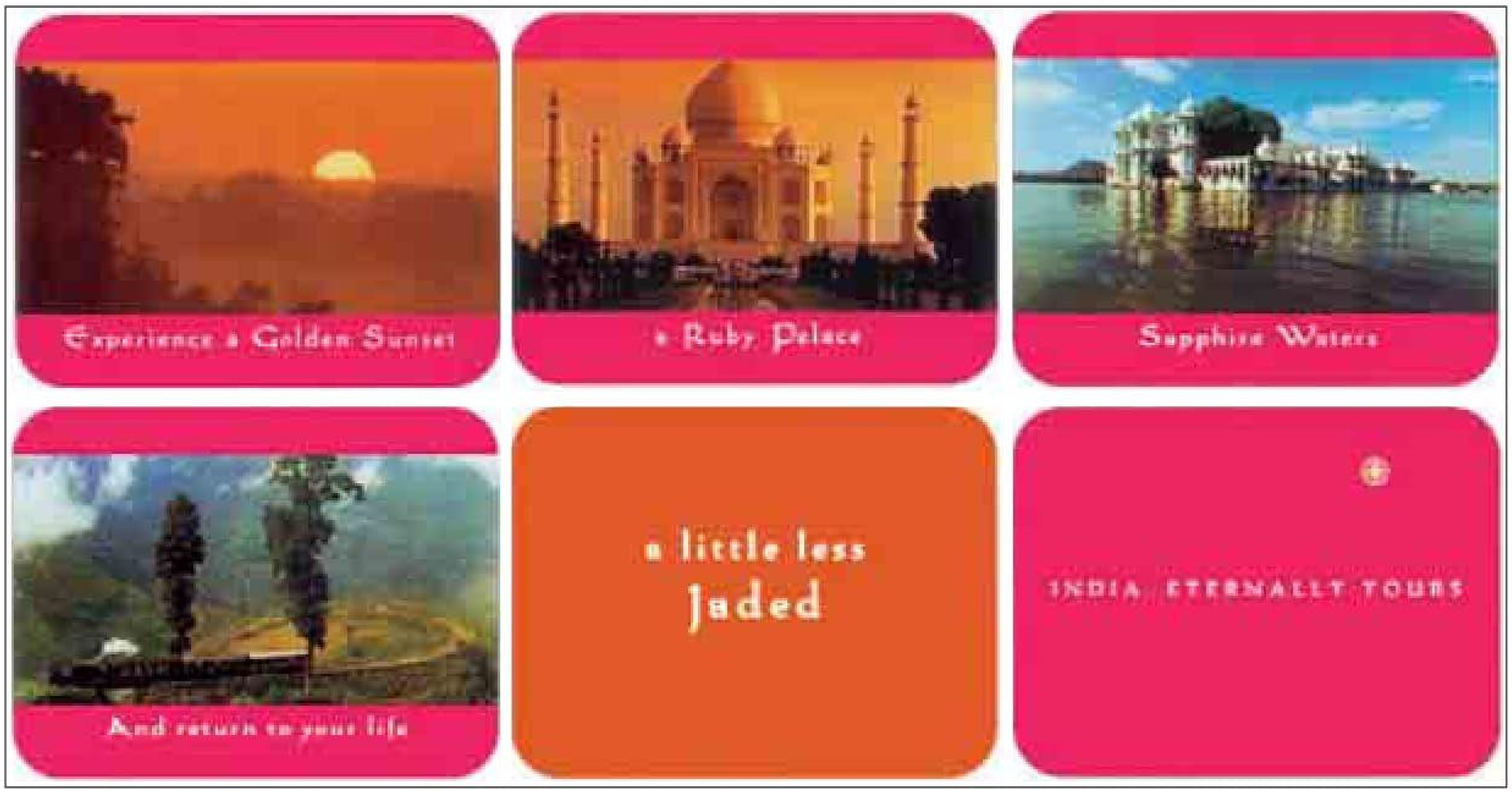
Families don't get to spend all of their income. **Disposable income** is what is left after taxes. Out of this disposable income—together with gifts, pensions, cash savings, or other assets—the family makes its expenditures. Some families don't spend all their disposable income—they save part of it. Therefore, when trying to estimate potential sales in target markets, we should distinguish among income, disposable income, and what consumers actually spend.

Discretionary income is elusive

Most families spend a good portion of their income on such "necessities" as food, rent or house payments, car and home furnishings payments, and insurance. A family's purchase of "luxuries" comes from **discretionary income**—what is left of disposable income after paying for necessities.

Discretionary income is an elusive concept because the definition of necessities varies from family to family and over time. It depends on what they think is necessary for their lifestyle. A cable TV service might be purchased out of discretionary income by a lower-income family but be considered a necessity by a higher-income family. But if many people in a lower-income neighborhood subscribe to cable TV, it might become a "necessity" for the others—and severely reduce the discretionary income available for other purchases.

The majority of U.S. families do not have enough discretionary income to afford the lifestyles they see on TV and in other mass media. On the other hand, some young adults and older people without family responsibilities have a lot of discretionary income. They may be especially attractive markets for electronic gear, digital



Purchases of luxuries, like overseas tourist travel, come from discretionary income.

cameras, new cars, foreign travel, cell phone services, and various kinds of recreation—tennis, skiing, boating, concerts, and fine restaurants.[19]

Spending varies over the family life cycle

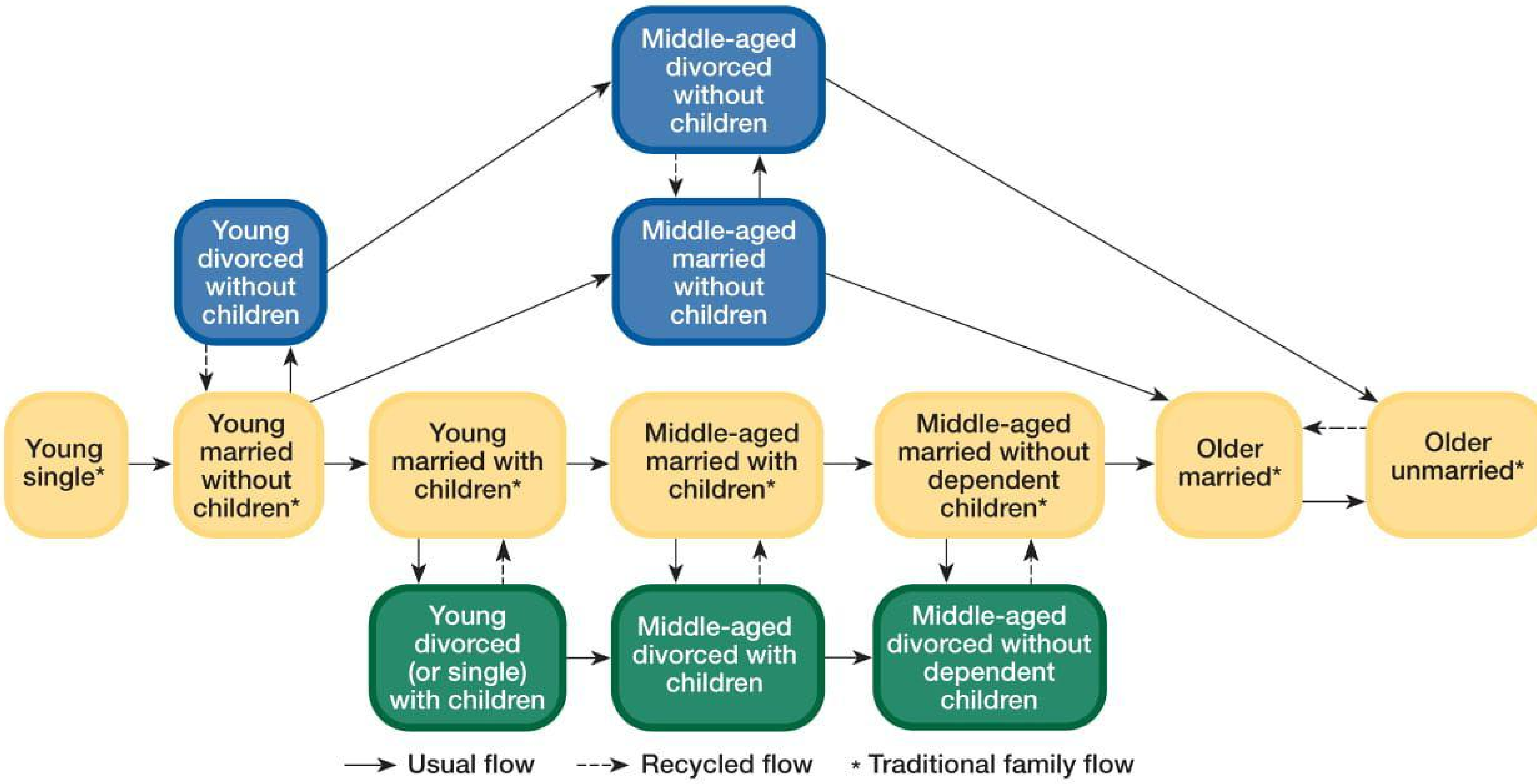
Income has a direct bearing on spending patterns, but many other demographic dimensions are also useful in understanding consumer buying. Marital status, age, and the age of any children in the family have an especially important effect on how people spend their income. Put together, these dimensions tell us about the life-cycle stage of a family. Exhibit 5-9 shows a summary of stages in the family life cycle. In our discussion, we will focus on the traditional flow from one stage to the next—as shown in the middle of the diagram. However, as shown at the top and bottom of the exhibit, divorce does interrupt the flow for many people; after a divorce, they may recycle through earlier stages.[20]

Young people and families accept new ideas

Singles and young couples seem to be more willing to try new products and brands—and they are careful, price-conscious shoppers. Younger people often earn less than older consumers, but they spend a greater proportion of their income on discretionary items because they don't have the major expenses of home ownership, education, and family rearing. Although many young people are waiting longer to marry, most do tie the knot eventually. These younger families—especially those with no children—are still accumulating durable goods, such as automobiles and home furnishings. They spend less on food. Only as children arrive and grow does family spending shift to soft goods and services, such as education, medical, and personal care. This usually happens when the family head reaches the 35–44 age group. To meet expenses, people in this age group often make more purchases on credit, and they save less of their income.

Divorce—increasingly a fact of American life—disrupts the family life-cycle pattern. Divorced parents don't spend like other singles. The mother usually has custody of the children, and the father may pay child support. The mother and children typically have much less income than two-parent families. Such families spend a larger percent of their income on housing, child care, and other necessities—with

Exhibit 5-9 Stages in Modern Family Life Cycles



little left for discretionary purchases. If a single parent remarries, the family life cycle may start over again.[21]

Reallocation for teenagers

Once children become teenagers, further shifts in spending occur. Teenagers eat more, want to wear expensive clothes, and develop recreation and education needs that are hard on the family budget. The parents—or, increasingly the single parent—may be forced to reallocate expenditures to cover these expenses—spending less on durable goods, such as appliances, automobiles, household goods, and housing. The fast-rising expense of sending a son or daughter to college can create a major financial crisis.

For many firms, teens are an important and attractive market. The amount of money involved may surprise you. America's teens currently spend over $150 billion a year and spending is growing at double-digit rates. Further, in today's families with a single parent or with two wage earners, teens play an increasingly important role in shopping and shaping family purchases. With teens spending more money, they are a target for many firms. For example, Siemens added an MP3 player to its wireless phone to help it win teen preference away from Nokia. Similarly, MasterCard is targeting teens with its credit card promotions and Bausch & Lomb's contact-lens sales hit record levels when the firm refocused its marketing efforts on teens.[22]

Selling to the empty nesters

Another important category is the **empty nesters**—people whose children are grown and who are now able to spend their money in other ways. Usually these people are in the 50–64 age group. But this is an elusive group because some people marry later and are still raising a family at this age. And in recent years lots of empty nesters have been surprised when adult singles move back in to avoid the big costs of housing.

Empty nesters are an attractive market for many items. They have paid for their homes, and the big expenses of raising a family are behind them. They are more interested in travel, small sports cars, and other things they couldn't afford before.

Much depends on their income, of course. But this is a high-income period for many workers—especially white-collar workers.[23]

Senior citizens are a big market

Finally, marketers should not neglect the **senior citizens**—people over 65. The number of people over 65 is increasing rapidly because of modern medicine, improved sanitary conditions, and better nutrition. This group now makes up almost 13 percent of the population.

Our senior citizens are more prosperous than ever before. Their income is lower than in their peak earning years, but most do have money to spend. They don't just squeak by on Social Security. Such prosperity is a dramatic change. In 1960, about a third of all senior citizens had incomes below the poverty level. Now, only about 10 percent are considered "poor"—lower than the 11.8 percent figure for all adults.

Older people also have very different needs. Many firms already cater to senior citizens—and more will be serving this market. For example, some companies developed housing and "life care" centers designed to appeal to older people. Casio makes a calculator with large, easy-to-read numbers. Publix Super Markets, a big Florida chain, trains employees to cater to older customers. Checkout clerks, for example, give older customers two light bags instead of one heavier one. Some travel agents find that senior citizens are an eager market for expensive tours and cruises. Other companies offer diet supplements and drug products—often in special easy-to-open packages. And senior citizen discounts at drugstores are more than just a courtesy—the elderly make up the biggest market for medicines.

Keep in mind, however, that older people are not all the same. With a group this large, generalities and stereotypes can be dangerous. Different senior citizen target markets have different needs—and require different marketing strategies.[24]

Ethnic Dimensions of the U.S. Market

Do ethnic groups buy differently?

America may be called the melting pot, but ethnic groups deserve special attention when analyzing markets. One basic reason is that people from different ethnic groups may be influenced by very different cultural variables. They may have quite different needs and their own ways of thinking. Moreover, Americans are beginning to recognize the value of multicultural diversity. The U.S. is becoming a multicultural market. As a result, rather than disappearing in a melting pot, some important cultural and ethnic dimensions are being preserved and highlighted. This creates both opportunities and challenges for marketers.

Some important ethnic differences are obvious. For example, more than 1 out of 10 families in the U.S. speaks a language other than English at home. Some areas have a much higher rate. In Miami and San Antonio, for example, about one out of three families speaks Spanish. This obviously affects promotion planning. Similarly, brand preferences vary for some ethnic groups. For example, cosmetic companies offer products tailored to different skin tones. But, ethnic groups don't just differ in the color of their skin. Differences in attitudes, experiences, and values, as well as where they shop and what advertising appeals they attend to, come together to shape differences in buying behavior.

Internet

Internet Exercise Visit the website for Ethnic Grocer (www.ethnicgrocer.com), select "Shop by Country," and then "Mexico." Are any of the carbonated beverages listed for Mexico likely to become popular in the U.S.? Why or why not?

Many firms are developing new strategies to appeal to fast-growing ethnic markets in the U.S. For example, this Spanish-language ad promotes Suavitel fabric softener, which has a special fragrance that appeals to many Hispanic-American consumers.

Stereotypes are common—and misleading

A marketer needs to study ethnic dimensions very carefully because they can be subtle and fast-changing. This is also an area where stereotyped thinking is the most common—and misleading. Many firms make the mistake of treating all consumers in a particular ethnic group as homogeneous. For example, some marketing managers treat all 35 million African-American consumers as "the black market," ignoring the great variability among African-American households on other segmenting dimensions. Income variability is a good example. While the median income of black families is still lower than for the whole population, that is changing. Today 51 percent of black couples have an income of at least $50,000—and 23 percent have an income of $75,000 or more. These affluent consumers are also a relatively youthful market and a larger percentage (compared with white consumers) are in earlier stages of the life cycle and therefore a better market for certain products—especially durable goods like cars, furniture, home appliances, and electronic equipment.

Ethnic markets are becoming more important

More marketers pay attention to ethnic groups now because the number of ethnic consumers is growing at a much faster rate than the overall society. Much of this growth results from immigration. In addition, however, the median age of Asian Americans, African Americans, and Hispanics is much lower than that of whites—and the birthrate is higher.

