INTRODUCTION

I. What is consumer behavior?
   A. Selection, use, disposal of products, services, ideas, experiences - examples include supermarket choices, industrial goods, school choices, services, voting
   B. Important aspects of consumers
      1. Characteristics - life style, demographics, psychological
      2. Social relationships
      3. Culture, subculture

II. Why is consumer behavior important?
   A. Fundamental concept underlying marketing is "know the customer;" many organizations see themselves as customer-driven. This leads to important issues, such as
      1. Who is the customer?
      2. What are customers' needs and wants?
      3. How are needs, wants, actions affected by marketing stimuli?
      4. There are increased pressures to understand such issues
         a. More data
         b. Increased technological capabilities enable increased micro, one-to-one marketing (or demarketing – e.g., banks favor good customers and try to weed out bad ones)
         c. More competition
         d. Globalization intensifies the need to comprehend differences in consumer behavior - e.g., private labels in Britain are more powerful than those in the US, different cultural settings can lead to different needs and wants
         e. New technologies also provide new opportunities and issues with respect to interacting with consumers - e.g., Internet as a medium for advertising, distribution, word of mouth; privacy issues and trading off personalization vs. privacy (e.g., divulging data in return for web use); issues involving “vulnerable” populations (e.g., see privacy statement from www.nabiscokids.com)
      5. Marketing as understanding and serving diversity - e.g., marketing of HMOs, new Betty Crocker portrait blending diverse features into a morphed portrait
   B. Behavioral analyses can help with
      1. Issues of tailoring offerings to diverse consumers, either in segments or one-to-one
      2. Positioning
      3. Marketing mix decisions (e.g., insights into how ads work can help in designing communication strategies)
      4. Policy issues
         a. Information presentation - e.g., nutrition and warning labels,
comparisons
b. Consumer/marketer protection (deception/consumer confusion)
c. Ethical issues – issues of targeting vs. exploiting consumers, especially for vulnerable populations (e.g., children, the elderly, the poor); consumer perceptions of marketer tactics – marketing cigarettes, alcohol, guns

5. Specific examples
a. New Coke – importance of consumer perceptions, how use of blind taste tests missed the point
b. Europe - cultural differences, can one treat as single market? K
c. Implications of broadband and wireless technologies K
   i. Rethinking electronic communication to consumers given new technological options
   ii. Determining consumers’ demand for really new products, issues of “gee whiz” features vs. real needs
d. Who’s in charge? Marketing, venture capitalists, and knowing the customer K
e. Policy (how much effort and attention is actually devoted by consumers to product information often becomes a major issue)
   i. Honda ATV ads make difficult maneuvers appear easy
   iii. Depiction of types of consumers in ads - e.g., stereotypes of the elderly, ethnic, religious, and racial groups

III. Consumer behavior is contingent, constructive - my viewpoint based upon work in decision making. This view implies a particular perspective on preferences and decision making.

A. Preferences
1. Sometimes people know their preferences and those preferences are relatively fixed – this is the standard view of economics, as embodied in indifference curves. However, this is not always true. Rather ...
2. Preferences are often not firmly held or known, even by the customer
   a. For example, in predicting future preferences, consumers misassess how much they desire variety or may overestimate the amount of future consumption
3. Preferences are often constructed, that is, made up on the spot
   a. Salience of information and the specific information context matter
   b. This implies preference formation can be influenced by marketing efforts
   c. The constructive view also has implications for measuring preferences, discussed further in the unit on consumer decision making.

B. Decision making - decisions made in different ways depending upon context, task (e.g., conflict, time pressure, information format, emotion); in other words,
decisions are contingent

C. There is no single model of consumer behavior - rather, it is a set of ideas and concepts which can lead to different approaches and/or point out potential pitfalls.

IV. Types of consumer decisions - not all decisions are made the same way. In particular, there is a major distinction between complex and simple decisions

A. Complex decisions
   1. Occur when decisions are important, unfamiliar, perceived brand differences
   2. Processing limitations can come into play
      a. Capacity – people have limited processing capacity, e.g., memory
      b. Heuristics (simplifying procedures) are often used as a result - e.g., making accuracy/effort tradeoffs

B. Simple decisions
   1. Repetitive, habitual, little search or evaluation
   2. Reduce risk, save effort (e.g., straight rebuy)

C. Prevalence of each - my earlier research estimates 75-80% are simple rather than complex; trap - assuming that the product I am responsible for is a complex decision

V. Components affecting consumer behavior

A. Individual factors - listed in order of rough temporal flow as consumers process and act on marketing information
   1. Motivation & Goals
   2. Lifestyle & Personality
   3. Attention & Perception
   4. Memory & Decision Making
   5. Attitudes & Persuasion
   6. Learning

B. More global factors influencing the individual
   1. Interpersonal influence
   2. Social class
   3. Culture

We will consider each of these components and how they influence consumer behavior. We will examine a broad array of findings from a variety of disciplines. These components, as we will see, can be used to a greater or lesser extent for complex vs. simple decisions.