PERCEPTION

I. Perception is the process of developing an interpretation of a stimulus, or, in other words, deciding what a stimulus means. It is perhaps the most crucial process in consumer behavior for three reasons:

A. What consumers perceive is what affects their actions, and

B. What is perceived is not necessarily what is "true" (in fact, it is not obvious whether one can actually define "truth" in any non-subjective way)
   1. Taste test results - colas (70% confuse Pepsi, Coke), Allison and Uhl beer results show that consumers' blind taste ratings diverge from their taste ratings when the beers are labeled
   2. Consumer Reports coffee tests (> half couldn't distinguish top from bottom as rated by expert testers, > half couldn't tell regular from instant, 80% couldn't tell caffeinated from decaffeinated) - but consumers claim decaf tastes worse.
   3. New Coke - blind taste test results vs. consumer reactions.
   4. Coors can - changed can label design, phrase on label from "Banquet Beer" to "Original Draft" without changing the formulation, but consumers claimed taste had changed.

C. Perceptions are often at the heart of marketing issues/problems
   1. Taurus – perceptions of reliability compared to Camry and Accord and perceptions of the stereotypical Taurus user were problems for Taurus
   2. Volvo’s attempt to attract younger buyers with the S40, V40 series (see www.Swedenrules.com web site)
   3. Olay cosmetics faced perceptual issues about its composition (“oily”) and the age of its customers, so they changed products, package, and the name
   4. Stereotypes of “techies” and trying to get the young to choose a profession
   5. Perceptions of marketing tactics and their impact on long-term customer relationships, e.g., Coke machines that would raise prices when the temperature rose

II. The key to understanding how to deal with consumer behavior issues involving perception is to consider what we know about the process of perception. The major themes are

A. Perception is constructive; people construct interpretations on the fly.

B. The meanings constructed by consumers are based upon two major factors:
   1. The "actual" stimulus or event (especially what is most salient)
   2. Our prior expectations and what we know

C. There is often a large effect of expectations on perceptual interpretations - people often see or experience what they expect to.
   1. Labeled vs. unlabeled taste tests provide a good example; that is, people expect their favorite brand to taste good, so they perceive that it does taste good. Expectations are particularly potent when quality or some other
aspect is difficult to judge.

2. Deighton hypothesizes that one major purpose of ads is to set up hypotheses or expectations for consumers. Then when consumers “test” those hypotheses (e.g., by trying the product), they tend to confirm them if quality is hard to judge.

D. What are the marketing implications of this? One major issue is how to build upon or break down consumer perceptions/expectations.

1. Reinforce expectations by projecting consistent image.
2. Breaking expectations or deeply held beliefs can be very hard.

<table>
<thead>
<tr>
<th>Example: Parkay taste test -</th>
<th>Blind</th>
<th>Labeled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parkay</td>
<td>32%</td>
<td>27%</td>
</tr>
<tr>
<td>Butter</td>
<td>23%</td>
<td>50%</td>
</tr>
<tr>
<td>Blend</td>
<td>45%</td>
<td>23%</td>
</tr>
</tbody>
</table>

... and Parkay had very clever ads trying to make the taste claim.

3. But it can be done
   a. Miller Lite
   b. Crest toothpaste

E. In attempting to change expectations, there are two generic types of ad strategies we could try to use - informational and transformational.

1. Informational - Crest
   a. Need something to say
   b. Need to have the message be "protected" (i.e., not easy for all other brands to use as well - otherwise can get consumer confusion.
   c. Need to focus on an important attribute to the consumer
   d. Needs to be a clear, verifiable message.

2. Transformational – the goal is to transform the product experience - Miller Lite (can even change employees' service - McDonald's, United)
   a. Need a large budget, takes time.
   b. Having a consistent theme is critical.
   c. The messages should be positive in tone – the goal is to make the experience richer, warmer.
   d. The message must ring true.
   e. The message must strongly connect product/brand to the experience (i.e., just convincing the consumer that taking the kids to a fast food restaurant is fun and gives a feeling of family togetherness is not enough; you need to connect the brand to the experience depicted so that they perceive that going to your specific restaurant best accomplishes those goals).

3. Which strategy to use
   a. Transformation can be useful for deeply held beliefs if there is no verifiable attribute or if consumers have negative expectations (e.g., Miller Lite).
   b. Information - the issue is what "news" is there? (Crest)
   c. One major concern is the extent to which consumers will try to defend their beliefs? Can you make a frontal assault? If you can't make a
frontal assault, transformation may work.

F. Revitalizing old brands is another interesting perceptual issue, since you are dealing with previous perceptions and expectations, some of which are likely to be strongly held. Some different approaches are

1. Nostalgia - if people have positive memories involving the brand or if there is still a group of loyal consumers (Ovaltine; Apple).
2. Informational – if new uses can be developed (Cheez Whiz and nachos).
3. Transformational
   a. Geritol - emotional, romance.
   b. Bisquik, Betty Crocker - fun, warmth, romance of dining, baking.
   c. Mountain Dew – from hayseed to hip
4. Timing - V-8, Oat Bran capitalized on nutrition craze.
5. New targets
   a. Heinz ketchup - teenagers (6-17 are biggest consumers).
   b. Sears (25-54 year old woment)
6. But won't necessarily work in short term - old baggage is hard to get rid of.

