



# Consumer behavior

on international market

Sławomir Smyczek





***Książka w wersji ebook***  
**WYDAWNICTWA**  
**PLACET**

### **Wydajemy książki o tematyce:**

- organizacja i zarządzanie,
- zarządzanie zasobami ludzkimi,
- finanse,
- rachunkowość,
- marketing,
- Unia Europejska
- rynki kapitałowe,
- informatyka w zarządzaniu,
- sprzedaż i dystrybucja,
- bankowość,
- nauczanie języków obcych,

Od powołania wydawnictwa ta specjalizacja się nie zmienia. Wszystkie książki prezentują dziedzinę szeroko pojętego zarządzania przedsiębiorstwami i ekonomii. Wydajemy wyłącznie prace, które mogłyby być zarówno podręcznikami dla studiującej młodzieży, jak i podręcznikami-poradnikami służącymi dokształcaniu kadr kierowniczych przedsiębiorstw dostosowujących swoje struktury i metody zarządzania do zmieniających się warunków rynkowych.

Misja dobra – jak każda inna. Jak więc atrakcyjnie ją zrealizować? Jak przełożyć ją na konkretny produkt? Co on ma zawierać i czym się różnić? Podstawą są oczywiście autorzy. Publikują u nas przedstawiciele kadry uczelni krajowych oraz zagranicznych, prezentujący nowoczesną wiedzę z najbardziej potrzebnych kierunków. Staramy się prezentować tę wiedzę w sposób prosty i zrozumiały dla każdego wykształconego czytelnika. Wiemy, że przekazujemy rzeczy trudne więc tym bardziej dokładamy starań, aby był to język zrozumiały.

Życzymy przyjemnej lektury i wielu sukcesów

*Zespół Wydawnictwa PLACET*

Recenzja: prof. dr hab. Henryk Mruk

Projekt okładki: Aleksandra Olszewska

Rysunki rozpoczynające rozdziały i na okładce © Fabian Pietrzyk

Praca dofinansowana ze środków na działalność statutową Uniwersytetu Ekonomicznego w Katowicach

© Copyright by Wydawnictwo Placet 2012

**WYDANIE ebook**

Wszelkie prawa zastrzeżone. Publikacja ani jej części nie mogą być w żadnej formie i za pomocą jakichkolwiek środków technicznych reprodukowane bez zgody właściciela copyright.

Wydawca

Wydawnictwo PLACET

01-517 Warszawa ul. Mickiewicza 18a/1

tel. (22) 8393626 fax. (22) 8396761

księgarnia internetowa: <http://www.placet.pl>

e-mail: [redakcja@placet.pl](mailto:redakcja@placet.pl)

ISBN 978-83-7488-044-2

Warszawa 2012

Skład i łamanie: Wydawnictwo PLACET

Druk i oprawa: ebook

## Table of contents

---

Introduction .....	5
--------------------	---

### **PART I. Consumer and international market**

Chapter 1. Consumer and decisions-making process on market .....	9
Chapter 2. Consumer segmentations on international market process and criteria ....	32
Chapter 3. Consumer on international market.....	53

### **PART II. Consumer behavior research on international market**

Chapter 4. Process of consumer behavior research .....	76
Chapter 5. Secondary dates about consumer and their behaviors .....	88
Chapter 6. Primary data – methods of research and sampling .....	101

### **PART III. Determinant of consumer behavior on international market**

Chapter 7. Economic determinants .....	138
Chapter 8. Cultural influences on consumer behavior .....	152
Chapter 9. Social and demographic determinants .....	166
Chapter 10. Psychological determinants.....	179

### **PART IV. Consumer behavior application in international market**

Chapter 11. Consumer loyalty and dissonance .....	197
Chapter 12. Consumer protection on international market .....	226
Chapter 13. Future consumer – changes and forecasting.....	242

References .....	277
Index of Figures .....	286
Index of Tables .....	287

# Introduction

---

Issues of consumer behavior not only present an interesting theoretical subject, but also constitute a very important element of practical considerations of the international marketing. In the economy undergoing processes of globalization, it is getting increasingly important to recognize the decision-making processes, to define roles of different household members and to learn about conditions underlying these processes. Finding the answer to questions about consumer need hierarchy and consumer selection criteria on the market will allow for formulation of conclusions about consumer future behavior, even in times of great economic turmoil.

Consumer behavior, especially analyzed from an international and a global perspective, appears to be a very complex and varied category. The research into consumer behavior constitutes a multi-faceted and multi-dimensional process, which makes it impossible for researchers to describe all consumer behavior issues in one single research event. This, however, should not prevent scientists from making attempts at a detailed description of selected issues. The collection of such research results will contribute to better knowledge about the consumer and to adaptation of market offers to consumer needs and expectations in the international market.

Globalization processes provide the basis for developing consumer behavior knowledge to inform decisions made by companies operating in the international market. One can venture a thesis that international consumer behavior studies are gaining more importance as international and global consumer behavior concepts develop. The expansion of business operations beyond the domestic market entails making decisions that carry a greater risk compared to routine decisions in the home market. The decision-making environment of international business can be extremely different from the one in the domestic market. Hence, international decisions need to be supported with much more

information about the differences of consumer needs, decisions and behaviors on international market.

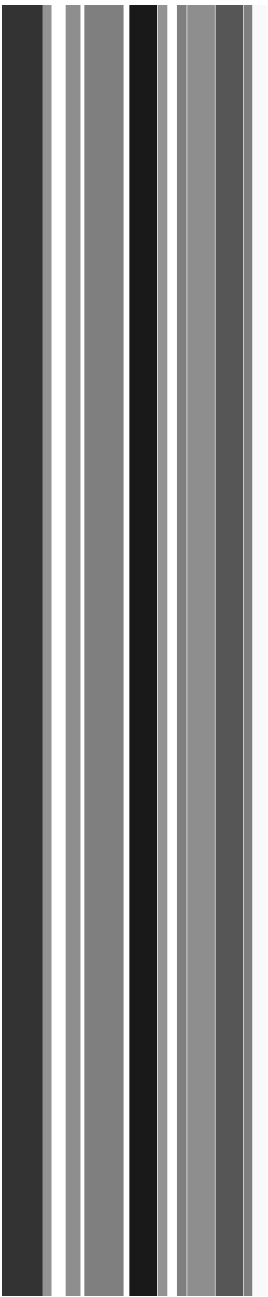
This book aims to present influence of globalization and internationalization of companies activities on consumers behavior. It shows benefits as well as threats for consumers of contemporary global market. The asset of this book is to show a large diversity of consumers based on their culture and other environmental conditions.

The entire publication is divided into four parts, which include several chapters. Part one provides an introduction to the topic and definition of consumer behavior on international market. First chapter presents stages in consumer decision-making process, roles of a consumer in this process and finally different types of consumer market decisions. In chapter two segmentation of consumer on international market was described, including criteria and methods. Third chapter shows the difference in consumer behavior which result in the culture origin and level of country's living development. Part two is dedicated to an international research on consumer behavior. Chapter four provides an insights into relevant methods of consumer behavior research and present stages in process of international consumer behavior research. In chapter five secondary sources of information about consumers and their consumption were presented. Problems of equivalent were also strongly discussed in this chapter. Last chapter in this part introduces methods and tools used in primary research of consumer behavior on international market. The third part of this book is focused on determinants of consumer behavior. Particularly, chapter seven analyzes internal and external economic factors influencing consumer decisions on market. Chapter eight and nine are focusing on cultural, social and demographic determinants. Finally, in chapter ten different psychological influences were discussed. Part four, which concludes the book, is dedicated to practical issues concerning consumer behavior in international environment. Chapter eleven presents effects of consumer decisions on the market, i.e. consumer loyalty and dissonance. Chapter twelve provides an insight into a problem of protection consumers rights on market and different models adopted on world. In the last chapter an attempt has been made to indicate new trends in consumer behavior on international market.

Overall, author's intention is to combine the latest theoretical concepts with up-to-date examples of consumer behavior from different markets and cultures. To create the book useful for students studying at International Business, Psychological Economy, as well as Marketing and Management courses, tasks were added for individuals and groups solved in activity table. The book does not cover all the important problems and issues of consumption and consumer behavior on the international market. It allows, however, prepares them as full identification, presenting the importance and role that consumers on contemporary global market.

**Consumer and international market**

---





# Chapter 1

## Consumer and decisions-making process on market



### Chapter describes:

- ✦ Notion of consumer and consumer behavior
- ✦ Models of consumer behavior
- ✦ Stages in consumer decision-making process
- ✦ Factors determining consumer decision-making process



### You will be able to:

- ✦ Define consumer need and used it in marketing activity of companies
- ✦ Assess risk perceived by consumer on market
- ✦ Identify sources of information used by consumer on market
- ✦ Determine role of consumers in decision-making process
- ✦ Characterize types of consumer decisions

## Consumer behavior

---

Consumer behavior refers mainly to a real dimension of activities undertaken by consumers within this behavior. The activities focus on means satisfying consumer needs, and needs themselves are defined as indispensable motivators of behavior. Accordingly, following J. Szczepański consumer behavior is referred to as a whole of individual's activities, actions and manners of conduct intended to obtain means of need satisfaction (Kieźel, 2000). This behavior also comprises all possible ways of handling these means. M. Pohorille (1980) defines consumer behavior as a way of consumer need prioritization, a way of selecting goods and services to satisfy the needs and a way of consumption of possessed goods. According to E. Kieźel (2010) consumer behavior is a coherent whole of activities, actions and manners of conduct connected with choices made in the process of consumer need satisfaction in certain cultural, social and economic conditions. Thus, the behavior comprises a set of activities which are meant to obtain consumption means, and to use them for need satisfaction together with assessment of decision rightness.

Next to basic components of behavior represented by consumption needs, means of need satisfaction and real consumer activities, literature concentrates on a psychical aspect of behavior during the processes. Although mental processes related to motivation, perception and decision-making cannot be observed directly, they constitute an indispensable element of behavior complementing the real actions of an individual. Following this approach, F. Hansen defines consumer behavior as a set of consumer actions and perceptions responsible for preparing a decision of product selection, for selection itself and for consumption. J. P. Peter and J. C. Olson (2000) maintain that consumer behavior is concerned with thoughts, feelings and actions people take in the consumption process, as well as with environmental factors affecting them.

The most complex definition has been proposed by G. Antonides and W. F. van Raaij (2003) who concluded that consumer behavior consists of:

- ✦ psychical and physical activities (behavior),
- ✦ together with motives and reasons behind them,
- ✦ followed by individuals and (small) groups,
- ✦ and concerning orientation, purchasing, using, maintaining and disposing of a product (consumption cycle),

- ✦ as well as household production (DIY),
- ✦ enabling the consumer to function, to reach goals and pursue values,
- ✦ and thus, gain satisfaction and welfare,
- ✦ with respect to short- and long-term effects,
- ✦ as well as individual and social consequences.

To cut it short, consumer behavior comprises everything that occurs before, during and after the act of purchasing (acquiring) some goods and services (Falkowski & Tyszka, 2001).

# DEFINITION

**CONSUMER BEHAVIOR** is a coherent whole of activities, actions and manners of conduct connected with choices made in the process of consumer need satisfaction in certain cultural, social and economic conditions. It comprises everything that occurs before, during and after the act of purchasing (acquiring) some goods and services.

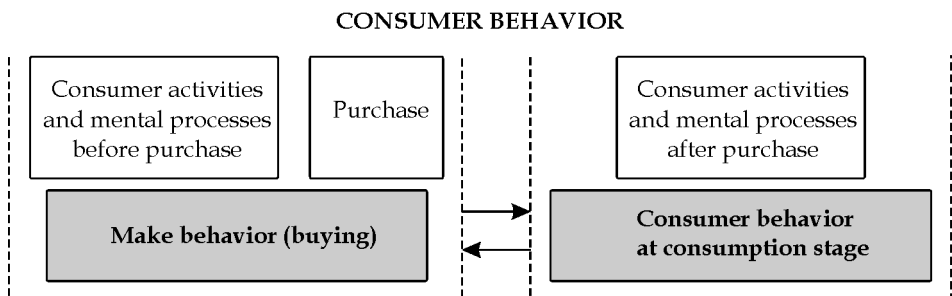
On the basis of the presented definitions, it can be concluded that consumer behavior should be perceived as a process characterized by change of dynamics and by occurrence of interactions as well as exchange within the process itself (Peter & Olson, 2000). Consumer behavior is dynamic on account of changes in consumer thoughts, feelings and real actions. These changes concern both individual people and consumer groups, as well as the whole society. The primary cause of changes should be sought in immanent features of consumer needs themselves – in their capability of revival and in permanent development of new needs. Consumer thoughts, feelings and real actions, being elements of consumer behavior, remain in constant interactions with the environment. This takes place in the process of market exchange, within which consumers spend their resources (money, time, knowledge, skills, work) in return for means of satisfying their needs. On a microsocial scale, consumer behavior is part of the communication process (Smyczek, 2007).

Consumer behavior regarded as a process or – to emphasize its circular (closed) character – as a cycle (Antonides & van Raaij, 2003), can be divided

into several stages, including: product purchasing, product consuming and product disposing (Mowen, 1987). At the purchasing stage the consumer searches for all available information (Antonides & van Raaij, 2003; Światowy, 2006), compares it, and finally makes a choice and buys a product. The stage of consuming a product (possessing) refers to the process of using products and to consumer feelings accompanying this process. The final stage, called disposing, relates to activities and mental processes following the consumption, which is particularly connected with consumer satisfaction, as well as decisions about disposing of packaging and product leftovers.

Consumer behavior occurs on two institutional plains: the market and the household. (Rudnicki, 2000). According to this division, one can talk about market (buying) behavior and about individual consumer behavior at the stage of consumption of an obtained (purchased) product. Close relations between these two sub-levels of consumer behavior result in their constant and mutual interactions. Although it is impossible to draw a clear-cut border between the purchasing and consuming behavior at the consumption stage, they can be distinguished by means of certain generalizations. Consumer behavior comprises actions and activities which relate to choices of buying goods and services. These are actions and mental processes before and during a purchase. The behavior at the consumption level mainly consists of activities related to using means (factors) of consumption (Zalega, 2007). Thus, the behavior concerns actions and mental processes which appear right after the act of purchasing. Figure 1.1. below presents the aforementioned relations in a schematic way.

**Figure 1.1. Stages of consumer behavior**



## Consumer, customer and ...

---

In considerations over market behavior, special attention should be directed towards the differences between the consumer, being the subject of the behavior, the buyer, as well as the user. The consumer is represented by a person who has a consumption need, who buys a product (or “acquires”, obtains a product) and satisfies the need (consumes and uses the product). Thus, this person participates in all three stages of the process (cycle) of consumption (pre-purchase, purchase, post-purchase) (Solomon, Bamossy & Askegaard, 1999). It happens, though, that a product buyer is not always a product user, or else the only product consumer. “The user”, then, is a person who satisfies his or her consumer needs (uses a product), no matter who has made a choice or a purchase. Consequently, “the consumer” category is not identical with “the buyer”, and has a broader meaning than “the user”. “The consumer”, apart from “the user”, also performs other tasks: makes decisions, buys goods and utilizes the used ones, etc. Not every “buyer” is, in turn, the consumer: e.g. a social nurse buying food for her patients is a buyer who, by this purchase, does not satisfy her needs.

### DEFINITION

*The term **customer** refers to the purchaser of a good or service. They may or may not be the customer. The term **consumer** refers to the final user of a good or service. They may or may not be the customer.*

## Individual and collective consumer

---

Notion of the consumer appears exclusively with regard to the so-called individual consumer represented by every subject purchasing goods and services for his/her own use, for use of others or for their own household (Schiffman & Kanuk, 1995). In this sense, the consumer is the ultimate product user, and, as a subject of behavior, may act both individually (the two first situations) and collectively (representing household; the third situation) (Kędzior, 1998).

There is also distinction between individual and the so-called institutional consumers represented by companies, non-profit organizations, governmental agencies and institutions (schools, hospitals, etc.) for whom purchase and consumption of products is a prerequisite of their proper functioning (Schiffman & Kanuk, 2010). Here, the point is made about products which are “consumed” by subjects, but not used with the intention of bringing a direct production effect. This can be illustrated by the use of stationery in schools and offices. Such understanding of institutional and individual consumers should not be identified with the notion of the customer, where the customer is an economic subject (person, company or institution) who is potentially interested in buying a given product (Kiezel, 2010).

#### ACTIVITY

1. *What do the terms customer and consumer mean?*
2. *In what ways can the term collective and institutional consumer be applied? Give examples.*

## Decision making unit (DMU)

The DMU ensures that the marketer makes a distinction between the people who are actually buying the good/service from the people who are using it- the users- and does not confuse the two (although in some cases the user, decider and buyer are the same person). Therefore, consumer buying decisions are of increasingly mutual character, with participation of other people (for example: other household members) who have different roles and different influence over the decision-making. These roles are not assigned for the whole lifetime and are not contradictory with each other (Lachman & Lanasa, 1993). The most popular roles are:

- ✦ **Initiator** – person who is a process initiator, recognizes the need of buying a product, collects information about a product and monitors provision of the information to the household.
- ✦ **Influencer** – person who provides information about a product, whereby affects a product choice. They can be inside the household, or could be outside the household (for example friends).

- ✦ **Gatekeeper** – is often person who control access of information to consumer. The gatekeeper can very often be a specialist who feeds relevant information into the rest of the DMU, so there is an overlap with other roles.
- ✦ **Decider** – actually makes a final decision whether to buy something or not, what to buy, how much to buy, when and where to buy and have the power to decide on what is required and who will provide it.
- ✦ **Buyer** – does not necessarily make the decision to buy, however, makes the purchase.
- ✦ **User** – person who uses/consumes a product. He/she may or may not be the decider or the buyer.
- ✦ **Financier** – is person who determines and controls the budget of a household.
- ✦ **Maintainer** – person who provides maintenance and repairs a product to ensure its constant efficiency and readiness to use.
- ✦ **Disposer** – person who defines when to stop using a product and how to dispose of it.

### ***Consumer's roles in decision-making process***

#### *Autonomous purchase*

Example: individual purchase – perfume

User: woman

Decider: woman

Buyer: woman

Influencer: friend

#### *Family purchase*

Example: child's purchase – toy

User: child

Influencer: child's friend

Decider: parents

Buyer: one or both parents

#### *Organizational purchase*

Example: photocopier

Initiator: typist

User: typist, general office staff

Influencer: department head

Decider: purchasing committee

Buyer: buying department

Gatekeeper: receptionist

Financier: finance department

As the examples show a decision making unit identifies the number of people who are involved in the decision making process and ascribes a role to them. Each person will have their own concerns, motivations and interests in determining the outcome.

### ACTIVITY

*What roles do people take up within the DMU in a household while choosing: dishwasher machine, foreign language course, credit / loan, gun and house?*

*Relate your understanding of DMU to a company (organizational situation) you have some experience of.*

## Decision making process

Making a choice of goods or services on the market is a complex and multi-level process. Apparently, particular stages of the process are very different, depending on the object of purchase, on a consumer socio-economic situation, and on a stage of consumer family life. (Harcar, Spillan & Kucukemiroglu, 2005).

There are various ways of making a decision but in general terms the ways in which customers make decisions are outlined below in a number of models. All those models have three major components:

- ✧ *The input component* – this is drawn on external influences that serve as sources of information about a product that influence the consumer's attitude and behavior towards the product. It includes marketing mix activities and socio-cultural influences.
- ✧ *The process* – this is concerned with how consumers make decisions. These psychological concepts are covered and represent the influences such as motivation, perception, learning, personality and attitudes that the decision making process.
- ✧ *The output* – this covers the post-decision behavior: purchase, trial, repeat purchase and post purchase evaluation.

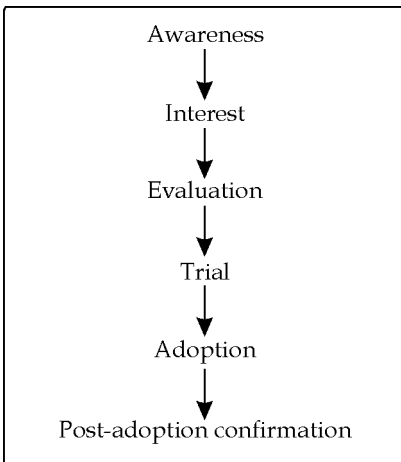


## Six-stages model

The model of the customer decision making process associated with new products is the six stage model, as shown in Figure 1.2:

- ✦ *Awareness* – the customer becomes aware of the new good/service by word of mouth or marketing efforts.
- ✦ *Interest* – the customer is stimulated to look for information.
- ✦ *Evaluation* – the consumer weighs the relative advantages of the new product against those of other products and decides whether to try it.
- ✦ *Trial* – the consumer then decides to try the product.
- ✦ *Adoption* – the consumer decides whether or not to begin to buy and use the product.
- ✦ *The post-adoption confirmation* – this stage comes when the product has been adopted and the consumer is seeking assurance that they made a sensible decision.

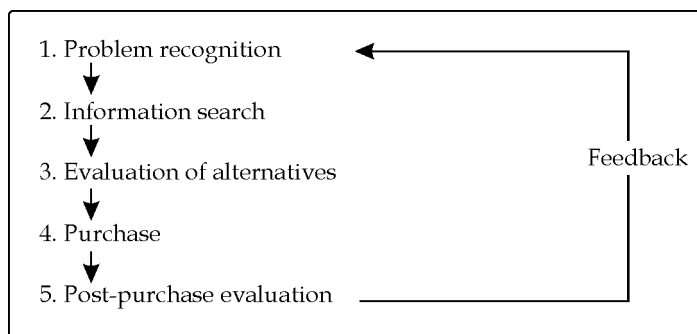
**Figure 1.2. The six-stage model of consumer decisions**



## Five-stages model

The model of the customer decision making process for existing products is the five stage model, as shown on Figure 1.3.

**Figure 1.3. The five-stage model of consumer decisions**



### Problem recognition

The customer recognizes they would like to change the current situation, they have a need. The need is a bodily condition evoked by the lack of something (or harmful excess) which is indispensable for an individual to live on account of his or her bio-psychical structure and/or due to his/her functioning in the society; the need as a condition disturbs the individual's psycho-physical balance producing discomfort (tension), which, in turn, works as motivation for overcoming this negative state (Bywalec, 2007).

There are three sources of consumer needs (Taylor, 1997):

- ✦ physical (biological) requirements of a human body,
- ✦ spiritual qualities of an individual,
- ✦ social cohabitation.

Determination of need sources provides an excellent basis for division of needs according to their types. Nevertheless, the variety of needs and their qualities open the way to many other systems of need classification. Table 1.1 presents the most popular division criteria and need groups together with their application.

**Table 1.1. Classification of consumption needs**

By source				
1.biological 2.psychical 3.social	1.physiological 2.emotional 3.intellectual 4.spiritual	1.biogenic 2.sociogenic	1.inborn 2.acquired	1.real 2.extended 3.apparent
By intensity of experience – urgency	By subject		By character	
1.basic 2.higher	1.individual 2.collective		1.primary 2.secondary	
By object ⇒ distinction of need groups in accordance with types of means satisfying a need e.g. needs connected with food, accommodation, clothing, resting, education, communication, medical treatment, culture, etc.				

Source: Adopted from: Bywalec (2007) and Bywalec & Rudnicki (1992)

In view of abundance and variety of needs, it is extremely important to determine basic features characteristic for this category (Solomon, 2010), including:

- ✧ *uncountability and infinity of needs in time* – they cannot be counted, but at the same time they refer to the whole mankind without any exception and to each period of human existence;
- ✧ *unlimited character of needs* – satisfaction of a need leads to its temporary „sedation”, soon followed by another experience of lack;
- ✧ *changeability in time* (historic nature) – needs change and evolve;
- ✧ *certain physiological needs* are of a limited scope and capacity such as hunger;
- ✧ *various intensity of development of certain need groups* – human body is more sensitive to unsatisfied needs, and less sensitive satisfied ones;
- ✧ *appearance of higher-level needs after satisfaction of the lower-level ones*;
- ✧ *low level of substitution between need groups* (types), a slightly higher within one need group i.e. with respect to different ways of satisfying the same need;
- ✧ *complementary character of the same level needs*– may appear at each need level;
- ✧ *synergism* (mutual stimulation, need multiplication), particularly in the case of higher-level needs e.g. a higher level of satisfaction of educational needs fosters development of cultural needs and vice versa;

- ✧ *competitiveness* (mutual exclusion) of needs means that meeting one need requires resignation from satisfaction of others. This phenomenon is caused by limited capacity of the human body as well as by time limits and a restricted number of need satisfaction means.

The discovery of sequence of need satisfaction typical of individual people, groups and societies is very important in terms of cognitive and practical reasons. In effect, many scientists have made attempts at development of a need hierarchy. The most popular proposal was made by A. Maslow who divided needs into five groups. In his theory, A. Maslow assumes that lack of possibilities of satisfying a lower-level need results in a situation where the need begins to dominate human behavior. However, if the need is adequately met, another higher-level need is activated. Hence, the progress to another level of need satisfaction is possible only after satisfaction, at least partial, of lower-level needs. The five levels proposed by Maslow are accumulated in and presented by ERG model (Fig. 1.4), in which three need categories are taken into account.

**Figure 1.4. Maslow's need hierarchy and ERG model**

<b>Need for self-fulfillment</b> living in accordance with one's own vocation and nature	<b>Growth (G)</b>
<b>Need for respect and recognition</b> connected with recognition and understanding of one's own value, with reinforcement of self-esteem; need for prestige and respect as well as independence	
<b>Need for belonging and love</b> awareness of being loved and accepted; of being someone important for the dearest ones; possibility of loving others	<b>Relations (R)</b>
<b>Need for safety</b> a sense of confidence, security, and order	<b>Existence (E)</b>
<b>Physiological needs</b> satisfaction of hunger and thirst; need for rest, physical protection, etc.	

Source: Adopted from: Evans, Moutinho & van Raaij (1996) and Falkowski & Tyszka (2003)

The first level comprises needs relating to human body, physical existence and safety. If unsatisfied, the needs may put human life at risk. Since the man is a social being, the next level focuses on human relations with other people and refers to needs which are met through social contacts, through a sense of belonging and love, and through help offered by other people. Finally, the third level is referred to as development (growth), because it is connected with achievement of positive effects of actions taken by an individual, such as social respect, recognition, as well as personal satisfaction with use of talents and personal predispositions, with fulfillment of dreams and one's own potential (Evans, Moutinho & van Raaij, 1996; Antonides & van Raaij, 2003).

Maslow's theory certainly has intuitive appeal. If you are desperate for food you are unlikely to be concerned about social niceties or self-fulfillment. His ideas are also useful in that they consider much of what drives us as individuals. Unfortunately, there are a number of problems with the theory as Rice (1994) explains:

- ✦ Lack of empirical evidence to support it. Physiological and safety needs are not always the predominant factor in determining behavior.
- ✦ The absence of money from the list of needs worries some people.
- ✦ Self-actualization and esteem needs are likely to be a function of each individual's self-perception.

## ACTIVITY

*In term of Maslow categorisation of needs how would you segment following products:*

- Headache tablet
- Cream cake
- Household burglar alarm
- Computer
- Church service
- Wedding ring
- Typing course

Notwithstanding these problems, Maslow's work has provided a framework which is easy and useful to marketers. Unlike Maslow, some psychologists, such as McClelland, believe in the presence of just three main needs.

Whereas these can be subsumed within Maslow's hierarchy, considered as separate entities they are useful for marketers to consider.

- ✧ *Affiliation* – this relates to a desire to belong, to be part of a group and to have friends.
- ✧ *Power* – this relates to control over both people and other objects in the environment.
- ✧ *Achievement* – this relates to the need to achieve.

### ACTIVITY

*Think of colleagues, friends and family that you know. How would you classify them in terms of McClelland's three needs theory? Which need motivates them most?*

## Search for information

The customer looks for information either from external sources or from memory. The more complex the area the more information will be required. The decision making may be carried out over an extended period of time.

### ACTIVITY

*For each of the 10 statements, circle the extent to which you agree or disagree according to different products (for example: perfume, cigarettes, cars, computers and shoes). The ranges from (1) strongly agree to (6) strongly disagree.*

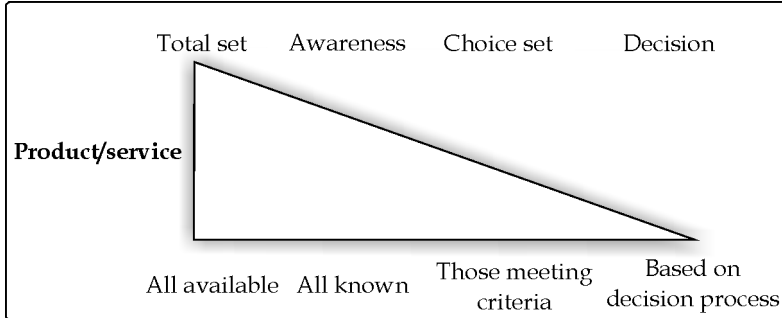
#### ***A personal involvement checklist***

1. I would be interested in reading about this product	1	2	3	4	5	6
2. I would read article about this product	1	2	3	4	5	6
3. I have compared product characteristics among brands	1	2	3	4	5	6
4. I think there are a great deal of differences among brands	1	2	3	4	5	6
5. I have a most preferred brand of this product	1	2	3	4	5	6
6. I usually pay attention to ads for this product	1	2	3	4	5	6

7. I usually talk about this product with other people	1	2	3	4	5	6
8. I usually seek advice from other people prior to purchasing this product	1	2	3	4	5	6
9. I usually take many factors into account before purchasing this product	1	2	3	4	5	6
10. I usually spend a lot of time choosing what kind to buy	1	2	3	4	5	6

Significance of particular sources changes depending on personality of the buyer, type of a product, type of a purchase, etc. (e.g. more serious and frequent changes in the market increase probability of reaching for additional information (Garbarski, 1999)). The marketer must be able to get the good/service into the consumer's awareness and choice set.

**Figure 1.5. The customer awareness and choice set**



Source: Phipps & Simmons (2008)

## ACTIVITY

*You are member of advertising team assembled to develop promotional campaign for new running shoe.*

*Develop three slogans for this campaign, each based on one of levels in Maslow's need hierarchy.*

## Alternative evaluation

The customer looks at alternatives from a need - satisfying perspective - they look for benefits. The selection made by the buyer is based on some optimization or simplification procedures (Graham, 2010). Following optimization procedures, the consumer makes an assessment of each product brand according to criteria that he/she finds the most important. With simplification procedures, the consumer narrows down the range of considered attributes, making the final choice on the basis of the most crucial criterion such as, for example, price. The type of a chosen procedure is determined by many factors, including type of product, a purchase situation, consumer character (Falkowski & Tyszkla, 2003).