In combination, these factors have a dramatic effect. The Hispanic population in the U.S., now over 35 million and about 12.5 percent of the total population, surged by more than 60 percent since 1990. To put this in perspective, there are now more Hispanics in the U.S. than there are Canadians in Canada and more Hispanics in the U.S. than African Americans, previously the largest minority group. Hispanics are on average 10 years younger than the overall population, which helps to explain why one out of every five babies born in the U.S. is Hispanic. You can see why strong Hispanic influences among the youth culture will be even greater in the years ahead.

While there are fewer Asian Americans (about 11.6 million, or 3.6 percent of the total population), the number has tripled since 1980—one of the fastest growth rates for any segment of the population. These shifts are changing the face of the

American market. Already, more than 36 percent of American children are African American, Hispanic, or Asian. Longer term, whites are expected to become a minority by 2050.

The buying power of ethnic submarkets is also increasing rapidly. Estimates suggest that African American consumers now spend about $543 billion a year, Hispanics more than $383 billion a year, and Asian Americans more than $250 billion a year. It's also important to marketers that much of this buying power is concentrated in certain cities and states. For example, half of all Hispanics in the U.S. live in California and Texas, and another fourth live in New York, Florida, Arizona, and New Jersey. Over 20 percent of San Francisco's residents are Asians.

Strategy changes may be needed

Companies may need separate strategies for these ethnically or racially defined markets. Many of these strategies may require only changes in Place and Promotion. But sometimes companies have more difficulty developing strategies and segmenting ethnic submarkets. For example, Asian Americans emigrated from China, Japan, the Philippines, India, Korea, Vietnam, Laos, and Cambodia. Many come from very different backgrounds with no common language, religion, or culture. That adds to the marketing challenge; it means marketers must really understand the basic needs that motivate specific target markets to think and act as they do. This is important with any consumer market—regardless of people's ethnic or racial background or where in the world they live. We'll deal with that important issue in more detail in the next chapter.[25]

Conclusion

In this chapter, we studied population, income, and other demographic dimensions of consumer markets. Getting the facts straight on how about 6 billion people are spread over the world is important to marketing managers. We learned that the potential of a given market cannot be determined by population figures alone. Geographic location, income, stage in life cycle, ethnic background, and other factors are important too. We talked about some of the ways these dimensions—and changes in them—affect marketing strategy planning.

We also noted the growth of urban areas in countries around the world. The high concentration of population and spending power in large metropolitan areas of the U.S. has already made them attractive target markets. However, competition in these markets is often tough.

One of the outstanding characteristics of U.S. consumers is their mobility. Managers must pay attention to changes in markets. High mobility makes even relatively new data suspect. Data can only aid a manager's judgment—not replace it.

U.S. consumers are among the most affluent in the world. They have more discretionary income and can afford a wide variety of products that people in other parts of the world view as luxuries. However, in the U.S., as in most other societies, income is distributed unevenly among different groups. Consumers at the top income levels have a disproportionately large share of the total buying power.

The kind of data discussed in this chapter can be very useful for estimating the market potential within possible target markets. But, unfortunately, it is not very helpful in explaining specific customer behavior—why people buy *specific* products and *specific* brands. Yet such detailed forecasts are important to marketing managers. Better forecasts can come from a better understanding of consumer behavior—the subject of the next chapter.

Questions and Problems

1. Drawing on data in Exhibit 5-2, do you think that Romania would be an attractive market for a firm that produces home appliances? What about Finland? Discuss your reasons.
2. Discuss the value of gross national product and gross national product per capita as measures of market potential in international consumer markets. Refer to specific data in your answer.

3. Discuss how the worldwide trend toward urbanization is affecting opportunities for international marketing.
4. Discuss how slower population growth will affect businesses in your local community.
5. Discuss the impact of the new teen cycle on marketing strategy planning in the U.S.
6. Name three specific examples of firms that developed a marketing mix to appeal to senior citizens. Name three examples of firms that developed a marketing mix to appeal to teenagers.
7. Some demographic characteristics are more important than others in determining market potential. For each of the following characteristics, identify two products for which this characteristic is *most* important: *(a)* size of geographic area, *(b)* population, *(c)* income, *(d)* stage of life cycle.
8. Name three specific examples (specific products or brands—not just product categories) and explain how demand in the U.S. will differ by geographic location *and* urban–rural location.
9. Explain how the continuing mobility of U.S. consumers—as well as the development of big metropolitan areas—should affect marketing strategy planning in the future. Be sure to consider the impact on the four Ps.
10. Explain why the concept of the Metropolitan Statistical Area was developed. Is it the most useful breakdown for retailers?
11. Explain why mobile consumers can be an attractive market.
12. Explain how the redistribution of income in the U.S. has affected marketing planning thus far—and its likely impact in the future.
13. Why are marketing managers paying more attention to ethnic dimensions of consumer markets in the U.S.?
14. Name three categories of products marketed in the U.S. that are influenced by Hispanic culture.

Suggested Cases

8. Sophia's Ristorante
10. O'Keefe's Ice Arena
30. Deluxe Foods, Ltd.

Computer-Aided Problem

5. **Demographic Analysis**

Stylco, Inc., is a producer of specialty clothing. To differentiate its designs and appeal to its African American target market, Stylco uses authentic African prints. Originally, it just focused on designs targeted at adults in the 35–44 age range. However, in the late 1990s, when sales to these middle-aged adults started to level off, Stylco added a more conservative line of clothes for older consumers. Most buyers of the conservative styles are in the 45–59 age group.

Stylco has focused on distributing its products through select fashion boutiques in metropolitan market areas with the highest concentrations of African American consumers. This approach has reduced Stylco's personal selling expense; as a result, however, only a percentage of the total black population is served by current Stylco retailers. For example, about half of the consumers in the 35–44 age group are in the market areas served by Stylco retailers.

Naomi Davis, Stylco's marketing manager, recently read an article about the "graying of America." She is wondering how shifts in the age distribution might affect her market and sales.

To get a long-run view of these trends, she looked at census data on black consumers by age group. She also looked up estimates of the expected percent rate of change in the size of each group through the year 2005. By multiplying these rates by the size her target markets were in 2000, she can estimate how large they are likely to be in the year 2005. Further, from analysis of past sales data, she knows that the number of units the firm sells is directly proportional to the size of each age group. Specifically, the ratio of units sold to target market size has been about 5 units per 1,000 people (that is, a ratio of .005). Finally, she determined the firm's average unit profit for each of the lines. To see how changes in population are likely to affect Stylco units sold and future profits from each line, Davis programmed all of these data, and the relationships discussed above, into a spreadsheet.

a. *Briefly compare the profit data for 2000 and estimated profit for 2005 as it appears on the initial spreadsheet. What is the basic reason for the expected shift? What are the implications of these and other data in the spreadsheet for Stylco's marketing strategy planning?*
b. *The rate of growth or decline for different age groups tends to vary from one geographic region to another. Davis thinks that in the market areas that Stylco serves the size of the 35–44 age group may decrease by as much as 10 to 12 percent by 2005. However, the Census Bureau estimates that the decline of the black 35–44 age group for the whole country will only be about −1.7 percent. If the decline in the target market size for Davis' market areas turns out to be −1.7 percent rather than the −10.1 she has assumed, what is the potential effect on profits from the young adult line? On overall profits?*
c. *Because more firms are paying attention to fast-growing ethnic markets, Davis thinks competition may increase in lines targeted at affluent African Americans in the 45–59 age group. Because of price competition, the line targeted at this group already earns a lower average profit per unit. Further, as more firms compete for this business, she thinks that her "ratio of units sold to market size" may decrease. Use the what-if analysis to prepare a table showing how percent of profit from this group, as well as total profit, might change as the ratio of units sold to market size varies between a minimum of .001 and a maximum of .010. Explain the implications to the firm.*

For additional questions related to this problem, see Exercise 5-4 in the *Learning Aid for Use with Basic Marketing*, 14th edition.

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When You Finish This Chapter, You Should

1. Understand the economic-buyer model of buyer behavior.

2. Understand how psychological variables affect an individual's buying behavior.

3. Understand how social influences affect an individual's and household's buying behavior.

4. See why the purchase situation has an effect on consumer behavior.

5. Know how consumers use problem-solving processes.

6. Have some feel for how a consumer handles all the behavioral variables and incoming stimuli.

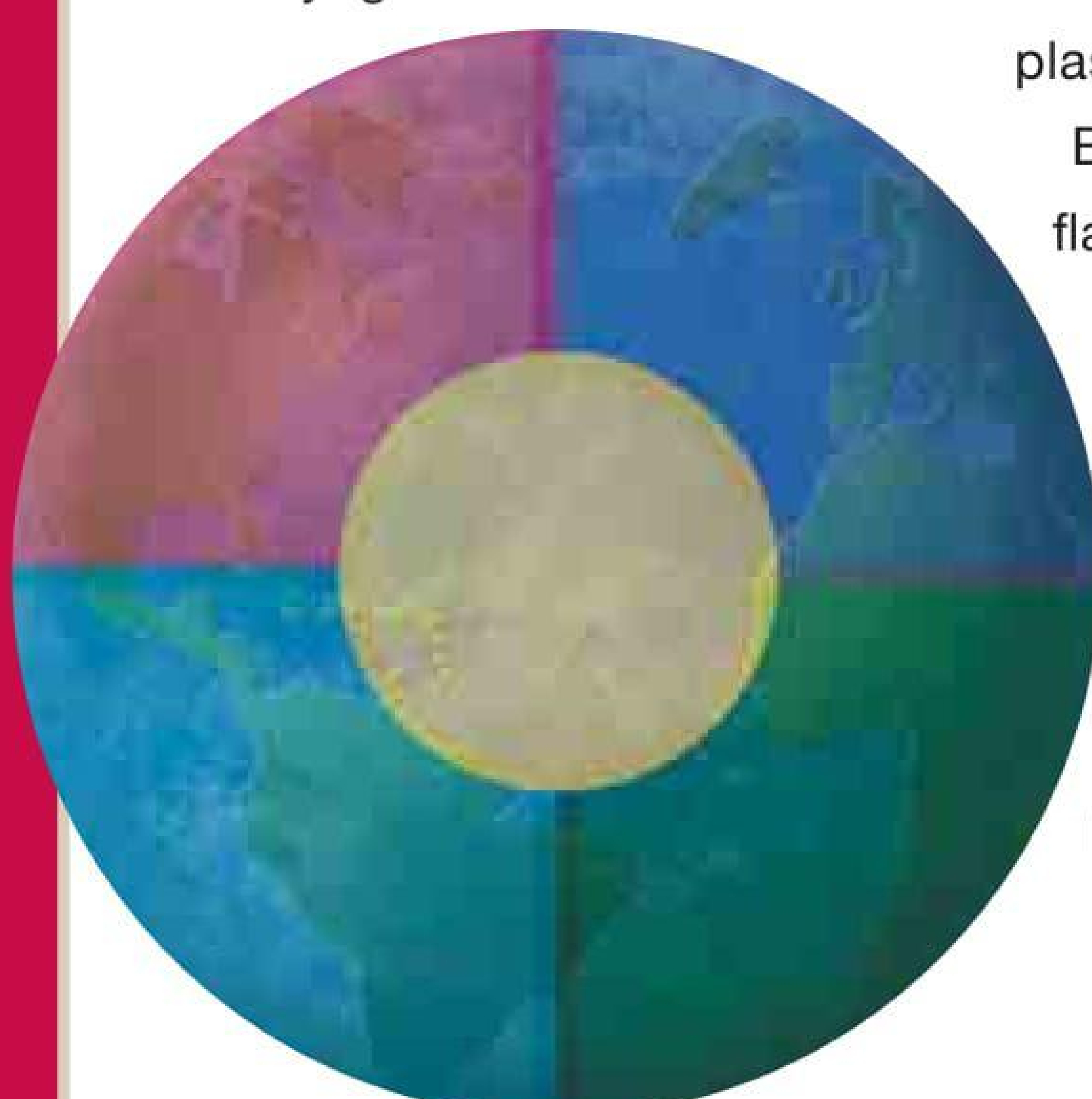
7. Understand the important new terms (shown in red).

Chapter Six

Behavioral Dimensions of the Consumer Market

In the 1970s, yogurt was a popular food in Europe but for the most part unknown in the U.S. culture. Most American consumers were not aware of it, had never tried it, and didn't know if they would like it. All of that changed when Dannon and other firms began to promote and distribute yogurt in the U.S. Sales grew slowly at first, but that changed in the 1980s as more adults became interested in healthy eating. For lots of on-the-go workers, yogurt was an economical lunch that tasted good and saved time. It didn't require preparation or clean up, and it could be eaten almost anywhere. All you needed was a plastic spoon.

By the 1990s, many brands and flavors of yogurt were on the market. Most consumers couldn't tell the difference between brands. When it was time to buy, they just picked up their routine brand or perhaps whatever was on sale. Most marketers felt that growth



place

promotion

price

produc

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in the yogurt category was pretty much tapped out. But by carefully studying consumer behavior, Ian Friendly and others on his marketing team at Yoplait changed all of that. Their marketing plan for a new product, Go-Gurt, racked up $100 million in sales in the first year. Much of that represented new demand in the yogurt category because the percentage of kids eating yogurt doubled. That was no accident. They created Go-Gurt to have kid appeal.

Kids need nutritious food, but research showed that what they want in snacks is great taste, convenience, and fun. Traditional yogurt was convenient, but it still took one hand for the spoon and one to hold the carton. And a carton of yogurt didn't exactly impress the other kids as a cool thing to eat. Go-Gurt took care of that. It did away with the spoon by putting the yogurt in a 9-inch-long, one-handed squeeze tube. The creaminess of the product was adjusted to make it just right for on-the-go eating. Kids didn't have a very positive attitude about most standard yogurt flavors, so the foil-embossed Go-Gurt tube was filled with flavors kids could learn to love—like Strawberry Splash and Watermelon Meltdown.

Go-Gurt's introductory ads were placed on media like Nickelodeon so they'd reach kids directly. Then it was up to them to ask their parents to buy Go-Gurt at the store. The ads positioned Go-Gurt not just as a food but as a lifestyle accessory for kids. To build awareness of the benefits of

place price promotion product

the package and interest in the product, the ads conveyed the idea that it was OK to play with your food. For example, in one spot, a young skateboarder holding a Go-Gurt blasts past another kid who looks bored eating from a carton of yogurt as the announcer asks, "Why eat yogurt like this when you can eat with your hands, not a spoon? Go-Gurt comes in a totally cool squeeze tube you can squeeze and slurp, grab and glurp." The Go-Gurt slurping skateboarder tells the other boy, "Hey, lose the spoon."