III. Other factors can affect perceptions, such as needs, properties of the stimuli themselves, and individual differences.

A. Needs - hunger and shopping.
B. The actual stimulus has effects, many of which were studied by Gestalt psychologists. They were particularly interested in the organization and relationships among objects. Some gestalt principles of perception include

1. Closure - individuals have a tendency to complete a figure; this added processing can lead to better memory.
   a. Salem
   b. J&B Jingle Bells ad (text, pg. 61)
2. Processing effort - a closely related idea is that effort devoted to interpreting a stimulus leads to better comprehension and memory (but you can't require too much effort)
   a. J&B ads
   b. There is a fine line between encouraging processing effort and simply confusing the consumer or having them ignore you if too much effort is required.
3. Similarity/contrast - if items look similar or are grouped together, consumers may assume they have similar performance or properties, and vice versa if they contrast. This is especially true if one set of brands is similar to one another and different from others.
   a. Store placement can influence perceptions of what a brand is, what it competes with - e.g., Kraft Handi-Snacks, Coast detergent vs. Fresh Start.
   b. In changing brand icons, need to be simultaneously different and similar (e.g., Sailor Jack in Cracker Jack)
4. Figure/ground - perceptions differ depending upon what the individual sees as figure (dominant) vs. ground (background). This can be a problem in some instances if the brand becomes the ground and some other aspect
of the offering becomes figure (e.g., the brand’s message being overshadowed by endorsers, music, or humor)

5. Individual differences
   a. Sensory perceptions
      i. Elderly have taste declines, but they may deny it (Susan Schiffman).
      ii. Packages - size of print for elderly.
      iii. Overweight prefer stronger tastes.
   b. Often must determine whose perceptions are crucial (e.g., in family decision making)
      i. Mattel - Growing Up Skipper, GI Joe
      ii. Kids' personal care products (colors, scents must be chosen to appeal to kids; parents had to see benefit)
      iii. Snacks – kids and parents (e.g., Kraft Handi-Snacks)
      iv. Lego Mindstorms – kids vs. techies

IV. Subliminal Perception

Despite the occasional furor, there is no strong evidence for effects of subliminal perception as a persuasive tool. Any effects which have been systematically replicated tend to be for new or non-meaningful stimuli; there is no evidence that beliefs that are even moderately important or strongly held can be changed. There is, however, very interesting new work that argues that priming stereotypes or traits can lead to unconscious behavioral effects (see Bargh and Chartrand, American Psychologist, 7/99). However, here again the behaviors which are influenced are ones that would be already appropriate for the situation and do not require changes in beliefs or values.

V. Perceived Risk - One of the classic notions in consumer behavior is that consumers perceive risk in their purchase decisions, because they can't foresee all of the consequences of a decision and some of the consequences can be negative.

A. There are two dimensions to perceived risk:
   1. Uncertainty
   2. Consequences - financial, social, psychological, performance, safety

B. Risk can be felt for purchases other than major ticket items (e.g., wine for a dinner party or a toy bought as a present).

C. Consumers can try to reduce or handle risk. They can do this by trying to reduce either uncertainty or consequences, and strategies can be either consumer- or marketer-related.
D. Implications

1. If you are the market leader, you can try to increase the sense of risk for the consumer, emphasize that you can solve the problem (Kodak film tries to get consumers to imagine that they lose critical pictures because they chose some other film).

2. If not the leader and consumers feel risk for choices in your product category, you can try to use warranties, information, other remedies listed above. This implies that the marketer needs to ascertain consumers’ perceived risk levels.

3. Perceived risk and Internet shopping (risks may be worries about payment and security of one’s credit card number, worries about return policies)

VI. Price-Quality Beliefs

A. Consumers often act as if price and quality are related. A higher price can therefore sometimes lead to higher demand.

1. Studies of price and quality data from Consumer Reports generally show that there is little association between price and quality. The correlations are small and positive, but not significantly different from 0. Examples: Roughly 0 - peanut butter, plain yogurt, oil, canned tuna, bottled water; positive - strawberry yogurt, hot dogs, facial tissue, salad dressing; negative - cottage cheese.

2. However, consumer research studies and the existence of ads touting "you get what you pay for" demonstrate that some segment of consumers firmly perceive that price and quality are related. How can this be, in light of the above data?

3. I have done research trying to understand this within the framework of what is called "illusory correlation." It turns out that prior beliefs are crucial.

   a. Chapman and Chapman's original studies show that people misperceive evidence as supporting their prior beliefs
   b. Stages in assessing covariation - Sampling, Interpreting, Combining data
   c. In our work, we have shown that people are accurate at combining data, but are biased by their expectations in sampling - if you think that price and quality are related, you tend to sample higher-priced items. Also, the work noted above (e.g., Allison and Uhl) shows that expectations may influence how you interpret the data.
d. If people expect a higher-priced brand to perform well and quality is difficult to judge, they will perceive that it performs well, confirming their belief.

e. So how do you change such beliefs?
   i. It is actually quite hard
   ii. Causal explanations can help – have consumers think about reasons why price and quality might not be related in the particular case at hand (e.g., cost savings from non-essential packaging changes)

f. There are other beliefs that may display illusory correlations in addition to price and quality (e.g., noise and power, weight and durability).