When consumers make decisions the outcome may be uncertain. Purchasing involves risk and anxiety. However, the risk is personal and related to the consumer's perception of what they consider to be risky.

Main types of risk perceived by the consumer include (Kieźel, 2010):

- ✦ *functional risk* – appears when a product does not fulfill functions expected by the consumer (e.g.: whether it is possible to withdraw some cash with a definite banking card),
- ✦ *financial* – appears when a product is not worth its price (e.g.: whether saving money with a building society will guarantee a good loan for buying a flat),
- ✦ *physical risk* – related to product safety and to ways of product use (e.g.: whether climbing equipment guarantees security),
- ✦ *social risk* – results from consumer functioning in a certain social community. The consumer may fear whether the purchased product will be accepted by his or her environment or not (e.g.: whether the husband and/or friends will like a purchased dress),
- ✦ *psychological risk* – connected with consumer fear of whether a chosen product is capable of matching the consumer ego (e.g.: whether the consumer will feel comfortable (will be satisfied) with a purchase of some high-risk investment fund),
- ✦ *risk of time waste* – appears when time spent on searching and choosing a service is wasted (or the time loss is too big), especially if the service does not meet consumer expectations (e.g.: the consumer will have to make a repeated effort to buy a new insurance policy).



## ACTIVITY

*Philips Company, which produces highly successful electronic equipment, wants to introduce to the market clear gel antiperspirant and deodorant for men.*

*Identify perceived risks associated with purchase of these new products and outline strategy designed to reduce these perceived risks during products' introduction.*

Consumer is affected by the risk which is identifiable to him/her risk. Risk which is not seen by the consumer is not taken into account in the process of choice-making (as if the risk was non-existent). In this respect financial institutions should properly define and understand factors producing a consumer sense of risk, and provide information which could eliminate or considerably reduce such risk factors.

## ACTIVITY

*What kind of customer's risk could you identify on:*

- restaurant services market,*
- computer market,*
- cosmetics market,*
- foreign language courses market,*
- condoms market,*

*and how customer can handle the risk?*

Consumers may minimize risk by staying with the same brand, buying a well-known brand, purchasing from a reputable dealer, buying a more expensive brand, looking for reassurance (such as money- back guarantees, laboratory test results, prepurchase trial, warranties) and looking for information (such as from family, friends, opinion leaders, consumer reports, testimonials and information found in the media).

## Purchase

After the evaluation the customer buys the preferred alternative or a substitute. However the purchase situations differ in terms of significance that is attached to products by consumers and in terms of a degree of consumer involvement in the decision-making process. Hence, not all choices are made in the same way. The final shape of the decision-making process depends on a type and complexity of a consumer decision, which is determined by (Garbarski, 1999):

- ✦ *factors related to a product purchase* (product type, price differences between brands, purchase method and purchase volume),
- ✦ *factors related to the consumer* (consumer experience and product knowledge, personal characteristics, financial resources, attitude to a product),
- ✦ *factors related to a situation* (time pressure, other purchase circumstances, product purpose).

When customers are highly involved in the purchase and they can see that the differences between brands are significant. High involvement purchases involve a degree of risk, for example:

- ✧ They are highly priced (financial risk), e.g. cars.
- ✧ Very complex (psychological risk) the wrong decision will cause stress, e.g. computers.
- ✧ They reflect self- image (social risk) and peer group approval is important, e.g. clothing.

Customers are likely to try the brand out when they come across a purchase trigger like an in- store display, a coupon, a free trial. Point- of-sale display, price and packaging are important aspects of the marketing mix as buying action is also influenced by brand recognition. Customers may switch brands out of boredom, others may buy the same brand again out of 'inertia' because it is just not important enough to give it any thought.

It therefore follows that it is extremely important to understand what information the customer feels will help them to be able to evaluate goods and services. In group decision making it is likely that each member of the group may have different needs for information.

The most comprehensive model on family purchasing and decision making assumes that children are growing up in a two parent family structure (Sheth, 1974). In reality family structures today include not only married couples with

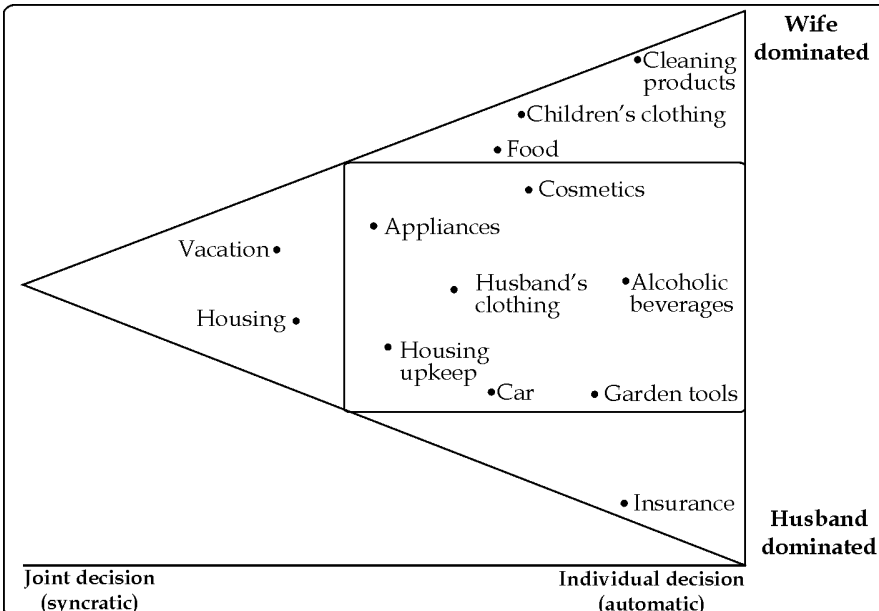
children but also a variety of alternative family structures, including female and male-headed single parent families. With family purchasing decisions can be made autonomously or jointly: on one's own behalf, on behalf of one or more other family members, or for the family as a unit.

**Figure 1.6. Consumer decision-making**

	High-involment purchase decision	Low-involment purchase decision
<b>Decision making</b> (information search, consideration of brand alternatives)	<b>Complex decision-making</b> (autos, major appliances)	<b>Variety seeking</b> (cereals)
<b>Habit</b> (little or no information search, consideration of only one brand)	<b>Brand loyalty</b> (cigarettes, perfume)	<b>Interia</b> (canned vegetables, paper towels)

Source: Phipps & Simmons (2008)

**Figure 1.7. Consumer purchasing decision**



Source: Doole, Lancaster & Lowe (2005)

## ACTIVITY

*What role do sales people play in helping customers to make decisions? Use the decision making process as a structure on which to base your discussion. Consider both a retail situation and an industrial situation.*

## Post-purchase evaluation

The act of purchase is followed by assessment of a product and circumstances of a purchase with respect to fulfillment of consumer expectations. This comparison may produce a feeling of satisfaction, sometimes delight, or dissatisfaction and disappointment. Bigger divergence between expectations and the reality causes greater consumer dissatisfaction. Both discomfort and satisfaction are likely to become a subject of information exchange between consumers, as well as provide experience and knowledge for further decisions.

## ACTIVITY

### 1. Purchase

*Once the evaluation has been made the customer then buys the preferred alternative or a substitute.*

- *Do they have the money?*
- *Will the offer have to be adapted in order to clinch the deal?*
- *Will the customer go on looking until they find exactly what they want?*
- *Will they accept a substitute?*
- *Where do they expect to make the purchase?*

### 2. Post purchase evaluation

*The purchase is then evaluated against the original criteria. Does it meet the needs and expectations of the customer?*

- *How satisfied are they and what reason do they give for their satisfaction/dissatisfaction?*
- *How does this experience compare with previous experiences with other products/services?*

- *Have they told anybody else about their satisfaction/dissatisfaction?*
- *Have they tried to complain? What reaction did they get?*
- *Will they purchase again or will they use an alternative?*

However, the purchase is not the last thing on the consumer part, as soon the consumer makes an assessment of his/her decision during regular consumption of a product. This may lead to positive feelings, i.e. satisfaction, which, in a long run may develop into brand loyalty. The truth is, however, that purchase often evokes negative feelings in the form of post-purchase cognitive dissonance, which is described as tension generated by reception of contradictory stimuli. With respect to purchase, the dissonance appears as partial or total dissatisfaction with a product (e.g.: as a result of noticing a fault or realizing that a rival product is somehow better) (Smyczek, 2002; Falkowski & Tyszka, 2003). It should be mentioned that with more important purchases, the customer is more likely to additionally confirm his/her choice by referring to various information sources, especially the ones that can provide him/her with a valuable assessment.

#### ACTIVITY

*What factors influence the consumer decision-making process on:*

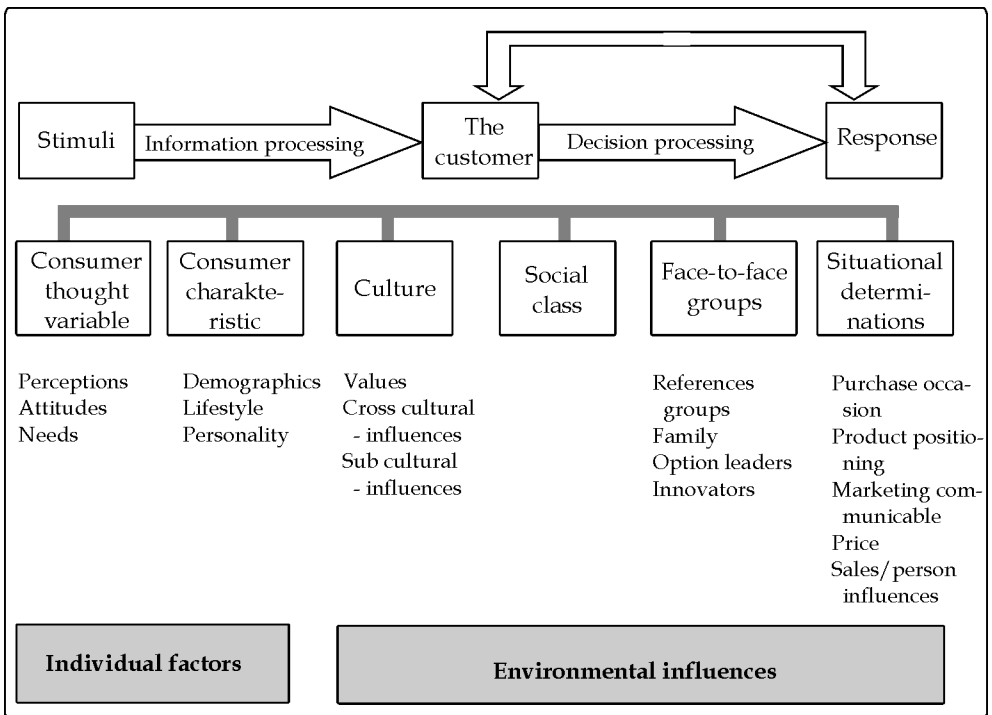
- *Food market,*
- *Cosmetic market,*
- *Insurance market,*
- *Real estate market,*
- *Spa service market?*

The consumer decision process, and hence marketing strategies and techniques are influenced by the following:

- ✦ Product characteristics.
- ✦ The type of market and its characteristics.
- ✦ The product's stage in the life cycle
- ✦ The degree of market segmentation.
- ✦ The number of competitors.
- ✦ The number of customers and their geographic spread.

- ✦ The condition of the economy and other environmental factors.
- ✦ Individual psychological factors such as motives, approach to risk, attitudes, personality, unique, ability, knowledge, demographic and situational factors.
- ✦ Social factors such as roles and family influences, reference groups, social classes, culture and subculture.
- ✦ The decision making process (DMP) and the extent of the decision making involved- extended and limited problem solving, routine response buying, impulse buying and the degree of involvement in the purchase.
- ✦ The decision making process within the decision making unit.

**Figure 1.8. Individual factors and environmental influences on the purchase decision**



Source: Phipps & Simmons (2008)

## Recommended literature

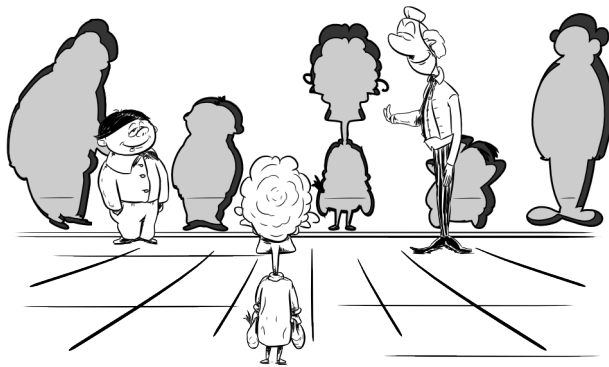
---

1. Doole, I., Lancaster, P. & Lowe, R. 2005. *Understanding and Managing Customers*. New York: Financial Times Press.
2. Dubois, B., 2001. *Understanding The Consumer: A European Perspective*. London: Financial Times Press.
3. Evans, M. M., Foxall, G. & Jamal, A. 2009. *Consumer Behavior* , West Sussex: John Wiley&Sons Ltd.
4. Schiffman, L. & Kanuk, L. 2010. *Consumer Behavior*. London: Pearson Higher Education.
5. Solomon, M. R., Bamossy, G. & Askegaard, S., Hogg, M. K. 2010. *Consumer Behavior*, New York: Financial Times Press.

## Chapter 2

# Consumer segmentations on international market *process and criteria*

ISHUPI



### Chapter describes:

- ✦ Notion of market segmentation
- ✦ Stages in process of international market segmentation
- ✦ Criteria of international market segmentation
- ✦ Strategies of market targeting

### You will be able to:

- ✦ Identify different market segments on international market
- ✦ Assess features of identified market segment
- ✦ Selects optimal market target
- ✦ Evaluate firm position in selected market segment





## Market segmentation – international approach

---

Contemporary consumer behavior in international markets is characterized by great complexity and dynamic change (Rugman & Collinson, 2009). In most cases, the needs and preferences of buyers who constitute a defined group and local market are very diverse. The so-called average consumer is nonexistent. Still, it is necessary to establish buyer profiles that can be used as a benchmark in evaluating corporate marketing activities and in developing new ones. Therefore, determining and examining differences between consumers and consumer groups, as well as dividing consumers into definite groups, constitute an essential element of the market segmentation process. Market segmentation is necessary for several reasons (Crane, 2000; Han, Shin, Reinhart & Moore, 2008):

- ✦ Not all buyers are the same.
- ✦ A group of buyers of a specific product consists of subgroups sharing similar behavior and value systems.
- ✦ Targeting activities aimed at a smaller number of similar consumers is easier and more effective.

Market segmentation is a division of a potential target market into homogeneous groups of buyers (segments) according to some criteria. These buyers share similar needs and preferences, as well as reactions to specific marketing activities (Schiffman & Kanuk, 2010). According to Phipps & Simmons (2008) market segmentation is the process of dividing large heterogeneous markets into smaller, homogeneous subsets of people or business with similar needs and/ or responsiveness to marketing mix offerings. To segment is to divide into parts. In the marketing context these parts may be groups of consumers with like requirements or groups of product/ services with like attributes. According to Doole & Lowe (2001), market segmentation is the strategy by which a firm partitions a market into sub-markets or segments likely to manifest similar responses to marketing input. That is why a market segment consists of a large group of identifiable consumers within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits (Kotler, 2000). Market segments refer to groups of consumers, in contrast to the widespread application of the term to industry product sectors.

## DEFINITION

*The process of dividing large heterogeneous markets into smaller, homogeneous subsets of people or business with similar needs and/or responsiveness to marketing mix offerings.*

**To segment** is to divide into parts. In the marketing context these parts may be groups of consumers with like requirements or groups of products/services with like attributes.

**MARKET SEGMENTATION** is division of a potential target market into homogenous groups of buyers (segments) according to some criteria. These buyers share similar needs and preferences, as well as reactions to specific marketing activities.

However, it is important to note that many forms of consumer classification are not true segments either, i.e., they are not based on consumer needs, motivations, and resulting behavior but are 'profile' or 'characteristic' demographic variables, such as gender, age, income, occupation, and social class. These may sometimes appear to align with differences in buyer behavior but often do not cause or explain them (Clarke & Wilson, 2009; Blythe, 2009). To be useful, a market segment must be (Kotler, 2000):

- ✦ *measurable* – the size, purchasing power, and characteristics of the segment can be determined;
- ✦ *substantial* – the segments are large and profitable enough to serve; a segment should be the largest possible homogeneous group worth going after with a tailored marketing program;
- ✦ *accessible* – the segments can be effectively reached and served;
- ✦ *able to be differentiated* – the segments are conceptually distinguishable and respond differently to various marketing-mix elements and programs, and
- ✦ *actionable* – effective programs can be formulated for attracting and serving the segments.

The basic intention is that by segmenting a market, it may be possible to align a firm's offering more closely to the needs of a particular group of consumers than can a firm that does not recognize different segments. The firm that does this becomes a preferred supplier. Kotler (2000) maintains that

segmentation is an approach midway between mass marketing and individual marketing. Ahmad & Buttle (2001) urge marketers to present flexible market offerings instead of a standard offering to all members within a segment. A flexible market offering consists of two parts: 1) a naked solution consisting of product elements that all segment members value and 2) options that some segment members value.

Generally, market segmentation provides value not only for companies but also for customer. For customer provides greater choice of goods/services and those products are becoming more closely matched to the needs of consumers. On the other hand for company segmentation is connected with:

- ✧ Better marketing planning as reactions to marketing activities can be predicted.
- ✧ It helps organizations to identify prospects who are most likely to buy.
- ✧ Marketers will get to know their customers better so that they can provide a better service.
- ✧ Budgets can be more closely allocated on the basis of the investment and return needed from different segments.
- ✧ Smaller segments may be easier to dominate.
- ✧ Marketing and sales activity will be closely focused, leading to more sales, lower costs and higher profitability.

## ACTIVITY

*What is the value of segmentation to the marketer?*

*What is the value of segmentation in macro scale?*

## Process of international market segmentation

The problem of market segmentation is particularly relevant in international marketing. The need for international segmentation results from differences in conditions existing in foreign markets (Muhlbacher, Helmuth & Dahringer, 2006). Features of demographic, economic, political, legal, technological, or cultural conditions affect, among other things, the level of income, buying power, customer behavior patterns in the market, as well as customer

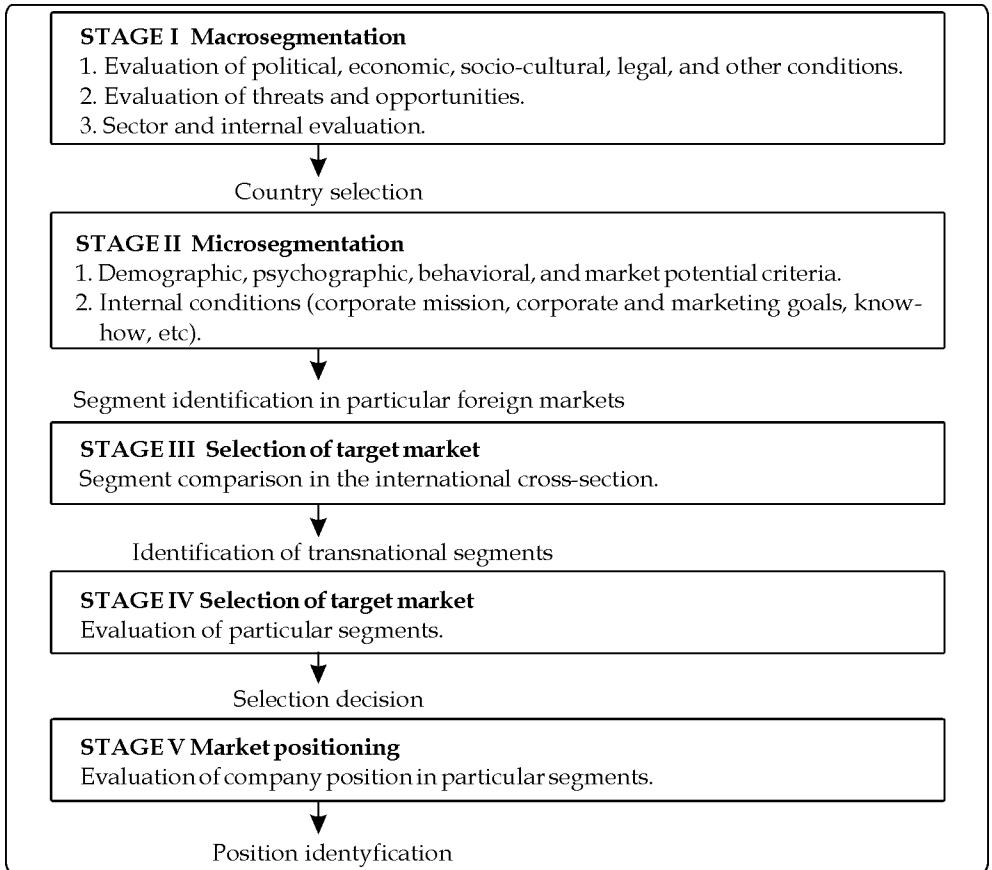
needs and preferences with regard to products and other marketing activities. International market segmentation is a process of identifying specific segments as country groups and -- within them -- as groups of buyers representing potential customers with similar features and behavior (Doole & Lowe, 2001). The process of international market segmentation is more complex than domestic market segmentation, and it consists of five stages (Best, 2009; Wiktor, Oczkowska & Żbikowska, 2008; Hunerger, 1994):

- ✦ macrosegmentation,
- ✦ microsegmentation,
- ✦ cross-border segmentation (transnational),
- ✦ selection of a target market, and
- ✦ market positioning.

The process of market segmentation in international marketing has been presented in Figure 2.1. During Stage I, companies -- through macrosegmentation -- divide international markets in terms of their geographic location and group countries into regions. For example, in Europe the regions are the following: Nordic Europe (Finland, Sweden, Denmark, Norway), Anglo-Saxon Europe (UK, Ireland), Mediterranean Europe (Spain, Portugal, Greece, Italy), and Central Europe (the Baltic states). The aim of the process is to evaluate the attractiveness of countries in terms of the threats posed and the opportunities countries offer as potential markets, and to select foreign markets that ensure the most favorable conditions for corporate expansion and development (Kotler, Keller, Brady, Goodman & Hansen, 2009). The Pareto law usually applies to international marketing segmentation with its full vigor. The most broad-based and well-established international firms find that 20 percent of the countries they serve generate at least 80 percent of the results (Doole & Lowe, 2001). Obviously these countries must receive greater managerial attention and allocation of resources.

When distinguishing country groups according to their geographic position, it has been assumed that neighboring countries share certain common features and elements of buying behavior (Doyle & Stern, 2006; Blythe, 2009). Nonetheless, there are some exceptions to this rule. Poland and the Czech and Slovak Republics, for example, share many similarities, including language. However, consumers of these countries greatly differ from neighboring Hungarian consumers in terms of their language and culture.

**Figure 2.1. The process of market segmentation in international marketing**



Source: Adopted from: Best (2009); Wiktor, Oczkowska & Żbikowska (2008) and Hünerberg (1994)

When approaching macrosegmentation, a company should not only analyze and assess the general conditions of running a business activity in particular countries, but also look at the market situation with regard to a concrete product group. Here, it is important to analyze the threats and opportunities connected to the company's operation in a given country, examine sector conditions, and evaluate potential expansion markets in terms of the internal possibilities of the company's resources (Mooij de, 2010).

At Stage II of the international segmentation analysis, a company isolates market segments within national markets. Thus, it activates the process of microsegmentation. The internal segmentation analysis is especially useful for

large countries and for countries with great market potential. From all possible segments, a company chooses one or several that, on one hand, open up opportunities for the best possible use of the company's competitive advantage in its marketing strategy, and, on the other hand, ensure long-lasting maintenance of this advantage (Evans, Foxall & Jamal, 2009; Johansson, 2006).

At Stage III of the segmentation analysis, it is essential to establish whether the number of similarities displayed in the international cross-section of segments is sufficient for employing the same marketing program or only some of its elements across all the segments. Determination of a transnational segment or even a global market segment allows for standardization of marketing activities (Hatton, 2000; Johansson, 2006). Stage IV of the international market segmentation process involves assessing each particular segment, and then choosing one or more segments that a given company wants to be active in. Thus, a company chooses a target market (Usunie & Lee, 2009). Finally, at Stage V, the company needs to position products or brands into those segments).

Companies that intend to initiate marketing activities in different markets should conduct a comparative analysis of the demographic, economic, political, legal, techno-technological, natural, and cultural conditions of these markets. The purpose of the macrosegmentation analysis is to determine the best directions of foreign expansion. This involves evaluating both the current and future environmental conditions through analysis of threats and opportunities for a company's development in each particular market (Burca de, Brown & Fletcher, 2004).

## Criteria of market segmentation

---

Special attention should be paid to the criteria used for evaluating the environment in foreign markets. The criteria most commonly employed in the process of international segmentation include (Wiktor, Oczkowska & Żbikowska, 2008; Blythe, 2009):

- ✧ *the demographic environment* – the size of the population and the population growth rate, the structure of the population regarding age, the population density, the geographic distribution of the population, etc.;

- ✧ *the economic environment* – the rate of economic growth, price movements, changes in employment, payment balance sheet, total investment rate, sector investment rate, currency exchange rate, level of inflation, household income structure, etc.;
- ✧ *the political and legal environment* – confidence in the political system; legal regulations concerning the setting-up of companies, company branches, and units in foreign markets; the customs and non-tariff instrument system; systems of foreign trade financing; the system of export insurance; the tax system; etc.;
- ✧ *the technical and technological environment* – the level of technological advancement in the country, especially of the technological sector; spending on research and development; inventions and patents; technical infrastructure; technical, technological, and organizational trends in a specific foreign market; etc.;
- ✧ *the natural environment* – the country surface area, climatic conditions, topographic features, natural resources, natural environment management, the condition of the natural environment, etc.; and
- ✧ *the cultural environment* – preferences, likes, and tastes of individuals, households, or social groups; customs and consumption traditions; religion; consumer ethnocentrism; education; attitude to foreign investors; etc.

The market selection is most commonly conducted by means of analytical methods and portfolio analyses (Evans, Moutinho & van Raaij, 1996; Han, Shin, Reinhart & Moore, 2009). The analytical methods are based on a selection of indices characteristic of the countries under comparison, determination of the index border values, and elimination of less attractive countries from further analysis (Sagan, 2010). The procedure for the analysis consists of several stages:

- 1) preparation of a list of selection criteria and development of a hierarchy of markets by means of value weights reflecting the significance of the criteria for potential expansion;
- 2) determination of a point rating scale for particular criteria;
- 3) evaluation of particular countries; this assessment is first rating-based, and then weight-based; and
- 4) comparison of foreign markets according to their total points, and the choice of the most attractive markets on the basis of the largest number of points.

### ***Cultural and lifestyle segmentation of the European car market***

*It has been possible to define six areas with respect to consumer attitudes towards cars sold across Europe: the Northern group (Scandinavia), North-Western group (Great Britain, Ireland, and Iceland), the Center group (the area of 'German mentality', covering Germany, Austria, and Switzerland), the Western group (French-speaking countries, including Belgium and Switzerland), the Southern group (the Mediterranean area, covering the area of Spanish, Italian, Portuguese, and Greek languages), and part of Central and Eastern Europe. Language areas reflect cultural and lifestyle communities of citizens in particular groups of countries.*

*For example, Central and Eastern European countries (like Slovakia or Romania) were chosen as the location for the plants of such companies as Peugeot, Citroen, or Volkswagen. These companies decided to invest in those countries on account of the good location, positive economic conditions, good development prospects, and low labor costs compared to the Western European countries*

Source: Samar

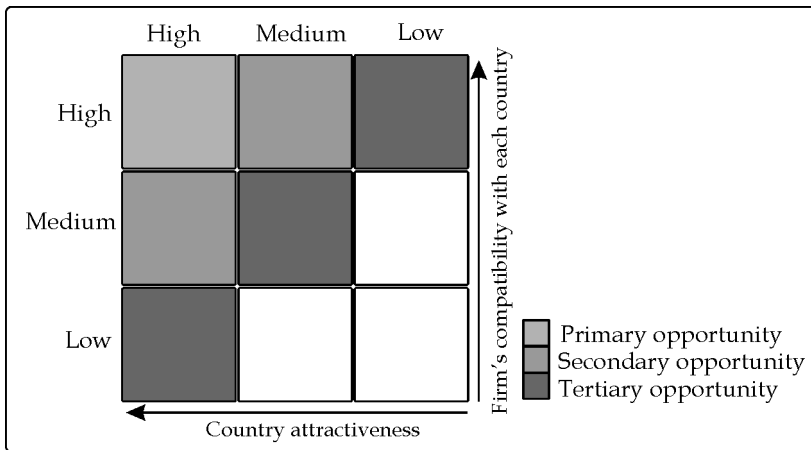
The traditional practice in international market segmentation is to use the business portfolio matrix. It is indicative of the approach taken by many companies. In this analysis, markets are classified into three categories (Doole & Lowe, 2001; Johansson, 2006):

- ✦ *Primary markets* – these markets indicate the best opportunities for long-term strategic development. Companies may want to establish a permanent presence and so embark on a thorough program.
- ✦ *Secondary markets* – these are markets where opportunities are identified but political or economic risk is perceived as being too high to make long-term irrevocable commitments. These markets would be handled in a more pragmatic way due to the potential risks that have been identified. A comprehensive marketing information system would be needed.



- ✦ *Tertiary markets* – these are the catch-what-you-can markets. These markets will be perceived as high risk and so the allocation of resources will be minimal. Objectives in such countries would be short term and opportunistic; companies would make no real commitment. No significant research would be carried out.

**Figure 2.2. Business portfolio matrix in segmentation**

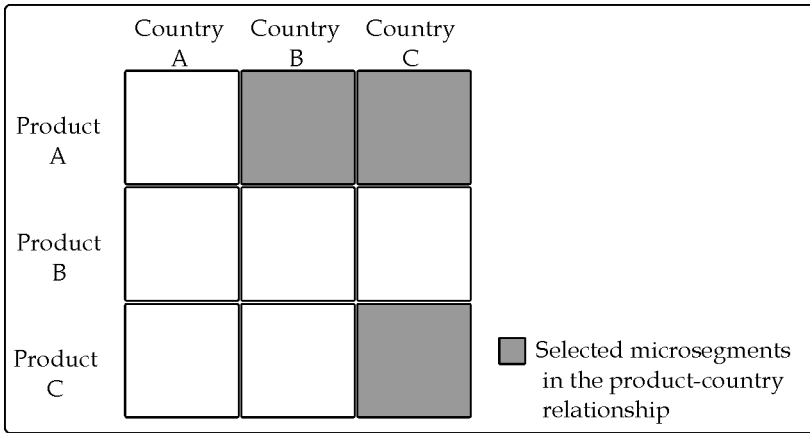


Source: Doole & Lowe (2001)

Figure 2.2. shows the business portfolio matrix. The horizontal axis evaluates the attractiveness of each country on objective and measurable criteria (e.g., size, stability, and wealth). The vertical axis evaluates the firm's compatibility with each country on a more subjective and judgmental basis. Primary markets would score high on both axes.