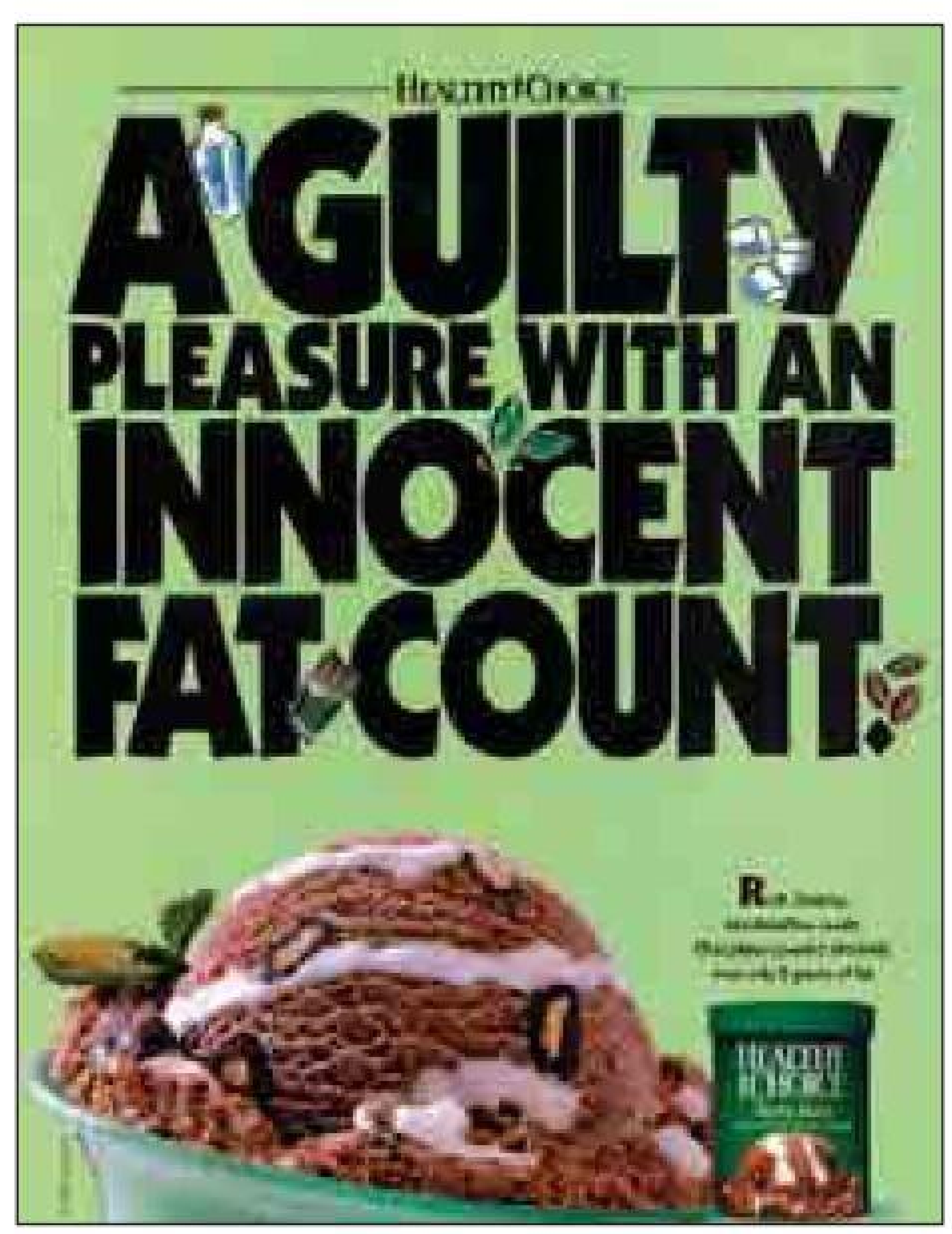
To follow up on the awareness and interest generated by the ads, a heavy sampling program played a crucial role in building product trial. No, the samples were not distributed at the grocery store. Kids on skateboards and scooters passed out samples from backpacks at festivals, theme parks, soccer games, and local parks.

Go-Gurt has been such a success that Yoplait has decided to give adult yogurt eaters something else to think about when they visit the yogurt aisle—four flavors of a comparable yogurt in a tube, Yoplait Express.[1]

Consumer Behavior—Why Do They Buy What They Buy?

In the last chapter, we discussed basic data on population, income, and consumer spending patterns. This information can help marketers predict basic *trends* in consumer spending patterns. For example, the average person in the U.S. or Canada consumes 5 times more than a Mexican person, 10 times more than a Chinese person, and 30 times more than a person from India. Unfortunately, when many firms sell similar products, demographic analysis isn't much help in predicting which specific products and brands consumers will purchase—and why. Our Go-Gurt example shows that many other variables can influence consumers and their buying behavior.

Economic needs affect many buying decisions, but for some purchases the behavioral influences on a consumer are more important.



To better understand why consumers buy as they do, many marketers turn to the behavioral sciences for help. In this chapter, we'll explore some of the thinking from economics, psychology, sociology, and the other behavioral disciplines.

Specific consumer behaviors vary a great deal for different products and from one target market to the next. In today's global markets, the variations are countless. That makes it impractical to try to catalog all the detailed possibilities for every different market situation. For example, how and why a given consumer buys a specific brand of cookies may be very different from how that same consumer buys a bicycle; and different customers in different parts of the world may have very different reactions to either product. But there are *general* behavioral principles—frameworks—that marketing managers can apply to learn more about their specific target markets. Our approach focuses on developing your skill in working with these frameworks.

The Behavioral Sciences Help You Understand the Buying Process

Economic needs affect most buying decisions

Most economists assume that consumers are **economic buyers**—people who know all the facts and logically compare choices in terms of cost and value received to get the greatest satisfaction from spending their time and money. A logical extension of the economic-buyer theory led us to look at consumer income patterns. This approach is valuable because consumers must at least have income to be in a market. Further, most consumers don't have enough income to buy everything they want; that's why economics is sometimes called the "dismal science."

This view assumes that economic needs guide most consumer behavior. **Economic needs** are concerned with making the best use of a consumer's time and money—as the consumer judges it. Some consumers look for the lowest price. Others will pay extra for convenience. And others may weigh price and quality for the best value. Some economic needs are:

1. Economy of purchase or use.
2. Convenience.
3. Efficiency in operation or use.
4. Dependability in use.
5. Improvement of earnings.

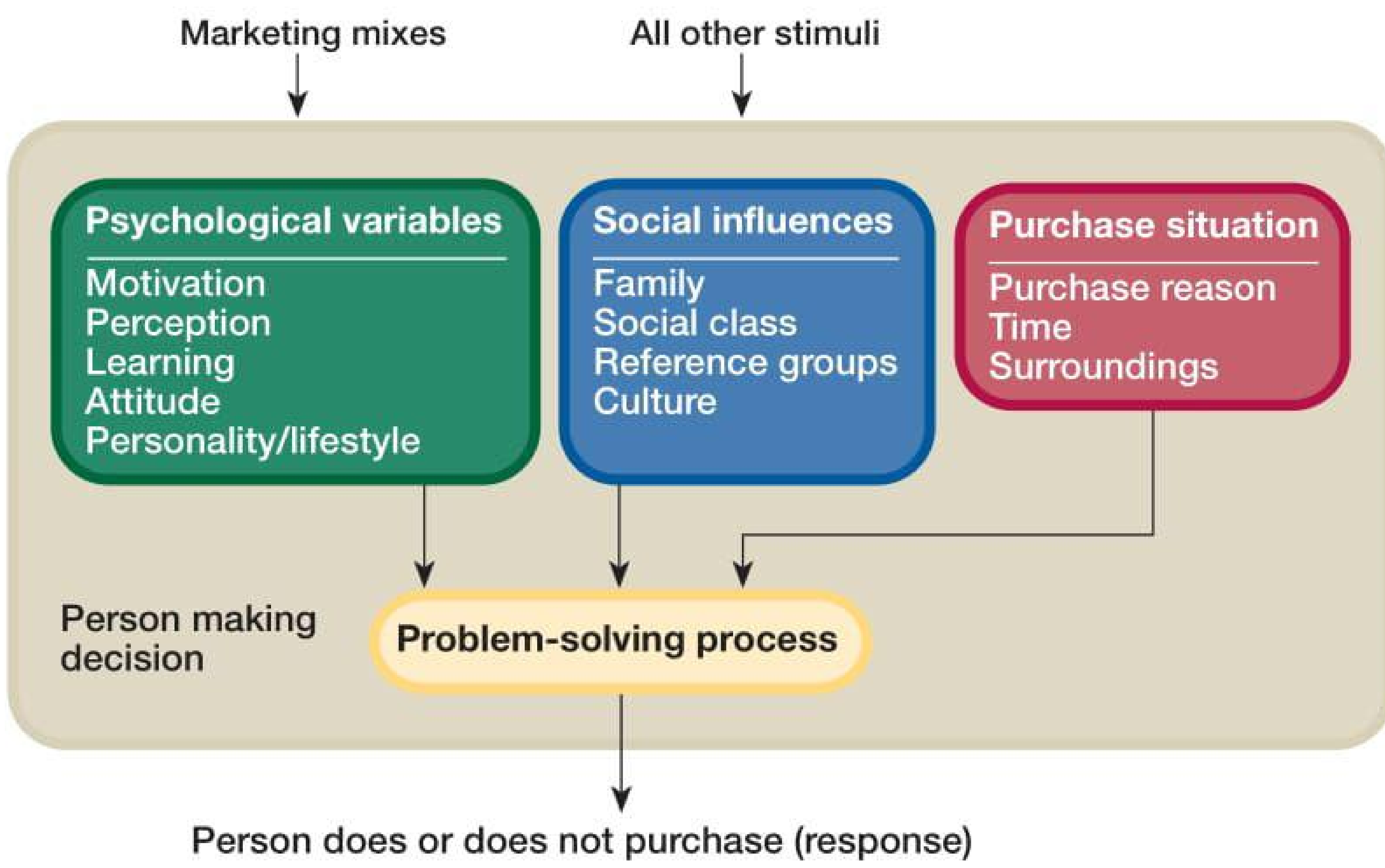
Clearly, marketing managers must be alert to new ways to appeal to economic needs. Most consumers appreciate firms that offer them improved value for the money they spend. But improved value does not just mean offering lower and lower prices. Many consumers face a "poverty of time." Carefully planned Place decisions can make it easier and faster for customers to make a purchase. Products can be designed to work better, require less service, or last longer. Promotion can inform consumers about their choices or explain product benefits in terms of measurable factors like operating costs, the length of the guarantee, or the time a product will save.

The economic value that a purchase offers a customer is an important factor in many purchase decisions. But most marketing managers think that buyer behavior is not as simple as the economic-buyer model suggests. A product that one person sees as a good value—and is eager to buy—is of no interest to someone else. So we can't expect to understand buying behavior without taking a broader view.

How we will view consumer behavior

Many behavioral dimensions influence consumers. Let's try to combine these dimensions into a model of how consumers make decisions. Exhibit 6-1 shows that psychological variables, social influences, and the purchase situation all affect a

Exhibit 6-1
A Model of Buyer Behavior



person's buying behavior. We'll discuss these topics in the next few pages. Then we'll expand the model to include the consumer problem-solving process.

Psychological Influences within an Individual

Here we will discuss some variables of special interest to marketers—including motivation, perception, learning, attitudes, and lifestyle. Much of what we know about these *psychological (intrapersonal) variables* draws from ideas originally developed in the field of psychology.

Needs motivate consumers

Everybody is motivated by needs and wants. **Needs** are the basic forces that motivate a person to do something. Some needs involve a person's physical well-being, others the individual's self-view and relationship with others. Needs are more basic than wants. **Wants** are "needs" that are learned during a person's life. For example, everyone needs water or some kind of liquid, but some people also have learned to want Clearly Canadian's raspberry-flavored sparkling water on the rocks.

When a need is not satisfied, it may lead to a drive. The need for liquid, for example, leads to a thirst drive. A **drive** is a strong stimulus that encourages action to reduce a need. Drives are internal—they are the reasons behind certain behavior patterns. In marketing, a product purchase results from a drive to satisfy some need.

Some critics imply that marketers can somehow manipulate consumers to buy products against their will. But marketing managers can't create internal drives. Most marketing managers realize that trying to get consumers to act against their will is a waste of time. Instead, a good marketing manager studies what consumer drives, needs, and wants already exist and how they can be satisfied better.

Consumers seek benefits to meet needs

We're all a bundle of needs and wants. Exhibit 6-2 lists some important needs that might motivate a person to some action. This list, of course, is not complete. But thinking about such needs can help you see what *benefits* consumers might seek from a marketing mix.

When a marketing manager defines a product-market, the needs may be quite specific. For example, the food need might be as specific as wanting a thick-crust pepperoni pizza—delivered to your door hot and ready to eat.

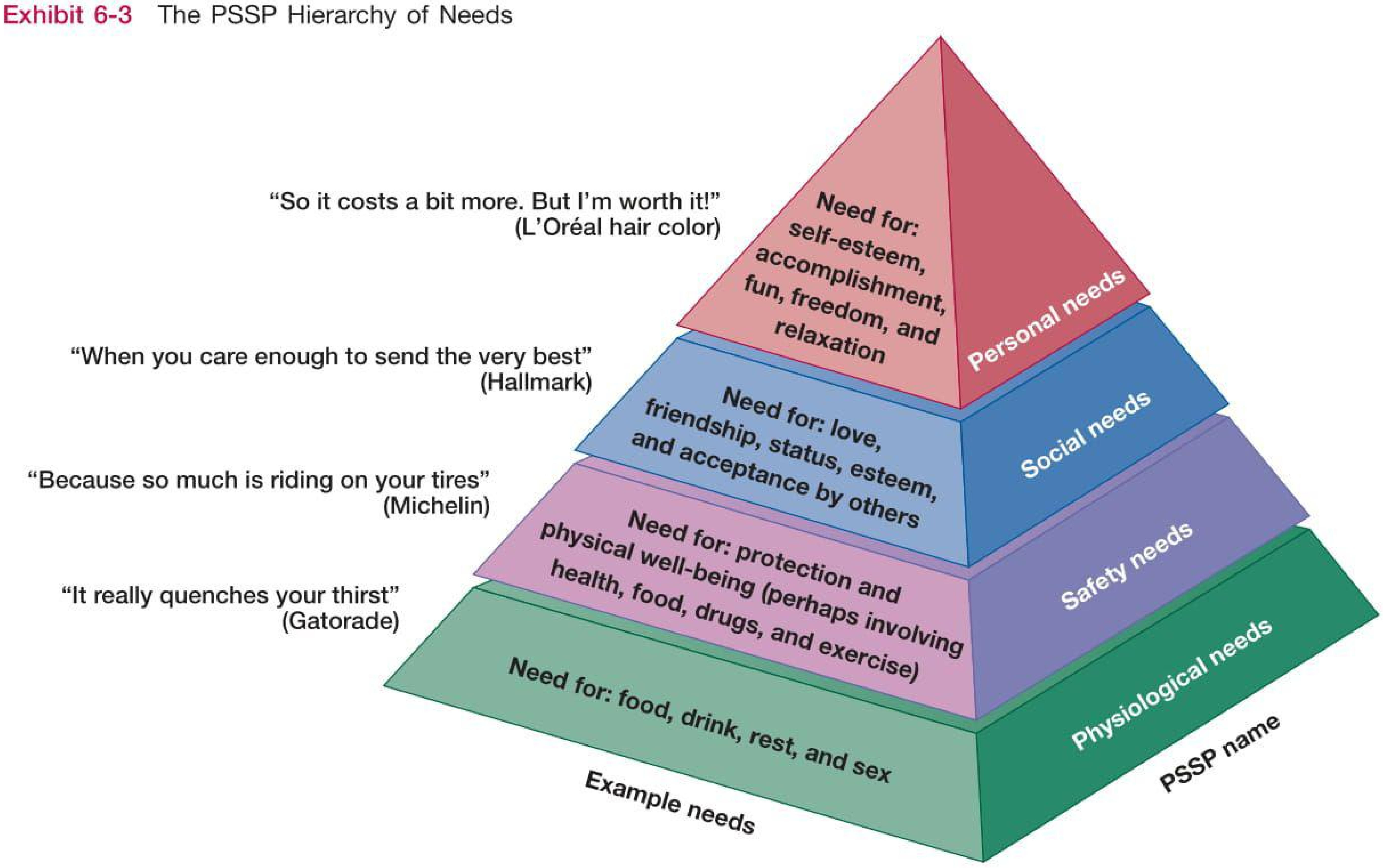
Exhibit 6-2 Possible Needs Motivating a Person to Some Action