The next step in international segmentation is micro segmentation. It is based on the internal differentiation of markets within particular markets. The principle of selection of a segment within a country has been presented in Figure 2.3. Segmentation criteria applied in the internal analysis of national markets can be split into two groups: descriptive variables and behavioral variables.

The first group of criteria – *descriptive variables* – permits the identification of a potential buyer on the basis of the so-called general features or descriptive market segmentation variables, which include demographic, social, economic, and geographic criteria. Thanks to them, it is possible to answer the question of

**Figure 2.3. Selection of product-country segments**

Source: Hollensen (2009)

who the buyer of a given product is. The most common and relatively easy-to-measure variables are the following: gender, age, place of living, income, education, profession, family size, social class, as well as family life cycle (Schiffman, Bednall, O'Cass, Paladino, D'Alessandro & Kanuk, 2008; Johansson, 2006).

**Table 2.1. The family life cycle as criterion of international market segmentation**

STAGES IN THE FAMILY LIFE CYCLE	BUYING PATTERNS
1. Bachelor stage: young, single people living at home	Few financial commitments. Recreation and fashion orientated. Buy: cars, entertainment items, holidays
2. Newly married couples: young, no children	Better off financially than they are likely to be in the near future. High purchase rate of consumer desirables. Buy: cars, white goods, furniture
3. Full nest 1: youngest child under six	House buying is at a peak. Liquid assets are low. Dissatisfied with level of savings and financial position generally. Buy: medicines, toys, baby food, white goods
4. Full nest 2: youngest child six or over	Financial position is improving. A higher proportion of wives are working

5. Full nest 3: older married couples with dependent children	Financial position is improving yet further. A greater proportion of wives work and some children get jobs. Increasing purchase of desirables. Buy: better furniture, unnecessary appliances and more luxury goods
6. Empty nest 1: older married couples, no children at home, head of household still in the workforce	Home ownership is at a peak. The financial situation has improved and savings have increased. Interested in travel, recreation and self-education. Not interested in new products. Buy: holidays, luxuries and home improvements
7. Empty nest 2: older married, no children living at home, head of household retired	Substantial reduction in income. Buy: medical products and appliances that aid health, sleep and digestion
8. Solitary survivor in the workforce	Income still high but may sell home
9. Solitary survivor, retired	Same medical and product needs as group 7. Substantial cut in income. Need for attention and security.

Source: Adapted from: Wilson & Gilligan (1993)

## ACTIVITY

*In what way could a portfolio of products for an insurance company be designed for consumers using life cycle segmentation as an approach?*

## EXAMPLE

### **Single segment on international market**

*The 'single' segment is made up of unmarried, high-income people who live a life of consumption and are open to novelties. They are frequent buyers of high-quality products that either provide them with a sense of saving time or are associated with physical fitness or personal development. Products that are most popular with singles include fitness clubs, language schools, or dancing classes. Single people are more frequent users of laundry services, cleaning companies, and entertainment centers: pubs, restaurants, and cinemas. They are also attractive to travel agencies, banks, and cell phone networks*

Source: Wiktor, Oczkowska & Żbikowska (2008)

For the second group of criteria – *behavioral criteria* – the main focus is on people's buying patterns and behavior mechanisms. The criteria help to establish what buyers buy as well as when, where, how, and why they buy, and to determine patterns of their reactions to marketing-mix instruments. Objective criteria describing consumer features are especially useful in the process of market segmentation of goods satisfying basic needs, whereas criteria describing consumer behavior are applied in the process of identifying buyers of higher-level goods and services. Many markets require application of both general and behavioral segmentation criteria (Solomon, Bamossy, Askegaard & Hogg, 2010; Blythe, 2009).

There is many example of market segmentation based on behavior criteria. One of them is *The VALS System* (SRI International). The VALS framework used the answers of 2713 respondents to 800 questions to classify the American public into nine value lifestyle groups. This framework shows that individuals pass through various stages of development, each of which influences attitudes, behavior and psychological needs. They move from being driven by needs (survivors and sustainers) to an outwardly directed hierarchy (belongers, emulators and achievers) to an inner directed hierarchy (I-am-me, experientials, societally conscious).

These nine groups, together with estimates of the percentage of the US population within each group are:

- 1) *Survivors* who are generally disadvantaged and who tend to be depressed, withdrawn and despairing (4%).
- 2) *Sustainers* who are again disadvantaged but who are fighting hard to escape from poverty (7%).
- 3) *Belongers* who tend to be conventional, nostalgic, conservative and generally reluctant to experiment with new products or ideas (33%).
- 4) *Emulators* who are status conscious, ambitious and upwardly mobile (10%).
- 5) *Achievers* who make things happen, and enjoy life (23%).
- 6) *I-am-me* who are self-engrossed, respond to whims and generally young (5%).
- 7) *Experientials* who want to experience a wide variety of what life can offer (7%).
- 8) *Societally conscious* people with a marked sense of social responsibility and who want to improve the condition of society (9%).

- 9) *Integrated*s who are psychologically fully mature and who combine the best elements of inner and outer directedness (2%).

The bottom group do not represent much of a market, and neither does the top group. The top group is important for setting trends and is growing. The needs- driven group is getting smaller. The middle group remain the market for consumption and are staying the same.

Other models have been developed over the years from the insights offered by consumer behavior analysis such as Young and Rubicam's 4Cs Taylor Nelson's Monitor and Stanford Research Institute's life ways. This segmentation has the following framework and is rather similar to VALS.

- 1) *Sustenance – driven*. Motivated by material security, they are sub-divided into:
  - a) *Aimless*, who include young unemployed and elderly drifters and comprise 5% of the population;
  - b) *Survivors*, traditionally- minded working class people who comprise 16% of the population;
  - c) *Belongers*, these conservative family-oriented people from 18% of the population, but only half of them are sustenance driven.
- 2) *Outer – directed*. Those who are mainly motivated by the desire for status, they are divided into:
  - a) *Belongers*;
  - b) *Conspicuous consumers* (19%).
- 3) *Inner– directed*. These are subdivided into:
  - a) *Social resisters* who are caring and often doctrinaire (11%);
  - b) *Experimentalists*, who are hedonistic and individualists (14%);
  - c) *Self explorers*, who are less doctrinaire than social resisters and less materialistic than experimentalists.

In turn, Young and Rubin 4Cs is a Cross-Cultural Consumer Characterization based on the following framework:

1. *The constrained*:
  - a) the resigned poor,
  - b) the struggling poor.
2. *The middle majority*:
  - a) mainstreamers,

- b) aspirers,
- c) succeeders.

3. *The innovators:*

- a) the transitional,
- b) reformers.

The 4Cs define the individual and group motivations and needs. Young and Rubicam have used this to develop marketing and advertising campaigns both domestically and internationally.

It is also worth paying attention to the phenomenon of the so-called Euro segmentation of buyers, i.e., homogeneous consumer clusters in the group of EU countries. Here, the main typology criterion is consumer lifestyle analyzed on the basis of consumer views (e.g., on politics, the economy, religion, and natural environment protection), consumer activity (e.g., social, professional, sports, leisure, buying behavior), and consumer interests (e.g., social, professional, hobbies, and fashion). The most important studies concerning Euro consumer typology based on consumer lifestyles were carried out by several research groups (Komor, 2000).

**EXAMPLE**

***European market segmentation***

*In the Euro consumer segmentation elaborated by RISC, one can distinguish six segments:*

- *traditional consumers, who are characterized by traditional thinking, recognition of conservative values, and identification with one's own national culture; here the family and respect for law and order occupy the central position;*
- *homebodies, attached to their family and to the same group of friends, spending most of their time at home and in their local community, traveling rarely;*
- *rational consumers, who, in all walks of life, demonstrate a rational approach towards life, ready to face new challenges, showing trust in science and new technologies;*
- *hedonistic consumers, who lead a lifestyle according to their own beliefs, who follow sensual and emotional experience, attaching weight to their own appearance;*

- *promotion-oriented customers, presenting a variety of attitudes corresponding to psychical development dynamics, pragmatists who try to enhance and develop their intellectual and physical abilities; and*
- *trend-setters, characterized by spontaneity of actions, flexibility, a good education, active leisure, and creation of new trends.*

*Euro consumer segmentation takes consumer segmentation from the national dimension into the European one. Due to the homogeneous character of Euro consumers, companies are able to conduct their segmentation with respect to the whole European market, instead of only particular national markets.*

Source: Komor (2000)

Segmentation of foreign markets entails making decisions about the choice of a company's target segment. This calls for evaluation of each specific segment and for identification of the company's key competencies. Assessment of segment attractiveness constitutes one of the main reasons for choosing a target foreign market that a company wants to be active in. If a company chooses an insufficient number of national segments or a segment that is too narrow, it is likely to fail to meet the planned turnover volume and profit or other measures of effectiveness. The choice of an area of activity that is too broad may, in turn, lead to a decrease in the benefits connected to a specialization (Hollensen, 2010; Blythe, 2009).

A list of possible attractiveness criteria for selecting segments might include size, growth rate, and stability of segments (e.g., resistance to seasonal, cyclical, or fashion fluctuation), price levels achievable, strength of competition, degree of concentration of consumers (i.e., a segment with a small number of larger consumers may offer economies of marketing but may also be risky), and degree of consistency with the overall competitive positioning of the firm (Clark & Wilson, 2009; Han, Shin, Reinhart & Moore, 2009).

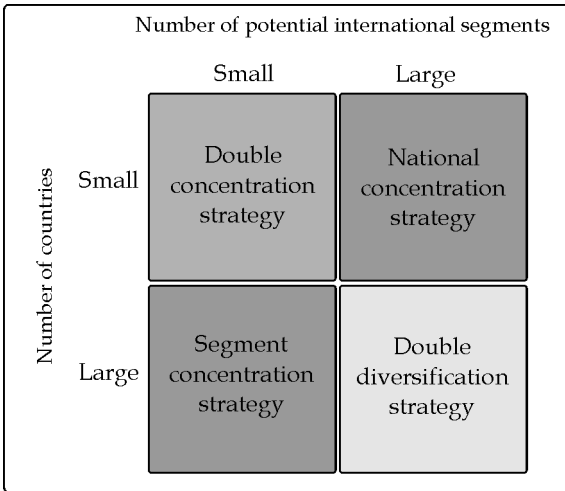
Taking into consideration the number of countries and foreign market segments that a company wants to operate in, one can define *four strategies* (Pierscionek, 2003):

- 1) double concentration strategy,
- 2) national concentration strategy,
- 3) segment concentration strategy, and
- 4) double diversification strategy.

A *double concentration strategy* is based on a company's choice of a few countries and market segments, and thus reveals concentration of activities. This choice is a result of endeavors to reduce operational risk in foreign markets due to a company's limited resources and lack of experience functioning in a foreign context. Adoption of this strategy may be beneficial if market segments are large enough to ensure proper sales volume and achievement of the expected bottom line. A *national concentration strategy* involves running a company's activities in few countries, but in many market segments. This strategy is chosen by companies that have a wide product assortment and want to reduce the risk and costs connected with taking activities into new foreign markets. Therefore, companies decide to stay in a well-known foreign market, simultaneously preparing a wider offering of products for other market segments in a given country. A *segment concentration strategy* is characterized by selling products in many countries but in few market segments. Concentration on a few segments is most commonly pursued by companies specializing in the production of definite products for definite buyers. Since in these cases, the sales volume cannot be large in one foreign market, it is necessary to be active in many countries. In fact, marketing activities and the product itself are not diversified in the transnational dimension. A *double diversification strategy* is based on activities run in many foreign markets and segments. Employment of this strategy requires huge resources and experience, good knowledge of foreign markets, and a diversified product assortment. This strategy supports some markets at the cost of others in order to protect the company against unpredictable events in diverse markets, e.g., a slump in demand in one country, a change in economic policy, or the appearance of strong competitors. Additionally, it creates a good base for possible further expansion (Johansson, 2006; Wiktor, Oczkowska & Żbikowska, 2008).



**Figure 2.4. Strategies of market targeting the country-segment relationship**



Source: Pierścioneck (2003)

After selecting the proper target segment or segments in the international market, a company needs to position products or brands into those segments. A *positioning statement* defines the intended segment position of the product or brand. It describes the selected target consumers and the most important stakeholders, indicates the different benefits provided to those consumers and stakeholders, and defines the intended segment identity of the company (Muhlbacher, Leihs & Dahringer, 2006).

## ACTIVITY

*On what basis would you choose a target segment on international market?*

*Answer the question according to:*

- Clothes market,
- Coffee market,
- Furniture market, and
- Bank services market.

International marketers are faced with four main options for positioning. The first offers the most scope for generating economies of scale and achiev-

ing consistency of brand image. The second recognizes that, for reasons already discussed, it may be necessary to target different or at least adapted segments. However, it may still be possible to retain the same positioning. The third option involves adjustments to positioning in different countries, even though the same segments are targeted. And finally, the last strategy involves adaptations to brand positioning and market segments (Albaum, Strandskov & Duerr, 1998; Blythe, 2009).

Positioning may need adaptation for a variety of reasons. For instance, a brand market position will often differ among markets and this may mean some strategies are unavailable in some markets. For example, being able to claim market leadership may be seen as a desirable strategy, but a brand may be the leader in one country and a challenger or follower in another (Clarke & Wilson, 2009). Sometimes it is appropriate for a firm to change its positioning. This might be in response to changes in consumers' needs, a changing environment, or new strategies by competitors. Some of these are real changes, some are cosmetic, and others seek to change only consumer perception of the brand's positioning. Some options include changing the segment targeted, the breadth of segments targeted, or the basis of segmentation. Other options involve modifying functional attributes, customer perception of functional attributes, customer perception of competitors' products, or the personality of a brand (Bradley, 2005).

## ACTIVITY

*Prepare whole process of market segmentation, targeting and positioning for one of airline company starting business in Europe. Follow seven steps in this process:*

### Market segmentation

1. *At an individual level identify what the needs are through informal interviews and focus groups.*
2. *Based on their needs profile, group the customers into homogeneous subgroups or segments.*
3. *Based on these findings prepare a formal questionnaire that is administered to a sample of consumers to collect data on:*
  - *attributes, and their rating,*
  - *brand awareness and brand ratings,*

- *product usage patterns,*
- *attitudes towards the product,*
- *demographics, psychographics and mediagraphics.*

*The needs-based subgroups will then be identified with other characteristics that will enable you to reach the segment with your promotional mix.*

#### *Market targeting*

- 4. Cluster analysis will then allow you to create a number of different segments (internally homogeneous and externally different). The potential of each segment can be evaluated and the segment selected that will give you the greatest opportunity – this is your target market (see below how to choose a usable market segment).*
- 5. Choose which segment/s you will target.*

#### *Market positioning*

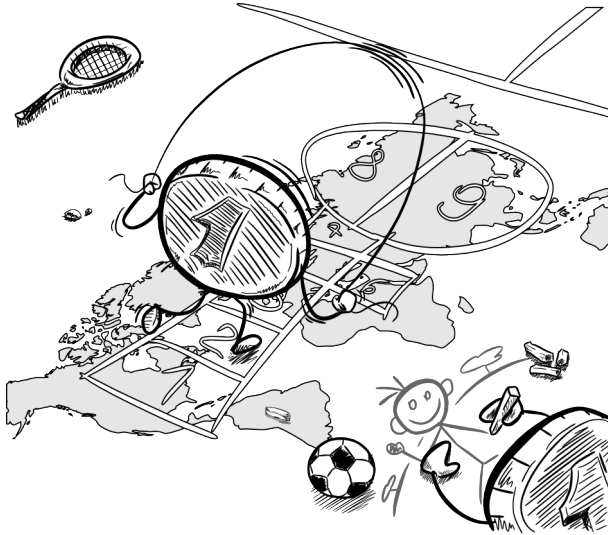
- 6. The product/service will then need to be positioned within the selected segment/s*
- 7. Develop the right marketing mix for each target segment.*

## Recommended literature

---

1. Best, R., 2009. *Market-based management: international version*. London: Pearson Higher Education.
2. Bradley, F., 2005. *International marketing strategy*. New York: Financial Times Press.
3. Clark, G & Wilson, I., 2009. *International marketing*. London: McGraw-Hill.
4. Hollensen, S., 2010. *Global marketing: a decision-oriented approach*. Harlow: Pearson Education.
5. Muhlbacher, H., Leihs, H. & Dahringer, L., 2006. *International marketing. A global perspective*. London: Thomson Learning.

### Consumer on international market



#### Chapter describes:

- ✦ Consumer differences according to culture origin
- ✦ Differences in consumer behaviors according to level of development of country



#### You will be able to:

- ✦ Identify values respected in different culture circles
- ✦ Evaluate consumer behavior in well-developed countries
- ✦ Present consumption patterns in newly industrialized countries
- ✦ Characterize differences in consumer behavior in transitional economies
- ✦ Point possibilities of consumption development in less affluent countries

---

## **Consumer difference on international market**

---

Issues of consumers and their behavior constitute a very important element of analyses on international market. In the economy currently undergoing globalization, it is becoming increasingly important to recognize the processes of decision making, define the roles of different household members, and learn about the conditions underlying these processes. Finding the answer to questions about differences in consumer behavior on different markets will allow for formulation of conclusions about the future behavior of consumers, even in times of great economic turmoil. Generally, consumer behavior from international perspective are different mostly because of culture origin as well development level of economy of particularly countries.

---

## **Consumer differences according to culture origin**

---

The consumer behavior can be characterized through a cross-section of distinguished culture circles. A culture circle comprises a human community whose members share the same system of values (religion and tradition), the same language and a similar history (past). In the world there are twelve major culture circles including the European, Eastern-Slavic, Anglo-American, Chinese, Indian, Australian, Japanese, Latino-American, Pacific, as well as the circle of the Sub-Saharan Africa and Southeastern Asia (GEO, 2011).

The European circle is represented by Western and Central European countries with a population of 520 million people. In an overwhelming majority people of these nations use Indo-European languages and are followers of the Christian religion, the values of which are commonly recognized and respected, even by people who consider themselves non-religious. The identity of the European circle appears as a strengthening power of the European Union existence (Solomon, Bamossy & Askegaard, 1999).

The Eastern-Slavic circle comprises Slavic countries situated east of Poland including Russia, Ukraine and Belarus as well as non-Slavic countries like Georgia and Armenia. This circle also extends over the area of northern Kazakhstan and European countries within the influence of the Orthodox church such as Bulgaria, Serbia, part of Greece and Cyprus. The bonds between these

nations are cemented by the Orthodox church religion, as well as the Slavic language with the alphabet different from the one used in the West-European circle. The whole area of the Eastern-Slavic circle has been under military and political influence of Russia (Kiezel, 2010).

**EXAMPLE**

***Information sources for customer  
on Bulgaria clothes market***

*Results of research into consumer behavior during clothes shopping in Bulgaria show that half of consumers buy goods in the company of friends or relatives, who act as advisers and suggestion-makers. Forty-three percent of respondents claim they prefer to do shopping individually, without seeking anybody's advice. Only 6% of the questioned consumers say they ask a sales clerk for advice. At first glance, the results confirm, on the one hand, the existence of great possibilities for using personal sources for informal information, since 'the sources' accompany consumers during shopping. On the other hand, great possibilities of exerting influence on the consumer by people who become such source of information.*

Source: Marinov, Petrovici and Marinova (2008)

The Anglo-American circle comprises area of the USA and Canada. The culture of both countries is of the European origin, which is demonstrated in the language similarity - with English as a dominant language (in Canada one of two official languages, the other being French) and in the Christian religion, including Protestantism. Nonetheless, the Anglo-American culture stands as a separate culture circle and as such it independently sets its own trends of development (Raymond, 2003).

The circle of Latin America comprises all countries of South and Central America, including the Caribbean islands. Here, Spanish prevails as the dominant and most common language, even though Argentinians are mainly of Italian origin. In this group the major religion is represented by Catholicism, whereas the name "Latinoamerican" reveals a common Latin cultural back-

ground. Contemporary Latino-Americans are descendants of Indians, Europeans (conquistadors and immigrants), Africans (slaves) and Asians.

The Islamic culture consists of Arab countries of Asia and Africa, as well as of Turkish speaking countries of the Near East. All these nations are united under one Islamic religion and the Arab language in which the Koran – the holy book - is written. The circle is developing in a very dynamic way, and the Islamic religion is gaining an increasing number of followers. In this circle political structures, rules of social life and the national legislation are strictly subordinated to religious rules.

The circle of Sub-Saharan Africa represents a compact area stretching south of Sahara Desert and is referred to as „Black Africa“. Nonetheless, it is extremely diverse both in terms of ethnics and religion. The greatest population of this circle is represented by adherents of tribal religions, as well as Islam and Afro-Christian religion.

The Chinese circle extends across the territory of China. It is the most numerous of all the circles, with people using a language from the family of Chinese-Tibetan languages. The system of values of the Chinese civilization is based on Confucianism (a philosophical doctrine developed by Confucius who advocated respect for tradition, obedience to authorities, necessity of abiding by norms of social coexistence). With respect to technological development in the past the Chinese civilization used to be ahead of the European one, but the country's switch to the policy of isolation, followed by Chinese Communist rule, precipitated the economic slowdown and even civilization regression.

The Japanese circle is the smallest of all the circles. Here Shintoism is recognized as a national religion, but many Japanese and Koreans are also adherents of Buddhism. What is characteristic of all members of the circle is their strong sense of national identity, honor, bravery and labor.

The Indian circle includes such countries as India, Nepal, Sri Lanka, Bhutan and Bangladesh. In this region religions vary across countries, from Hinduism in India to Islam in Bangladesh.

The circle of Southeastern Asia encompasses countries from Myanmar (previous Burmah) to Philippines in the West and Indonesia in the South. The countries share one common territory as well as history, but are divided by language and religious differences. In Myanmar and Thailand the prevalent



religion is Buddhism, in Indonesia, Malaysia and Brunei – Islam, and in Philip-pines, being a previous Spanish colony, the Catholic religion.

The Australian circle consists of Australia and New Zealand, countries that once used to be under the rule of the British Empire, which greatly affected development of this region. Both countries have a relatively open immigration policy, whereby the ethnic and religious culture of these states is undergoing constant changes.

The Pacific circle represents a vast geographic area comprising Pacific Islands such as Hawaii, New Guinea, Micronesia and Polynesia (Małysa-Kaletka, 2010).

Each of the presented culture circles can be identified with a set of funda-mental values which influence human behavior in all aspects of life, including purchasing behavior (Table 3.1.).

**Table 3.1. Values respected in particular culture circles**

NAME OF THE CULTURAL CIRCLE	FUNDAMENTAL VALUES
European	Respect for the individual, openness towards others, love of freedom, drive for success, pursuit of constant development
Anglo-American	Individualism, great self-esteem, faith in democracy, pursuit of success, great openness and acceptance of differences, orientation on consumption
Latino-American	Attachment to tradition, strong faith, rituals, love for dance and music
Eastern-Slavic	Profound spirituality, openness and directness, worship of strong power
Islamic	Subordination of private life to religious rules, engagement in religious practices, moral severity, resignation from individual freedom
Sub-Saharan	Strong tribal bonds, (cross-national), magic and superstitions, attachment to tradition, love for dance and life according to nature

Chinese	Values based on Confucianism, respect for tradition, obedience of social norms and subordination to the authority power
Australian	Values developed by immigrants (especially from Europe) for the natives – Aborigines – land is a value, but lack of attachment to one's own property, freedom, life in concord with nature
Pacific	Attachment to one's own tradition, culture and rituals
Japanese	Strong sense of national identity, honor, bravery, industry, dedication
Indian	Values based on Islam, Buddhism and Hinduism, fulfillment of caste-related duties, resignation from violence, acceptance of suffering, ascetic way of life
South-East Asia	Values related to Buddhism, Catholicism and Islam, local tradition is interwoven with values of colonialists

Source: Małysa-Kaleta (2010)

It is worth noting the fact that within cultural circles there appear the so-called cultural groups which share a higher degree of similarity. Here, one can distinguish the Anglo-Saxon Europe (Great Britain, Ireland), Central Europe (Germany, Belgium, Luxemburg, Austria, Switzerland), Nordic Europe (Finland, Sweden, Denmark, Norway), Mediterranean Europe (Italy, Spain, France, Portugal) (Sznajder, 1997). The European cultural is deeply rooted in Christianity which first appeared here in the 1st Century to become the dominant religion throughout Europe until the end of the 10th Century. However, the religion has not always been of one homogenous character, as in the 11th Century the Christian religion was split into Catholic and Orthodox religion. 500 years later, another religious schism took place as a result of the reformation process, giving rise to the Protestantism which is nowadays one common religion of Scandinavian countries and the European Germanic region (Germany, Holland, Switzerland, Great Britain) as well as Estonia and Latvia. The Catholic religion occupies a dominant position in most Roman countries (Italy, France, Spain, Portugal) and Central European states. The Orthodox

church, in turn, is the most powerful and influential in the eastern and south-eastern part of the European continent. Altogether, Christians account for 70% of all Europeans. Nonetheless, Europe is now witnessing a wide-scale process of secularization, which means religious defection and lack of religious declaration on the part of European citizens. Consequently, the share of atheists in populations of particular countries is relatively high – e.g. in Sweden, Estonia, the Czech Republic and France it is estimated at 30–50%, and in the whole Europe it is about 20%. Over 50 million citizens of the European states (7% of population) are Islamic. The religion came to Europe in the 8<sup>th</sup> Century with Arab invasion on Spain, but it was the Balkan region that became the hub of Europeans Muslims since the 15<sup>th</sup> century. The latter remain in majority in Albania, Kosovo, Bosnia and Herzegovina, as well as in some parts of Russia- Tatarstan. Additionally, Muslim communities inhabit West-European cities of France, Germany, Great Britain, Spain, Italy or Holland (Małysa-Kaleta, 2010).

Europe is a country of multicultures, i.e. the existence of various groups within one circle, where the groups demonstrate a diverse system of traditions, values and a social organization. The coexistence of many ethnic minorities within European countries is connected with a massive influx of migrants from various world regions. This phenomenon became especially powerful after the II World War, when inhabitants of less developed countries, mainly former colonies, started to grossly settle in fast developing states where the standard of living was high. Consequently, in France the dominant immigration group became Arab people from North Africa, in Great Britain, Indians, in Spain -inhabitants of South and Central America, in Germany – Turks who were brought to this country as cheap labor force to facilitate implementation of development programs and help to reconstruct the country after the II World War. Also, the ongoing integration and development of the European Union, with free flow of member state citizens within the EU borders, have contributed to intensified migration of people for better life standards.

## Consumer differences according to country development level

---

As was said before consumer behavior and decisions on market depend also on level of development of economy in country of living. Generally, all countries we can divide into four main groups: well-developed, which become model to imitate in many areas of consumption, newly industrialized countries, transitional economies, as well as developing and less affluent countries.

### Consumers in well-developed countries

---

The term well-developed countries refers primarily to the North America and Western Europe. But discussion of consumer behavior and consumption norms in these countries should also make reference to Australia, New Zealand, and other nations with substantial populations of European origin such as Chile or South Africa.

Countries in North America and Europe reflect a distinct consumption ideology. Four main topics highlight the consumer behavior and consumption patterns in this coup of countries: consumer skills, recreational shopping, experiential consumption, and luxury fever.

- ✦ *Consumer skills* – choice making, even for complex products such as pharmaceuticals, is a highly developed skill among consumers in North America and Western Europe. As a result, many consumers are extremely price and value conscious. Highly developed choice-making skills fuel the growth of retail discount chains and do-it-yourself outlets. Consumers are accustomed to making fine distinctions between similar brand, and they are adept at detecting new uses for products offered by major manufacturers. Many consumers in these nations develop sophisticated relationships with favored brands that endure and change over their life span (Fourier, 1997).
- ✦ *Recreational shopping* – the role of shopping and purchasing has taken on dramatic new meaning in these countries. Ever since the invention of the department store in nineteenth-century France, there has been a growing trend toward recreational shopping. The modern, self-enclosed shopping

mall in all its variant forms has become a site to which consumers make frequent pilgrimages to satisfy a wide variety of needs, including those for aesthetic enjoyment, problem solving, and personal display (Kozinets, 2002). These trends achieve expression in malls such as the West Edmonton Mall (Canada), theme parks such as Universal Studios, and themed retailers such as ESPN Zone where consumers may participate in both real and virtual sporting challenges. These retail environments combine, in a seamless whole, both shopping and entertainment. In addition, we see the phenomenal persistence of a wide variety of occasional market-places such as art and crafts shows, festivals, flea markets, swap meets, farmers' markets, street vending, and garage sales where people buy, sell, socialize, and are entertained.

- ✦ *Experiential consumption* – distinctive feature of North America and European economies is the importance of leisure and tourist consumption. After a brief downturn following the events of September 11, 2001, adventure and ecotourism operators reported an upturn in bookings, returning the industry to the growth it had been experiencing throughout the 1990s (Stellin, 2002). Organized gambling is commonplace in Europe and North America as well. It has quietly become one of U.S. consumers' favorite forms of entertainment, generating more revenue than movies, spectator sports, theme parks, cruise ships, and recorded music combined. Increasing importance of experiential consumption can be seen in many areas of life. Cities as diverse as Brisbane (Australia), Stockholm (Sweden) and San Antonio (USA), have been remodeled to provide intense touristic experiences along their central waterways. And experiential benefits rather than attributes and features are now the focus of advertising for many goods and services. Basing on the mentioned above we can say that it is a new marketing paradigm that focuses on providing consumers with high value and highly profitable experiences as the experience economy (Pine & Gilmore, 1999). The Japanese and elite consumers in other cultures have swelled the ranks of world tourism in recent years, but North America and Europe have traditionally had large tourism markets. The motives that inspire tourist consumption are diverse, ranging from nostalgic visits to historic towns and villages, to escapist entertainment at Mardi Grass, to romance at a Club Med or on a cruise, to extraordinary adventures through African safaris, Himalayan trekking, or Outward Bound trips.