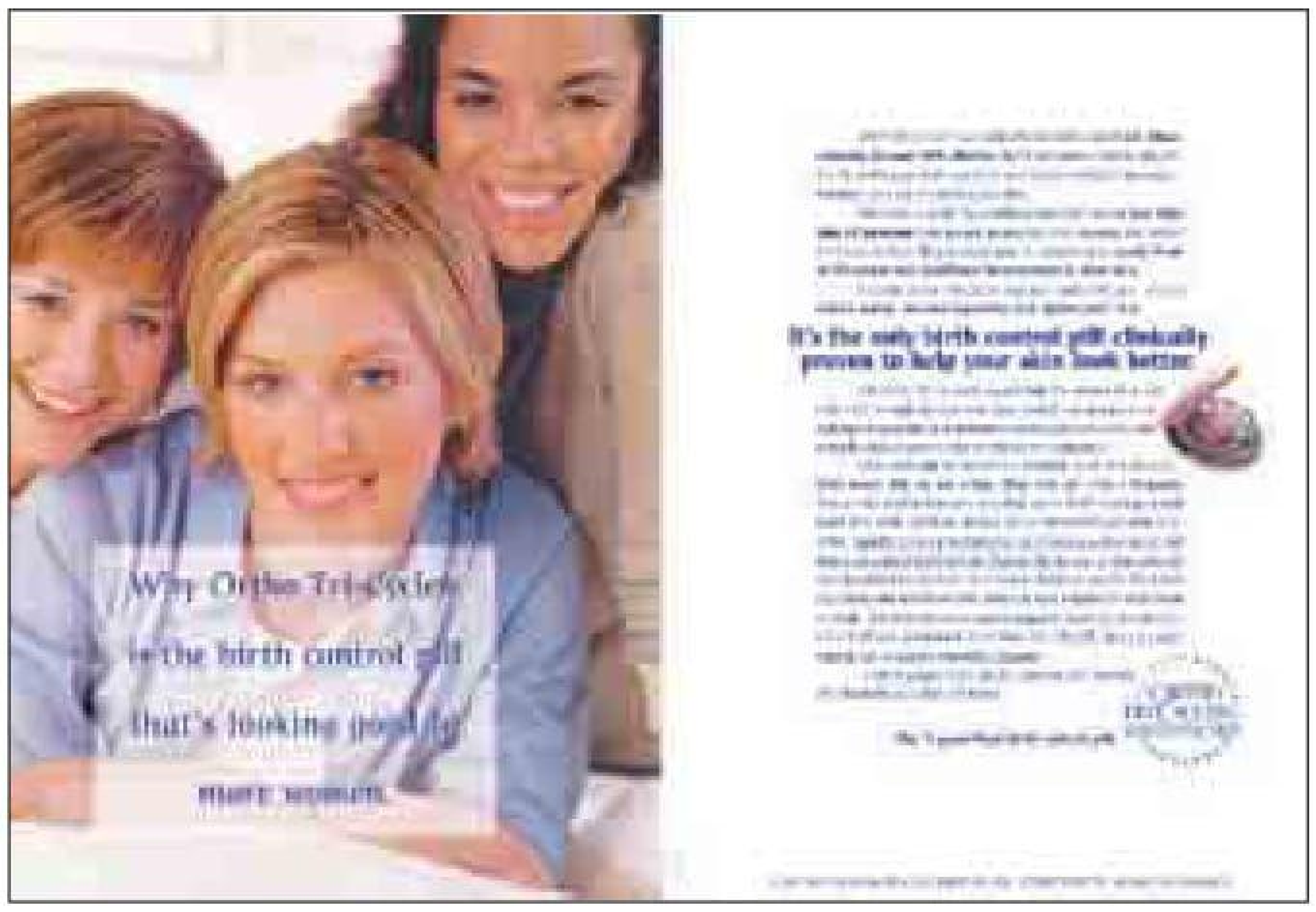
Types of Needs	Specific Examples			
Physiological needs	Hunger Sex Rest	Thirst Body elimination	Activity Self-preservation	Sleep Warmth/coolness
Psychological needs	Aggression Family preservation Nurturing Playing-relaxing Self-identification	Curiosity Imitation Order Power Tenderness	Being responsible Independence Personal fulfillment Pride	Dominance Love Playing-competition Self-expression
Desire for . . .	Acceptance Affiliation Comfort Esteem Knowledge Respect Status	Achievement Appreciation Leisure Fame Prestige Retaliation Sympathy	Acquisition Beauty Distance—"space" Happiness Pleasure Self-satisfaction Variety	Affection Companionship Distinctiveness Identification Recognition Sociability Fun
Freedom from . . .	Fear Pain Harm	Depression Stress Ridicule	Discomfort Loss Sadness	Anxiety Illness Pressure

Several needs at the same time

Some psychologists argue that a person may have several reasons for buying—at the same time. Maslow is well known for his five-level hierarchy of needs. We will discuss a similar four-level hierarchy that is easier to apply to consumer behavior. Exhibit 6-3 illustrates the four levels along with an advertising slogan showing how a company has tried to appeal to each need. The lowest-level needs are physiological. Then come safety, social, and personal needs. As a study aid, think of the PSSP needs.[2]

Exhibit 6-3 The PSSP Hierarchy of Needs





Some products fill more than one need at the same time.

Physiological needs are concerned with biological needs—food, drink, rest, and sex. **Safety needs** are concerned with protection and physical well-being (perhaps involving health, food, medicine, and exercise). **Social needs** are concerned with love, friendship, status, and esteem—things that involve a person's interaction with others. **Personal needs,** on the other hand, are concerned with an individual's need for personal satisfaction—unrelated to what others think or do. Examples include self-esteem, accomplishment, fun, freedom, and relaxation.

Motivation theory suggests that we never reach a state of complete satisfaction. As soon as we get our lower-level needs reasonably satisfied, those at higher levels become more dominant. This explains why marketing efforts targeted at affluent consumers in advanced economies often focus on higher-level needs. It also explains why these approaches may be useless in parts of the world where consumers' basic needs are not being met.

It is important to see, however, that a particular product may satisfy more than one need at the same time. In fact, most consumers try to fill a *set* of needs rather than just one need or another in sequence.

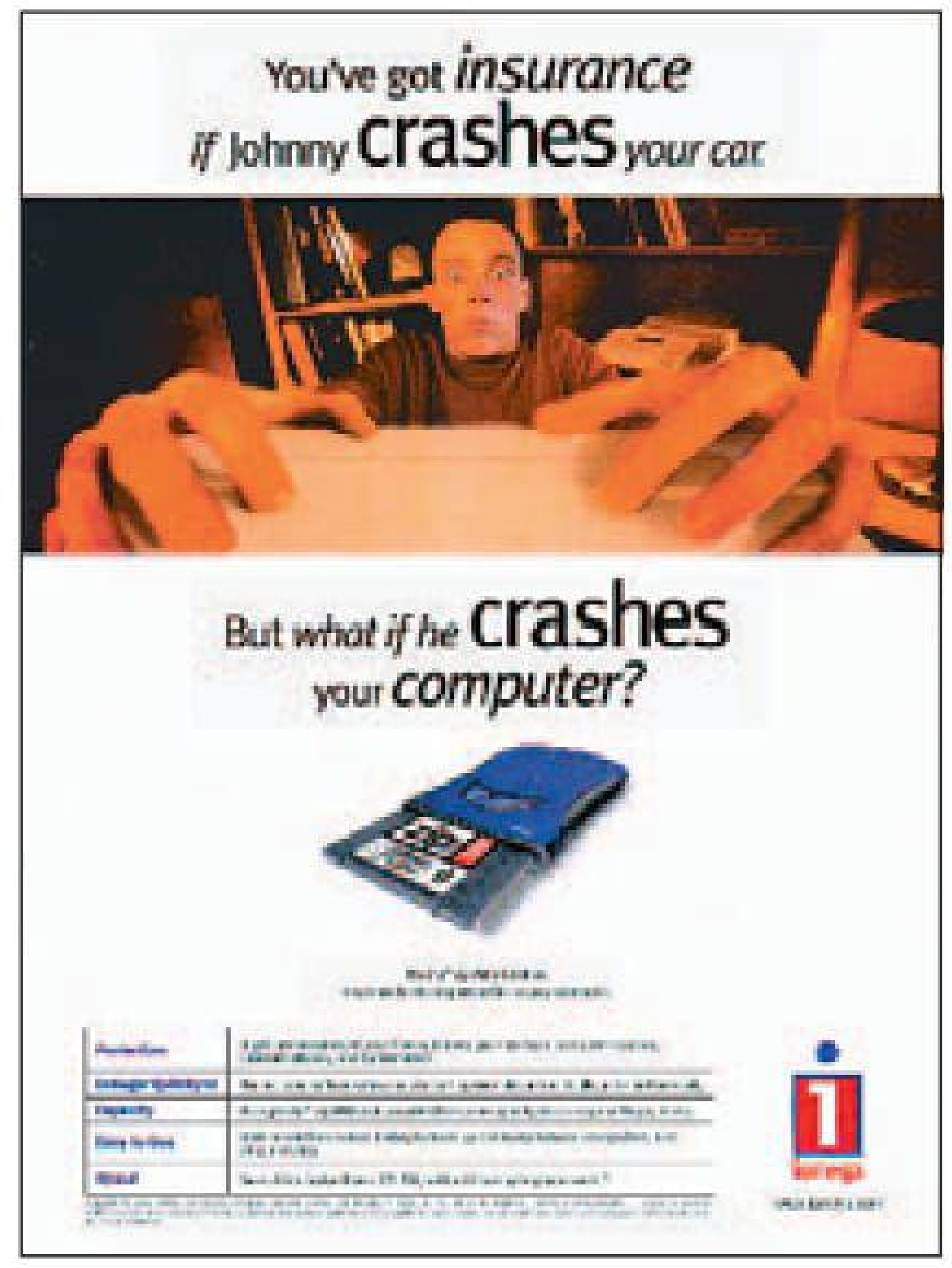
Obviously marketers should try to satisfy different needs. Yet discovering these specific consumer needs may require careful analysis. Consider, for example, the lowly vegetable peeler. Marketing managers for OXO International realized that many people, especially young children and senior citizens, have trouble gripping the handle of a typical peeler. OXO redesigned the peeler with a bigger handle that addressed this physical need. OXO also coated the handle with dishwasher-safe rubber. This makes cleanup more convenient—and the sharp peeler is safer to use when the grip is wet. The attractively designed grip also appeals to consumers who get personal satisfaction from cooking and who want to impress their guests. Even though OXO priced the peeler much higher than most kitchen utensils, it has sold very well because it appeals to people with a variety of needs.[3]

Perception determines what consumers see and feel

Consumers select varying ways to meet their needs sometimes because of differences in **perception**—how we gather and interpret information from the world around us.

We are constantly bombarded by stimuli—ads, products, stores—yet we may not hear or see anything. This is because we apply the following selective processes:

1. **Selective exposure**—our eyes and minds seek out and notice only information that interests us.
2. **Selective perception**—we screen out or modify ideas, messages, and information that conflict with previously learned attitudes and beliefs.



How consumers perceive a product or marketing communication may depend on consumer interest and the urgency of the need.

3. **Selective retention**—we remember only what we want to remember.

These selective processes help explain why some people are not affected by some advertising—even offensive advertising. They just don't see or remember it! Even if they do, they may dismiss it immediately. Some consumers are skeptical about any advertising message.

Our needs affect these selective processes. And current needs receive more attention. For example, Goodyear tire retailers advertise some sale in the newspaper almost weekly. Most of the time we don't even notice these ads—until we need new tires. Only then do we tune in to Goodyear's ads.

Marketers are interested in these selective processes because they affect how target consumers get and retain information. This is also why marketers are interested in how consumers *learn*.

Learning determines what response is likely

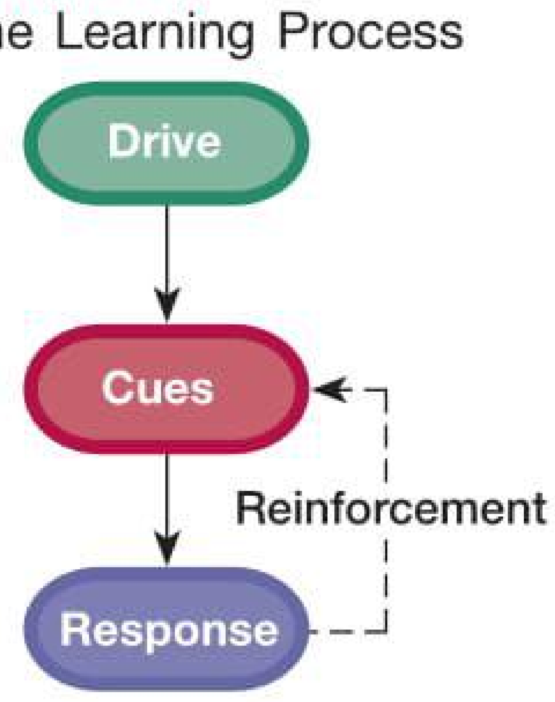
Learning is a change in a person's thought processes caused by prior experience. Learning is often based on direct experience: A little girl tastes her first cone of Ben & Jerry's Concession Obsession flavor ice cream, and learning occurs! Learning may also be based on indirect experience or associations. If you watch an ad that shows other people enjoying Ben & Jerry's Chocolate Fudge Brownie low-fat frozen yogurt, you might conclude that you'd like it too.

Consumer learning may result from things that marketers do, or it may result from stimuli that have nothing to do with marketing. Either way, almost all consumer behavior is learned.[4]

Experts describe a number of steps in the learning process. We've already discussed the idea of a drive as a strong stimulus that encourages action. Depending on the **cues**—products, signs, ads, and other stimuli in the environment—an individual chooses some specific response. A **response** is an effort to satisfy a drive. The specific response chosen depends on the cues and the person's past experience.

Reinforcement of the learning process occurs when the response is followed by satisfaction—that is, reduction in the drive. Reinforcement strengthens the relationship between the cue and the response. And it may lead to a similar response the next time the drive occurs. Repeated reinforcement leads to development of a habit—making the individual's decision process routine. Exhibit 6-4 shows the relationships of the important variables in the learning process.

Exhibit 6-4
The Learning Process



The learning process can be illustrated by a thirsty person. The thirst *drive* could be satisfied in a variety of ways. But if the person happened to walk past a vending machine and saw a Mountain Dew sign—a *cue*—then he might satisfy the drive with a *response*—buying a Mountain Dew. If the experience is satisfactory, positive *reinforcement* will occur, and our friend may be quicker to satisfy this drive in the same way in the future. This emphasizes the importance of developing good products that live up to the promises of the firm's advertising. People can learn to like or dislike Mountain Dew—reinforcement and learning work both ways. Unless marketers satisfy their customers, they must constantly try to attract new ones to replace the dissatisfied ones who don't come back.

Good experiences can lead to positive attitudes about a firm's product. Bad experiences can lead to negative attitudes that even good promotion won't be able to change. In fact, the subject of attitudes, an extremely important one to marketers, is discussed more fully in a later section.

Positive cues help a marketing mix

Sometimes marketers try to identify cues or images that have positive associations from some other situation and relate them to their marketing mix. Many people associate the smell of lemons with a fresh, natural cleanliness. So companies often add lemon scent to household cleaning products—Clorox bleach and Pledge furniture polish, for example—because it has these associations. Similarly, firms like Calvin Klein use ads suggesting that people who use their products have more appeal to the opposite sex. And some shampoos and deodorants are formulated to be clear and packaged in clear bottles because some consumers associate that look with being natural and pure.

Many needs are culturally learned

Many needs are culturally (or socially) learned. The need for food, for instance, may lead to many specific food wants. Many Japanese enjoy sushi (raw fish), and their children learn to like it. Fewer Americans, however, have learned to enjoy it.