✦ *Luxury fever* – some experts argue that luxury is experiencing an incredible boom (Frank, 2004). In 2004, luxury spending in USA was growing four times as rapidly as spending overall. There are long waiting lists for everything from premium wine via luxury cars and jets. Family size has gone down, but house square footage has gone up. The average American house at the beginning of XXI century was nearly twice as large as its counterpart from the 1950s. USA consumers eat fewer meals at home, but they do so on more elaborate cooking equipment. The United States is not the only economy exhibiting luxury fever. For example, Japan, with fewer than half as many people as the United States, consumes over half of the USA volume of luxury goods. Countries in Europe and Asia and even Russia and other transitional economies appear to have big and growing appetites for luxury goods. Luxury spending is a trend not just among the rich. It's found among middle and lower-income earners as well. There is considerable evidence that in the USA and other countries consumers are spending beyond their means (Andersen & Ritter, 2008).

Some experts predict that a move out of the industrial age and into the information age will alter culture and lifestyle in important ways. Some call it the era of fragmentation, or the culture of cub-cultures, where people can take a menu approach for their lifestyle, picking and choosing from day to day according to mood and current fashion. Because of advances in technology, marketers can cater to smaller and smaller niche segments, customizing goods and services to individual tastes. In some ways, the information age connects people with each other. In other ways, it leads to isolation. In the developed countries, consumers can interact with the world via interactive TVs and computers. Tens of millions of people around the world are connected to electronic bulletin boards, and this number is still growing. Cyberspace lifestyle have the potential to make centralized offices obsolete. More and more people are beginning to work at home. This trend may make home and neighborhood much more important in developed countries that they have been for the last several decades (Johansson, 2009). Incidentally, this trend also makes provision of information, entertainment, and home shopping via the Internet and television growth industries.

## **Consumer in Japan and newly industrialized countries of Pacific Rim**

---

Apart from Japan, which is well-developed country, the newly industrialized countries (NICs) of the Pacific RIM usually refer to South Korea, Taiwan, Singapore, and Honk Kong (which is now part of China). These countries are also referred to as the Asian tigers. However, driven by aggressive investments from Japan and China among others, Malaysia, Thailand, Indonesia, and Philippines (the “tiger cubs” or “little tigers”) too are candidates for joining this group. But it should be underline that the most rapidly growing economy in that region is China.

As in North America and Europe, the general attitudes in Pacific RIM toward consumption is extremely diverse. Much of the development of markets in the NICs has resulted from the twin themes of modernization and rationalization. These nations have strive to replicate standards of living modeled on European and North American patterns. However, these two themes have also been, in part, responsible for predominance of savings relative to consumer spending among consumers in the NICs.

In recent years, there has been a rapid adaptation and localization of Western consumption styles. Thus, Tokyo features a number of tea salons modeled on French pastry shops. In a number of the NICs, the focus of consumer spending has, until quite recently, been on consumer durables. In China, for example, the six “big things” are VCRs, televisions, washing mashies, cameras, refrigerators, and electric fans. Most consumers formation about products and brands rather than fancy packaging, displays, or promotional gimmicks. In market such Japan and Hong Kong, a wide variety of image-based, luxury consumer goods also enjoy healthy growth, and the most up-to-date marketing methods are appropriate (Unger, 2001).

Consumers in the NICs countries are open to foreign goods, but as in Europe or North America, they are selective in what they choose. For example, the European image is represented by traditional brands such as Mercedes Benz; the US image is represented by brand and products such as Coca-Cola, jeans, cigarettes, and chains of restaurants. In China, Western import have a very positive image among wealthier segments. Chinese consumers may even reject Western products manufactures in China if the packaging used

does not resemble that used in international markets. Chinese consumers are also selective in how they consume Western products. For example, teens love hip-hop music but prefer romantic and self-expressive varieties of gangsta rap (Johansson, 2009).

Dramatic changes are underway in the NICs of Pacific RIM. Many of these nations are made up of youthful consumers; and the populations of these countries are growing rapidly. In almost all, we see a shift away from a savings orientation that characterized the years after the end of World War II toward a consumption orientation. Nonetheless, financial services that provide savings opportunities, such as life insurance plans, remain popular. One effect of this change is a boom in the auto market in China. Car sales are expected to grow 15% annually over next few years to five million cars a year 2012. In many of these countries, aggressive adoption of foreign goods, services, and images everything from Coca-Cola to Levi's, and from KFC and McDonald's to Disneyland – by consumers is accompanied by aggressive marketing attempts to redefine these goods in ways that make them compatible with national cultural heritage and identity. In many countries, from Taiwan to Thailand, US style suburban shopping malls are mushrooming.

#### ACTIVITY

*What are differences in consumption patterns between consumers from well-developed countries and newly industrialized?*

*In what ways can such differences be applied in international marketing?*

Many leaders of Asian countries are concerned that the influx of Western culture will undermine traditional values. As a result, while Thailand, the Philippines and Indonesia are moving to deregulate broadcasting, China, Malaysia, Singapore, and Vietnam continue are moving to ban private ownership of satellite dishes. India is trying to impose restrictions on Western films and commercials deemed indecent. Japan has launched an initiative to promote cultural exchanges among Asian nations. Another kind of problem associated with the development of consumer culture in the NICs is connected with ethical issue.



## EXAMPLE

*The marketing of product counterfeits is a big problem for NICs. Unscrupulous manufactures knock off everything from designer watches and suitcases to motorbikes. Sometimes the headquarters of these unscrupulous firms is located in one country while manufacturing and marketing take places in others. Not only douse product fakery infringe on the intellectual assets of firmssuch as Rolex, Honda, and Yamaha, but it also undercuts their market share and profitability, degrades their products' brand image, and delivers inferior value to customers. For example, Chinese-made motorbike have now captured over 50% of Vietnamese market, many of them marketed under fraudulent Yamaha, Suzuki, and Honda nameplates. Consumers have flocked to the knock-off models because they sell for one-third the price of the real thing. In response, Japanese manufacturers and the Chinese government are taking legal action and revising their legal codes to crack down on counterfeiter. Part of what makes the problem difficult to resolve in Vietnam is that some of the offending local firms are state-owned or owned by powerful government officials. The Vietnamese government doesn't want to abandon its stance of protection for state-owned firms. In Japan, the problem is complicated by the fact that scrupulous shell firms in Japan license manufacturing rights to possibly unsuspecting firms in China. Establishing legal jurisdiction is half the battle here.*

## **Consumer in transitional economies**

### **– Central and Eastern Europe**

The term transitional economies refers primarily to the countries formerly dominated by centralized command economies. These include Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Poland, Romania, countries from former Yugoslavia and Russia. Some include Turkey in this group of countries. However, there are parallels between these transi-

tional economies and nations in other parts of the world that are shedding state-controlled economies and adopting free market such as China. The most advanced countries in the creation of market-led economies belong now to European Union. Marketing executives in these countries agree that consumers are becoming more demanding, which means that companies must refine their market segmentation and develop customized products. As competition increases, retailers are becoming more powerful and product's life cycle is becoming shorter.

After the fall of communism in 1989, protected and subsidized economies began to liberalize. Industries were privatized, there was a dramatic influx of foreign goods and foreign investment, and national economies experienced a long period of inflation. At the same time, state-managed distribution systems declined in importance. In these transitional economies, consumers' standards of living eroded under the impact of price inflation and the loss of guaranteed (Hooley, 1993).

**EXAMPLE**

***Types of consumer decisions in Romania***

*Direct research shows that situations of extended problem solving and choices of great consumer involvement preceded by complex cognitive processes are very rare and concern goods that are bought either for the first time, rarely, or else are very risky. In the case of goods that are frequently purchased and that are widely available, decision-making processes are often characterized by low consumer involvement and by routine or limited problem solving. This happens due to the fact that both consumer possibilities and consumer willingness to transform information are limited. In addition, consumers have access to information that is stored in their memory and that is sufficient for decision making. Despite a limited search for information, the consumer does use information while making a buying decision, although some types of information are more preferred than others.*

Source: Angheluta and Zaharia (2010)

Consumers have responded thought a variety of strategies. For example, they get second jobs. Estimates from 1989 suggest that three-fourths of Hungarian household participate in secondary forms of employment (Gabor, 1989). Many consumers spend more time preparing their own food for consumption, and sell private goods and produce directly to other consumers. Some of them have also reduced consumption or learned to do more comparative shopping. But consumers have also changed their consumption patterns in unexpected ways. Engel's law states that as real income goes down, so does the share devoted to luxury products. However, in 1990 as real income decreased in many countries of these region, like in Poland, Hungary and Czech Republic, the demand for perceived luxury products increased. This may be explained by unavailability of luxury goods in the past or by the luxury boom gripping The United States, Japan, and Western European countries.

At this stage of market developments, multinational consumer products companies have experienced dramatic sales growth in Central and Eastern European countries (Haley, 2000). However, real household income in much of this region are stagnating, and penny-pinching is the norm. Moreover, shoppers in these transitional countries no longer view imported brands as necessarily superior. For example, perception of "made in Poland" are increasingly positive, and many shoppers in Poland as well as in other Central and Eastern Europe are looking for homegrown quality products (Smyczek & Glowik, 2010). Some local firms have transformed themselves into successful marketing oriented companies. Media are revolutionized, scores of consumer-oriented magazines are now available, as is commercial satellite television. Producers in almost all fast-moving consumer goods categories are offering smaller unit sizes to accommodate local budgets and little-and-often purchasing habits.

One clear trend is that the priorities of Western Europe, which include the mergence of green segments and a voluntary simplicity movement, are not likely to characterize this part of the world in the short run. Consumers in transitional economies have been denied things or such a long time that there is a large demand for consumer products. We can say that more resource-conscious packaging may be a trend in Western Europe, but in transitions economies, consumers first want to taste the privileges of a better standard of living before they work to save the planet.

The growth of Internet use is extremely high in Central and Eastern Europe. The Polish Public Opinion Research Center estimate that 15.8 million Poles (48 percent of the population) have access to the Internet, with approximately half of those considered active user (Lemiańska, 2011). These trends have provided markets growth for industrial computer suppliers and personal computer makers. The advertising industry has grown dramatically in transitional economies in the past decade. In Kazakhstan, Kazakh-language television is leading a charge for Kazakh-language advertising, for example (BBC Monitoring Service, 2010). Nonetheless, consumers remind skeptical of heavy-impact, high-frequency advertising, as it reminds them of communist propaganda techniques. While Western Europeans expect to be informed about differences, Eastern Europeans advertising to provide information about product per se and expect variety in product range.

#### ACTIVITY

*Give an example of the way in which new technology has affected consumer behavior.*

*Give an example of how internet has created social change in the international market.*

It is difficult to predict the future of consumer behavior in the transitional economies, and some will fare better than others. For example, the shallowness of Russia's democratic culture, weak economic regulation, and hostility toward individual initiative constitute significant obstacles to the implementation of a market economy (Johansson, 2009). Furthermore, consumers in many of these economies have described a negative evolution in their experience of Western consumerism. It starts with an immense greed, a kind of fever, a wish to buy everything. Then, consumers discover powerlessness and relative poverty. Because of their poverty, many of these consumers view displays of Western consumers goods to be more like exhibits in a museum than the fruits of participation in a market economy (Haley, 2000).

## **Consumer behaviors in developing and less affluent countries**

---

Terms developing countries and less affluent world (LAW) countries can be used to refer to nations in Asia, Africa, and Latin America (Menzel, 1994). It can be somewhat arbitrarily define the developing countries as those in which the annual income per capita is more that 1,500 USD and less than 5,000 USD. These countries are primarily in Latin America and Asia. The LAW countries include those in which the annual income per capita is less than 1,500 USD. These countries are primarily in Africa and Latin America (London & Hart, 2004). LAWs are increasingly attractive because growth in the GDP tends to be higher than in the Triad countries. Some of these markets are attractive because of their large population. In many of these nations, access to basic necessities, adequate food, clean water, appropriate clothing, and sanitary housing are unavailable to a large part of the population, creating opportunities for sales of basic infrastructure to local companies and governments. However, the distribution of consumer incomes tends the be highly skewed, creating small segments of very wealthy and large segments of very poor consumers, or dual income distribution (Maslow, 1994). For example, in Peru, 1 percent of population account for nearly half of the national income. Marketers who cater to the middle class are likely to do less well in these countries that who cater the wealthy and the poor. Still, the middle class is growing rapidly, even in developing countries such as India, where it numbers approximately 250 million people (Johansson, 2009).

Marketers seeking to do business in the less affluent world must be prepared to deal with less stable economic environments than in developed countries, the NICs, and even some countries with transitional economies. Sales tend to follow a boom-and bust cycle. The payoff for investing in developing countries can be great, but so can the risk. For example, Whirlpool has invested hundreds of millions of dollars to modernize and cut costs in Brazil and solidify its position as the market leader in refrigerators, room air conditioners, washers, and other with goods. Many of white goods, like microwaves, in the maturing or declining have product life cycle in North America or Europe, are in growth phase in Brazil and other developing countries.

Marketers must be prepared to meet the needs and respond to particularities associated with traditional consumption set, complexes of goods preferred in these countries. For example, West African women like to decorate their sleeping huts or houses with collections of matched enameled bowls, basins, and platters. In relatively wealthy homes, these may be stacked from floor to ceiling. Such goods symbolize women's mastery of the domestic domain. Another dramatic example of the influence of local values on consumer behaviors comes from Indonesia. The consumption of clove-flavored cigarettes is a big business in Indonesia, so important that the central bank once intervened to maintain prices of cloves to benefit small producers (London & Hart, 2004).

# ACTIVITY

*Choose two countries that you are interested in, a well-developed and an undeveloped country, and over a period of time, collect articles on them that reflect social/cultural and demographic changes.*

*How can you apply this information to international marketing?*

It may be useful to separate market strategies for different type of consumer behavior involving subsistence necessities, social investments, and luxury expenditures. Many Third World people produce a large share of their subsistence necessities for direct consumption that do those in the First world. As a result, there is a historical pattern of limited reliance on the marketplace for acquisition of basic goods and services. Associated with this is the tendency of many consumers to find sources of personal identity in productive roles. Nevertheless, marketing opportunities abound. For example, in the Ivory Coast, Nestle introduced Bonfoutou, a product made entirely from local yam, at a cost of 4.6 million USD. Bonfoutou is very close to the original pounded yea dish, the traditional foutou. Its appeal is to urban working families (Johansson, 2009).

In addition, limited means and a history of price inflation make many consumers in the developing countries actually price conscious. As a result, in Brazil, Argentina, Mexico, and China, the hypermarket concept – broad selections of inexpensively priced consumer necessities housed under one roof – has proven highly successful. Large, mixed retailers accounted for 12 percent of retail sales in Brazil in 2005 and 11 percent in Mexico, the latest years for

which figures are available. The numbers have surely increased since then (Euromonitor, 2007). There is growing trend in Mexican retailing and describes how successful strategy developed by PepsiCo in that country is being exported to other developing nations (e.g. India, China). In the LAW very small inexpensive packages do well. Wealthy consumers in developing countries often aspire to Euro-American consumption patterns. Using a global marketing strategy, targeting upper-income consumers, L'Oreal was able to introduce its Planitude skin line into the Ivory Coast. Nevertheless, L'Oreal emphasized products suited to the expectations of African women, such as a non-greasy skin care moisturizer suited to the climate (Boschat, 1993).

Among the more numerous poorer consumer segments, consumption choices are often faithful to patterns that are perceived to be traditional. These patterns do represent marketing opportunities. To illustrate, L'Oreal developed a line of inexpensive shampoos, soaps, and shower gels tailored to African tastes that emphasize skin softness, something to which West African women are sensitive. In a number of Middle East nations, the *chadour*, or veil, has increasingly become required dress for women. In Algeria, beautiful lace veils become one of the few permissible outlets for fashion expression among middle-class women. Indian women continue to wear the traditional *sari*. The *sari* symbolize cultural continuity and "correct" female attitudes. Minor modifications in blouse and *pullu* (the loose end that hangs over the shoulders or is pulled over the head) are considered daring fashion statements (Ash & Wilson, 1992).

Another distinctive type of consumer behavior in many developing countries is the tendency to devote considerable amounts of disposable income to social investments designed to contribute to social status and prestige. The Hindu social order and in turn the cosmic order, or *dharma*, is even predicated on an interdependence between and circulation of gifts and commodities among the various social castes in India. Diverse examples of social consumption expenditures include the Saints' day fiestas of Central America and the charitable donation of mosques and public buildings in Islamic communities in Africa. Throughout the less affluent world, expenditures on dowry and bride wealth are an important from of social investment that involves constellations of consumer goods. The nature and value of goods and services purchased and consumed as social investments are the object of group evaluation, decision making, and gossip (Arnold, 2004).

Finally, consumers in developing countries make important purchases of luxury goods of foreign origin, especially consumer electronics and motorbikes, that may symbolize a cosmopolitan orientation to them. For example, battery-operated televisions and gas-fueled refrigerators are common in rural areas of Central America where many like to watch the evening soap operas (Denton, 2001). Coca-cola's phenomenon distribution and advertising system has made it a common feature of consumption landscape in many developing and LAW countries. Many can occasionally afford this luxury. Provincial Argentinians exhibit considerable loyalty to Western brands and many travel long distances to Bolivia's duty-free markets to obtain designer goods more inexpensively than in Argentinean shops. Leisure consumption patterns continue to be influenced by the colonial experience in Third World nations. French-speaking Africans consume more English luxury goods, English-speaking Caribbean islanders enjoy the British game of cricket and its attendant consumption rituals, whereas French-speaking Caribbean islanders prefer football (Classen, 1996).

**EXAMPLE**

***Culture differences in India***

*The first McDonald's opened in India in 1997, with two outlets at Bombay and New Delhi. Since then, the company has added many in New Delhi and Bombay and plans to open several outlets across India. The selling point for the Indian success is that McDonald's represents all things American. Despite the crowd that gathers around these outlets paying steep prices for a taste of the American icon, this represents the growing trend toward fast foods. This trend has seen entrants such as Kentucky Fried Chicken and Domino's, which not only offer the product, but present the service so far unexplored in India.*

*McDonald's doesn't serve up an all-beef patty, however in order to appeal to the Hindus in India (who do not eat beef), McDonald's has centered marketing attention on the Maharaja Mac (comprised of two lamb patties, special sauce, lettuce, cheese, pickles, onions, and a sesame seed bun). In addition, McDonald's had introduced a vegetable burger and nuggets with chili and masala sauces to cater to the Indian palate.*

Source: Kadaba (2007)



The developing countries are in the throes of a dramatic mutation. Changes in macroeconomic and demographic factors (e.g., economic liberalization, the growth of a monetary economy) have transformed customary modes of acquisition. Populations are growing rapidly, and there is a visible gap between basic needs and ability to meet them. For example, in Mongolia, half of population is younger than 21. After a decade of liberalization, the United States has become the strongest influence on Mongolian consumer culture (Johansson, 2009). Expansion of commercial radio and satellite TV results in new desires for novel consumption products. In many LAW countries, markets must proceed with care in promoting exotic consumer goods in order to avoid becoming the target of antiforeign sentiments. Some consumers in Latin America and Asia see the recent miraculous of Euro-American consumer goods as evidence of cultural imperialism, the imposition of foreign values and practices thought the power of advertising hype (London & Hart, 2004). Thus, Kentucky Fried Chicken has been picked in India because of concerns about health and violations of Hindus vegetarian values.

One interesting third World trend is the creative recycling and reconsumption of goods produced in the First World. Often, these are instances of the movement of goods on the wheel of consumption from disposal to consumption. For example, kerosene lamps made of cast-off Pepsi cans are common in rural Malaysia. Recycled Western clothing provides some young African mean with the means to make a rebellious fashion statement, not unlike their teenage counterpart in the Triad nations (Husarka, 1993).

In many parts of the less affluent world, civil servants and other new elites act as a relay for the diffusion of Western styles of consumption. In Brazil, soap opera stars are so influential that product placement in the soap operas, or novellas, is an important market communications strategy for products such as Kellogg's Corn Flakes, Johnson's Wax, Tang, or computer games. In San Salvador, el Salvador, the evening hangouts of choice for many more affluent people are full-service gas stations run by Esso, Shell, and Texaco. Open air, security guards, lots of foreign imports, and an opportunity "co copy the gringos" provide the draw. Social comparison possibilities and the motive to integrate with perceived elite consumer patterns fuel the fad (Cateora, 1993).

Elite consumers in the less affluent world often adopt "modern", or Euro-American, consumption orientations. But they do not simply mimic idealized

Euro-American style of consumption. Because nationalism, the idea of the nation-state as the sovereign authority, often developed at the same time as former colonies achieved their independence, consumption preferences often take on blended or creolized style (Johansson, 2009). Such consumption patterns combine elements of local, traditional consumer behavior with cosmopolitan or imported consumer behavior. Consumers may wear both foreign designer sunglasses and traditional dress. They may preserve traditional tastes in food but drive Peugeot and Mercedes Benz automobiles. In Argentina, the traditional idea of shopping – *hacer compras* – conveys an image of tedious, functional buying. The English word *shopping*, however, conjures images of the American good life. Thus, the creolized name of one shopping center in provincial Argentina is *Paseo Shopping*. The name combines the image of North American lifestyle shopping with traditional idea of the *paseo*, a leisure stroll or tour of the sights (Jones, 1993).

## Recommended literature

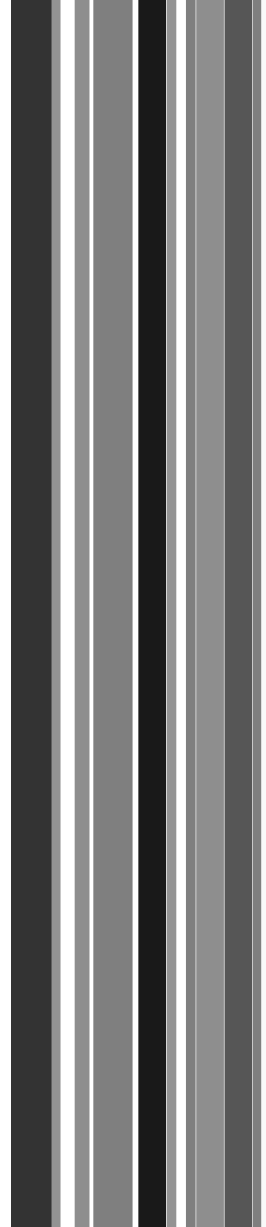
---

1. Evans, M., Foxall, G. & Jamal, A., 2009. *Consumer behavior*. New York: John Wiley&Sons.
2. Johansson, J. K., 2009. *Global Marketing: Foreign Entry, Local Marketing & Global Management*, New Jersey: McGraw Hille
3. Raymond, M., 2003. *Tomorrow people: future consumers and how to read them*. New York: Financial Times Press.
4. Schiffman, L. G., & Kanuk, L. L., 2010. *Consumer behavior: global edition*. London: Pearson Higher Education.
5. Solomon, M. R., Bamossy, G. & Askegaard, S., 1999. *Consumer behavior. A European perspective*, Paris: Prentice Hall Europe.

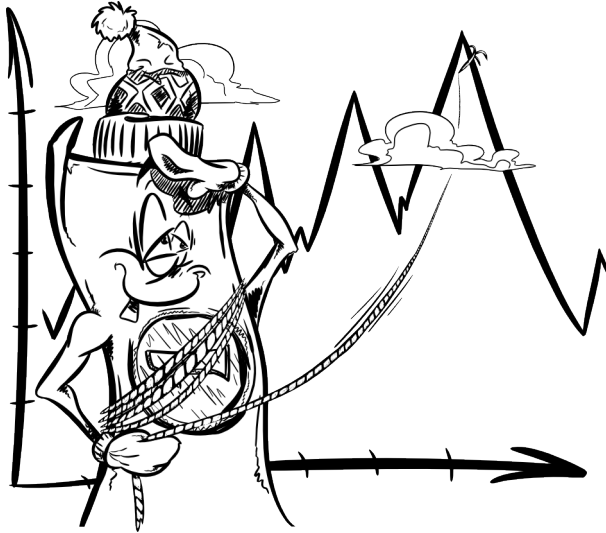
## Part II

# Consumer behavior research on international market

---



### Process of consumer behavior research



#### Chapter describes:

- ✦ Value of international research on consumer behavior
- ✦ Different types of consumer behavior research
- ✦ Stages in process of consumer behavior research
- ✦ Critics of consumer behavior research



#### You will be able to:

- ✦ Identify differences between quantities and qualitative research
- ✦ Use exploratory and causal research
- ✦ Prepare comparative and interactive research
- ✦ Conduct whole process of consumer behavior research

## International research on consumer behavior

In traditional terms, international research on consumer behavior is considered as a study designed to support marketing decisions with respect to more than one country (Burns & Bush, 2010; McGivern, 2009; Malhotra, Hall, Shaw & Oppenheim, 2008). On the basic level, such research can refer only to one market outside the domestic one. Generally, however, this research is carried out simultaneously or sequentially on several (many) foreign markets. Following this approach, international marketing research does not constitute a set of national studies, yet, by nature, has a comparative character and is used in the process of decision-making on the international scale – e.g. allocation of resources on a global scale (Craig & Douglas, 2001). Finally, international research on consumer behavior can be defined as a regular and an objective process of gathering, processing and presenting information about consumer decisions and their determinates on the international market (Churchill & Iacobucci, 2010).

### DEFINITION

***INTERNATIONAL RESEARCH ON CONSUMER BEHAVIOR*** can be defined as a regular and an objective process of gathering, processing and presenting information about consumer decisions and their determinates on the international market.

*On the basic level, such research can refer only to one market outside the domestic one. Generally, however, this research is carried out simultaneously or sequentially on several (many) foreign markets.*

In the contemporary economy, an increasing number of companies focus their activity on gaining a competitive edge on various markets (transnational, international). Consequently, research on consumer behavior should be of a similar character. Such research is not a simple extension of a domestic study in a target foreign market (national), but presents a new specific skill-based and knowledge-supported form of gaining information in order to solve international business problems (Rialp & Rialp, 2006) .

Thus, the process is not entirely different from the research on the national market. In terms of methodology, it shares more similarities than differences. The basic differences arise from the existence of various macro- and microeconomic conditions of countries under the study, and even more importantly, from a necessity of making the assumption that these differences are bound to pose problems with comparability of research results (Skaatas & Cova, 2005; Steenkamp, 2001). This proves that international research on consumer behavior should be treated as an isolated part of marketing research and should be given special attention with a focus on its specific character at the stage of research development, implementation and interpretation.

#### ACTIVITY

*Think about your experience as a customer. Have you ever filled in a survey form during stay abroad, where you have been asked for your opinions or talked directly to a producer? Give examples.*

*What complaints have you made about foreign products you have or used? Give two examples. How could these have been avoided?*

International research on consumer behavior falls into two main categories – ad hoc and continuous. In ad hoc research specific problem has led to the need to acquire specific information. In comparison, continuous researches are connected with ongoing monitoring and basic data about the consumer behavior, determinants or consumption. Both approaches are commonly used since they serve different corporate information needs.

## Types of international research on consumer behavior

International research on consumer behavior can be divided according to the following criteria (Glowik & Smyczek, 2011):

- ✦ the type of information sources used in the research,
- ✦ the character of the research goal and the information to be obtained,
- ✦ the geographical range and sequence of the research,

- ✦ the type of international research project, and
- ✦ the research orientation.

The criteria are neither entirely distinguishable nor sufficient, yet they have been proposed to somehow classify various types of international marketing research. The first three criteria are used to introduce the typology of all sorts of marketing research, whereas the remaining ones are used to provide a classification of international studies.

**Table 4.1. Division criteria and types of international research on consumer behavior**

DIVISION CRITERION	TYPE OF RESEARCH
Sources of information	<ul style="list-style-type: none"> <li>– desk research (indirect, secondary)</li> <li>– field research (direct, primary)</li> </ul>
Character of the research goal and the information to be obtained	<ul style="list-style-type: none"> <li>– exploratory and explanatory research</li> <li>– qualitative and quantitative research</li> </ul>
Geographical range and sequence of the research	<ul style="list-style-type: none"> <li>– research into a concrete overseas market</li> <li>– independent multinational research</li> <li>– sequential multinational research</li> <li>– simultaneous multinational research</li> </ul>
Type of research project	<ul style="list-style-type: none"> <li>– comparative research</li> <li>– interactive research</li> </ul>
Research orientation	<ul style="list-style-type: none"> <li>– ethnocentric research</li> <li>– polycentric research</li> <li>– comparative research</li> <li>– geocentric research</li> <li>– culture-synergy research</li> </ul>

Taking into account all types of information sources, consumer behavior research can be divided into:

- ✧ *desk research*, in other words, indirect secondary research and
- ✧ *field research*, in other words, direct primary research.

*Desk research* consists of using all available internal and external (domestic and foreign) secondary sources of information (Proctor, 2005; Wright & Crimp, 2000). The whole research process can be managed from behind a desk, with a computer and the Internet at hand. Undoubtedly, such research constitutes a basis for extended international research projects. The principle “secondary sources come first, primary ones come second” is even more appropriate with respect to research conducted in a home country, as it helps researchers quickly and relatively cheaply become familiar with the specific character of a foreign market and prepares them for developing field research. *Field research*, in turn, comprises information gathered from primary sources. This information is adequate to a research problem. Field research requires application of special research tools that correspond to direct research methods and techniques selected for a research goal (Moutinho & Evans, 1992; Schmidt & Hollensen, 2006).

In many cases, whilst designing international field research managers are unable to precisely define research problems and hypotheses, or even potential information sources. At this juncture, it is necessary to carry out the so-called exploratory research which can be helpful in problem identification and in determination of directions for future analyzes. Exploratory research is useful when it is indispensable to comprehend the international specificity of studied phenomena and to determine the scope of information to be gathered. This research is an introduction to the causal research (descriptive and cause-and-effect research) conducted on the basis of clearly defined information sources pooled in an orderly and systematic manner (Kędzior & Karcz, 2001; Schmidt & Hollensen, 2006). The principal characteristics of the exploratory and causal research are shown in Table 4.2.

In terms of the character of obtained information, one can distinguish qualitative and quantitative research. The qualitative research focuses on collecting information about the quality of studied phenomena and processes (motives, attitudes, preferences, cultural conditions, etc.). It is usually conducted on small samples or consists in observing a small number of cases, thus allowing for an in-depth analysis of studied phenomena, yet, it cannot be used to form general opinions and make statistical analyzes (Malhotra & Birks, 2007; Burns & Bush, 2010). The quantitative research is designed to gather data reflecting quantitative aspects of studied phenomena. This research uses standardized research methods and techniques and is carried out on numerous



**Table 4.2. Characteristics of exploratory and causal research**

<b>Criterion</b>	<b>Exploratory research</b>	<b>Causal research</b>
Research goal	general situation recognition	detailed verification of conjectures or support in selection of a problem solution variant
Scope of indispensable information	unclear	strictly defined
Source	vaguely defined	clearly defined
Form of gathering information	simple perfunctory superficial	systematized
Manner of gathering information	flexible without defined techniques and procedures	fixed with designed techniques and procedures
Information analysis	informal usually a qualitative analysis	formal usually a quantitative analysis
Conclusions and recommendations	suggestions	final decisions

Source: Kędzior & Karcz (2001)

samples. After being statistically processed, the research results are standardized over the whole population under the research. It should be emphasized that both types of research are not substitutable, but should be considered complimentary with each other (Malhotra & Birks, 2007; Burns & Bush, 2010).

With respect to a space criterion (geographical), apart from research into one foreign market when it is necessary to formulate an operation strategy for a single foreign market (regarded as vital in terms of the corporate global strategy), one can distinguish research conducted within three broader criteria (Kumar, 2000):

- ✦ *Independent multinational research* (international) is research conducted independently across many countries, often by branches of one corpora-

tion (company) and budgeted locally. This research is not coordinated; and frequently, in spite of being related to the same problem, it is carried out by means of other research methods and techniques, which excludes the possibility of comparing results on an international scale.

- ✦ *Sequential multinational research* (international) is research conducted sequentially in many countries. The research is introduced into one market, and then gradually extended into other markets. By learning from mistakes, it is possible to modify various elements of a research project. Another positive aspect of the research is the possibility of extending costs over a longer time period and reducing costs due to application of the same research tools (common costs at the preparatory stage of the research in all countries that are studied).
- ✦ *Simultaneous multinational research* (international) is research that can be conducted simultaneously across all markets. This type of research represents one of the most complicated research forms as it requires simultaneous engagement of considerable resources and excellent research coordination. Nonetheless, it provides comparable information that can be used in building operation strategies and in developing business operations in international markets with respect to the synergy effect and proper allocation of resources.

In terms of a basic type of a research project, international research can be classified as follows (Churchill & Iacobucci, 2009):

- ✧ *Comparative research* consists in comparing studied phenomena and processes, as well as the conditions of their occurrence, across many countries so as to be able to identify differences and similarities among them. Differentiation of markets may result either from existence of various political, economic, physical, social, cultural, and technological conditions or from inherent characteristics of consumers and organizations. Such research may be of a synchronic character, i.e., concerning the same time moment, or diachronic, i.e., referring to two or more time periods.
- ✧ *Interactive research* focuses on studying interactions between individual as well as group subjects from different countries (cultures). This research is concerned with typical interactions that exist between people, organizations, buyers and sellers, workers, and managers across various countries and cultures.

It is also possible to distinguish different types of international research on the basis of the approach taken by researchers. Consequently, the research can be described as follows (Adler, 1983):

- ✦ In *ethnocentric research*, researchers choose to work on the basis of theories, patterns, and methods typical of a home country (In the case of countries with rich research traditions, i.e., the USA, some researchers refer to this approach, a bit humorously, as „parochial research” - conducted from the perspective of one's own parish).
- ✦ *Polycentric research* is concerned with description, explanation, and interpretation of the behavior of market subjects in different countries, both at the stage of designing and conducting the research and when analyzing and interpreting research results, with each country approached as a separate research object.
- ✦ *Comparative research* focuses on identification of similarities and differences between countries, and unlike polycentric research, ensures comparability of results.
- ✦ *Geocentric research* is conducted from the perspective of transnational companies and is intended to identify similarities existing between countries, thus allowing for standardization of a marketing strategy on a global scale.
- ✦ *Culture-synergy* is concerned with cross-cultural interactions and focuses on examination of both similarities and differences in order to bring out effective global, yet locally-tailored strategies (culture-sensitive).

There exists a possibility of combining different types of research (e.g., international comparative sequential quantitative research or qualitative polycentric exploratory research), but some combinations occur extremely rarely.

## ACTIVITY

*What is the difference between qualitative and quantitative research? Give examples.*

*Outline what is meant by the following terms: continuous and ad hoc research, secondary research and primary research. Give examples of each.*

## Understanding consumer behavior research process

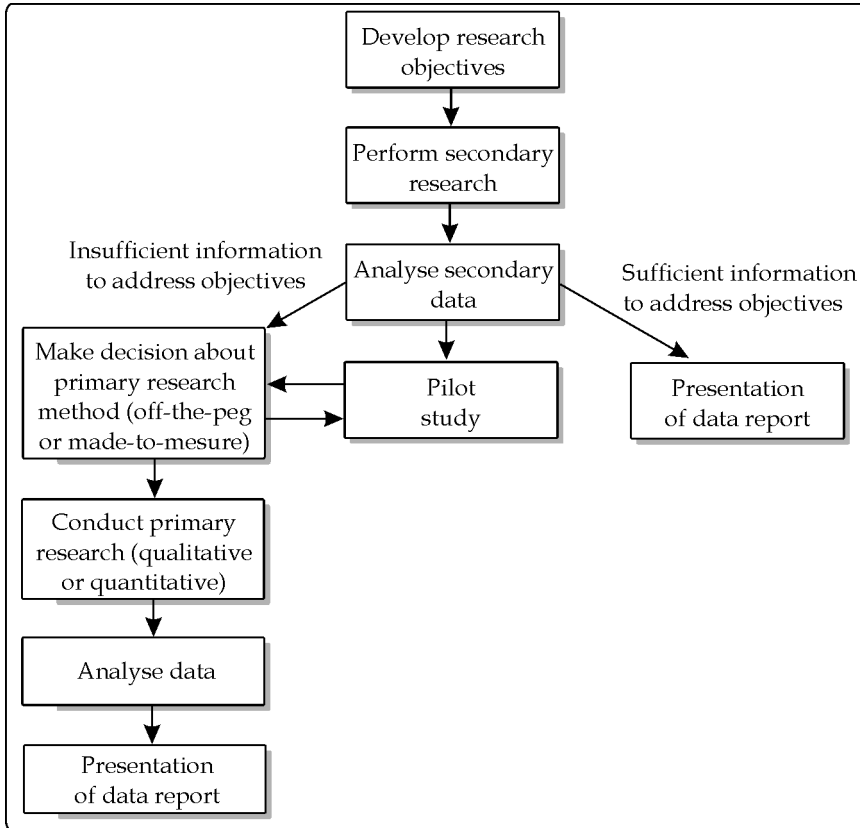
---

Defining the problem correctly, asking the right questions and choosing the correct method is fundamental to any consumer behavior research. That is why consumer behavior research process has to follow the following steps:

- 1) Define the research objectives
  - ✦ What is the problem? Asking the right questions is fundamental to any consumer behavior research. The marketer needs to be able to turn a general problem into a specific question.
- 2) Setting up an hypothesis which forms the research objectives.
- 3) Perform secondary research.
- 4) Analysing secondary data.
  - ✦ If there is enough information to address the objectives, write a report and present the data.
  - ✦ If there is not enough information to address the objectives a decision will need to be made about carrying out primary research.
- 5) Make a decision about the primary research method: off-the-peg or made-to-measure?
  - ✦ Who will provide the data? Self or agency?
  - ✦ How do we brief the agency?
  - ✦ How will the questions be asked?
  - ✦ Who will ask the questions?
  - ✦ How will the sample be specified?
- 6) Pilot study
- 7) Conduct primary research (qualitative or quantitative)
- 8) Collecting the data
- 9) Analysing and interpreting the data. What are the results?
- 10) Presenting the data and writing a report
  - ✦ Who will read it?
  - ✦ What happens to the answers?
  - ✦ How should the report be written?
- 11) Using the research. What will happen to the answers?
- 12) Feedback. What can we learn from the exercise?
- 13) Time. When is the research required?

- 14) Cost. How much money can we spend? Executive time, fieldwork costs, analysis, tabulating and computing, phone, questionnaire printing, etc.
- 15) Accuracy. How accurate does the information need to be?

**Figure 4.1. Process of consumer behavior research**



Source: Phipps & Simmons (2008)

## ACTIVITY

*Speak to front office personnel of a bank, restaurant or other businesses to find out their experiences of consumer behavior research. Were they positive or negative?*

## Criticism of consumer behavior research

There are various criticisms of consumer behavior research. These relate to the following:

- ✦ the limits of the methodologies used,
- ✦ bad hypothesis formulation,
- ✦ misuse of the results,
- ✦ bad execution of the research itself,
- ✦ consumers providing bad feedback.

### ACTIVITY

*Consumer behavior research has been criticized for a number of reasons. Discuss.*

*What factors prevent the marketer from understanding customer needs so well that the product sells itself?*

### EXAMPLE

#### ***Demand for information in consumer behavior research***

Problem 1. What different market segments exist and how do they differ?

*Data requirements*

Market characteristics

*Data sources*

- Secondary desk research
- Syndicated research services.
- Omnibus survey: for basic data on market characteristics related to product attributes. Only possible if this service operates in the market.

Problem 2. What differing needs, motives, satisfactions could my product/ service satisfy?

*Data requirements*

Characteristics and attitudes of users and potential users.

*Data source*

Made-to-measure: market segmentation study and psychographic market analysis.

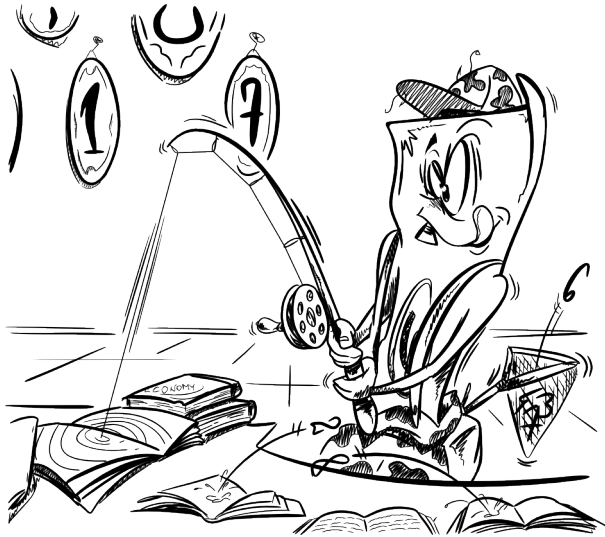
## Recommended literature

---

1. Blythe, J., 2009. *Essentials of marketing*. London: Financial Times Press.
2. Churchill, G. A. & Iacobucci, D., 2009. *Marketing research: methodological foundations*, South Western: Educational Publishing.
3. McGivern, Y., 2009. *The practice of market research: an introduction*. London: Pearson Education.
4. Wilson, A., 2006. *Marketing research: an integrated approach*. NY: Financial Times Press.
5. Wright, L. T. & Crimp, M., 2000. *The marketing research process*. NY: Financial Times Press.

## Chapter 5

# Secondary data about consumer and their behaviors



### Chapter describes:

- ✦ Essence of secondary data
- ✦ The various sources of secondary data for international research
- ✦ The limitations of secondary data

### You will be able to:

- ✦ Employ range of governmental statistics for consumer behavior research
- ✦ Use popular media, technical or specialist publications in international research on consumer behavior
- ✦ Cooperate with third party data services providers concerning consumer behavior research





## International desk research on consumer behavior

It is assumed that any researcher who is to design some research has sufficient theoretical foundations and knowledge to properly formulate a research problem by relating it to the existing state of affairs. The researcher is also very familiar with all available secondary sources that should be used while conducting the consumer behavior research on international market. International desk research on consumer behavior is process of collecting and analyzing data from secondary sources. Secondary data is any data originally collected for any purpose other than the current research objectives. The process of collecting secondary data is termed secondary research or desk research simply because the person carrying it out can usually gather such data without leaving their desk. The acquisition of secondary data is said to provide market intelligence, that is detailed information about the specific sector of the market under investigation (Phipps & Simmons, 2008).

### DEFINITION

**SECONDARY DATA** is any data originally collected for any purpose other than the current research objectives. The process of collecting secondary data is termed secondary research or desk research simply because the person carrying it out can usually gather such data without leaving their desk. The acquisition of secondary data is said to provide market intelligence, that is detailed information about the specific sector of the market under investigation.

Secondary sources of data in international consumer behavior research can be divided into (Reece, 2010) the following:

- ✦ *secondary internal sources* - available in a company that, during its operation in the international market, has gathered information about different aspects of a business activity in definite time, space, and subject-object sections (by customer segments and product segments);
- ✦ *secondary external domestic sources* - deposited with various administrative and economic institutions, associations, institutes, and research-and-

scientific centers, as well as institutions of public statistical information (such as GUS in Poland or INSFE in France); and

✦ *secondary external foreign sources.*

In the course of international comparative research on consumer behavior, it is necessary to ensure access to foreign data, which can be grouped in the following ways:

- ✦ official statistics and international documentation (publications of international statistical organizations and institutions);
- ✦ official statistics and national documentation;
- ✦ foreign information materials published by specialist national institutions (e.g., chambers of commerce, trade associations and trade institutions, institutes of price and economic research, research agencies); and
- ✦ other publications (e.g., market monographs, all-economy press, specialist and trade press).

**Table 5.1. Foreign data sources for international research on consumer behavior**

SPECIFICATION	TYPE OF DATA SOURCES
<b>Governmental sources</b>	
Official statistics and international documentation (publications of international statistical institutions and organizations)	statistical yearbooks, data reviews and reports, including key economic and market data, e.g., the food market (FAO), the tourist market (WTO), and financial markets (e.g., World Bank publications)
Official statistics and national documentation	official information of state statistical offices or industrial statistical offices (e.g., British Business" published by The Office of Industrial Statistics)
Other publications	national censuses; other publications of statistical as well as economic and political character
<b>Nongovernmental economic organization sources</b>	
Economic nongovernmental organizations	foreign information materials issued by specialist national institutions (chambers of commerce, trade associations and institutions, institutes of economic and price research, etc.)

<b>Periodical press</b>	
Specialist press	all-economy press; specialist press
Catalogs, guides, directories, indexes	general guides; address books
<b>Sources of different companies and institutions</b>	
Banks	bank publications
Research firms	methodological materials and thematic research results
Other companies	business stock market publications, market research associations (e.g., ESOMAR based in Brussels, or London Market Research Society)

Source: Adopted from Karcz and Kędzior (2001)

International marketing research draws its basic information from official statistical data issued by international organizations (mainly the United Nations, the European Union, and the Organization of Economic Cooperation and Development). International statistical institutions do not produce their publications by sheer replication of data provided by member states, but they usually standardize and process them in order to facilitate international comparison (e.g., assurance of sequence continuity, expression of data in comparable units) (Ember & Oterbein, 1991).

Examples of publications of the most significant international organizations are shown in Table 5.2.

**Table 5.2. Publications of selected international organizations**

<b>Name of organization</b>	<b>Examples of secondary data sources (titles)</b>
United Nations (UN)	<ul style="list-style-type: none"> <li>– Statistical Yearbook</li> <li>– Demographic Yearbook</li> <li>– Population and Vital Statistics Report</li> <li>– World Population Prospects</li> <li>– Compendium of Human Settlements Statistics</li> <li>– International Trade Statistics Yearbook</li> </ul>

The United Nations Industrial Development Organization (UNIDO)	– International Yearbook of Industrial Statistics
Food and Agriculture Organization (FAO)	– FAO Yearbook. Production – FAO Yearbook. Fishery Statistics – FAO Yearbook. Trade
UNESCO	– UNESCO Statistical Yearbook
International Monetary Fund (IMF)	– World Economic Outlook – International Financial Statistics Yearbook – Balance of Payments Statistics Yearbook
The World Bank	– World Tables – World Development Report. From Plan to Market – The World Bank Atlas
Organization for Economic Cooperation and Development (OECD)	– Main Economic Indicators – OECD. Environmental Data – National Accounts – Monthly Statistics of Foreign Trade – Short-term Economic Indicators, Transition Economies – OECD in Figures. Statistics on the Member Countries
World Health Organization (WHO)	– World Health Statistics
International Labor Organization (LO)	– Yearbook of Labor Statistics – Statistics on Occupational Wages and Hours of Work and on Food Prices
The European Union	– Official Journal of the European Community – Bulletin of the European Union – Panorama of EU Industry – Employment in Europe – „EUROPE INFO“ – Eurostat Yearbook

Source: Adopted from Karcz & Kędzior (2001)

In the case of more in-depth analysis, it is necessary to refer to national statistics of the countries under comparison, as they include more detailed and more relevant data compared to collective international statistics. It should be borne in mind, however, that the advantages of national statistics are overshadowed by difficulties in data comparability, a lower level of transparency, greater inconvenience of the presentation form as well as reduced processing capacity (Malhotra & Briks, 2007). In the course of the research, one also refers to publications of nongovernmental institutions (publications of economic organizations, all-economy and specialist press, publications of marketing research companies and institutions).

National sources of secondary data can be placed into one of six categories:

- ✦ Government statistics.
- ✦ Popular media.
- ✦ Technical or specialist publications.
- ✦ On-line and electronic databases.
- ✦ Third party data.
- ✦ Casual research.

### **Government statistics**

Government of each country is collecting and publishing different data concerning consumers and their behaviors on local market. For example, in Poland most governmental data are collected by the Main Statistical Office (GUS). Although the GUS existed originally to serve the needs of government, it makes most of the data it collects widely available to businesses and the general public. This data and the analyses provided, are extremely useful to marketers. It provides statistics comprehensive and non-comprehensive character. Comprehensive data concerning consumers can be found in Market Reports and National Census. Market Reports provides information about:

- ✧ Level of sale and stocks of all products categories formulate in quantity way,
- ✧ Level of sale of goods and services formulate in quantity way,
- ✧ Level of prices (GUS, 2011).

Taking in consideration National Census they provide data about consumers, particularly: number and structure of population according to gender, age,

profession and sources of income, about structure of households, accommodation, house equipments, etc (GUS, 2011).

According to non-comprehensive statistic the most popular is Household Budget Survey. It provides information about (GUS, 2010):

- ✦ general information on households, covering the number of budgets surveyed, number of persons and structure,
- ✦ of surveyed households by households' residents' sex, age and education level;
- ✦ the level of monthly incomes per capita in a household and by an equivalent unit/in equivalent units;
- ✦ the level of monthly expenditures per capita in a household and by an equivalent unit/in equivalent units by basic groups of needs;
- ✦ the consumption level of certain food products per capita in a household and by an equivalent unit/ in equivalent units;
- ✦ households' equipment with certain durables;
- ✦ dwelling conditions;
- ✦ subjective evaluation of households' material condition.

In comparisons, in the UK most governmental data are collected by the Office for National Statistics (ONS) formed in 1996 from a merger of the Central Statistical Office (CSO) and the Office of Population Censuses and Surveys (OPCS). The ONS publishes *A Brief Guide to Sources* listing all government sources of statistics. The ONS also publishes *Key Data* which contains summary statistics covering everything from economic and financial trends to education.

Government statistical publications providing information which helps to analyze consumers and their behavior on British market can be found in (Phipps & Simmon, 2008):

- ✧ *Digests* – that is collections of UK and regional statistics.
- ✧ *The economy* – statistics relating to the general economic indicators, financial and companies data, public sector, production industries, housing, construction and property industries and agriculture and fisheries.
- ✧ *Transport* – statistics covering transport trends, road expenditure, road traffic figures, accidents and casualties, shipping passenger and freight information, and details of air traffic.
- ✧ *Society* – a large category covering the labour market, earnings, retail prices, taxation, standard of living, population and household statistics, family

spending, education, home affairs, judiciary and law, health and safety and social security.

- ✧ *Environment* – statistics covering countryside, land use and planning decisions.
- ✧ *Distribution and other services* – statistics covering retailing, wholesaling, motor trade, catering and allied, and service trades.

## EXAMPLE

### ***Limitation in international research on consumer behavior***

*The use of secondary data sources in international research on consumer behavior poses problems connected with the following limitations:*

- *limited availability or lack of some types of information, especially with respect to developing countries where obtaining information about people's income level, retail prices, commercial infrastructure, etc. may be problematic;*
- *limited comparability as a result of various methodologies of data collection, aggregation, and classification, as well as diverse frequencies of conducting definite research types (e.g., census data, which is organized in developed countries every 10 years, and in developing countries every 20–25 years or is not conducted at all);*
- *limited data precision as a result of measurement difficulties and the specific cultural or economic character of various countries (e.g., problems with the estimation of the so-called black zone);*
- *limited data accuracy due to the fact that information is gathered for other purposes and does not suit the research goals and research problems formulated from the perspective of the decision needs of a particular company;*
- *limited validity as a result of a lapse of time between data collection and data publication (this particularly refers to international and national statistics); and*
- *limited information reliability, especially information published by general and specialist press, as well as by companies operating in a definite market whose aim is to create a positive corporate image.*

Source: Adopted from Craig & Douglas (2001) and Wilson (2006)

## Popular media

Much information can be gained from keeping an eye on the popular media. Most of this information is not going to be numerical, but may provide leads to previously undiscovered sources of data. The main sources are:

- ✦ *Radio and television* – Current affairs, consumer programmes and news broadcasts are all potentially good sources of information.
- ✦ *Newspapers* – The broadsheet newspapers can provide much useful information. Occasionally, these papers contain regional or national supplements which are especially useful for marketers operating in these specific areas.
- ✦ *Magazines* – There are popular magazines on most subjects covering most business and consumer interests.

### EXAMPLE

#### **General press**

*American Sociological Review, Cross-Cultural Research, International Journal of Psychology, International Journal of Intercultural Relations, Journal of Applied Psychology, Journal of Cross-Cultural Psychology, Mind and Language*

#### **Marketing press**

*Dentsu Japan Marketing Advertising, European Journal of Marketing, International Journal of Advertising, International Journal of Research in Marketing, International Marketing Review, Journal of Advertising, Journal of Advertising Research, Journal of Consumer Policy, Journal of Consumer Research, Journal of International Consumer Marketing, Journal of Academy of Marketing Science, Journal of the Market Research Society, Journal of Marketing, Journal of Marketing Research, Marketing and Research Today (previously European Research), Marketing Science, Marketing – Zeitschrift für Forschung and Praxis, Psychology and Marketing, Recherche et applications en marketing*



## Technical or specialist publications

For in-depth information about a particular field, a visit to a library or bookshop can provide technical and specialist data. The main sources are:

- ✦ Market research and academic periodicals, such as the Journal of consumer behavior, Journal of Consumer Research, Harvard Business Review, Journal of the Market Research Society and Journal of Marketing.
- ✦ Trade journals, such as Media Marketing, Campaign, Computer, The Grocer and so on.
- ✦ Specialist books.

The disadvantage of such publications is that they may be out of date by the time they get printed.

### ACTIVITY

*Obtain a copy of one of the research journals mentioned above.*

- *What useful information does it contain?*
- *How might this information be used by marketers in certain market sectors on international market?*
- *What kind of information can be found about consumer behavior in certain market sectors in different countries?*

## Third party data services

Many market research companies sell data as a major part of the services they offer. Typically, such data comes from consumer panels. Panels exist which monitor a wide variety of purchases, opinions and activities by gathering data from a group of representative consumers. Such data is collected either continuously or at fixed, regular intervals so that trends can be determined and/or special analyses performed at the request of the data purchaser.

### ACTIVITY

*Do you use any third party data in private life? If so, what is it used for?*

Information from third party can be accessed on many Internet websites, including the most popular ones such as AC Nielsen and Information Resources, which deal with the American market, and ESOMAR relating to the EU market. The most important international databases comprise the following (Karcz, 2004):

- ✦ Global Scan collects detailed information about sales of over 1,000 products according to brands and categories.
- ✦ Research International (RI) provides information from panel research conducted in forty countries. The data concerns products such as food, beverages, domestic appliances, and services (financial, tourist, etc.). RI Automotive offers, in turn, continuous monitoring of buyer behavior in the motor car market (including data from panel registers on a sample of 40,000 car owners).
- ✦ Euro MOSAIC gathers information about consumers according to the layout of demographic and special features (place of residence). The system has classified 310 mln consumers in terms of their place of residence, thus making it possible to identify 300 segments of consumers living in the European Union and representing different lifestyles.

#### ACTIVITY

*Most libraries now have different form of electronic database - usually for finding books or technical papers on certain subjects.*

*Try to search on the database of your library using the keyword 'consumer behavior'.*

- *Does this provide you with useful information?*
- *Is there any information which is found that is irrelevant?*

For those with access to the internet, the advantages of on-line and electronic data outweigh all other secondary sources:

- ✦ *On-line data is immediate and therefore up to date* – financial prices, for instance, are often transmitted instantaneously.
- ✦ *Information is global* – data is available from much of the world in many languages.
- ✦ *Open all hours* – on-line services never close at night or for lunch.

- ✧ *Data can be used directly* – many statistical and spreadsheet computer packages are capable of loading on-line and electronic data for further analysis or presentation.
- ✧ *Searching on-line and electronic data is quick and easy* -- within a matter of seconds it is possible to search the equivalent of more than 1,000 conventional publications. This is sometimes cited as a disadvantage. A search on an ambiguous keyword, 'culture' for instance, may return articles covering everything from 'bacterial culture' to the 1980s pop group 'Culture Club'.
- ✧ *Convenience* - most places of work now have a computer capable of reading electronic data or obtaining data on-line. With such a facility, trips to the library and other data suppliers are greatly reduced, saving time and resources.

## ACTIVITY

*Cut out and keep any graphs or data tables you find in magazines or newspapers. Look at the 'source' quoted for the data. Make a note of the type of data presented (social, financial, political and so on) and relate this to the source. Is the source private or governmental? Are the source specialists in this sort of data gathering, or not? If you wanted to find out the details about the data not contained in the article concerned, how would you contact the source?*

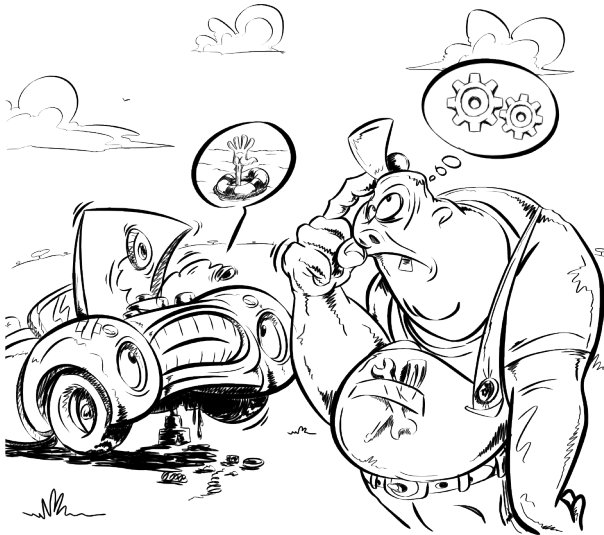
## Recommended literature

---

1. Burns, A. C. & Busch, R. F., 2010. *Marketing research: global edition*. London: Pearson Higher Education.
2. Churchill, G. A. & Iacobucci, D., 2009. *Marketing research: methodological foundations*, South Western: Educational Publishing.
3. Malhotra, N., Hall, J., Shaw, M. & Oppenheim, P., 2008. *Essentials of marketing research: an applied orientation*. New York: Prentice Hall.
4. Moutinho, L. & Evans, M., 1992. *Applied marketing research*. London: Addison-Wesley.
5. Proctor, T., 2005. *Essentials of marketing research*. New York: Financial Times Press.

## Chapter 6

### Primary data - methods of research and sampling



#### Chapter describes:

- ✦ Essence of primary research of consumer behavior on international market
- ✦ Qualitative and quantitative primary research methods
- ✦ Sampling methods in consumer behavior research
- ✦ Ethical responsibilities in consumer behavior research

#### You will be able to:

- ✦ Apply different methods and techniques in consumer behavior research on international market
- ✦ Solve problems with different equivalences in international research
- ✦ Design measuring tools for consumer behavior research
- ✦ Select proper sample for consumer behavior research



## Primary research on consumer behavior

Primary research on consumer behavior comprises information adequate to research problem. Primary research requires application of special research tools that correspond to direct research methods and techniques selected for research goal (Moutinho & Evans, 1992, Schmidt & Hollensen, 2006). Such research follows a certain definite procedure. Such research should consists of four stages (Kędzior & Karcz, 2001): research preparation, research performance, result analysis, and communication of results.

### DEFINITION

**PRIMARY RESEARCH** on consumer behavior comprises information adequate to research problem. Primary research requires application of special research tools that correspond to direct research methods and techniques selected for research goal.

The formulation of a research problem together with indication of research goals and definition of hypotheses constitute the so-called conceptual phase (definition phase) of a research design. Whilst constructing the research, it is vital to establish the scope of the research (subject, object, space and time), to point out the basic methods of collecting and processing information, and to define research costs and a research schedule. The process of research design requires decisions about (Glowik & Smyczek, 2011):

- ✦ the manner of defining and understanding studied problems with respect to international conditions (definition of concepts and scopes),
- ✦ algorithm (rules) of conduct which allows for collection and analysis of indispensable information with the observance of general principles of correctness and objectivity and at the possible lowest costs (a practical principle of costs minimization with simultaneous achievement of an assumed goal). In the case of a limited budget it is possible to apply the principle of effect maximization (obtaining the greatest amount of information in order to be able to solve a decision problem) at definite costs.

A research design and its scientific assumptions ought to be tested during the trial research (pilot research), being an integral part of the research pro-

**Table 6.1. Methodological problems in the international research on consumer behavior at preparatory stage**

<b>Research tasks and activities</b>	<b>Methodological problems</b>
Definition of a research problem and a research goal; determination of a research scope	<ul style="list-style-type: none"> <li>– comparability of phenomena, processes and behavior of market subjects</li> <li>– universal and specific values</li> <li>– isolation of a self-reference criterion</li> </ul>
Research approach	<ul style="list-style-type: none"> <li>– multi- and interdisciplinary approach</li> <li>– <i>emi</i> vs <i>etic</i> approach</li> </ul>
Formulation of research hypotheses	<ul style="list-style-type: none"> <li>– application of universal or specific theories and models</li> <li>– search for similarities or differences</li> </ul>
Selection of a method of direct and indirect information collection	<ul style="list-style-type: none"> <li>– assessment of credibility, reliability, validity and usefulness of secondary source data</li> <li>– application of qualitative research</li> <li>– selection of methods and techniques of direct research</li> <li>– guarantee of data comparability</li> <li>– development of research tools (problems measurement problems and proper translation problems)</li> </ul>
Definition of a sample selection procedure	<ul style="list-style-type: none"> <li>– sample group comparability (number, features, selection methods)</li> </ul>
Preliminary decisions about directions and methods of gathered information analysis	<ul style="list-style-type: none"> <li>– selection of quantitative data processing methods and application of statistical packages</li> <li>– task distribution with respect to qualitative data processing (participation of local researchers)</li> </ul>
Testing and evaluation of research assumptions (pilot research)	<ul style="list-style-type: none"> <li>– setting up of the international team responsible for assessment of project correctness</li> <li>– participation of experts</li> </ul>
Definition of the final version of a research problem, research hypotheses and research tools	<ul style="list-style-type: none"> <li>– competence distribution with respect to final decisions about the formal, merithoric and organizational aspect of research</li> </ul>

Source: Malhotra, Agarwal & Peterson (1996)

cess. The analysis of the pilot research results provides for definition of final versions of a research problem, hypotheses and research tools. Methodological problems, being a result of research conducted in a cross-cultural environment, arise already at the very first stage of the research process.