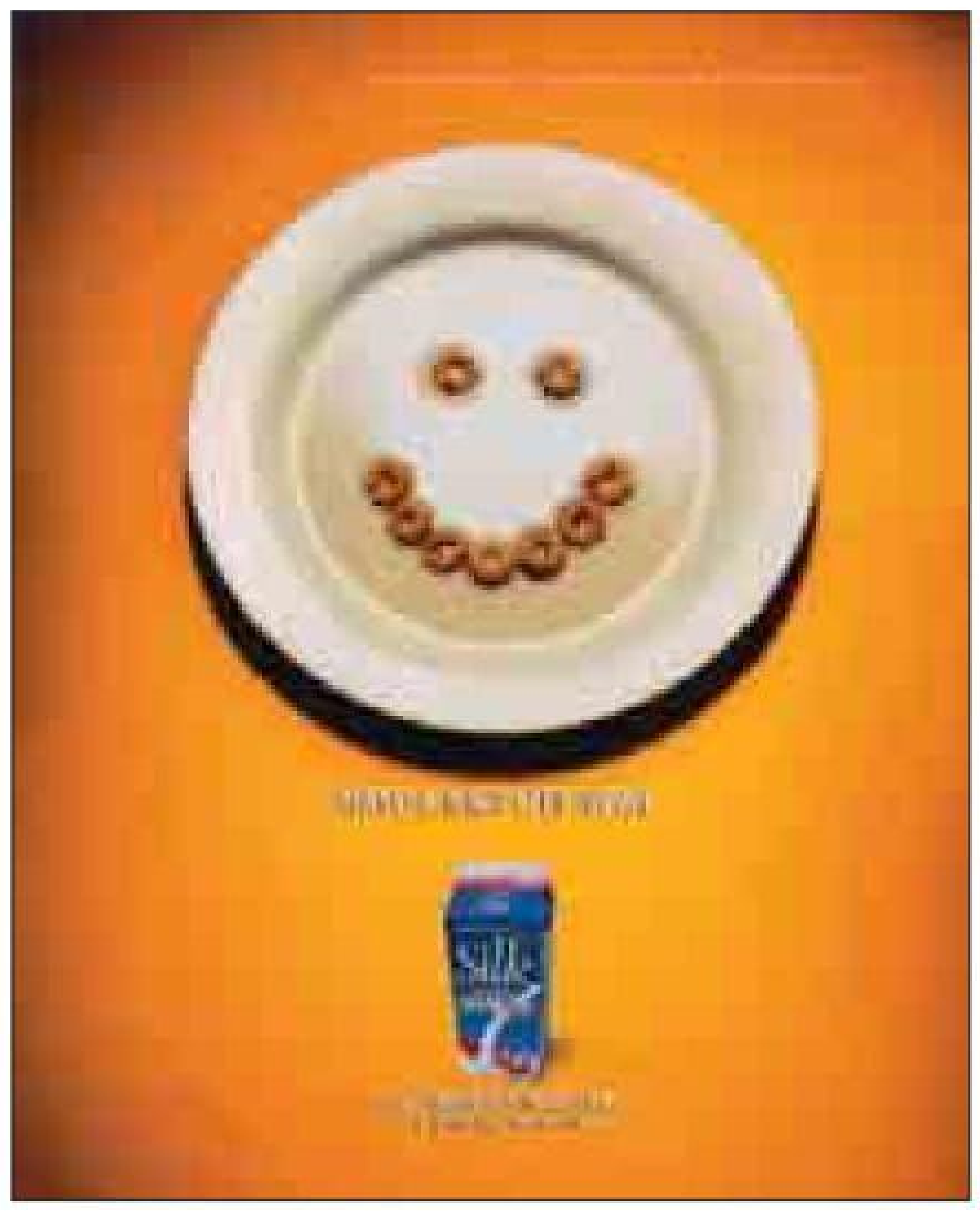
Some critics argue that marketing efforts encourage people to spend money on learned wants totally unrelated to any basic need. For example, Europeans are less concerned about perspiration, and many don't buy or use antiperspirants. Yet Americans spend millions of dollars on such products. Advertising says that using Ban deodorant "takes the worry out of being close." But is marketing activity the cause of the difference in the two cultures? Most research says that advertising can't convince buyers of something contrary to their basic attitudes.

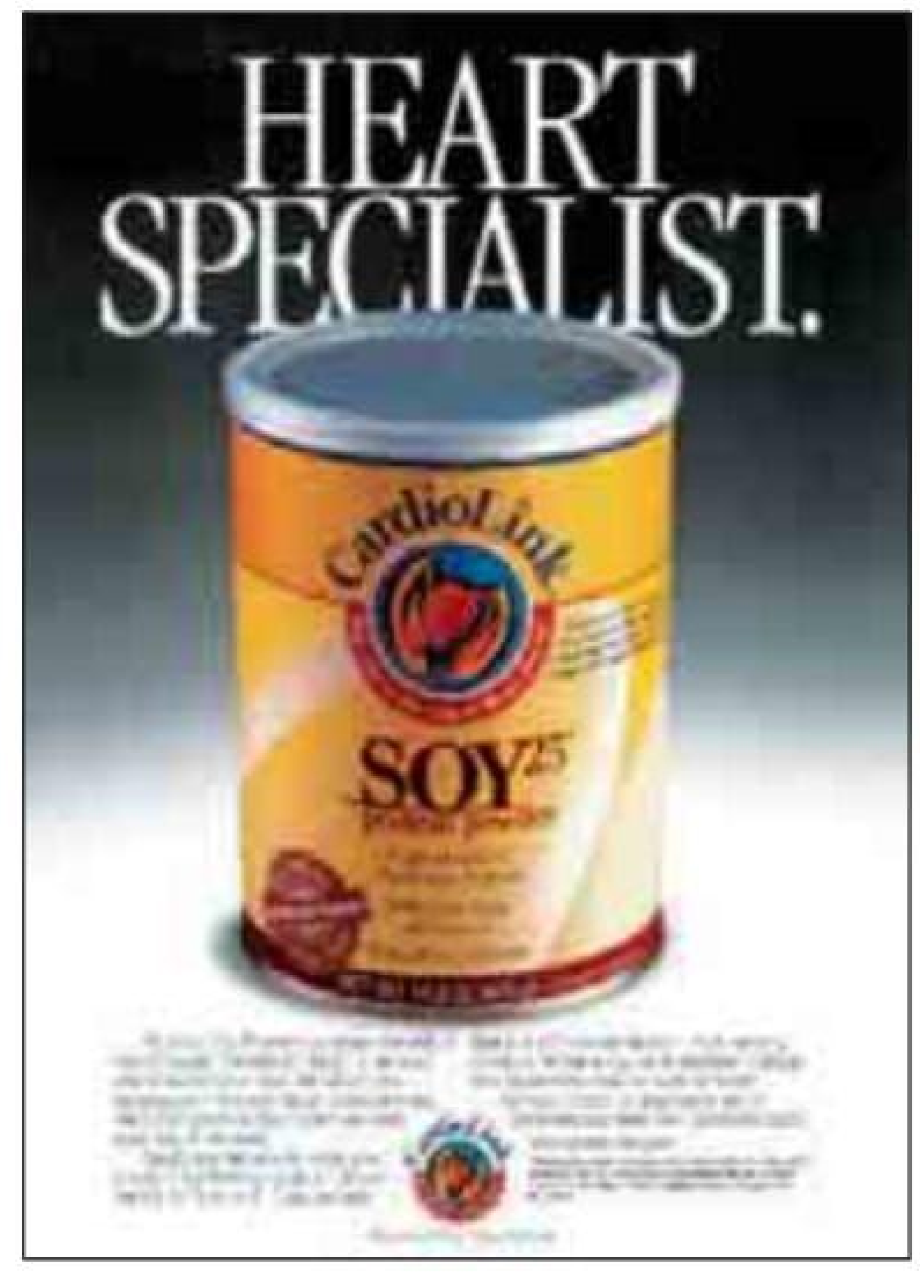
Attitudes relate to buying

An **attitude** is a person's point of view toward something. The "something" may be a product, an advertisement, a salesperson, a firm, or an idea. Attitudes are an important topic for marketers because attitudes affect the selective processes, learning, and eventually the buying decisions people make.

Because attitudes are usually thought of as involving liking or disliking, they have some action implications. Beliefs are not so action-oriented. A **belief** is a person's opinion about something. Beliefs may help shape a consumer's attitudes but don't necessarily involve any liking or disliking. It is possible to have a belief—say, that Listerine has a medicinal taste—without really caring what it tastes like. On the other hand, beliefs about a product may have a positive or negative effect in shaping consumers' attitudes. For example, a person with allergies is unlikely to switch to a new medicine like Claritin unless she believes it will be more effective than what she used in the past.

In an attempt to relate attitude more closely to purchase behavior, some marketers stretched the attitude concept to include consumer "preferences" or "intention to buy." Managers who must forecast how much of their brand customers





Companies that sell soy-based products are developing new marketing mixes to help overcome negative attitudes that some consumers have about the taste of soy. For example, White Wave Silk is now packaged like milk and promotion focuses on the health benefits. In the same vein, CardioLink's name and trade ads help position its soy powder as healthy for the heart.

will buy are particularly interested in the intention to buy. Forecasts would be easier if attitudes were good predictors of intentions to buy. Unfortunately, the relationships usually are not that simple. A person may have positive attitudes toward Jacuzzi whirlpool bathtubs but no intention of buying one.

Try to understand attitudes and beliefs

Research on consumer attitudes and beliefs can sometimes help a marketing manager get a better picture of markets. For example, consumers with very positive attitudes toward a new product idea might provide a good opportunity—especially if they have negative attitudes about competitors' offerings. Or they may have beliefs that would discourage them from buying a product.

Marketing managers for Purina Dog Chow faced this challenge. Research showed that one segment of consumers thought that Purina was a great dog food, but they didn't buy it all of the time. They believed that their dogs would get bored with it. After all, people don't like eating the same thing all of the time. But dogs are not people. Vets have found dogs benefit from a good, consistent diet. So, Purina developed an ad campaign to convince these dog owners that what they believed was not true. Each ad gives a dog's-eye-view reaction to being fed a different dog food. In one ad, after taking a few bites, the dog looks into the camera with a pained expression and walks away. He returns with a packet of antacid, which he drops in his water bowl. Advertising research and sales results both showed that the soft-sell ad hit the bull's-eye in convincing occasional customers that switching foods was not good. Many bought Purina more regularly, and Dog Chow sales increased by $36 million. Consumer beliefs—right or wrong—can have a significant impact on whether a strategy succeeds.[5]

Most marketers work with existing attitudes

Purina's efforts were successful in changing beliefs. But marketers generally try to understand the attitudes of their potential customers and work with them. We'll discuss this idea again when we review the way consumers evaluate product alternatives. For now, we want to emphasize that it's more economical to work with consumer attitudes than to try to change them. Attitudes tend to be enduring. Changing present attitudes—especially negative ones—is sometimes necessary. But that's probably the most difficult job marketers face.[6]

Marketing managers for new Olay Cleansing Cloths (and other Olay skin care products) wanted to take advantage of the familiar Oil of Olay brand name, but realized that many consumers didn't have a positive association between "oil" and beauty. So, the brand name was updated to just Olay and the logo of a woman's figure was changed slightly to appeal to younger women.

Ethical issues may arise

Part of the marketing job is to inform and persuade consumers about a firm's offering. An ethical issue sometimes arises, however, if consumers have *inaccurate* beliefs. For example, many consumers are confused about what foods are really healthy. Marketers for a number of food companies have been criticized for packaging and promotion that take advantage of inaccurate consumer perceptions about the meaning of the words *lite* or *low-fat*. A firm's lite donuts may have less fat or fewer calories than its other donuts—but that doesn't mean that the donut is *low* in fat or calories. Similarly, promotion of a "children's cold formula" may play off parents' fears that adult medicines are too strong—even though the basic ingredients in the children's formula are the same and only the dosage is different. And when Tiger Woods' happy smile appears in the American Express ad it's easy to forget that he's paid for his endorsement.

Marketers must also be careful about promotion that might encourage false beliefs, even if the advertising is not explicitly misleading. For example, ads for Ultra Slim-Fast low-fat beverage don't claim that anyone who buys the product will lose all the weight they want or look like the slim models who appear in the ads—but some critics argue that the advertising gives that impression.[7]

Meeting expectations is important

Attitudes and beliefs sometimes combine to form an **expectation**—an outcome or event that a person anticipates or looks forward to. Consumer expectations often focus on the benefits or value that the consumer expects from a firm's marketing mix. This is an important issue for marketers because a consumer is likely to be dissatisfied if his or her expectations are not met. For example, when Dryel home dry cleaning kits were introduced, ads portrayed Dryel as an alternative to expensive dry-cleaner services. Many consumers who tried it were disappointed because it failed to get out some stains and clothing still needed to be pressed.[8]

A key point here is that consumers may evaluate a product not just on how well it performs, but on how it performs *relative to their expectations*. A product that otherwise might get high marks from a satisfied consumer may be a disappointment if there's a gap between what the consumer gets and what the consumer expects. Promotion that overpromises what the rest of the marketing mix can really deliver leads to problems in this area. Finding the right balance, however, can be difficult. Consider the challenge faced by marketing managers for Van Heusen shirts. A few years ago Van Heusen came up with a new way to treat its shirts so that they look better when they come out of the wash than previous

Would You Like Those Peanuts with Sugar and Cream?

Marketing managers for Planters' peanuts wanted a new package that would keep peanuts fresh. They also wanted the package to be a cue to promote freshness to consumers. They thought that they had the right idea when they put Planters Fresh Roast Salted Peanuts in a vacuum-packed bric-pac, like the ones that coffee comes in. They were confident that when consumers saw the vacuum-packed peanuts it would remind them that they were fresh roasted, just like with fresh-roasted coffee. To reinforce that message, Planters put the words "Fresh Roast" in large print on the front of the package—right under the Planters name and over the words "salted peanuts." The familiar Mr. Peanut trademark character was there too. He looked dapper with his top hat and cane pointing toward the words "Fresh Roast." This all seemed like a good idea, but it didn't work as planned.

One problem was that the peanuts weren't the same size and shape as coffee, so the bags were pretty lumpy. That made the words harder to read on supermarket shelves. Also, the bags were supposed to be resealable. But that didn't work well because of the lumps. So, once the bag was opened, the peanuts got stale. Consumers who expected extra freshness were disappointed. But, other shoppers had a bigger surprise before they even left the store.

Some consumers opened the bag and put the contents into the grocery store's coffee grinder. You can imagine the gooey peanut butter mess that made. You can also imagine that the store manager was not happy with Planters. Were the consumers trying to make peanut butter? No. Everything on the bag made it clear that it was peanuts. However, the link of the bag with coffee was so strong that consumers didn't stop to think about it. Moreover, the new package came out at about the same time that flavored coffees were just becoming popular. Hey, if some ad is telling you to try hazelnut-flavored coffee, why not peanut-flavored coffee too? No, Planters doesn't want to compete with Starbucks, so this package is off the market.[9]

www.mhhe.com/fourps

wash-and-wear shirts. Van Heusen promotes these shirts as "wrinkle-free" and the label shows an iron stuffed in a garbage can. Most people agree that the new shirt is an improvement. Even so, consumers who buy a shirt expecting it to look as crisp as if it had just been ironed are disappointed. For them, the improvement is not enough.[10]

Personality affects how people see things

Many researchers study how personality affects people's behavior, but the results have generally been disappointing to marketers. A trait like neatness can be associated with users of certain types of products—like cleaning materials. But marketing managers have not found a way to use personality in marketing strategy planning.[11] As a result, they've stopped focusing on personality measures borrowed from psychologists and instead developed lifestyle analysis.

Psychographics focus on activities, interests, and opinions

Psychographics or **lifestyle analysis** is the analysis of a person's day-to-day pattern of living as expressed in that person's Activities, Interests, and Opinions—sometimes referred to as AIOs. Exhibit 6-5 shows a number of variables for each of the AIO dimensions—along with some demographics used to add detail to the lifestyle profile of a target market.

Lifestyle analysis assumes that marketers can plan more effective strategies if they know more about their target markets. Understanding the lifestyle of target customers has been especially helpful in providing ideas for advertising themes. Let's see how it adds to a typical demographic description. It may not help Mercury marketing managers much to know that an average member of the target market for a Mountaineer SUV is 34.8 years old, married, lives in a three-bedroom home, and has 2.3 children. Lifestyles help marketers paint a more human portrait of the target market. For example, lifestyle analysis might show that the 34.8-year-old is also a community-oriented consumer with traditional values who especially enjoys spectator sports and spends much time in other family activities. An ad might show the Mountaineer being used by a happy family at a ball game so the target market could really identify with the ad. And the ad might be placed on an ESPN show whose viewers match the target lifestyle profile.[12]

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Exhibit 6-5 Lifestyle Dimensions (and some related demographic dimensions)

Dimension	Examples		
Activities	Work Hobbies Social events	Vacation Entertainment Club membership	Surfing Web Shopping Sports
Interests	Family Home Job	Community Recreation Fashion	Food Media Achievements
Opinions	Themselves Social issues Politics	Business Economics Education	Products Future Culture
Demographics	Income Age Family life cycle	Geographic area Ethnicity Dwelling	Occupation Family size Education

Marketing managers for consumer products firms who are interested in learning more about the lifestyle of a target market sometimes turn to outside specialists for help. For example, SRI Consulting, a research firm, offers a service called geoVALS (VALS is an abbreviation for values, attitudes, and lifestyles). GeoVALS uses psychographics to show where customers live and why they behave as they do; it is especially useful for targeting direct-mail ad campaigns. With another service, VALS 2, SRI describes a firm's target market in terms of a set of typical VALS lifestyle groups (segments). An advantage of this approach is that SRI has developed very detailed information about the various VALS groups. For example, the VALS approach has been used to profile consumers in the United Kingdom, Germany, Japan, and Canada as well as the United States. However, the disadvantage of VALS 2—and other similar approaches—is that it may not be very specific to the marketing manager's target market.[13]

Internet

Internet Exercise Go to the SRI Internet site (http://future.sri.com), click on VALS, and then click on "To the Survey" to review the VALS questionnaire. If you wish, complete the short questionnaire online. SRI will provide you with your VALS profile.