## Problem of equivalence

Consumer behavior research which is to be conducted in a multicultural environment should be based on the prior assurance that studied processes and phenomena are equivalent (in nature) and that the obtained results will be comparable. The main difference between various equivalence categories results from the fact that some of them may be noticed *ex ante*, and some only *ex post*. It is assumed that even with great researchers' knowledge of cultural characteristics of studied countries, one should recommend checking the equivalence after completion of direct research.

The problem of equivalence in international marketing research can be approached with respect to four issue groups (Primer, 1997; Cavusgi & Das, 1997; Holzmuller, 1995):

- ✦ equivalence of a research object,
- ✦ measurement equivalence,
- ✦ research sample equivalence,
- ✦ equivalence of a direct research process.

**Table 6.2. Equivalence categories of marketing research in a multicultural environment**

Categories	Types
Equivalence of a research object	<ul style="list-style-type: none"> <li>– conceptual equivalence</li> <li>– functional equivalence</li> <li>– categorization equivalence</li> </ul>
Measurement equivalence	<ul style="list-style-type: none"> <li>– calibration equivalence</li> <li>– metric equivalence</li> <li>– translational equivalence</li> </ul>



Research sample equivalence	<ul style="list-style-type: none"> <li>– sample unit equivalence</li> <li>– equivalence of a sampling frame of a studied population</li> <li>– equivalence of sample selection method</li> </ul>
Equivalence of a direct research process	<ul style="list-style-type: none"> <li>– equivalence of data collection procedure</li> <li>– contextual equivalence</li> <li>– time (temporal) equivalence</li> </ul>

Source: Glowik & Smyczek (2011).

The first problem that needs resolving concerns the provision of conceptual equivalence referring to the statement whether a given concept or an object denotes the same in all studied cultures and whether it is expressed through the same attitudes and behavior. Once the conceptual equivalence is ensured, another problem may relate to functional equivalence which is to determine whether a certain concept, behavior, or a product has the same function across different cultures. Another difficulty may be encountered while assuring equivalence of categorization, being a way of clustering (categorizing) such research objects as consumer reactions and behavior, products and brands. In some cases, criteria of categorizing certain products may considerably differ, and thus posing difficulties in comparisons of certain types of behavior with respect to cross-cultural categories. A proper definition of a research object which takes account of cultural specificity constitutes a basis for designing the measuring process. This measuring consists in assigning certain objects (phenomena, processes) to numbers so that the latter can reflect, in a reliable way, a measured feature of an object. The accuracy of the measurement, i.e. its precision, depends on a proper selection of the so-called observable indices of studied objects, and in the case of international research, also on specificity of countries under the research (Schmidt & Hollensen, 2006, Karcz, 2004).

At this research stage it is advisable to guarantee the calibration equivalence (equivalence of measurement units), or the so-called measurement expressed in the same units of money, weight, distance, quantity, and the like, and to take into consideration the perceptive differences (e.g. number of colors recognized by members of a given community and symbolic interpretation of colors, perception of space, shape, materials and smells with respect to

one's own culture) (Steenkamp, 2001). The measuring process uses different measuring scales. International research requires metric equivalence with respect to verbal measuring scales, since distances between certain points (in verbal descriptions) are not equivalent across various languages. The discussed problem is strictly connected with the assurance of translational equivalence i.e. with a translation of measuring scales applied in research tools such as interview questionnaires, questionnaire forms, projective tests, etc. Here, the difficulties go far beyond the grammatical and lexical issues, as the language represents one of elements of culture which determines the perception and denotation of and interactions with the external world (Ryan, Chan, Ployhart & Slade, 1999). The approach to linguistic issues may affect the whole research procedure and related to basic research paradigms.

One of key tasks at the stage of consumer behavior research in international environment is to properly select research samples which can be used as a basis for production of general results of studied populations. The process of sample selection consists of five stages (Schiffman & Kanuk, 2010):

- ✧ definition of a studied population,
- ✧ establishment of a list (sampling frame) of a studied population,
- ✧ determination of sample size,
- ✧ choice of a sample selection method,
- ✧ sampling.

The researcher tries to define as closely as possible a studied population by distinguishing in the operating definition such components as a subject (element) of research, a sample unit as well as time and place at which the samples are subject to the research. In the case of individual subjects (e.g. individual consumers) the sample element becomes the sample unit, whereas in the case of group subjects, it is necessary to decide who will speak on behalf of such a subject (e.g. when a household is a research subject, the sample unit can be represented by a head of a household, whereas in the case of company, such a role can be assigned to a chief accountant or manager of a supply unit).

The achievement of sample comparability constitutes the main problem of a sample selection method of consumer behavior research conducted in a multinational environment.

The main problem to be dealt with by the researcher concerns a proper definition of a sample on two levels:

- 1) the sample level of countries and cultures,
- 2) the sample level of defined individual and group subjects within countries and cultures.

G. Hofstede (2000) clearly states that despite the fact that data are collected from individual respondents, yet, for the sake of the analysis, they are compared on the country level. In his research, the mean values of respondents' questions were subject to calculation in each country. However, the studies compared not the individuals, but a dominant tendency of respondents' questions of a particular country. The author warns against using such results in construction of stereotypes referring to concrete individual. National indices are not used to describe an individual, but to characterize social systems which can be developed by these individuals. Based on research results, no one should say that Suzuki is a Japan, and consequently is characterized by collective values, or that Ms Smith is an American, so she believes in individualistic values. Nonetheless, if one intends to collaborate with Suzuki corporation, one can follow the assumption that as corporation it is managed by collective values, whereas if one wants to enter into cooperation with Smith company, it will be safer to accept that the company is founded on individualistic values.

In the international studies, it is indispensable to ensure the sample unit equivalence by a proper sample definition and by such selection of respondents which could enable achievement of comparability on an international scale. This does not necessitate the selection of respondents who share the same demographic-social-economic features, but the ones that represent the same target group (buyer segment). It should be borne in mind that depending on a culture, different individuals play definite roles in the purchasing process.

The problem of guaranteeing the equivalence of a sampling frame of a studied population in the international research relates to difficulties in obtaining proper lists (frame) of defined research populations across various countries. In many countries such frames can be represented by general population lists, voter lists or telephone directories, but in some states it is impossible to make use of them (frames), since, like in Saudi Arabia, such lists do not exist, whereas directories are incomplete (Wells & Prensky, 1996). This poses a problem,

particularly when the research is to be conducted by means of a random sampling method.

In the international research, it is extremely difficult to achieve the equivalence of a sample selection method, i.e. the choice of a selection method which is feasible in all compared countries. In order to choose a proper sample selection method, it is necessary to bring out a method guaranteeing sample representativeness in each studied country and providing data which could facilitate international comparisons (Malhotra & Birks, 2010). In practice, researchers – despite numerous methodological reservations – agree to employ non-random sampling methods, although such a selection excludes the application of statistical methods in the estimation of unknown population parameters. The possibility of achieving international comparability calls for employment of a selection method which is not based on the probability calculus. Additionally, such data can be obtained at a relatively low cost and in a manner concurrent with the research goals.

In the course of primary research on consumer behavior, the equivalence of data collection procedures should be guaranteed and efforts should be made to adopt the same research techniques in all countries under comparison. It is absolutely necessary to ensure the equivalence, at least within the framework of definite research types. The studies must also take account of the contextual equivalence (a situation in which information is gathered) connected with a necessity of including respondents' cultural reluctance to talk about taboo issues. Researchers should be aware of the fact that in certain situations some answers may not reflect the real state of affairs and respondents' genuine attitudes, but may only express respondents' opinions about socially acceptable views (Karcz, 2004). International research on consumer behavior should be also conducted with respect to the time (temporal) equivalence which takes into account the process of relative data aging. One cannot ignore the fact that income or price data become outdated much later in countries with a low inflation-rate than in countries with a multidigit inflation rate. The equivalence of time can be also considered with respect to differences in the economic and technological development of various countries. A certain definite situation in one country may be „an equivalent” of a similar situation in another country but 20 years ago. The distance estimation in years can be used to make forecasts by the way of analogy to a model country (Glowik & Smyczek, 2011).

## **Methods and techniques in international research on consumer behavior**

---

Before carrying out primary research, it is indispensable to make the decision about selection of adequate methods of gathering information from primary sources. Such information can be obtained through observation of certain people, objects or events or through communication (direct or indirect) with right people. International research on consumer behavior employs various methods and techniques of pooling information from primary sources including (Churchill, 2002):

- ✦ survey,
- ✦ interviews,
- ✦ projective methods,
- ✦ observations,
- ✦ experiments,
- ✦ heuristic methods (creative thinking).

Before making a choice of a data collection method, researchers must first consider whether the information they are in search of is of a qualitative or quantitative character. The majority of marketing studies conducted in a cross-cultural environment are of a quantitative character and are based on research samples. However, there prevails an opinion that the studies should take more advantage of the qualitative research (idiographic studies), as it consists in conducting in-depth field research on a smaller number of consumers. Each case (a sample unit) is described separately, whereas the researcher tries to comprehend reasons behind the observed differences and similarities. If researchers are not well familiar with a cultural specificity of foreign markets, it is recommended to begin the project with qualitative exploratory research. At the introductory stage, such research provides indispensable information and helps generate proper hypotheses and models to be verified by the quantitative research (McGivern, 2010). At the same time, the quality research allows for reduction of a psychological distance between the researcher and respondents from various cultural backgrounds.

**Table 6.3. Selected methods and techniques of international primary research on consumer behavior**

Measure methods	Measure techniques
Survey	<ul style="list-style-type: none"> <li>– mail (sent-out)</li> <li>– press</li> <li>– auditorium testing</li> <li>– packaging</li> <li>– computer</li> </ul>
Interview	<ul style="list-style-type: none"> <li>– direct (personal, individual)</li> <li>– telephone</li> <li>– depth</li> <li>– focused</li> </ul>
Projective methods	<ul style="list-style-type: none"> <li>– word associations</li> <li>– sentence completion</li> <li>– storytelling</li> <li>– product acceptance test</li> <li>– price acceptance test</li> <li>– economic situation acceptance test</li> </ul>
Observation	<ul style="list-style-type: none"> <li>– disguised and undisguised</li> <li>– direct and indirect</li> <li>– participative and non-participative</li> </ul>
Experiments	<ul style="list-style-type: none"> <li>– field (market)</li> <li>– artificial (laboratory, simulated)</li> </ul>
Heuristic methods (creative thinking methods)	<ul style="list-style-type: none"> <li>– expert assessment method</li> <li>– Delphi method</li> <li>– brainstorming</li> </ul>

Source: Glowik & Smyczek (2011)

## Quantitative research

---

The most useful research methods and techniques comprise depth interviews, group focus interviews and projective techniques. The depth interview is held on a basis of some thematic scenario where questions are not predetermined, whereas the respondent can express their own opinions without being confined by a questionnaire framework (Wright & Crimp, 2000). The aim is to secure the maximum amount of useful information from the respondent on a particular topic with minimum intervention from the interviewer. The role of the interviewer is therefore to:

- ✦ obtain detailed information on the topic(s) needed within the time available,
- ✦ balance the need for open-ended discussion with the need to address certain topics,
- ✦ avoid biasing the respondent by appearing to favor certain responses or asking leading questions.

The respondents need to be chosen with care. Some people are not as good at expressing themselves verbally as others. It may be that respondents are chosen from those taking part in a larger study as a result of their 'extreme' opinions, particular knowledge or responsibilities within an organization.

The focus interview is conducted in the form of a discussion which is led by a moderator on the basis of some scenario (Proctor, 2005). The discussion involves 8–12 pre-selected participants and is recorded (dictaphone, video camera) as well as observed indirectly ("two-way mirror") or directly. As with depth interviews, the role of the facilitator is to focus discussion on the research topic, directing the group where required but limiting their involvement as much as possible. Certain management of the group is also required:

- ✧ the discussion needs to be set in motion,
- ✧ track must be kept of the progress of the discussion (time-keeping etc.),
- ✧ the involvement of all members must be ensured (some people are shy in groups, yet their knowledge or opinions may be just as valuable),
- ✧ the discussion needs to be brought to a close in a tidy manner,
- ✧ names and other details of the group members need to be gathered (this may be achieved with a small questionnaire which, of course, must be designed and produced),
- ✧ arrangements for follow-up discussion may also need to be arranged and communicated,

- ✧ the practicalities of recording the discussion must be handled (this may involve the use of a flipchart, tape recorder or video tape).

Focus group members are often chosen to reflect a cross-section of the intended target customers for the product/brand under discussion. In this way, more debate is assured. Focus groups are popular amongst marketers because (Phipps & Simmons, 2008):

- ✧ they allow qualitative information from many individuals to be collected in a short period of time,
- ✧ they provide a good forum for 'testing the water' with new products/brands,
- ✧ the group setting is 'emotionally-charged' in a way that a one-to-one interview can never be,
- ✧ they are useful for generating new ideas and, under certain circumstances, problem-solving (suitable techniques are 'brainstorming' and 'synectics').

## ACTIVITY

*You are tasked with finding a new name for a special coffee. The coffee is to be produced in limited edition to celebrate the 60th birthday of the company owner for international market. The following information is available about him:*

- *He is well-known and respected in the coffee industry on international market,*
- *He has a 'handle-bar' moustache,*
- *He likes horses (his hobby),*
- *He was a military man and served in a mounted division.*

*The following is known about the company:*

- *The popular coffee producer is named with an 'academic' theme,*
- *The company is well-known internationally but with a strong local image.*

*Working in a group, set aside 15–20 minutes to try and brainstorm a name for the limited edition coffee. Appoint a facilitator who writes down suggestions on flipchart. At the end of the allotted time, take your best three suggestions then, as a group, spend 5–10 minutes deciding on your preferred, final, name. For each of the three alternatives, give their advantages and disadvantages.*



In projective techniques questions and stimuli are provided indirectly, whereas respondents are expected to assess certain attitudes, motives and behavior, thus unconsciously attributing their own features to them (subconscious projection) (Mikulowski, 1999). Many psychological techniques have been successfully used in consumer behavior research on international market:

- ✦ *Word association* – respondents are presented with a series of words or phrases and asked to say the first word that comes into their head. This is often used to check whether proposed product names have undesirable associations, particularly in different cultures and languages. You might not wish, for instance, to call a new life insurance policy 'Wish' if it turned out to be associated in many people's minds with 'death' (death wish), although you might if it brought to mind a 'wishing well'.

#### ACTIVITY

*What is the first word or phrase you associate with each of the following:*

*Insurance .....*

*Ice cream .....*

*Computer .....*

*Mineral water .....*

*Psychology.....*

*Compare your responses with those of your classmates. Are any of your responses the same? Why do you think that is?*

- ✦ *Sentence completion* – the beginning of a sentence is read out and the respondent asked to complete it with the first words that comes in mind. To probe the ideas which are important to people in selecting an insurance policy you might provide the sentence: 'The kind of people that do without holiday insurance are ...'

#### ACTIVITY

*Working on your own, complete the following sentences:*

*People who don't own car are .....*

*Women who dye their hair are .....*

*Couples who go on holiday to Italy are .....*

*Now compare your answers with those of your classmates. Are your answers similar or different? What information does this technique provide?*

- ★ *Third-person technique* - respondents are asked to describe a third person about whom they have little information.



*The picture is of a woman called Tamara Richardson. She is a lecturer at the St. John University in New York. She teaches 'consumer behavior' on the International Business study program run at the university.*


*Without discussing your thoughts, or your answers, with your classmates please answer the following questions. Do not worry if you feel you cannot answer all the questions.*

- Q1: What sort of car do you think she drives?*
- Q2: What political party do you think she supports?*
- Q3: How old do you think she is?*
- Q4: What do you think is her favorite sport?*
- Q5: Which country do you think she was born in?*
- Q6: What do you think her father's job was/is?*
- Q7: What do you think is her favorite color?*
- Q8: What sort of place do you think she lives in?*
- Q9: What pets do you think she has?*
- Q10: What newspaper do you think she regularly reads?*

*Once you have answered as many questions as you can, compare your responses with those of your classmates. Are there any similarities? Why do you think that is?*

- ★ *Thematic Apperception Test (TAT)* – respondents are asked to interpret an ambiguous picture or drawing or fill in a blank ‘speech bubble’ associated with a particular character in an ambiguous situation.

ACTIVITY



*In not less than 50 words, describe this picture. Also, what might the man be saying?*

*Now list the ‘themes’ in your response (what is happening, who is speaking, what they are saying etc.). Compare your themes with those of your classmates. What information could this techniques provide?*

- ★ *Reperatory Grid (Rep Grid)* – a modification of the method first developed by Kelly in 1955 to support his theory of personality, the Rep Grid is useful as a projective technique in many marketing situations. Respondents are presented with a grid and asked to tide the columns with brand names or types of a particular product (i.e. flavors of ice cream, types of car). They are then asked to take three of these products and think of a phrase which describes the way in which any two are different from the third. For instance, a Porsche and Jaguar might be described as 'speed machines' when compared to a Volvo. This description is then used as a row tide and each of the other products brands rated accordingly. By repeatedly selecting and describing three items, the way in which an individual perceives the market is found. It might be that an individual perceives the car market as consisting of 'speed machines', 'safe but boring' and 'comfortable' cars. This information can be used in a number of ways for planning a promotion, identifying the attitudes associated with established products and identifying where gaps in the market exist.
- ★ *Role-playing* – respondents are asked to imagine that they are an object (a fridge or car, for example) or a different person (a bank manager or

supplier, for example) and asked to describe their feelings, thoughts and actions. A variation on this technique is the 'friendly Martian' role play where respondents are asked to imagine that they are a Martian and told to describe what they would do under certain circumstances.

ACTIVITY

*Working on your own, answer the following question. Produce at least five ideas (no matter how 'silly' they appear).*

Imagine you are a tin of cat food on the shelf at a supermarket. How would you make yourself more attractive to shoppers'?

*Compare your answers with those of your classmates. What similarities and differences exist? Have any new ideas emerged which could be applied to the selling of cat food (or any other tinned food for that matter?).*

**Table 6.4. Comparison of different qualitative methods of consumer behavior research**

Depth interviews	Focus/discussion groups	Projective techniques
Very time consuming to administer	Moderately time consuming to administer	Relatively quick to administer (depending on technique)
Can only administer one person at a time	Can administer up to 10 people at a time	Can administer many people at a time (depending on technique)
Requires trained interviewers to administer	Requires trained facilitators to administer	Requires few specially trained staff to administer (depending on technique)
Danger of interview bias	Danger of group being biased towards opinions of stronger members	Low likelihood of bias
Time consuming to analyze	Time consuming to analyze	Relatively quick to analyze
Possible to obtain very detailed information	Possible to obtain very detailed information	Information limited by technique used
Indirectly useful for generating new ideas	Can be used for brainstorming new ideas directly	Indirectly useful for generating new ideas

The first two methods make it possible to obtain both verbal and non-verbal information (such as intonation, gestures, facial expressions, and the like). This is important especially in the comparison of high- and low-context cultures. According to the concept proposed by E. Hall (1995), only a small part of communication takes place on the level of conscious and direct speech acts, whereas most of the communication process comprises non-verbal behavior and is greatly influenced by situational factors. Thus, communication is not confined to a simple exchange of signals between interlocutors, whereas its content is determined by a general cultural context. The context is about a referential function of communication, i.e. it relates to what communication is referring to.

## DEFINITION

**HIGH-CONTEXT CULTURE** where communication context is encoded in group customs and habits; where there exists a clear-cut distinction between fellow people and outsiders, and where superiors are accountable for their subordinates, whereas representatives of a definite culture hold responsibility for their closest relatives; here communication is mostly based on intuition and the embarrassing term of “losing one's face” is tantamount to embarrassment of the whole group.

**LOW-CONTEXT CULTURES** where communication content is expressed individually; representatives of culture can rely only on themselves and communication takes place by means of words and unambiguous gestures. This eliminates the extension of “losing one's face” onto the whole group.

Source: Hall (1995)

High-context cultures are represented by the countries of Latin America, Eastern and Western Africa, Saudi Arabia and Greece; low-context cultures, in turn, can be observed in Scandinavian countries, in Switzerland, Great Britain, the USA, Australia and Israel. Any research to be conducted in a high-context culture should take account of the fact that only a part of information is conveyed *explicite* (Karcz, 2004). Hence, it is necessary to ensure the use of such research techniques which allow for observation of studied individuals with-

out making them express statements which could expose them to the risk of "losing one's face". In spite of the problems connected with its designing and conducting, the qualitative research must be admitted its usefulness in identification and comprehension of cultural phenomena.

## ACTIVITY

*You are asked to gather qualitative information quickly from around 100 customers. You have about three weeks for interviewing and analysis. What technique would you use and why?*

## Quantitative research

In more advanced projects, the qualitative research constitutes only an introduction to the quantitative one. The most useful methods used in consumer behavior research on international market are experiment, observation and survey.

The experiment as an international research method is considered to be exceptionally complicated. Nonetheless, among many theoreticians as well as pragmatists there prevails the opinion that this method is likely to grow in significance (Kwarciak, 2000). Experiment projects are based on the principle of manipulating explanatory variables and observing changes in the explained variable. Therefore, it is necessary to determine which factors can be regarded as a cause and which as an effect, whereas the whole experiment should be monitored. Another factor to be taken into account is time, since effects of certain activities may emerge only after a longer period of time.

It is extremely difficult to develop such an experiment project which could be conducted in international studies without having to be altered. One of such experiments, which was carried out in a natural environment, took place in the USA, the UK and Japan. The experiment was designed to demonstrate the effect of exposition of some fruit juice on the volume of its purchase in supermarkets. In the USA juices are usually arranged on shelves in four rows. In the experiment the arrangement of juices was changed by placing them in

three or five rows. After making sure that there was no other competitive promotional campaign in progress and that the price of the juice was stable, changes in the juice sales volume were observed. The same procedure was followed in the other countries. During the research it turned out, however that in the UK juices were arranged in three columns, and in Japan in two. This made the researcher change the principles behind the experiment in order to adapt it to a specific character of the studied markets (Karcz, 2004).

Experimental design is a well established scientific method with its own established rules and terminology. Many of these are 'borrowed' for use in other areas of market research. The main terms used are described below (Rice, 1993):

- ✦ *Hypothesis* – this is the 'big question' that your study is aimed at answering. For instance, does changing of the packaging of electric toasters lead to higher sales?;
- ✦ *Variables* – these are the factors under investigation. For instance, sales and packaging design;
- ✦ *Independent variable* – this is the name for the variable (s) we are manipulating. In the toaster example given, this would be the packaging design, but we might also change price, color, product features and measure the effect on sales. These would also be independent variables;
- ✦ *Dependent variable* – this is the name for the variable(s) we are measuring. In the toaster example given, this would be the sales but we might also want to measure customer feelings towards the new packaging and other aspects of their purchasing behavior as a result of changing the packaging design. These would also be dependent variables;
- ✦ *Intervening (or extraneous) variables* – these are those unwanted factors that 'interfere' with your research. For instance, you may be trying to assess people's attitude to changes in product price over a period where there are considerable fluctuations in the national economy. In this example, the economy is an intervening variable. Intervening variables contribute to experimental 'noise', that is, unavoidable variations in the study which affect the accuracy with which the effect of the independent variable can be assessed;
- ✦ *Experimenter* – this is the term used to distinguish the researcher from those he/she is studying (i.e. this would probably be you!);

- ✦ *Subjects* – these are the people being studied (i.e. shoppers, product users, potential purchasers and so on);
- ✦ *Control groups* – this is a group of subjects which is monitored for the purpose of providing a comparison only. For instance, if we are trying to assess the impact of a new mail order catalogue we might monitor two groups of subjects. One group would be sent the new catalogue whilst the other group would continue to receive the old catalogue. The group that receives the new catalogue is called the experimental group. The group that continues to receive the old catalogue is called the control group;
- ✦ *Field studies* – these are studies carried out in the 'real world'. They are the opposite of laboratory studies;
- ✦ *Laboratory studies* – these are studies carried out under controlled conditions such as in a laboratory or other 'mock-ups'.

## ACTIVITY

*France Telecom ask you to investigate on your local market customer satisfaction towards a new 'cheap rate' service for frequently called numbers which has been given on a trial basis to some of their customers.*

*In this example, who or what are likely to be the:*

- *Independent variable*
- *Dependent variable*
- *Experimenter*
- *Control group?*

*Would the study be classified as a field or laboratory study?*

Unlike the experimental method, the observational one does not pose so many technical, organizational and cultural problems. Observation is a method of data gathering in a deliberate, planned and systematic way in order to receive an answer to a clearly defined question (Wilson, 2006). The observation may comprise both people and their behavior as well as objects. The gathered data are pooled and registered in the form of special observation questionnaires (registers), cameras or recorders. This method is popular with Japanese managers who prefer to apply participative or disguised observation techniques rather than interviews or questionnaires. To provide an example,



Toyota used the technique of a disguised observation while working on some improvements in a very popular Corolla model for women. The observation was made on a group of women whose behavior was being viewed whilst getting into or out of the car and whilst operating it. The research revealed that many women had problems with opening the car and with operating the controls (Karcz, 2004). Armed with this knowledge, Toyota engineers streamlined the facilities and did some redesigning in order to eliminate any difficulties.

Disadvantage of observation as method of consumer behavior research is connected with lack of possibilities of providing information about what consumers are thinking or feeling. Observation is therefore quite limited as a technique but, nonetheless, can be useful under those circumstances where we are interested in behavior than any mental processes.

There are three basic types of observation:

1. *Secretive* – where the subjects of the study are unaware that they are being observed. For instance, the behavior of shoppers is observed via a hidden camera or by an experimenter pretending to be another shopper. This may pose ethical problems.
2. *Non-participatory* – where the subjects of the study are aware that they are being observed but the experimenter takes no part in the behavior being observed. For instance, shoppers are observed by an experimenter with a clipboard sited prominently, perhaps near the checkouts. It is possible that the presence of the experimenters may affect the behavior of the subject.
3. *Participatory* – where the subject and experimenter interact. A shopper might be approached by an experimenter and asked what they are buying and why. This can provide useful additional information but the behavior of the experimenter may actually change the behavior of the subject they are trying to observe.

Observations can be carried out in the field or in the laboratory. The latter overcomes many of the ethical problems associated with such studies but risks interfering with naturally occurring behaviors and can appear contrived. It may be, for instance, that meeting friends has an influence on supermarket buying behavior. This aspect of shopping would be difficult to recreate in a laboratory.

## ACTIVITY

*Observe customers in your local restaurant. In what order do they make decisions about what they are going to eat and drink? Are these decisions influenced by the people they are with? When and where do they pick up their cutlery, condiments? Where and how do they pay? On the basis of the answers to these questions, how might the restaurant improve its image and the degree to which it meets the needs of its customers?*

A survey is the most commonly-used method of gathering quantitative data. It is essential to approach the design and administration of surveys in a structured way to avoid errors, wasted time and poor quality responses. The process of undertaking a survey project is similar in many ways to that for an experiment.

Steps in a survey project:

1. Decide on your survey goals – what you want to learn.
2. Determine your sample – who you will ask.
3. Select interviewing methodology – how you will ask.
4. Design your questionnaire – what you will ask.
5. Pre-test the questionnaire, if at all practical –(known as piloting).
6. Administer interviews – ask the questions.
7. Enter the data.
8. Analyze the data.
9. Present the data.

The first step in any survey is deciding what you want to know. This will determine whom you will survey and what you will ask them. If you are unclear about what you want then your results will be unclear. Researchers rarely take the time necessary at this stage of the project to consider their survey goals properly. Some general goals could include finding out more about:

- ✦ Consumer ratings of current goods or services.
- ✦ Customer satisfaction levels.
- ✦ Television viewer opinions.
- ✦ Employee attitudes.
- ✦ Opinions about political issues.
- ✦ The potential market for a new good or service.

Once you have decided on goals you must decide on the method of data collection. The main methods used in consumer behavior research on international market are:

- ✧ Personal interview,
- ✧ Telephone surveys,
- ✧ Computer surveys,
- ✧ Postal surveys.

*Personal interviews* – 'face-to-face' with the interviewee. Such interviews are often categorized according to where they take place. The following examples are given:

- ✧ *Household survey* – the surveyor goes door-to-door, either randomly or according to some prearranged sampling method, and interviews people on the doorstep.
- ✧ *Home survey* – takes place in the interviewee's home. They are normally arranged in advance. This is obviously time consuming but guarantees a response. Advantages are that, in the comfort of their own home, conversation is likely to be freer and the interviewee will be more tolerant of a longer interview.
- ✧ *Hall survey* all their name suggests, these take place in a hall or hired room. Individuals are invited to attend or called in off the street to take part
- ✧ *Shop surveys* – these take place in shopping centers, inside a particular shop, at the entrance to a particular shop. In many cases a 'stall' is setup for this purpose and/or individuals are approached to participate.
- ✧ *On-street surveys* n-otherwise known as 'clipboard' surveys, individuals are approached in the street. In busy, hectic streets this can be problematic. Surveying at busy times, such as lunchtime, is difficult as many people would rather have something to eat! On-street surveys need to be particularly short and to the point.

*Telephone surveys* – probably the most popular interviewing method. Sampling is easy using a telephone directory. The telephone also makes the sampling of international interviewees easy. Unfortunately, the growth of 'junk' phone calls is increasing refusal rates amongst potential interviewees.

*Computer assisted interviews* – these are interviews in which the interviewees enter their own answers directly into a computer. They are popular at

exhibitions and in large organizations where 'electronic mail' is used to send out the questionnaire. This method is convenient.

*Postal surveys* – are generally the least expensive type. Postal surveys are seen as less intrusive than personal interviews and telephone surveys but response rates are generally the lowest of any survey method. More often than not, responses rates are less than 10% which provides an opportunity for considerable bias. In an attempt to boost return rates, all manner of offers and incentives are used. Low levels of literacy are no doubt one reason why responses are reduced – a good reason to keep questions simple. English is not always popular language and, in areas where problems are envisaged, it may be worth producing multi-lingual questionnaire variants. However, much of the low response rate is simply due to the high volumes of 'junk' mail people receive.

# ACTIVITY

*What are the advantages of postal surveys compared with telephone surveys?*

*What are the advantages of computer survey compared with personal interviews?*

**Table 6.5. Comparison of different quantitative methods of consumer behavior research**

Experimentation	Observation	Surveys
Moderately time consuming to undertake	Time consuming to undertake	Relatively quick to undertake (depending on technique)
Can administer many people at a time (depending on experimental design)	Are restricted in the number of people by the circumstances of the observation	Can administer many people at a time (depending on technique)
Requires trained experimenter and assistants to collect data	Requires trained observers to collect data	Require no specially trained staff to collect data (depending on technique)

Generally, low likelihood of bias	Danger of responses being biased by presence of observer	Generally, low likelihood of bias (depending on technique)
Time consuming to analyze	Time consuming to analyze	Relatively quick to analyze (depending on technique)

## Sampling in consumer behavior research

In determining sample you need to decide whom you will survey and how many people you will survey. Researchers call this group the target population. In some cases, when doing an employee attitude survey for instance, the population is obvious. In other cases, such as when prospective customers are involved, determining the target group is more difficult. Correctly determining the target population is critical. A poorly defined target population will result in unrepresentative results.

To decide how many people need surveying is both a statistical and commercial decision. Surveying more people costs more money but does increase the accuracy, or precision, of the results (up to a point). To increase a sample from 250 to 1,000 requires four times as many people, but it only doubles the precision.

There are two basic types of sampling:

1. *Probability (or random) samples* – where individuals are drawn in some random fashion from among the population.
2. *Non-probability (or non-random) samples* – where individuals are selected on the basis of one or more criteria determined by the researcher.

*Probability samples* – within this category there are four sampling methods which are commonly employed in market research (Churchill, 2002):

- ✦ *Simple random sampling* – individuals are randomly drawn from the population at large (for example, by selecting from the electoral register).
- ✦ *Systematic sampling* – individuals (or households) are sampled at intervals based on a random start point. For instance, it might be decided to visit every tenth person on the electoral register starting at number 4. In this

case the sampling interval is 10. The individuals that would be sampled are thus numbers % 14, 24 and so on.

- ✦ *Stratified random sampling* – the population is first divided into groups based on one or more criteria (let say age, gender, or other affiliation) and, from within these groups, individuals are randomly selected. For this method to be possible the data available on each individual must contain information about the criteria to be used to stratify the groups. This is not always the case.
- ✦ *Multistage sampling* – the population is first divided into quite large groups, usually based on geography. A random selection of these large groups is then selected and sub-divided again. A random selection of groups is again made from the resulting sub-divisions and the process repeated as many times as required by the survey. Eventually, individuals are randomly sampled from the small groups arising as a result of the final subdivision.

To select individuals on a random basis it is necessary to construct a sampling frame. This is a list of all the known individuals within the population from which the selection is to take place. Each individual is assigned a unique number then, using random number tables or the computer equivalent, individuals are selected on the basis of random numbers produced.

*Non-probability samples* – when a sampling frame cannot be established, or would prove too expensive or time consuming, one of the following four non-random methods are usually used:

- ✦ *Judgement sampling* – the researcher uses their judgement to select people that they feel are representative of the population or have a particular expertise or knowledge which makes them suitable. For example, business leaders, top scientists and so on. This method is commonly used with small sample sizes.
- ✦ *Convenience sampling* – the most convenient population is chosen, which may be the researchers friends, work colleagues or students from a nearby college. This method is often used to save time and resources.
- ✦ *Cluster sampling* – the population is repeatedly divided in to groups rather like the process for multistage sampling. However, cluster sampling is different in that all individuals from the remaining small groups are interviewed rather than just a random sample of those remaining.

- ✧ *Quota sampling* – the researcher selects a predetermined number of individuals from different groups (i.e. based on age, gender and so on). This is perhaps the most popular non-probability sampling method used.

**Table 6.6. Comparison of different sampling methods**

Simple random	Systematic random	Stratified	Multistage	Convenience	Judgement	Cluster	Quota
Requires sampling frame	Requires sampling frame	Requires sampling frame	Requires sampling frame	Does not require sampling frame	Does not require sampling frame	Does not require sampling frame	Does not require sampling frame
High cost	Moderate cost	Moderate cost	Moderate cost	Low cost	Low cost	Moderate cost	Moderate cost
May not be representative	May not be representative	Representative	May not be representative	May not be representative	May not be representative	May not be representative	Representative
Low likelihood of bias	Low likelihood of bias	Low likelihood of bias	Low likelihood of bias	High likelihood of bias	High likelihood of bias	Moderate likelihood of bias	Moderate likelihood of bias

Source: Phipps & Simmons (2008).

If you select a sample population which is not representative then your results may be biased. That is, they will not represent responses in the wider population. For example, if you asked Ford employees whether they preferred Ford cars you would probably get biased results. Totally excluding all bias is extremely difficult but should be the goal in any survey. However, just being aware of bias will allow you to avoid the more obvious sources and interpret certain results more cautiously.

There are three main sources of bias:

1. *Incomplete coverage* – there may be a number of reasons for this:
  - a) sampling frame is incomplete,
  - b) certain outlying areas are excluded,
  - c) the survey method used may place constraints on those that can be sampled, i.e. a telephone survey requires ownership of a telephone,
2. *Non-response* – low response rates are a problem in any survey. Whether it is a street, telephone or postal survey a significant proportion of those approached will refuse to answer questions.
3. *Overrepresentation* – some sampling methods deliberately overrepresent certain groups (the non-probability sampling techniques already mentioned). Although this allows detailed examination of a certain subgroup of the population, there is no way of knowing how else the group characteristics might affect the survey responses.

#### ACTIVITY

*You are asked to gather opinions on a new design of carry cot for babies. What problems might you experience using your classmates as a convenience sample?*

## Measurement tool design

The primary data collection tool is the questionnaire. Whether you are conducting an interview by post, telephone, face-to-face, or even via computer, you will be need to design a questionnaire. A properly constructed questionnaire determines the adequacy of the research results. When considering the problem of questionnaire development for consumer behavior research in foreign markets, it is necessary to focus mainly on the following issues (Blythe, 2009):

- ✦ formulating questions,
- ✦ scaling answers, and
- ✦ translating the questionnaire into target languages.

The length of a questionnaire is not measured by the number of questions, but by the duration time of interview or questionnaire completion. In different



countries, respondents have a different perception of the amount of time they are willing to spend answering questions, even if they give their consent to participate in the research. If a German respondent is informed that the interview lasts thirty minutes, it is expected that the respondent himself asks to stop the interview after the time is over. French and Italian respondents are more flexible in this respect. Scandinavian respondents, in turn, are much more willing to participate in studies, and the refusal rate in these countries is lower compared to the Mediterranean region.

There are two important concepts in the design of measurement methods: reliability and validity. If a data measurement tool actually measures what it purports to, then it is said to be valid. For example, time over a 100 metre sprint is not likely to be valid measure of intelligence. On the other hand, a well designed Intelligence Quotient (IQ) test is likely to measure intelligence accurately. The IQ test is therefore said to be a valid measure of intelligence. Poorly designed questionnaires are often not valid measures – they purport to measure things that they do not. For example, the question, how many times a week do you watch television may seem – on the face of it – a valid way of measuring television viewing time. This is not the case. All the question actually does is measuring the number of times the television is viewed and not the length of the time it is viewed for. This question would therefore not be a valid measure of television viewing time. Similarly, surveys on sample populations are said to be invalid if their findings are not to be generalized to the whole population (Phipps & Simmons, 2008).

If a measurement tool consistently measures the same thing then it is said to be reliable. For example, the IQ of a person changes only slowly. Therefore, if we measured it two weeks in a row we would expect it to be approximately the same. A good IQ test would indeed give a similar score week after week. Such a test is said to be reliable. A poorly designed IQ test might give widely differing scores each time it was administered. Such a test is termed unreliable, it cannot be relied upon to give an accurate answer. Good questionnaires are both reliable and valid; they measure what they purport to and they do so reliably. Repeat testing of questionnaires, and comparison with other data sources are methods used to check both validity and reliability.

Questionnaires use open, closed, and semi-open (semi-closed) questions. However, depending on the culture, respondents make different use of semi-

open questions, which enable them to add their own opinions to the proposed ones. Only 3% of Americans and as many as 20% of South Asians usually provide extra answers in semi-open questions (Karcz, 2004). International marketing research based on the questionnaire method should not be provided with open questions, or, at least, open questions should be reduced to a bare minimum, not only due to the risk of answer default, but also due to the possibility of problems with categorizing answers during data processing.

In the course of answer formulation, it is important to take account of cultural differences among the countries under study. For example, research into ethical and social accountability issues employs the 33-point Marlow scale (Social Desirability Scale). One of the items reads as follows: "I never make a long trip without checking the safety of my car." Using such an item to compare respondents' behavior in for example, the USA or Hong Kong, is not adequate for this reason: because of Hong Kong's geographic position and area size, long car journeys are not possible for Hong Kong residents (Mc Donald, 2000).

Formulation of questions is based on measurement scales that measure the attributes, attitudes, opinions, and behavior of studied objects. The development of scales starts with a definition of a logical or a mathematical system on which a given scale is based. There are four basic measurement scales (Sagan, 1998; Zaborski, 2001):

- ✧ a nominal scale, which makes it possible to determine whether measured attributes are equal or different; it consists in "labeling" the attributes, but numbers assigned to them are only of a symbolic character (they can be exemplified by dichotomous, multi-category, or positional scales);
- ✧ an ordinal scale, which helps order attributes and determine the relation of magnitude between them (ordinal scales include rank-order scales, the Likert scale, the semantic differential scale, grading scales, paired comparison scales);
- ✧ an interval scale, thanks to which it is possible to determine the magnitude relation between the attributes and the distance between intervals; this scale is of a metric character and has an arbitrarily established zero point (e.g. Thurston scale); and
- ✧ a ratio scale, which allows for the top level of measurement thanks to the existence of a natural zero or a natural measurement unit (e.g. constant sum scale).

At this point the question arises as to whether these scales can be adopted in international research. Here, during the studies, the researcher may face problems connected with respondents' level of education, as well as with cultural differences, which can lead to serious errors in the course of the research. It is generally assumed that verbal scales are more comprehensible, and thus more effective, even in studies carried out among less educated people as illiterates also express their opinions by means of words. In developing countries, research is sometimes based on graphic rating scales such as "sad-to-happy" faces. The scale consists of five face drawings with various eye and mouth expressions depicting a state of mind from "very happy" to "very unhappy." Respondents are read a question (statement), and then asked to express their degree of interest or compliance by indicating a proper drawing on the scale (e.g., strong interest corresponds with a "very happy face"). It should be remembered that application of such a scale may induce some negative reactions in people who consider themselves too educated and too intelligent to be presented with such a scale. At this juncture, it is advisable to prepare another answer scale.

Semantic differential is regarded as a pan-cultural scale. It consists of a sequence of simple bipolar sub-scales; most frequently bipolar adjectives such as: good-bad, strong-weak, fast-slow, etc. that need to be properly translated (i.e., taking account of cultural differences). The use of the Likert scale, in turn, evokes many controversies (Yu, Keown and Jacobs, 1992). Americans tend to use five- or seven-point scales, and so do Poles. French people often use twenty-point scales, which they find familiar given their experience with the scales used for progress assessment at school.

Also different school experiences may cause problems connected with the use of numeric scales in a global dimension. In some countries (e.g., Germany, Slovakia), the grade 1 at school stands for very good, whereas in others (e.g., Poland), for very bad. Even if instructions were provided with respect to answers about assessing a product, an attribute, or an event, and even if it was clearly stated that the answer should be given in a 1–5 scale (with 1 denoting the lowest grade and 5 the highest grade), respondents could have problems when choosing the answer due to their previous experience with a reversed scale order. This problem is illustrated in Table 6.7 below, which presents school grade scales across various countries.

**Table 6.7. Qualitative grades and their numeric equivalents in assessment systems of selected countries**

Country	Fail	Unsatisfactory	Satisfactory	Good	Very good	Excellent
Belgium	0-9	10	12-13	14-15	16-17	18
Denmark	0-5	6	7	8-9	10-11	12-13
Germany	5	4	4	3	2	1
Greece	1-4	5	5	6	7-8	9-10
Holland	0-5	6	6-7	7-8	8-9	10
Italy	1-18	19-23	24-26	27-28	29	30
Poland	1	2	3	4	5	6

Source: Schroeder (1996)

The following rules are provided as a general guide to the design of the questionnaires:

- 1) *Keep the survey short* – long surveys are often indicative of poorly defined survey goals. As a rule of thumb, keep the number of questions below forty. Go through each question. If you do not know, or care, what you will do with the result then leave the question out.
- 2) *Design the questionnaire to match the survey method being used* – for example, CATI and CAI are able to 'branch' to different questions depending on the responses given to earlier questions which can increase the amount of data collected with the same number of questions and make errors less likely.
- 3) *Keep the questionnaire simple* – do not mix topics – for example, combining a survey on smoking with one on political issues simply serves to confuse the interviewee.
- 4) *Do not combine two questions in one* – for example, 'How do you feel about John Major and the Government?' should be asked as two questions (a) 'How do you feel about John Major' (b) 'How do you feel about the Government?'
- 5) *Avoid unnecessary terminology, abbreviations, technical words and jargon* – these should only be used where questions are intended for a specialist

group that would be expected to understand. For example, 'Do you own a PC 486DX 66 computer?' is probably an acceptable question for a computer buff but not a member of the general public.

- 6) *Do not present biased questions* – for example, 'How satisfied are you with your new, super fast, hi-tech Swan toaster?' assumes that people already have a positive perception of the toaster and thus is likely to bias their response. A more correct way of phrasing this question would be to ask 'How satisfied or dissatisfied are you with the Swan toaster?' – a suitable response scale would then be provided.
- 7) *Make sure your questions are grammatically correct* – poor grammar can lead to confusion, annoys certain people, and creates a poor impression.
- 8) *Each question should have a 'Don't know' or 'Not applicable' response unless you are absolutely certain that you have covered all possibilities* – for example, in response to the question 'What make of car do you own?' 'Don't know' and 'Not applicable' response categories should be provided. Some people may not actually know, or care, about the make of their car. Similarly, some people do not own a car. You would rarely want to include 'Don't know' or 'Not applicable' in a list of choices being read over the telephone or in person, but should usually accept them when given by respondents.
- 9) *Provide example questions at the beginning of the questionnaire to demonstrate the method of completion.* If a number of different question formats are used, provide examples of each and instructions for completion within the body of the questionnaire to avoid confusion.
- 10) *Be specific in your questioning* – 'woolly' questions lead to 'woolly' results. For example, 'Have you recently bought a can of cat food?' might be better rephrased 'Have you bought a can of Possum cat food in the last two weeks?'
- 11) *Always allow for the interviewee to make their own comments at the end of the questionnaire* – this will often provide useful leads for follow-up studies or allow you to interpret more accurately the data you collect
- 12) *Take care when laying out your questionnaire* – a neat and tidy layout creates a good impression and reduces error.
- 13) *Take care with the ordering of your questions* – make sure that the response on a question is not affected by a previous answer or pre-empts a response to a later question. For example, a question which mentions

blue packaging should not be succeeded by a question which asks for preferences on packaging colour.

- 14) *Always start your questionnaire by explaining who you are and what you intend to do with the data you collect.* This is polite as well as being ethically correct,
- 15) *Always include a question asking whether the interviewee would mind being contacted further –you never know when a quick follow-up study may be required.*

#### ACTIVITY

*Cut out and keep any questionnaires you find in magazines or newspapers. Act as 'devil's advocate' and list the flaws in each. Decide how these flaws might have affected the accuracy of the data collected.*

#### ACTIVITY

*You are working in the marketing department of a large software company.*

*One of the directors has asked that you design a study to find out whether your existing users are 'satisfied' with your new database product which was launched 6 months ago.*

*He has expressed interest in finding out about the following:*

- *Usability*
- *Reliability*
- *Performance*
- *Competitiveness*

*Think about the issues that need to be considered and prepare an outline questionnaire design.*

## Ethical responsibilities in consumer behavior research

---

The Market Research Society publishes a code of conduct which specifically addresses the responsibilities of those carrying out interviews. In summary interviewers shall (Phipps & Simmons, 2008):

- ✦ Be honest and not mislead the interviewee in order to procure information.
- ✦ Not use the information collected for any other purpose without the consent of the interviewee.
- ✦ Take steps to ensure that interviewees are not embarrassed or adversely affected as a direct result of an interview.
- ✦ Carry an identity card or badge including a photograph, name and organization.
- ✦ Send a leaflet, card or letter to the interviewee thanking them for taking part in the interview.
- ✦ In the case of telephone surveys, at the end of the interview the name of the survey organization, a name and contact number should be given.
- ✦ Provide a means by which the interviewee may verify that the survey is genuine without incurring any cost.
- ✦ Allow an interviewee to withdraw from a survey. Where appropriate, the research organization shall confirm that their data has been destroyed.
- ✦ Make no calls in person or by telephone before 9 a.m. weekdays, 10 a.m. Sundays, or after 9 p.m. on any other day unless an appointment has been made. Those carrying out research overseas should respect the equivalent customs of the host country.
- ✦ Only interview children under the age of 14 with the permission of their parents, guardian, or other person responsible for them (i.e. teacher). The responsible person shall be informed of the general content of the interview before the interview itself take place.

## Recommended literature

---

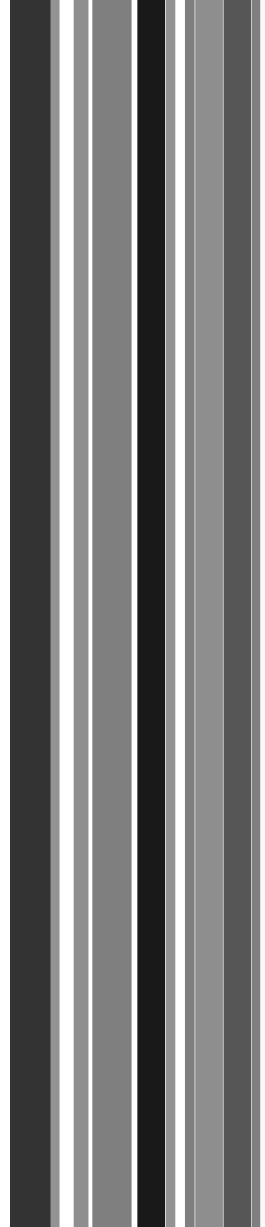
1. Burns, A. C. & Busch, R. F., 2008. *Basic marketing research using Microsoft excel data analysis: international edition*. London: Pearson Education.
2. Hair, J. F., Black, W. C., Babin, B. J. & Anderson, R. E., 2010. *Multivariate data analysis*. London: Pearson Education.
3. McGivern, Y., 2009. *The practice of market research: an introduction*. London: Pearson Education.
4. Reece, M., 2010. *Real-time marketing for business growth: how to use social media, measure marketing, and create a culture of execution*. London: Pearson Education.
5. Schmidt, M. & Hollensen, S., 2006. *Marketing research: An international approach*. New York: Financial Times Press.



## Part III

# Determinant of consumer behavior on international market

---



# Chapter 7

## Economic determinants



### Chapter describes:

- ✦ Internal economic determinants of consumer behavior
- ✦ External economic determinant of consumer behavior



### You will be able to:

- ✦ Define influence of income on consumer decision on market
- ✦ Identify the role of prices in consumers buying processes
- ✦ Asses input of supply on consumption
- ✦ Determine importance of market infrastructure in consumer behavior

## Economic determinants of consumer behavior

Economic determinants of consumer behavior can be split into internal and external factors. The internal factors, dependent on the consumer, include among others: income, loans, savings, household furnishing, the level and structure of consumption, leisure. The external factors exist independently of consumer influence and comprise: supply, prices, trade and service infrastructure, selling policy and system of institutional information (Kiezel, 2010).

### Income

Income is the most potent factor determining consumer behavior, as it constitutes an essential element of a consumer's standard of living and allows for the satisfaction of basic and higher-level needs.

**Table 7.1. Income and population in selected European countries**

Country	Population (Mio.)	Disposable income per capita (EUR)	Average household size	Expenditures for consumption per year (EUR/household)
EU 27	492.0	21,984	2.6	24,723
Austria	8.2	28,958	2.4	29,897
Germany	82.5	27,010	2.1	28,849
Poland	38.2	5,545	3.0	10,738
Portugal	10.5	13,787	2.8	21,281
Romania	21.6	2,940	2.9	5,024

Source: Eurostat (2009)

In general terms, the dependence of consumption on income can be summarized in the following statement: the higher the income, the higher the level of consumption, and vice versa. This statement, however, refers only to global consumption and does not necessarily apply to consumption of particular goods. Changes in income level precipitate not only changes in global con-

sumption, but also in its structure. The growth of income may result in an increase in the consumption volume of higher-level goods, both in qualitative and quantitative terms. The level of income defines the range of consumption independence, discouraging or encouraging people from selecting definite needs. Generally, an increase in income increases purchases accordingly, whereas a decrease hinders purchases. Income is an essential factor because (Csaba, 1995):

- ✦ it develops in the division of household budget sphere, thus being the primary factor in relation to others;
- ✦ it is a basic measurable, quantitative factor that determines supply and consumption and allows for their analysis according to many additional features that are distinctive for particular consumers; and
- ✦ it directly expresses changes in other economic and noneconomic factors.

#### EXAMPLE

*During the transformational economic processes of Central and Eastern Europe, the income of citizens has changed mainly as a result of changes in the prices of consumer goods and services and changes in the socio-economic policies pursued by the countries of this region. Examination of the income level during the process of introducing a market economy shows that during the first twenty years of economic transformation, the highest income level was achieved by the households of individual entrepreneurs (self-employed people). In Poland, in 2009, the income of these households was 27.5% higher than the income level of households of employed people. A worsening income situation was observed in the case of agricultural households. At the beginning of the transformation, the income of this social group exceeded the income of employees, but by 1991, farmers' income level fell to levels below the income of employees.*

*During the transformational processes, important changes occurred in the structure of household disposable income in all households. An increase was observed, above all, in the share of income of self-employed people, from 6% in 1993 to 8.8% in 2009. The share of employee income also rose, to 53.8% in 2009. Between 1993 and 2006, there was a slight increase in the share*

*from social security benefits (in 1993 they accounted for 32.5%, and in 2006 33.5% of the whole disposable income), whereas in 2007 and 2009 the share decreased until it stabilized at 28.7%, which has been a positive change. Nonetheless, the share of income from social security benefits within the whole disposable income structure is still high. During the period between 1990 and 2009, the share of income in an agricultural household declined from 10.6% in 1993, to 4.1% in 2009.*

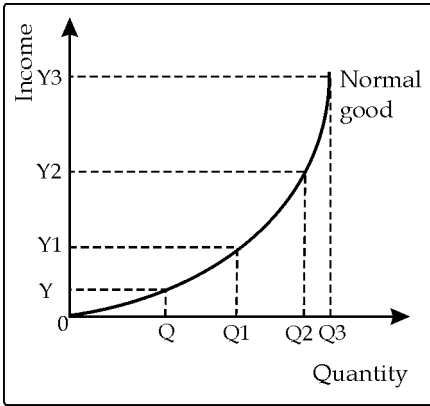
Source: GUS (2010)

In the market economy, the volume and structure of people's income are dictated by market laws and state regulations. The harmonious correspondence between people's income level and a need structure is tantamount to market balance and economic stability (Bywalec, 2007). Distribution of household income may take different directions depending on their source of origin. Fixed income is meant to satisfy basic needs, whereas periodic and sporadic income is used to purchase material goods and high-level services. An increase in consumer income level may lead to the following changes in consumption (Harris, 2010):

- ✧ quantitative growth of consumption within the same quantity,
- ✧ qualitative growth of consumption within the same quantity,
- ✧ qualitative and quantitative increase in consumption of some goods,
- ✧ quantitative decrease in consumption with qualitative increase,
- ✧ qualitative decrease within the same quality.

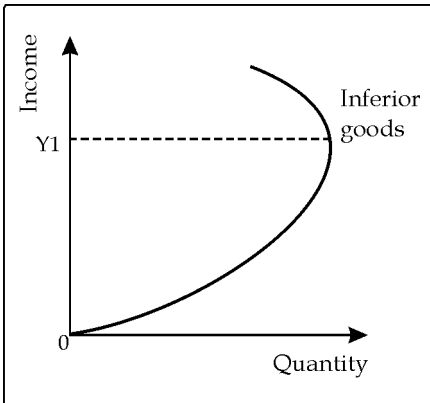
The nature of the relationship between income and demand depend not only upon the level of the customer's income but also upon the nature of the product. Generally, products can be categorized into normal goods and inferior goods.

In the Figure 7.1 you can see as income rises demand rises for normal goods and then tends to get steeper at the higher level. This is because there is a limit to how much people will want - there are only so many cars one can buy, so many fresh vegetables that can be eaten, so much milk that can be drunk. With inexpensive foodstuffs such as salt the demand tends to stay constant at all but the very lowest levels of income.

**Figure 7.1. Income and demand – a normal good**

Source: Phipps & Simmons (2008)

As income rises the demand for a product may go down as consumers switch to better alternatives which they can now afford. When disposable income falls because of inflation or a rise in taxes demand for basic brands may increase as customers trade down. This effect can be seen a consumers between products such as cheap cuts of meat to expensive cuts of meat, or taxis and buses so on (Figure 7.2).

**Figure 7.2. Income and demand – a inferior goods**

Source: Ibid.

In the Figure 7.2 if income rose above  $Y_1$  the quantity demanded would fall. If the product is inferior and the income levels are rising the marketer should:

- ✦ Reposition the product and add benefits.
- ✦ Look for new markets where income levels are lower.

### ACTIVITY

*Income levels have risen and there is a decline in public transport because people are buying more cars. How would you propose to go about adding utility to the use of public transport?*

*Income levels have risen and there is a decline in the use of margarine because people are buying more butter. How would you go about adding utility to the use of margarine?*

Relations between income and demand is defined as an income elasticity of demand ( $e_d$ ). The coefficient of income elasticity of demand may take either a positive or a negative value (Solomon, Bamossy, Askegaard & Hogg, 2010):

- ✦ if  $e_d > 1$  one can speak of a high demand elasticity in relation to income - such a situation is characteristic of purchase of luxury or durable products, as well as services;
- ✦ if  $e_d = 1$  then demand is proportional - such a situation appears in the case of less luxurious (semi-luxurious) products
- ✦ if  $e_d \in (0, 1)$  demand is slightly elastic (rigid for  $e_d = 0$ ) in the case of basic need articles, mainly food items,
- ✦ if  $e_d < 0$  demand is inversely elastic, which is characteristic of low-level goods (the so-called mediocre, worse goods).

If there is an uneven distribution of income there will be a different demand pattern and a different distribution of products. Other factors that would influence the demand are (Kieźel, 2011):

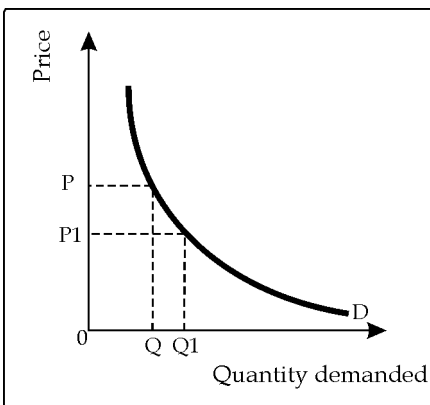
- ✧ Taste,
- ✧ Changes in fashion,
- ✧ Marketing techniques,
- ✧ Economic conditions, e.g. the impact of taxation, interest rates and inflation,
- ✧ Changes in population,
- ✧ Expectations- when consumers believe that prices will rise or that shortages will occur they tend to stock up.

## Price

Price is another significant economic factor that determines consumer behavior. Together with income level, the price of a product, being a monetary expression of product value, affects the choice of products on market, and serves several principal functions that largely determine the rightness of consumer decisions (Blythe, 1997; Doole, Lancaster & Lowe, 2005). They are referred to as income, informative, distributive, stimulating, and redistributive functions. The income function is responsible for shaping the real income of the consumer. Through the informative function, the price presents various choice options and constitutes the basis for the best of all consumer decisions. The distributive function of prices (balancing supply and demand) can be performed only by a market balance that excludes the presence of either excess or shortage and that ensures the purchase of goods and services by anyone who is willing to pay a definite price for them. Prices perform a stimulating function when the state regulates them so that they can become an incentive for an activity that is consistent with a general social interest. Finally, through their redistributive function, prices constitute a tool of income redistribution when they differ from the value of products. If consumers buy goods at prices higher than the values of the goods, the level of their real income decreases in relation to the nominal income and vice versa (Schiffman, Bednall, O'Cass, Paladino, D'Alessandro & Kanuk, 2008).

Generally, the relationship of the price charged to the level of the demand can be shown in a demand curve.

**Figure7.3. A Simple demand curve – relations between price and demand**



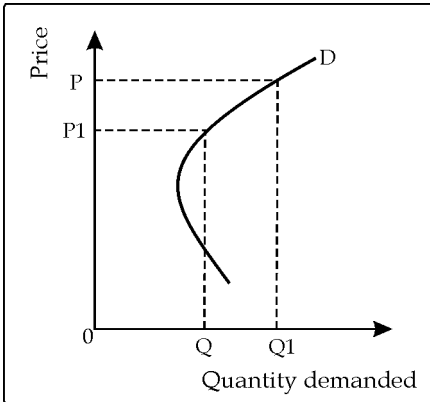
Source: Pietrykowski (2009)



There are some exceptions presented in Veblen effect and Giffen paradox as example.

*Veblen effect* – with some goods price is part of the attraction of the article and a rise in price will make it more attractive. The article acquires snob value. A exclusive cars, jewellery, wine or perfume are good examples.

**Figure 7.4. Demand for Veblen goods (goods of ostentation)**

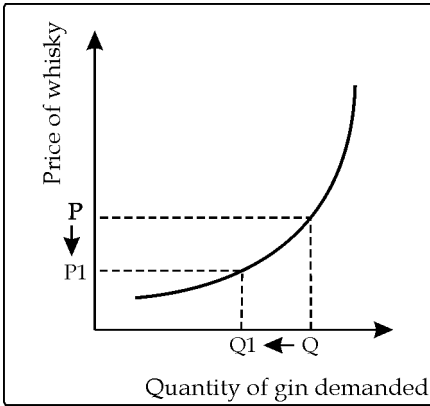


Source: Ibid.

*Giffen paradox* – when a price is decreased, and a proportion of the household income is freed, the money would be immediately spent on other goods than inferior, therefore less inferior goods are needed. Once the price was increased the household would go back to buy inferior goods which they can afford.