The original Betty, 1936

1965

1972

1980

1986

Betty Crocker 2000

General Mills has changed "Betty Crocker's" appearance as consumer attitudes and lifestyles have changed. The face of the newest Betty Crocker reflects her multicultural background.

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Social Influences Affect Consumer Behavior

We've been discussing some of the ways needs, attitudes, and other psychological variables influence the buying process. Now we'll see that these variables—and the buying process—are usually affected by relations with other people too. We'll look at how the individual interacts with family, social class, and other groups who may have influence.

Who is the real decision maker in family purchases?

Relationships with other family members influence many aspects of consumer behavior. We saw specific examples of this in Chapter 5 when we considered the effects of the family life cycle on family spending patterns. Family members may also share many attitudes and values, consider each other's opinions, and divide various buying tasks. In years past, most marketers in the United States targeted the wife as the family purchasing agent. Now, with sex-role stereotypes changed and with night and weekend shopping more popular, men and older children may take more responsibility for shopping and decision making. In other countries, family roles vary. For example, in Norway women still do most of the family shopping.

Although only one family member may go to the store and make a specific purchase, when planning marketing strategy it's important to know who else may be involved. Other family members may have influenced the decision or really decided what to buy. Still others may use the product.

You don't have to watch much Saturday morning TV to see that Kellogg's knows this. Cartoon characters like Tony the Tiger tell kids about the goodies found in certain cereal packages and urge them to remind Dad or Mom to pick up that brand at the store. Similarly, the box for Post's Oreo O's cereal looks like the wrapper on the cookies, to get kid's attention in the store. Kids also influence grown-up purchases—to the tune of $250 billion a year. Surveys show that kids often have a big say in a family's choice of products such as apparel, cars, vacations, electronics, and health and beauty aids.

Family considerations may overwhelm personal ones

A husband and wife may jointly agree on many important purchases, but sometimes they may have strong personal preferences. However, such individual preferences may change if the other spouse has different priorities. One might want to take a family vacation to Disneyland—when the other wants a new Sony DVD player and large-screen TV. The actual outcome in such a situation is unpredictable. The preferences of one spouse might change because of affection for the other or because of the other's power and influence.

Buying responsibility and influence vary greatly depending on the product and the family. A marketer trying to plan a strategy will find it helpful to research the specific target market. Remember, many buying decisions are made jointly, and thinking only about who actually buys the product can misdirect the marketing strategy.[14]

Social class affects attitudes, values, and buying

Up to now, we've been concerned with individuals and their family relationships. Now let's consider how society looks at an individual and perhaps the family—in terms of social class. A **social class** is a group of people who have approximately equal social position as viewed by others in the society.

Almost every society has some social class structure. In most countries social class is closely related to a person's occupation, but it may also be influenced by education,

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Exhibit 6-6 Characteristics and Relative Sizes of Different Social Class Groups in the United States

Relative size	Group	Description
1.5%	Upper-class	People from old wealthy families (the upper-upper) as well as socially prominent new rich (lower-upper), such as top professionals and corporate executives. These people have high discretionary income, often have second homes, and are a good market for antiques, art, rare jewelry, luxury travel, and unique designer products.
12.5%	Upper-middle class	Successful professionals, owners of small businesses, or managers of large corporations. They want quality products that are symbols of their success. They are community minded and want to be socially acceptable. They are ambitious for their children and more "future oriented" than the lower-class groups.
32%	Lower-middle class*	Small-businesspeople, office workers, teachers, and technicians—the white-collar workers. They are in the "average" income group and try to save something for the future. The American moral code and emphasis on hard work come from this class. This is the most "conforming" segment of society. They are home- and family-oriented.
38%	Upper-lower ("working") class*	The blue-collar workers—factory workers, skilled laborers, and service people. Most earn good incomes (especially in two-career families) but are still very concerned about security. They are less confident in their own judgments about products and may rely more on salespeople and advertising. They often feel controlled by the world around them.
16%	Lower-lower class	Unskilled laborers and people in very low-status occupations. These people usually don't have much income but are good markets for necessities and products that help them enjoy the present. At the lowest end of this group are people without steady employment and people who live in severe poverty. Many of America's illiterate are in this group.

* Note: in combination, these groups form America's "mass market."

community participation, where a person lives, income, possessions, social skills, and other factors—including what family a person is born into. Because of such differences, people in different social classes tend to have different beliefs and feelings.

In most countries—including the United States—there is *some* general relationship between income level and social class. But the income level of people within the same social class can vary greatly, and people with the same income level may be in different social classes. So income by itself is usually not a good measure of social class. And people in different social classes may spend, save, and borrow money in very different ways. For example, spending for clothing, housing, home furnishings, and leisure activities, as well as choices of where and how to shop, often vary with social class.

The U.S. class system is far less rigid than those in most countries. Children start out in the same social class as their parents—but they can move to a different social class depending on their educational levels or the jobs they hold. By contrast, India's social structure is much more rigid, and individuals can't easily move up in the class system.

Marketers want to know what buyers in various social classes are like. In the United States, simple approaches for measuring social class groupings are based on a person's *occupation*, *education*, and *type and location of housing*. By using marketing research surveys or available census data, marketers can get a feel for the social class of a target market. Exhibit 6-6 illustrates a multilevel social class structure for the United States. Note the relative sizes of the groupings.

Although the exhibit uses traditional technical terms like *upper*, *middle*, and *lower*, a word of warning is in order. These terms may seem to imply "superior" and

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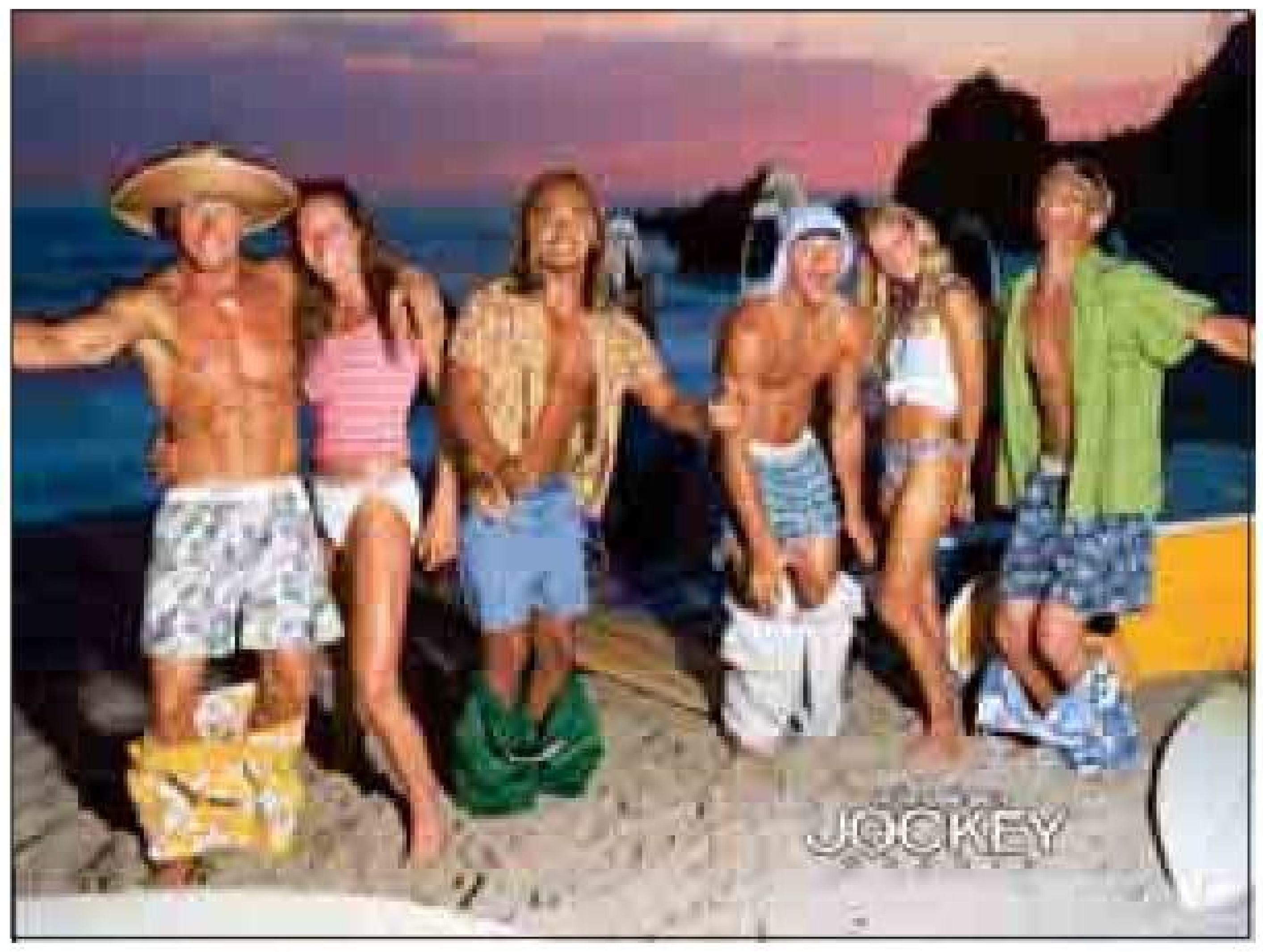


Reference group influence is usually more important when others will be able to see which product a consumer is using, but Jockey wants young people to view its underwear as in fashion and encourages them to "Let 'em know you're Jockey."

"inferior." But in sociological and marketing usage, no value judgment is intended. We cannot say that any one class is "better" or "happier" than another.

What do these classes mean?

Social class studies suggest that the old saying "A rich man is simply a poor man with more money" is not true. Given the same income as middle-class consumers, people belonging to the lower class handle themselves and their money very differently. Many people think of America as a middle-class society. In fact, when asked to classify themselves, most people just say that they're middle class or working class. But in many marketing situations the social class groups are more distinct than that suggests. Various classes shop at different stores. They prefer different treatment from salespeople. They buy different brands of products—even though prices are about the same. And they have different spending–saving attitudes.

Reference groups are relevant too

A **reference group** is the people to whom an individual looks when forming attitudes about a particular topic. People normally have several reference groups for different topics. Some they meet face-to-face. Others they just wish to imitate. In either case, they may take values from these reference groups and make buying decisions based on what the group might accept.

We're always making comparisons between ourselves and others. So reference groups are more important when others will be able to "see" which product or brand we're using. Influence is stronger for products that relate to status in the group. For one group, owning an expensive fur coat may be a sign of "having arrived." A group of animal lovers might view it as a sign of bad judgment. In either case, a consumer's decision to buy or not buy a fur coat might depend on the opinions of others in that consumer's reference group.[15]

Reaching the opinion leaders who are buyers

An **opinion leader** is a person who influences others. Opinion leaders aren't necessarily wealthier or better educated. And opinion leaders on one subject aren't necessarily opinion leaders on another. For example, you may have a friend who is ahead of the curve in knowing about computer products, but you might not want that friend's opinion about new clothing styles and cosmetics. On the other hand, sometimes a leader in one area earns respect in another. For example, George Foreman, former heavyweight champion of the world, has become a household name representing his line of Foreman grills. Each

social class and age group tends to have its own opinion leaders. Some marketing mixes aim especially at these people since their opinions affect others and research shows that they are involved in many product-related discussions with "followers." Favorable word-of-mouth publicity from opinion leaders can really help a marketing mix. But the opposite is also true. If opinion leaders aren't satisfied, they're likely to talk about it and influence others.[16]

Culture surrounds the other influences

Culture is the whole set of beliefs, attitudes, and ways of doing things of a reasonably homogeneous set of people. In Chapters 4 and 5, we looked at the broad impact of culture.

We can think of the American culture, the French culture, or the Latin American culture. People within these cultural groupings tend to be more similar in outlook and behavior. But sometimes it is useful to think of subcultures within such groupings. For example, within the American culture, there are various religious and ethnic subcultures; also different cultural forces tend to prevail in different regions of the country.

Failure to consider cultural differences, even subtle ones, can result in problems. To promote their product and get people to try it, marketers for Pepto-Bismol often provide free samples at festivals and street fairs. Their idea is that people tend to overindulge at such events. However, when they distributed sample packets at a festival in San Francisco's Chinatown, they insulted many of the people they wanted to influence. Booths with Chinese delicacies lined the streets, and many of the participants interpreted the sample packets (which featured the word "Nauseous" in large letters) as suggesting that Chinese delicacies were nauseating. The possibility of this misinterpretation may seem obvious in hindsight, but if it had been that obvious in advance the whole promotion would have been handled differently.[17]

Culture varies in international markets

Planning strategies that consider cultural differences in international markets can be even harder—and such cultures usually vary more. Each foreign market may need to be treated as a separate market with its own submarkets. Ignoring cultural differences—or assuming that they are not important—almost guarantees failure in international markets.

For example, Japanese consumers tend to snap up the latest gadgets, but only about 7 percent of Japanese households have a dishwasher (compared to about 50 percent in the U.S.). Appliance manufacturers who have tried to export their standard models to Japan have met with failure. One reason is that Japanese kitchens are much too small for units that are standard in the U.S. Another problem is that fermented soybeans and other common Japanese foods tend to be very sticky. A standard dishwasher won't clean the dishes well. To address these cultural differences, manufacturers have developed small countertop machines with powerful jets to do the cleaning. But another obstacle remains. Many traditional Japanese feel that it is the woman's duty to wash the dishes. For many housewives, the guilt of having dishes done by a machine is worse than the aggravation of doing the job. Foreign firms seem to have missed that. But it became more obvious when Matsushita, the Japanese firm whose washers lead the market, got increases in sales by focusing its promotion on conservation of hot water and hygiene—rather than convenience—as the important reasons to buy a dishwasher.[18]

From a target marketing point of view, a marketing manager probably wants to aim at people within one culture or subculture. A firm developing strategies for two cultures often needs two different marketing plans.[19]

The attitudes and beliefs that we usually associate with culture tend to change slowly. Consider something as unemotional as a cup of tea. For a long time, tea has been a basic part of British culture. Taking a break for a cup of hot tea is tradition—a social moment with friends. In striking contrast, few British consumers ever drink iced tea. Lipton, Nestea, and other iced-tea makers would like to change that. They look at the 330 million gallons of iced tea routinely purchased by Americans each year and ask, "Why not in Britain?" But they face tough odds—and it's not just the cooler weather in England. Consumers there associate iced tea with the dregs left in the bottom of the teapot after it's cooled off. It's not an appealing image, and it isn't likely to change quickly. Iced-tea sales won't pick up until it does.[20]

Because cultural forces tend to change slowly, marketers can often get good help from someone who already has a good understanding of the culture of the target customers. This helps to avoid problems. Then the marketers should be able to focus on the more dynamic variables discussed above.

Individuals Are Affected by the Purchase Situation

Needs, benefits sought, attitudes, motivation, and even how a consumer selects certain products all vary depending on the purchase situation. So different purchase situations may require different marketing mixes—even when the same target market is involved. Let's briefly consider some of the ways that the purchase situation can vary.

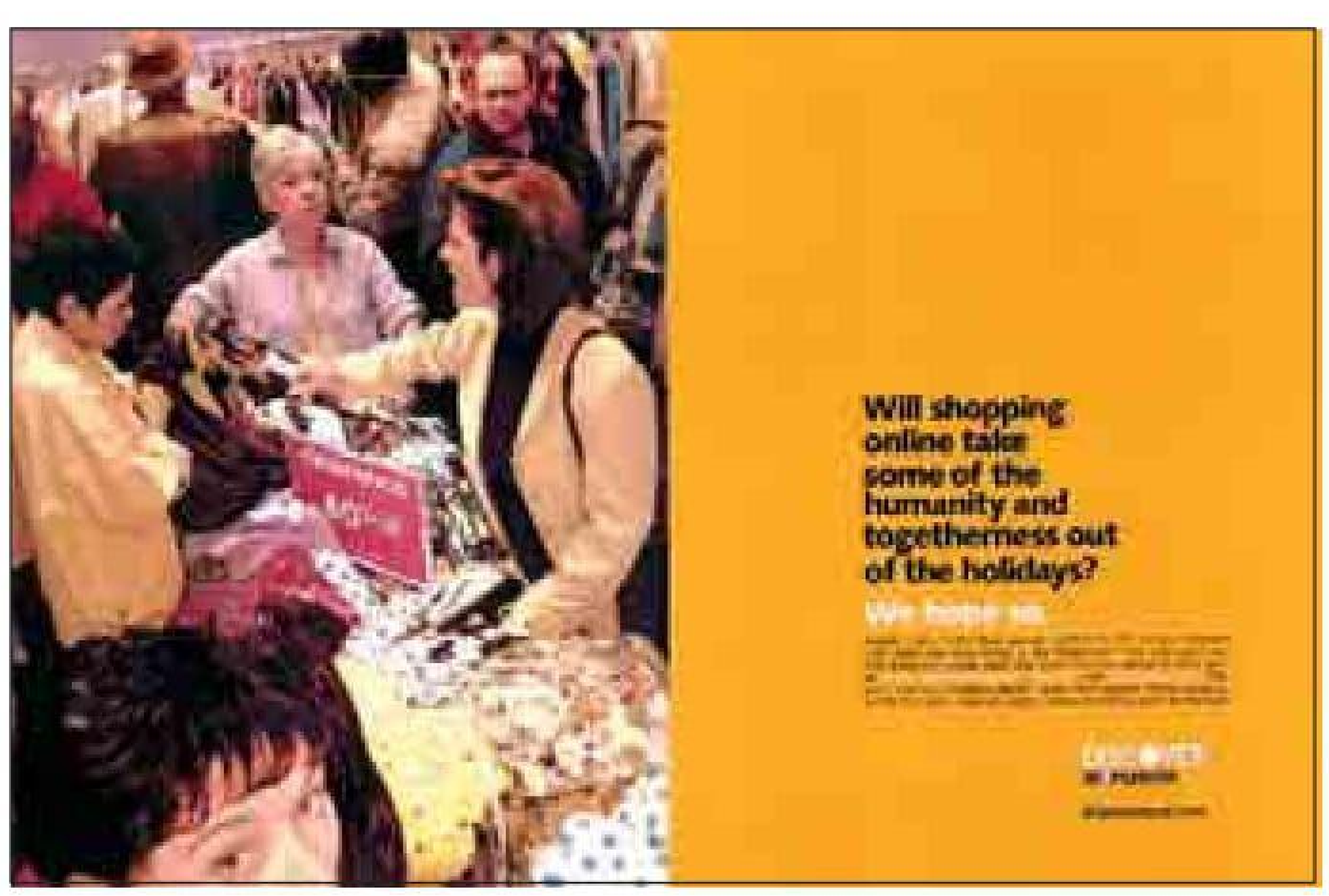
Purchase reason can vary

Why a consumer makes a purchase can affect buying behavior. For example, a student buying a pen to take notes might pick up an inexpensive Bic. But the same student might choose a Cross pen as a gift for a friend.

Time affects what happens

Time influences a purchase situation. *When* consumers make a purchase—and the time they have available for shopping—will influence their behavior. A leisurely dinner or socializing with friends at a Starbucks induces different behavior than grabbing a quick cup of 7-Eleven coffee on the way to work.

The urgency of the need is another time-related factor. A sports buff who needs a VCR in time for the Super Bowl—that evening—might spend an hour driving across town in heavy traffic to get the right unit. In a different circumstance, the same person might order the VCR online from a website and figure that the extra time for it to be shipped is well worth the money saved.



The nature of the purchase situation and the problem-solving processes that consumers use are typically different when they are shopping on the Internet rather than at a store.

On the other hand, how long something takes may be relative. Our online shopper might be frustrated by a web page that takes two minutes to load and abandon his virtual shopping cart after the VCR is already selected. This happens all of the time online. On the other hand, you don't often see a consumer walk away from a shopping cart because of a two-minute wait in a checkout line at a store.

Surroundings affect buying too

Surroundings can affect buying behavior. The excitement at an auction may stimulate impulse buying. Checking out an auction online might lead to a different response.

Surroundings may discourage buying too. For example, some people don't like to stand in a checkout line where others can see what they're buying—even if the other shoppers are complete strangers.[21]

Consumers Use Problem-Solving Processes

The variables discussed affect *what* products a consumer finally decides to purchase. Marketing managers also need to understand *how* buyers use a problem-solving process to select particular products.

Most consumers seem to use the following five-step problem-solving process:

1. Becoming aware of—or interested in—the problem.
2. Recalling and gathering information about possible solutions.
3. Evaluating alternative solutions—perhaps trying some out.
4. Deciding on the appropriate solution.
5. Evaluating the decision.[22]

Exhibit 6-7 presents an expanded version of the buyer behavior model shown in Exhibit 6-1. Note that this exhibit integrates the problem-solving process with the whole set of variables we've been reviewing.

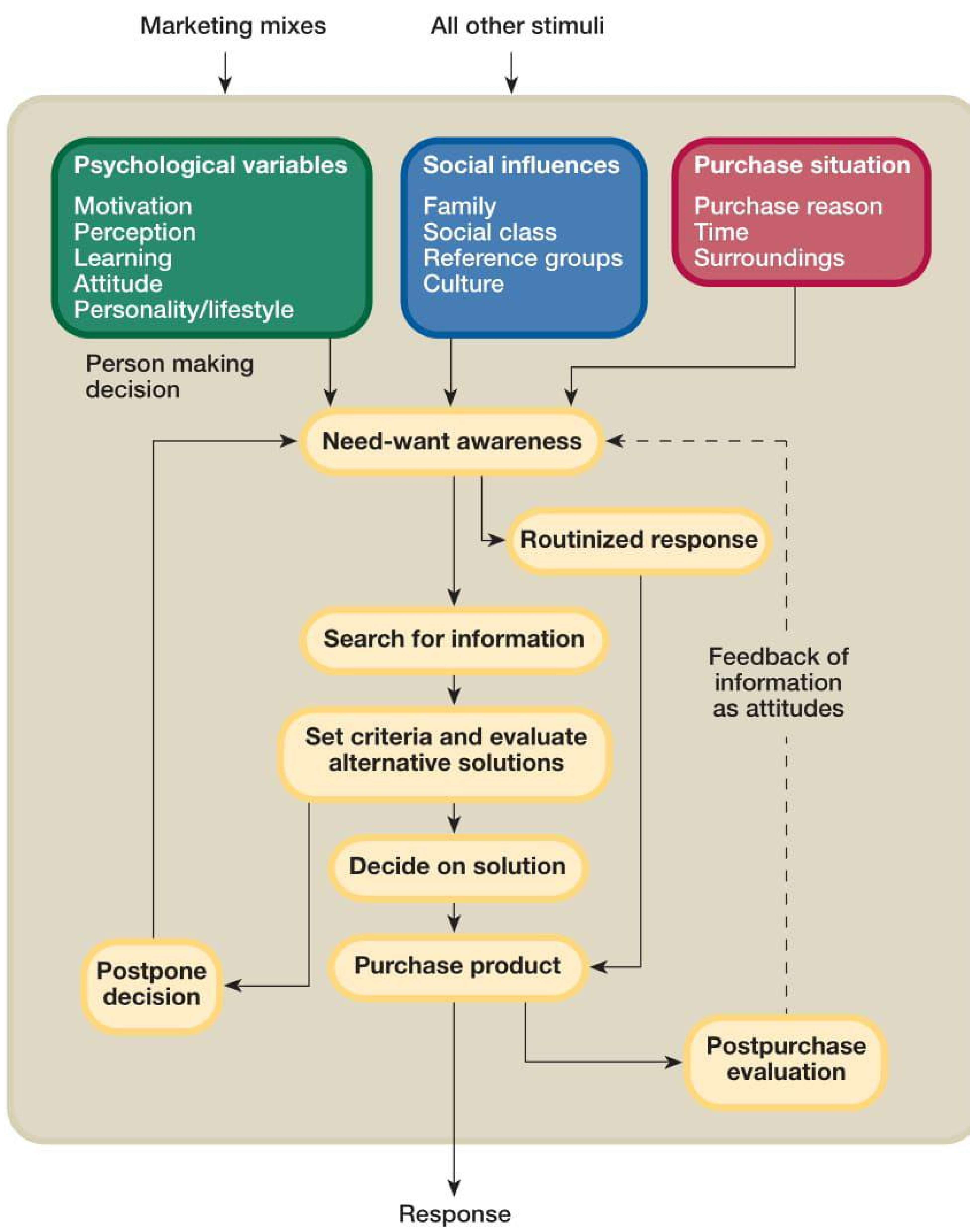
When consumers evaluate information about purchase alternatives, they may weigh not only a product type in relation to other types of products but also differences in brands within a product type *and* the stores where the products may be available. This can be a very complicated evaluation procedure, and, depending on their choice of criteria, consumers may make seemingly irrational decisions. If convenient service is crucial, for example, a buyer might pay list price for an unexciting car from a very convenient dealer. Marketers need a way to analyze these decisions.

Grid of evaluative criteria helps

On the basis of studies of how consumers seek out and evaluate product information, researchers suggest that marketing managers use an evaluative grid showing features common to different products (or marketing mixes). For example, Exhibit 6-8 shows some of the features common to three different cars a consumer might consider.

The grid encourages marketing managers to view each product as a bundle of features or attributes. The pluses and minuses in Exhibit 6-8 indicate one consumer's attitude toward each feature of each car. If members of the target market don't rate a feature of the marketing manager's brand with pluses, it may indicate a problem. The manager might want to change the product to improve that feature or perhaps use more promotion to emphasize an already acceptable feature. The consumer in Exhibit 6-8 has a minus under gas mileage for the Nissan. If the Nissan really gets better gas mileage than the other cars, promotion might focus on mileage to improve consumer attitudes toward this feature and toward the whole product.

Exhibit 6-7
An Expanded Model of the Consumer Problem-Solving Process



Some consumers will reject a product if they see *one* feature as substandard—regardless of how favorably they regard the product's other features. The consumer in Exhibit 6-8 might avoid the Saab, which he saw as less than satisfactory on ease of service, even if it were superior in all other aspects. In other instances, a consumer's overall attitude toward the product might be such that a few good features could make up for some shortcomings. The comfortable interior of the Toyota (Exhibit 6-8) might make up for less exciting styling—especially if the consumer viewed comfort as really important.

Of course, most consumers don't use a grid like this. However, constructing such a grid helps managers think about what evaluative criteria target consumers consider really important, what consumers' attitudes are toward their product (or marketing mix) on each criteria, and how consumers combine the criteria to reach a final decision. Having a better understanding of the process should help a manager develop a better marketing mix.[23]

Exhibit 6-8
Grid of Evaluative Criteria for Three Car Brands

Brands	Common features			
	Gas mileage	Ease of service	Comfortable interior	Styling
Nissan	$\boxed{-}$	+	+	–
Saab	+	$\boxed{-}$	+	+
Toyota	+	+	$\boxed{+}$	$\boxed{-}$

Note: Pluses and minuses indicate a consumer's evaluation of a feature for a brand.

Three levels of problem solving are useful

The basic problem-solving process shows the steps consumers may go through trying to find a way to satisfy their needs—but it doesn't show how long this process will take or how much thought a consumer will give to each step. Individuals who have had a lot of experience solving certain problems can move quickly through some of the steps or almost directly to a decision.

It is helpful, therefore, to recognize three levels of problem solving: extensive problem solving, limited problem solving, and routinized response behavior. See Exhibit 6-9. These problem-solving approaches are used for any kind of product. Consumers use **extensive problem solving** for a completely new or important need—when they put much effort into deciding how to satisfy it. For example, a music lover who wants to download music might decide to buy an MP3 player—but not have any idea what model to buy. After talking with friends to find out about their experiences with different models, she might do a search on the Internet to see if highly recommended models were still available, to get the details about features, and even to look for published product reviews. She might also compare prices listed by firms selling the players over the Internet. After thinking about her needs some more, she might want to visit a local dealer to listen to a Sony unit with an optional memory card to hold more tracks. And if she likes the sound—and the store has a good extended service guarantee at the right price—she'll buy it. This is not exactly an impulse purchase!

Consumers use **limited problem solving** when they're willing to put *some* effort into deciding the best way to satisfy a need. Limited problem solving is typical when a consumer has some previous experience in solving a problem but isn't certain which choice is best at the current time. If our music lover also wanted some new compact discs for her car CD player, she would already know what type of music she enjoys. She might go to a familiar store and evaluate what new CDs they had in stock for her favorite types of music.

Consumers use **routinized response behavior** when they regularly select a particular way of satisfying a need when it occurs. Routinized response behavior is typical when a consumer has considerable experience in how to meet a need and has no need for additional information. For example, our music lover might routinely buy the latest recording by her favorite band as soon as it's available.

Exhibit 6-9 Problem-Solving Continuum

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Most marketing managers would like their target consumers to buy their products in this routinized way. Some firms provide special services for frequent buyers, encourage repeat business with discounts, or do other things to build a good relationship so that the customer purchases from them in a routinized way.

Routinized response behavior is also typical for **low-involvement purchases**—purchases that have little importance or relevance for the customer. Let's face it, buying a box of salt is probably not one of the burning issues in your life.[24]

Problem solving is a learning process

The reason problem solving becomes simpler with time is that people learn from experience—both positive and negative things. As consumers approach the problem-solving process, they bring attitudes formed by previous experiences and social training. Each new problem-solving process may then contribute to or modify this attitude set.

New concepts require an adoption process

When consumers face a really new concept, their previous experience may not be relevant. These situations involve the **adoption process**—the steps individuals go through on the way to accepting or rejecting a new idea. Although the adoption process is similar to the problem-solving process, learning plays a clearer role and promotion's contribution to a marketing mix is more visible.

In the adoption process, an individual moves through some fairly definite steps:

1. *Awareness*—the potential customer comes to know about the product but lacks details. The consumer may not even know how it works or what it will do.
2. *Interest—if* the consumer becomes interested, he or she will gather general information and facts about the product.
3. *Evaluation*—a consumer begins to give the product a mental trial, applying it to his or her personal situation.
4. *Trial*—the consumer may buy the product to experiment with it in use. A product that is either too expensive to try or isn't available for trial may never be adopted.
5. *Decision*—the consumer decides on either adoption or rejection. A satisfactory evaluation and trial may lead to adoption of the product and regular use. According to psychological learning theory, reinforcement leads to adoption.
6. *Confirmation*—the adopter continues to rethink the decision and searches for support for the decision—that is, further reinforcement.[25]

Marketers often want to make it easier for consumers to adopt a product. Colgate offers free samples to encourage consumers in Colombia to try its Protex Fresh soap bars; AOL gives away free diskettes in dozens of ways, including with newspapers.

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PepsiCo had to work with the adoption process when it introduced Pepsi One, a low-calorie cola. Many consumers are interested in staying trim, but diet sodas have an image of bad taste. In light of that, Pepsi's initial ads didn't directly say that Pepsi One was a diet drink. Rather, they used the slogan "True Cola Taste. One Calorie." But that confused a lot of consumers who couldn't tell what made it different from Diet Pepsi. As a result, consumer interest was not as great as Pepsi had expected. Because awareness and interest were low among consumers, retailers didn't devote much shelf space to Pepsi One, so it often wasn't even there for a consumer to evaluate. Even after a year on the market, trial was low. To help more consumers through the adoption process, Pepsi made changes. To build awareness and interest, new ads explained that Pepsi One was using a new sweetener, recently approved by the government, which tasted better than the sweetener used in other diet drinks. The ads showed consumers drinking Pepsi One and not being able to taste the difference from a regular cola; they used the tagline "Too good to be one calorie, but it is." Pepsi also changed the packaging graphics to put more emphasis on the sweetener at the point of purchase. To generate more trial, Pepsi pushed to get Pepsi One promoted on special end-aisle displays and stepped up its sampling program with taste-testing booths on campuses, in office cafeterias, and at movie theaters. Of course, consumers will decide to regularly buy Pepsi One only if they are satisfied with the taste.[26]

Internet

Internet Exercise To make it easier for consumers to visualize how certain fashions will look, the Lands' End website (www.landsend.com) has an interactive "virtual model" feature. Go to the Lands' End website, click on "My Model," and check out this feature. Do you think that it makes it easier to evaluate a potential purchase?

Dissonance may set in after the decision

A buyer may have second thoughts after making a purchase decision. The buyer may have chosen from among several attractive alternatives—weighing the pros and cons and finally making a decision. Later doubts, however, may lead to **dissonance**—tension caused by uncertainty about the rightness of a decision. Dissonance may lead a buyer to search for additional information to confirm the wisdom of the decision and so reduce tension. Without this confirmation, the adopter might buy something else next time or not comment positively about the product to others.[27]

Several Processes Are Related and Relevant to Strategy Planning

Exhibit 6-10 shows the interrelation of the problem-solving process, the adoption process, and learning. It is important to see this interrelation and to understand that promotion can modify or accelerate it. Also note that the potential buyers' problem-solving behavior should affect how firms design their distribution systems. Similarly, customers' attitudes may determine how price sensitive they are and what price the firm should charge. Knowing how target markets handle these processes helps companies with their marketing strategy planning.

Exhibit 6-10
Relation of Problem-Solving Process, Adoption Process, and Learning (given a problem)

Problem-solving steps	Adoption process steps	Learning steps
1. Becoming aware of or interested in the problem	Awareness and interest	Drive
2. Gathering information about possible solutions	Interest and evaluation	Cues
3. Evaluating alternative solutions, perhaps trying some out	Evaluation, maybe trial	Reinforcement
4. Deciding on the appropriate solution	Decision	Response
5. Evaluating the decision	Confirmation	

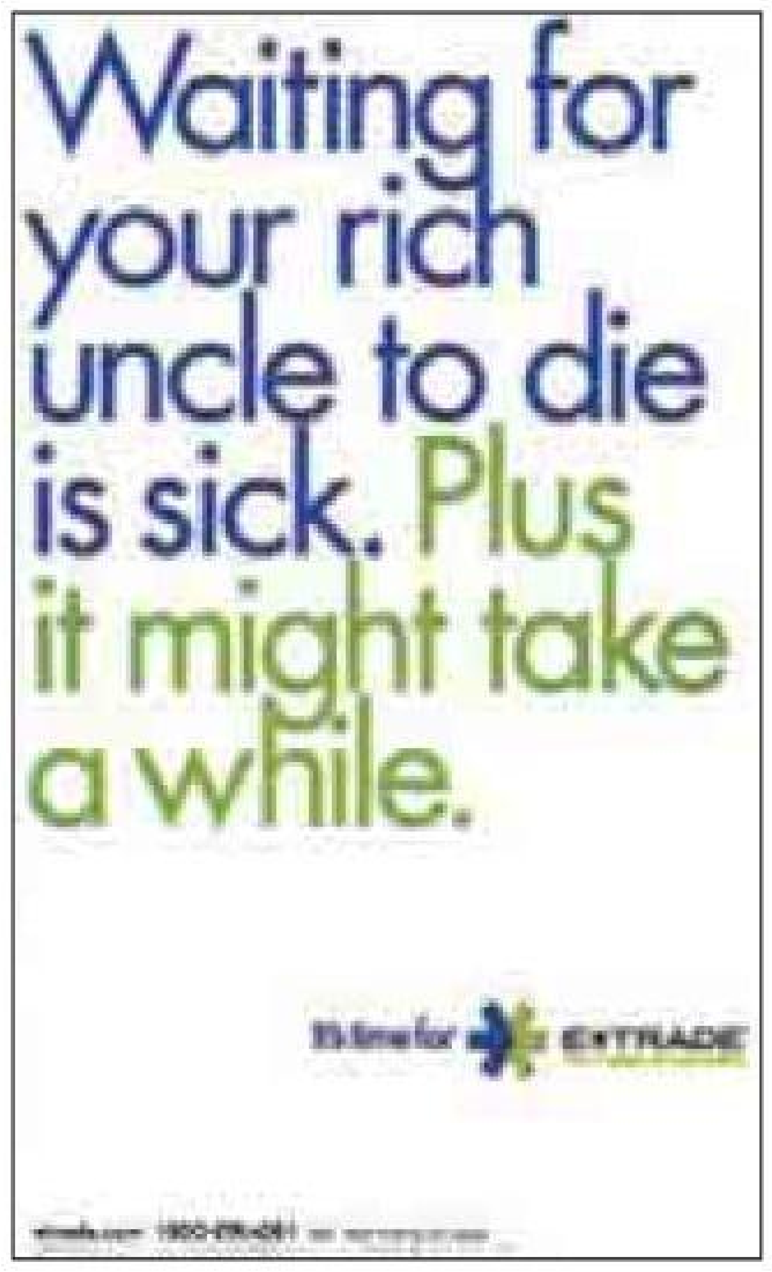
Consumer Behavior in International Markets

All the influences interact—often in subtle ways

You're a consumer, so you probably have very good intuition about the many influences on consumer behavior that we've been discussing. For many different purchase situations you also intuitively know from experience which variables are most important. That's good, but it's also a potential trap—especially when developing marketing mixes for consumers in international markets. The less a marketing manager knows about the *specific* social and intrapersonal variables that shape the behavior of target customers, the more likely it is that relying on intuition will be misleading. We all have a tendency to try to explain things we don't understand by generalizing from what we do know. Yet when it comes to consumer behavior, many of the specifics do not generalize from one culture to another.

Cadbury's effort to develop a Japanese market for its Dairy Milk Chocolate candy bar illustrates the point. Cadbury marketing managers conducted marketing research to find out more about candy preferences among Japanese consumers. The consumers said that they didn't like the high milk-fat content of Cadbury's bar. Cadbury's managers, however, reasoned that this reaction must be from lack of opportunity to become accustomed to the candy. After all, in most other countries it's the rich taste of the candy that turns consumers into "chocoholics." When Cadbury introduced the bar in Japan, it was a real flop. Taste preferences in other countries simply didn't generalize to Japan. It also wasn't just a matter of opportunity. The whole diet in Japan is different enough that eating the candy was unpleasant. By contrast, Dannon was successful because it took similar research findings to heart and dramatically modified its yogurt dairy desserts until they satisfied Japanese tastes.

E*Trade ads often rely on humor in the U.S. and abroad. For example, this Swedish ad says, "Here is a service for all of you that inherited money. Or brains." However, because humor may not work in the same way in different cultures, E*Trade often uses locally produced ads and in some countries, like France, a more serious approach is taken.



Sometimes important influences on consumer behavior are more subtle. When P&G first introduced disposable diapers in Japan, interest was limited. Research suggested that price and health concerns were a sticking point, as was product fit. The diapers leaked because the design was too large for most Japanese babies. From the Western vantage point, these were reasonable problems to work on. However, another powerful cultural force was also at work. At that time, most Japanese mothers were expected to dedicate themselves to caring for their babies. Many women who could afford the convenience of disposable diapers felt guilty using them. Japanese firms that entered the market later used ads to emphasize that disposables were best *for the baby*. That appeal relieved the mother's guilt. Even so, it took time for basic attitudes to change.

Watch out for stereotypes, and change

Our diaper example can also serve as a reminder to watch out for oversimplifying stereotypes. Consumers in a foreign culture may be bound by some similar cultural forces, but that doesn't mean that they are all the same. Further, changes in the underlying social forces may make outdated views irrelevant.

Many Westerners believe that the typical Japanese executive works very long hours and devotes very little time to family life. That stereotype has been highlighted in the Western media. It's still partly true. Yet in today's Japan, many young Japanese executives want a more balanced family life; they don't want to continue the almost total dedication to business accepted by the previous generation. A marketer who didn't recognize this change probably wouldn't fully understand these people, their needs, or buying behavior in their families.

Developing a marketing mix that really satisfies the needs of a target market takes a real understanding of consumer behavior and the varied forces that shape it. That holds whether the target market is local or half way around the world. So when planning strategies for international markets, it's best to involve locals who have a better chance of understanding the experience, attitudes, and interests of your customers. Many companies, even very sophisticated ones, have faltered because they failed to heed that simple advice.[28]

Conclusion

In this chapter, we analyzed the individual consumer as a problem solver who is influenced by psychological variables, social influences, and the purchase situation. All of these variables are related, and our model of buyer behavior helps integrate them into one process. Marketing strategy planning requires a good grasp of this material.

Assuming that everyone behaves the way you do—or even like your family or friends do—can lead to expensive marketing errors.

Consumer buying behavior results from the consumer's efforts to satisfy needs and wants. We discussed some reasons why consumers buy and saw that consumer behavior can't be fully explained by only a list of needs.

We also saw that most societies are divided into social classes, a fact that helps explain some consumer behavior. And we discussed the impact of reference groups and opinion leaders.

We presented a buyer behavior model to help you interpret and integrate the present findings—as well as any new data you might get from marketing research. As of now, the behavioral sciences can only offer insights and theories, which the marketing manager must blend with intuition and judgment to develop marketing strategies.

Companies may have to use marketing research to answer specific questions. But if a firm has neither the money nor the time for research, then marketing managers have to rely on available descriptions of present behavior and guesstimates about future behavior. Popular magazines and leading newspapers often reflect the public's shifting attitudes. And many studies of the changing consumer are published regularly in the business and trade press. This material—coupled with the information in this book—will help your marketing strategy planning.

Remember that consumers—with all their needs and attitudes—may be elusive, but they aren't invisible. Research has provided more data and understanding of consumer behavior than business managers generally use. Applying this information may help you find your breakthrough opportunity.

Questions and Problems

1. In your own words, explain economic needs and how they relate to the economic-buyer model of consumer behavior. Give an example of a purchase you recently made that is consistent with the economic-buyer model. Give another that is not explained by the economic-buyer model. Explain your thinking.
2. Explain what is meant by a hierarchy of needs and provide examples of one or more products that enable you to satisfy each of the four levels of need.
3. Cut out (or copy) two recent advertisements: one full-page color ad from a magazine and one large display from a newspaper. In each case, indicate which needs the ads are appealing to.
4. Explain how an understanding of consumers' learning processes might affect marketing strategy planning. Give an example.
5. Briefly describe your own *beliefs* about the potential value of wearing automobile seat belts, your *attitude* toward seat belts, and your *intention* about using a seat belt the next time you're in a car.
6. Give an example of a recent purchase experience in which you were dissatisfied because a firm's marketing mix did not meet your expectations. Indicate how the purchase fell short of your expectations—and also explain whether your expectations were formed based on the firm's promotion or on something else.
7. Explain psychographics and lifestyle analysis. Explain how they might be useful for planning marketing strategies to reach college students, as opposed to average consumers.
8. A supermarket chain is planning to open a number of new stores to appeal to Hispanics in southern California. Give some examples that indicate how the four Ps might be adjusted to appeal to the Hispanic subculture.
9. How should the social class structure affect the planning of a new restaurant in a large city? How might the four Ps be adjusted?

10. What social class would you associate with each of the following phrases or items? In each case, choose one class if you can. If you can't choose one class but rather feel that several classes are equally likely, then so indicate. In those cases where you feel that all classes are equally interested or characterized by a particular item, choose all five classes.
    a. A gun rack in a pickup truck.
    b. The *National Enquirer*.
    c. *New Yorker* magazine.
    d. *Working Woman* magazine.
    e. People watching soap operas.
    f. Jaguar automobile.
    g. Men who drink beer after dinner.
    h. Families who vacation at a Disney theme park.
    i. Families who distrust banks (keep money in socks or mattresses).
    j. Owners of pit bulls.
11. Illustrate how the reference group concept may apply in practice by explaining how you personally are influenced by some reference group for some product. What are the implications of such behavior for marketing managers?
12. Give two examples of recent purchases where the specific purchase situation influenced your purchase decision. Briefly explain how your decision was affected.
13. Give an example of a recent purchase in which you used extensive problem solving. What sources of information did you use in making the decision?
14. On the basis of the data and analysis presented in Chapters 5 and 6, what kind of buying behavior would you expect to find for the following products: *(a)* a haircut, *(b)* a dishwasher detergent, *(c)* a printer for a personal computer, *(d)* a tennis racket, *(e)* a dress belt, *(f)* a telephone answering machine, *(g)* life insurance, *(h)* an ice cream cone, and *(i)* a new checking account? Set up a chart for your answer with products along the left-hand margin as the row headings and the following factors as headings for the columns: *(a)* how consumers would shop for these products, *(b)* how far they would travel to buy the product, *(c)* whether they would buy by brand, *(d)* whether they would compare with other products, and *(e)* any other factors they should consider. Insert short answers—words or phrases are satisfactory—in the various boxes. Be prepared to discuss how the answers you put in the chart would affect each product's marketing mix.
15. Review the Go-Gurt case that introduces this chapter, and identify which of the key terms (that appear in red) from the text of the chapter that you think are illustrated in the case. Write down each key term you identify and briefly explain how it is illustrated.

Suggested Cases

1. McDonald's "Seniors" Restaurant
3. Pillsbury's Häagen-Dazs
9. SleepyTime Motel
11. Runners World

Computer-Aided Problem

6. **Selective Processes**

Submag, Inc., uses direct-mail promotion to sell magazine subscriptions. Magazine publishers pay Submag $3.12 for each new subscription. Submag's costs include the expenses of printing, addressing, and mailing each direct-mail advertisement plus the cost of using a mailing list. There are many suppliers of mailing lists, and the cost and quality of different lists vary.

Submag's marketing manager, Shandra Debose, is trying to choose between two possible mailing lists. One list has been generated from phone directories. It is less expensive than the other list, but the supplier acknowledges that about 10 percent of the names are out-of-date (addresses where people have moved away.) A competing supplier offers a list of active members of professional associations. This list costs 4 cents per name more than the phone list, but only 8 percent of the addresses are out-of-date.

In addition to concerns about out-of-date names, not every consumer who receives a mailing buys a subscription. For example, *selective exposure* is a problem. Some target customers never see the offer—they just toss out junk mail without even opening the envelope. Industry studies show that this wastes about 10 percent of each

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mailing—although the precise percentage varies from one mailing list to another.

Selective perception influences some consumers who do open the mailing. Some are simply not interested. Others don't want to deal with a subscription service. Although the price is good, these consumers worry that they'll never get the magazines. Submag's previous experience is that selective perception causes more than half of those who read the offer to reject it.

Of those who perceive the message as intended, many are interested. But *selective retention* can be a problem. Some people set the information aside and then forget to send in the subscription order.

Submag can mail about 25,000 pieces per week. Shandra Debose has set up a spreadsheet to help her study effects of the various relationships discussed above and to choose between the two mailing lists.

a. *If you were Debose, which of the two lists would you buy based on the initial spreadsheet? Why?*
b. *For the most profitable list, what is the minimum number of items that Submag will have to mail to earn a profit of at least $3,500?*
c. *For an additional cost of $.01 per mailing, Submag can include a reply card that will reduce the percent of consumers who forget to send in an order (Percent Lost—Selective Retention) to 45 percent. If Submag mails 25,000 items, is it worth the additional cost to include the reply card? Explain your logic.*

For additional questions related to this problem, see Exercise 6-3 in the *Learning Aid for Use with Basic Marketing*, 14th edition.