Although the price a competitor charges is outside the control of the marketer, it is important to gauge the impact a competitor will have on demand and be able to measure how sensitive the demand for one product is to a change in the price of other goods. The demand for all goods is interrelated because they compete for consumers' limited income. Two aspects of this can be quantified: where goods are substitutes for one another or are complementary.

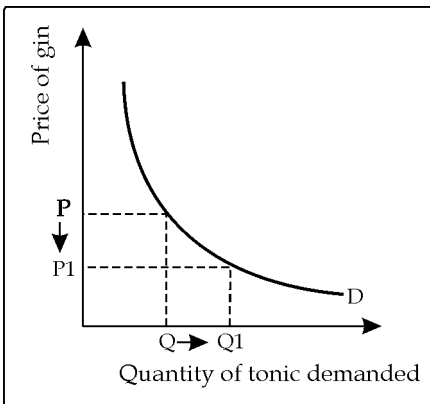
*Substitutes* – where demand decreases as a result of a price reduction in the other products the substitute products would be competitive and the relatively cheaper product would then replace the more expensive product thereby giving better value for money.

**Figure 7.5. Influence of substitutes on demand**

Source: Phipps & Simmons (2008)

Marketers can reduce the impact of low pricing strategies by adding value to their products so that customers perceive them as having no direct substitutes.

*Complementary product* – in the case of complementary or joint demand there is a direct relationship between the price of one commodity and the demand for the other. Examples of these would be cars and petrol, gin and tonic, as well strawberries and cream.

**Figure 7.6. Influence of complementary products on demand**

Source: Pietrykowski (2009)

The demand reaction to price variation is best measured by elasticity of the demand price ( $e_p$ ), whose value oscillates within the following ranges (Diller, Shedroff and Rhea, 2006):

- ✦ if  $e_p > 1$ , demand is elastic, i.e., a price increase entails a demand decrease that is relatively larger than the price increase itself and vice versa; such a situation occurs in the case of the purchase of luxury and substitutable goods;
- ✦ if  $e_p = 1$ , change in the price produces a proportional change in demand;
- ✦ if  $e_p < 1$ , demand is slightly elastic, i.e., a price change causes a slight change in demand; such a situation occurs in the case of basic-need products and complementary goods.

The influence of the price of basic goods over the demand for related goods (substitutable, complementary) is measured by the coefficient of cross elasticity of demand ( $e_c$ ). The coefficient helps determine how a change in the price of one product affects a change in the demand for another product. The value of a cross elasticity coefficient indicates the degree of relationship between goods. The higher the positive  $e_c$  value is, the stronger the substitutability, whereas the lower the negative value is, the stronger the complementarity of the relationship. Coefficient values approaching zero demonstrate a lack of 'relation' between goods (Blackwell, Miniard & Engel, 2001).

## ACTIVITY

*You are working in Marketing Department of Marlboro Corporation. Answer following questions:*

- *Are the features of the product that your company sells translated into benefits?*
- *Which of these benefits provide your customers with the greatest utility?*
- *How do these compare with your competitors?*
- *How would you go about assessing them?*
- *Will lowering the price produce a better utility/price ratio and increase sales for your company, or will it send negative signals to customers about quality and the overall value of the product and induce them to buy less?*
- *If you increase your price will you sell more?*
- *Instead of lowering price are there any other ways in which you could increase your customers' perception of value?*

Despite the fact that price is one of the most important elements of buying decisions, it should be emphasized that over the last years, the role of price in consumer decisions has changed (Kahneman & Tversky, 2000). Changes have also occurred in researchers' attitude towards analyses of the relations between price and consumer decisions. More focus has been put on the psychological aspects of the influence of price and on additional variables that make the relations between price, income, and demand more complicated than the description in the literature. Research results indicate, among other things, that the general consumer knowledge of prices is declining. According to the latest findings, the majority of consumers not only do not remember the prices of recently purchased products, but also do not check prices as carefully as was previously assumed (Dickson & Sawyer, 1990; Hawkins & Best, 2004). A lower level of knowledge of product prices is a consequence of the two phenomena mentioned above: a higher financial status in the society means people lose 'interest' in price, whereas a wide assortment of products prevents people from learning the prices of such a multitude of products and greatly exceeds their cognitive abilities. Another factor differentiating possible consumer reactions to price is connected with the payer, i.e., whether it is the consumer or, for example, his/her employer who covers the costs of a company car. The research shows that consumers often 'guess' the price instead of verifying it, e.g., they assume that products bought on the market are cheaper than goods from a corner store, which is not necessarily true. At the same time, they use price as a basic determinant of product quality, especially when there is no other clear information about the standards for a given product (Schiffman & Kanuk, 2010).

Thaler (1985) has observed that while buying a product, the consumer achieves two types of satisfaction: one, already mentioned, is satisfaction with the product; another, the so-called satisfaction with the transaction, which translates into the sense of 'clenching a good deal'. Such a conviction develops when the consumer compares the price paid to the so-called reference price, i.e., to the cost of a competitive product regarded by the consumer as the best alternative to the chosen purchase item. This explains why sellers try, in many ways, to 'prove' that the price they offer is a good one, i.e., better than the reference price. For example, they compare their prices to the prices of other (more expensive) products or to a previous (higher) price of a given product. The theory of perspectives developed by Tversky and Kahneman (2000) formulated four principles of the so-called consumer mental accounting (mental

calculations). These principles describe situations in which the consumer experiences greater satisfaction with a purchase. It turns out that satisfaction is greater when, instead of one larger profit, the consumer realizes several smaller ones, which leads to the conclusion that when paying a definite price, the buyer prefers to obtain a product with an added gift, rather than get a product of a higher value (Evans, Moutinho & van Raaj, 1996).

## ACTIVITY

*If all goods are in competition how could you go about increasing the share of your company's generic market?*

In the event of a decreased role for price, non-price forms of boosting the attractiveness of an offer gain increasing significance. These mainly include commercial services, especially warranties by which the guarantor ensures the quality of products. Another type of service influencing consumer market behavior relates to the services connected with goods or with a selling point, including the furnishing of the place, the assortment structure, and so on. Services that are independent and are not permanently related to a product constitute another type of service. They can be purchased separately from the product, e.g., delivery of goods home, assembly, and the like.

## Supply and market infrastructure

Supply and market infrastructure are other economic factors determining consumer behavior. Unlike income, supply and market infrastructure are of an external character. Understood as sales offers for definite goods and services in terms of assortment, quality, territory, and time dimensions, it marks clear-cut boundaries of need satisfaction. It is mostly determined by the following (Hawkins & Best, 2004):

- ✦ *level of country production* – higher production volume fosters a higher level of supply,
- ✦ *foreign trade balance* – importation of goods in excess of exports stimulates supply on the domestic market so that supply goes beyond the volume of domestic production, and

- ✦ *distribution system* – availability of goods and services depends on a network of trading centers and on a transportation system that moves goods effectively.

These factors are mainly determined by the economic level of a country. On the one hand, supply sets a physical framework of consumption and allows for its qualitative changes. On the other hand, it determines the existence of regularities between consumption and the level of income and prices. Depending on its volume and its internal structure, supply can either restrict consumption or foster it through free consumer buying decisions. In a seller's market (Central and Eastern European countries from 1945 to 1989), the inability to buy goods produced not only a feeling of deprivation, but also precipitated a number of negative phenomena such as a black market (Bywalec & Rudnicki, 1999). Shortages of products on the market limited consumption and ultimately led to eliminating the satisfaction of some needs. In the case of a buyer's market, with an increasingly rich supply, supply not only extended the scope of needs, but also created new ones, thus determining consumer development (Evans, Foxall & Jamal, 2009).

**Table 7.2. Buyers of food per type of store in CEE countries (in %)**

Country	Hypermarkets	Supermarkets	Discount stores	Other/small stores
Bosnia & Herzegovina	39	35	1	25
Bulgaria	10	34	0*	56
Croatia	19	47	2	32
Czech Republic	39	16	25	20
Hungary	29	16	22	33
Poland	29	11	31	29
Romania	42	18	17	23
Serbia	16	31	0*	53
Slovakia	30	23	9	38
Slovenia	29	41	10	20
Ukraine	13	48	-	39

\* Below 1%

Source: Balan (2010)

The attractiveness of the supply of products and the market infrastructure often becomes a factor that stimulates both consumer aspirations and consumer motivations to undertake gainful employment and to increase income by means of performance. A sufficient amount and variety of goods on the market allows for the extension and attractiveness of need satisfaction. A commercial offer of consumer goods and services affects consumer decisions, either facilitating or complicating the decision-making process. Too varied and abundant an offer facilitates a purchase, but at the same time hinders making a decision (Csaba, 1995). Hence, one can say that supply enables the consumer to satisfy his/her needs, whereas needs themselves are determined by an available market offer. Therefore, it is necessary to tailor the market offer to a desired consumption pattern. The structure of supply and the quality of goods should be closely related to the level and distribution of income in the society (Evans, Foxall & Jamal, 2009).

## Recommended literature

---

1. Fullbrook, E., 2003. *The Crisis in Economics*. London: Routledge.
2. Ingham, G., 2004. *The Nature of Money*. Cambridge: Polity Press.
3. North, P., 2007. *Money and Liberation: The Micropolitics of Alternative Currency Movements*. Minneapolis: university of Minnesota Press.
4. Pietrykowski, B., 2009. *The Political Economy of Consumer Behavior*. New York: Routledge.
5. Schiffman, L. G., Bednall, D., O'Cass, A., Paladino, A., D'Alessandro, S. & Kanuk, L. L., 2008. *Consumer behavior*. New Jersey: Prentice Hall.

# Cultural influences on consumer behavior



### Chapter describes:

- ✦ Notion of culture and its elements
- ✦ Specific character of subculture
- ✦ Different social classes in society



### You will be able to:

- ✦ Describe role of culture on consumer decisions on market
- ✦ Identify importance of different rituals, customs and symbols on international markets
- ✦ Assess influence of social classes and subcultures on consumer behavior



## Culture as determinant of consumer behavior

Cultural factors are of essential significance and exert the greatest influence on consumer behavior (Kotler & Keller, 2009). The factors include mainly culture, subcultures, and social classes. Culture is a fundamental factor determining buyer's needs and behavior and is made up of subcultures (e.g., nationality, profession, race, geographic region) that also play a significant role in developing a buyer's behavior, as they have direct effect on identification and the socialization of their members. The societies of particular countries are characterized by social stratification, most commonly revealed in the form of social classes. The latter also constitutes an essential factor of a cultural nature that conditions consumer behavior.

According to Hofstede (2000), culture is a term that defines the programming of the human brain and is comprised of three levels: universal, collective, and individual. The universal level of the programming stems from human nature – elements that are hereditary and common to all people. These are feelings related to happiness, fear, sadness, or love. The way these feelings are expressed comes from the influence of the second, collective level of programming and is a characteristic of certain social groups (e.g., nations, inhabitants of a given region, members of a given profession). The individual level of culture is closely related to the individual and to his/her hierarchy of values, interests, and behavior (Neymann, 2005). Culture is acquired, which means it is passed from generation to generation in a non-biological and non-hereditary way. Hofstede (2000) recalls four dimensions that distinguish one culture from another, i.e., distance to authority, individualism and collectivism, femininity and masculinity, avoidance of uncertainty).

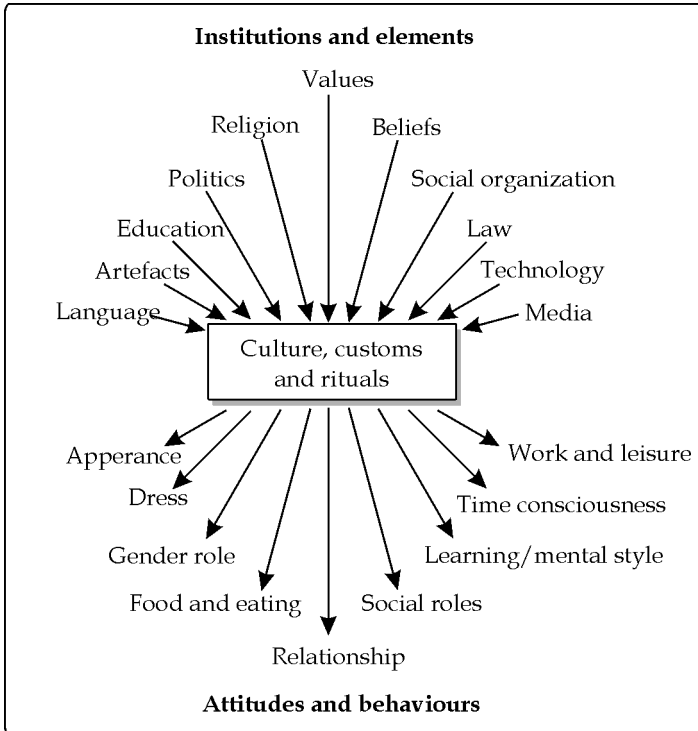
### DEFINITION

**CULTURE** – the values, attitudes, beliefs, ideas, artefacts and other meaningful symbols represented in the pattern of life adopted by people that help them interpret, evaluate and communicate as members of a society.

Culture can be represented graphically as in Figure 8.1. Influences from institutions and other elements of society (such as education, politics, and the

law) combine in complex ways to provide us with culture, customs and rituals which are expressed as attitudes and behaviors.

**Figure 8.1. Elements of culture**



Source: Phipps & Simmons (2008)

As we can recognised, culture is exhibited mostly by the customs, language, symbols and rituals within a society. These are the observable elements of the culture (Kieźel, 2011):

- ✦ *Customs* are the established 'rules' of behavior within a society. They define what is, and what is not, acceptable.
- ✦ *Language* and *symbols* are the means by which members of a particular culture communicate with one another. This communication can be verbal (using words) or non-verbal (using images which convey ideas directly or indirectly).

- ✦ *Rituals* are patterns of behavior, often quite complex, which a society shares. Ritual behaviors include religious services, attainment parties (18th birthday, retirement, engagement, etc.) and private routines such as the Saturday morning shopping or the Sunday participation in church service.

Customes – Williams (1990) defines four classes of customs:

- ✧ *Folkways* – these are the everyday customs of the culture. Greetings are one such example.
- ✧ *Conventions* – these are formally observed folkways, ones which might start to cause more long-term offence if ignored. For example, the sending of Christmas presents.
- ✧ *Mores* – these are formally recognized rules of behavior such as respect for your parents. Adherence to them is seen as being of wider significance within a culture.
- ✧ *Laws* – those mores which society wishes to control are governed by laws.

*Languages* – marketers involved in multi-lingual operations must be aware of the implications of selling their products to speakers whose native language is different. The use of language in advertising copy also requires attention. The use of language 'tricks' is extremely common in advertising where a short phrase or 'word play' is used to convey the promotional message.

*Symbols* – the word-plays described are very much surface features of a language. It is also common for language, and objects, to have other meanings and associations other than those that might appear in a dictionary. For instance, a crudely drawn heart (♥) conveys a meaning of innocent love. The phrase '*he fought like a tiger*' only makes sense because of the symbolism we associate with the word '*tiger*' (courage, cunning, stealth). Such words and objects are said to be 'symbolic'. Symbols add richness to communication within a culture. Symbols can be simple and blunt or subtle and complex. The richness of symbolic meaning can be used in marketing to associate certain qualities with your product or convey more complex meanings in a shorthand form (which can thus be understood and absorbed more quickly). For example, the ING Group used the lion as a symbol to represent the qualities of nobility, power and sovereignty in the hope that these values would enhance their public image.

**Table 8.1. Some common symbols and their associations in European culture**

Symbol	Associations
Dolphin	Intelligence
Tick	Correctness
Gold	Wealth
Crown	Superiority
Swan	Grace
Owl	Wisdom

*Rituals* – from a marketing perspective, rituals and rites represent a substantial opportunity. In particular if it is possible to associate an object or other event, known as artefacts, with a ritual then the persistence of the ritual will ensure the continuing use of the artefact. One example is the red and white Santa Claus costume. This has become so closely associated with Christmas that many people believe it to be historic. In fact, the red and white costume was 'invented' by Coca Cola as a marketing promotion. It has ensured that the combination of red and white (*the Coca Cola colours*) has a continuing positive association with fun and jollity.

**Table 8.2. Common rituals and typical artifacts**

Rituals	Typical artifacts
18 <sup>th</sup> birthday	Card, presents
Valentine's day	Red rose, card
Mother's Day	Flowers, sweets
Saturday night out	Meal, cinema/theatre/disco/concert
The end of education	Award ceremony, diploma
Christmas	Christmas tree, gifts
New Year's Eve	Champagne

**ACTIVITY**

*If you have ever been abroad, think of the things you found strange about the host country's culture. Try to list 5 things. Were these customs, language/symbols or rituals?*

National cultural characteristics are frequently used to market products, not just within that culture, but to other cultures:

- ✦ The German reputation for quality engineering has been used to market a range of products from cars to cans of beer.
- ✦ The Japanese reputation for producing value-for-money consumer electrical goods has been exploited by one clever European manufacturer who gave themselves a Japanese- sounding brand name ('Matsui').
- ✦ French 'chic' has been used in marketing make-up, fashion and food.

Culture is also important in the conduct of business dealings. Business etiquette in Japan, for instance, is very different to that in the West. It is considered polite in Japan to exchange gifts with a new business colleague, exchange business cards as part of an introductory ritual and for the chair of any meeting to sit facing the door. Many Western companies provide training for those executives undertaking business abroad.

Williams (1990) describes five main characteristics of culture:

- 1) *It exists to serve the needs of a society.* For example, most cultures have some form of wedding' ceremony.
- 2) *It is acquired socially.* That is, we are not born with any cultural knowledge but acquire it throughout our lifetime.
- 3) *It is learned by interacting with other members of the culture.*
- 4) *It is cumulative.* Culture is transferred from generation to generation with new influences constantly being added to the cultural 'soup'.
- 5) *It is adaptive.* Culture changes in response to the needs of the society.

As has been stated, all culture is learned. The process of learning one's native culture is termed *socialization*. The learning of a new culture is termed *acculturation*.

## DEFINITION

**SOCIALIZATION** is the process by which the culture of a society is transmitted from generation to generation so that each individual not only understands and follows the 'rules' of their culture but is able to pass these on to others.

There are three main mechanisms by which culture is learned (Cohen, 2003):

- ✦ *Social modelling* – where a culture is learned by copying an existing member of the culture. It may be that this learning is direct (i.e. from a peer

or family member) or indirectly from media (i.e. from television or a magazine). Fashion, for example, is often adopted from the pages of a magazine and rarely from other members of the family.

- ✦ *Role playing* – a form of social modelling where imitation is allowed to develop further.
- ✦ *Conditioning* – whereby certain behaviors are rewarded or punished according to their conformance with the rules of the culture. Eating food without cutlery is likely to be admonished by parents.

Social modelling is the mechanism of most use to marketers in gaining acceptance of their product. Showing a prominent member of a culture behaving in a certain manner (Brad Pitt wearing a new fashion, for example) can increase the acceptability of this behavior amongst other members of the culture. However conditioning can also be used. If purchasers are rewarded for buying a product, through discount vouchers or cash-back offers, the purchasing behavior is more likely to be repeated.

Culture is constantly changing but we are so much part of it that these changes often go unnoticed. It is only when we compare our current culture with that of the past that the differences become apparent. Marketers should be aware of cultural trends so that they do not get 'left behind' or, conversely, do not miss the opportunity to be the first in the field to market based on a emerging cultural characteristic. Promotions aimed at young people must be particularly careful in this respect.

We have already seen many mistakes made, and benefits gained, from an understanding of the cultural differences between markets. Basically, the aim of cross-cultural marketing is, as with all customer-driven marketing, to give the customer what they require. Some products, such as televisions and computers, have an almost worldwide appeal whereas other products, such as many foodstuffs, require the marketing activity to be tailored to local cultures.

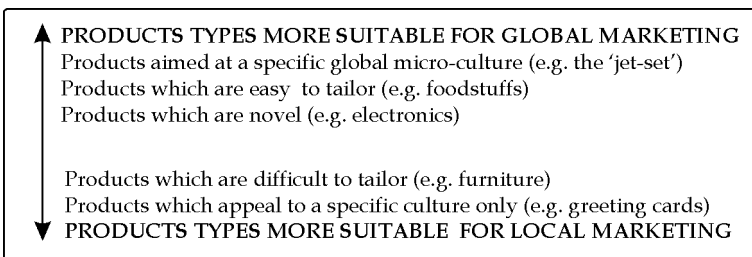
There are *two strategic approaches to cross-cultural marketing*:

- ✦ *Global marketing* – which uses common cultural characteristics of consumers.
- ✦ *Local marketing* – which makes uses of differences in consumers from different cultures.

At its most extreme, global marketing is the selling of world brands using the same marketing strategy worldwide. Ohmae (1989) suggests that the products most amenable to such treatment are 'modern' electronic products which, because of their novelty, transcend traditional cultural boundaries. It is easier to create a global cultural innateness for a product which has not existed before than one which has already become ingrained in the individual cultures. Similarly, those products that appeal to a specific world micro-culture, such as the very rich or younger generation, are also amenable to global marketing. Examples of these include expensive designer clothes and accessories (Versace, Gucci) for the rich and music for the young (artists such as Lady Gaga) have been marketed in this way.

Examples of truly local marketing, where both the product and message are modified, are more difficult to find. One example is the way in which many foreign lagers are marketed in Ireland. With their history of drinking draught bitter and stout, the Irish have a very different perception of 'light' beers to many of other European countries. Much of the promotion of lagers within Ireland is aimed at establishing a market position for lagers, a form of marketing not required abroad where lager drinking already predominates.

**Figure 8.2. Product types more suitable for both global and local marketing**



In support of the scheme presented here, some marketers label the products most suitable for global marketing as 'high tech' and 'high touch' (Schiffman & Kanuk, 2010). By this they mean that high technology products (such as computers and cameras) and high touch products (perfumes, wrist watches) are more likely to transcend cultural differences and are thus more amenable to global marketing. In contrast, products which are low technology or low touch are more suitable, it is claimed, for a local marketing strategy.

## ACTIVITY

*Which of the following are suitable for global marketing and which are better suited to local marketing?*

- *photocopiers*
- *mobile phones*
- *electric guitars*
- *work clothes*
- *MP4 players*
- *camera film*
- *pre-cooked meals*
- *gold, precious jewellery*

Integration and globalization processes have great impact on the mixing of cultures and may contribute to the disappearance of cultural differences in the area of consumption. This is partly explained by the convergence theory, according to which patterns of consumption behavior are becoming more similar through unification of the market systems among societies. However, the process of unification of consumer behavior is not occurring at a very fast pace. Convergence is accompanied by the opposite phenomenon of divergence, in which cultures distance themselves from one another and strive to preserve their identity (Raymond, 2003). Although symptoms of these phenomena can be observed at some analytical levels, there is no explicit proof either for cultural convergence or divergence. In the conditions created by globalization and integration processes, the encounters and confrontations of cultures as well as inclusion of particular countries into the system of the open economy appear as forerunners of, but without a guarantee of, total convergence (cultural, economic).

Cultural factors are very potent in shaping the decision-making processes of all market subjects, but keeping track of the tendencies of cultural changes is significant both from a theoretical and a practical point of view. The majority of change tendencies in a cultural environment revolve around *two approaches* (Harcar, Spillan & Kucukemiroglu, 2005):

- ✦ observation of changes within particular national cultures leading either to cultural assimilation or serious cultural differentiation and
- ✦ identification of changes on an intercultural level in terms of cultural inter-relations with special focus on the analysis of globalization tendencies.



The study into tendencies of cultural changes is difficult not only due to the multidimensional and multi-directional character of the tendencies, but due to their diverse dynamics. International cultural changes result from intensified international transfers and consist of the following processes (Doole, Lancaster & Lowe, 2005):

- ✧ *mutual culture penetration* – elements of one culture penetrate another, culture coexistence;
- ✧ *shrinkage of the territorial dimension of cultures* – it is getting increasingly difficult to define culture on the basis of its territorial boundaries, national culture gets separated from a country's territory;
- ✧ *culture contamination* – the cultural identity of a nation undergoes specific transformations;
- ✧ *cultural pluralism* – combining home, local, and transnational customs; and
- ✧ *hybridization* – foreign influences are assimilated into a local culture, resulting in a fusion-type culture, hybridization is additionally reinforced by the marketing activity of global firms.

Intensified interpersonal contacts on an international scale contribute to the spread of cultural patterns across countries through the mechanism of intergroup imitation. Nowadays, a person is faced with separate cultural systems: some are determined by national and regional traditions that affect consumer tastes and preferences, and some are universal patterns determined by mass culture and brought about by the disappearance of cultural differences and globalization of consumption. A global culture or the so-called ethics of global consumption consists in identification of sets of common values respected by consumers on a global scale (i.e., pressure toward modernity, technology, freedom, individual choice, health, environmental protection, enforcement or observance of consumer rights) (Schiffman & Kanuk, 2010).

---

## Subculture

Each culture is made up of many subcultures, which appear as patterns and norms of functioning in a social group that is part of a larger population. A subculture defines some life segment, and its culture may be distinguished on the basis of a certain criterion (ethnic, professional, religious, demograph-

ic) (Harris, 2010). The most common subcultures are racial, national, demographic, and religious subcultures. They form separate cultural groups, which function as separate market segments within a larger and more complex society, affecting consumer behavior in a direct and more significant way than culture itself. Subculture identification exerts strong and noticeable influence on the daily behavior of a consumer, defining consumer preferences with respect to diet, clothing, leisure, work ambitions, and so on. Knowledge of the needs and tendencies of subcultures makes it possible for a company to select an appropriate marketing strategy, whose effectiveness is expressed in acceptance of the values and style of living of a definite group (Solomon, Bamossy, Askegaard & Hogg, 2010).

There are few broad sub-cultures in each country based on ethnicity, age, geography, religion, gender, occupational and social class:

- ✦ *Ethnicity* – this includes not only indigenous population groups, such as the Indians in USA, but also from those groups that have settled in this country.
- ✦ *Age* – within society there are certain values and attitudes which are shared by persons of a similar age. For instance, people brought up during the war years shared some very extreme changes in society such as rationing and life-threatening situations which few persons have since experienced.
- ✦ *Geography* – the physical separation of people can lead to the development of distinct cultures in different regions.
- ✦ *Religion* – those who subscribe to a particular religion are strongly influenced by its customs and practices. Most religions dictate rules which their followers must abide. These often include dietary, social and ethical requirements.
- ✦ *Gender* – traditionally, in our culture, women have been considered 'home makers' whilst men have been considered the 'bread winners'. Whilst these descriptions are no longer accurate or relevant, many advertisers perpetuate, or otherwise use these stereotypes, and other gender differences to market products.
- ✦ *Occupation* – people with similar occupations tend to share similar lifestyles and incomes. It is common for insurance companies, for instance, to target specific occupations which have been proven to be of a lower risk.

## Social classes

---

In addition to culture and subculture, social class is another significant determinant in the group of so-called cultural factors. Recognizing the predictive power of social class as a determinant of consumer behavior seems especially important from the perspective of class and income differences in a society (Hawkins & Best, 2004). Social class provides its members with social identification patterns and models of accepted behavior. It can be characterized by social status and prestige, among other things. Social status involves power exercised by one social class to influence members of other classes. Prestige, in turn, is the position of a social class in relation to other social classes. Due to their prestigious character, higher social classes provide a pattern to be followed by members of the lower classes of a society (Evans, Moutinho & van Raaj, 1996).

It can be noted that the development of a consumer culture in countries in economic transition, such as Central and Eastern European states, has been temporarily restricted by loss of people's self-confidence and pride in their local culture, as well as by alienation and an increased level of frustration. Currently, in Central European countries that have become EU members, one can observe tendencies to adopt the symbols of Western material culture. Consumers in these countries have direct access to the culture of Western Europe. With the development of global consumption, consumer product preferences become gradually standardized. However, unification of the world culture and subordination of local cultures are rather unlikely to happen. It is, instead, probable that many consumer cultures will emerge; and a mixture of global and local values will evolve.

Consumer behavior is becoming more strongly determined by new tendencies and cultural transformations that are related to consumption, such as changes in the amount of free time, better education, heightened professional activity of women, extension of the life cycle, reduction in the number of household/family members, changes in role assignment, and so on. In global terms, these tendencies are of a similar character; yet, compared to other determinants, cultural factors are less susceptible to processes of unification (Evans, Moutinho & van Raaj, 1996). Hence, it can be concluded that these factors are of greater significance for activities undertaken by companies in the European market.

### ***Types of social classes in Europe***

*In Europe, social class, apart from objective determinants (i.e., profession, financial position, income, education), is based on subjective factors that include, among others, the opinion of an individual person about his/her own social position and the prestige of a particular job, or the prestige attributed to an individual by other social groups.*

*In France, social classes have been distinguished on the basis of four socio-professional categories defined by the INSEE agency:*

- *Upper class (A)*
- *Middle class/lower bourgeois (B)*
- *Lower class (C)*
- *Class of the economic weak (D)*

*In Spain, social classes have been divided into six groups:*

- *Higher middle class (A)*
- *Middle class (B)*
- *Lower middle class (C1)*
- *Qualified labor class (C2)*
- *Labor class (D)*
- *Class living on very low level (E)*

*The Central and Eastern European countries have distinguished five classes in their societal structure:*

- *Upper class*
- *Upper middle class*
- *Middle class*
- *Peasant class*
- *Working class*

Source: Karcz & Kędzior (2004)

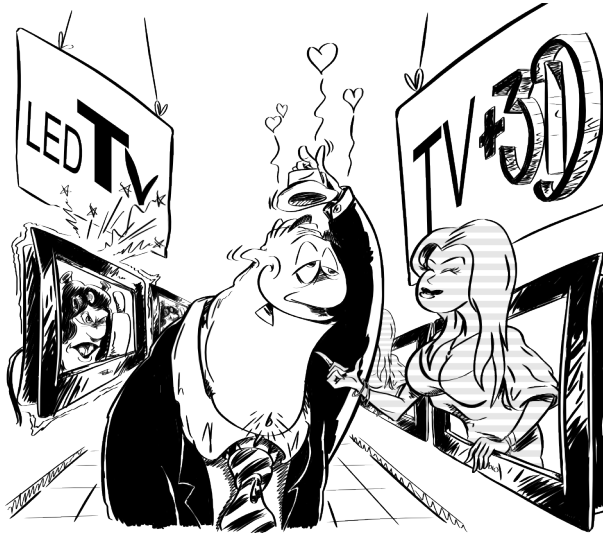
Processes of integration and globalization bring about cultural, civilization, and custom changes revealed in the fast diffusion of consumer behavior patterns and in the development of homogenous consumer segments on a European scale. This, however, is not tantamount to the emergence of a typical European consumer. One can only speak of the existence of similar consumer types in all EU countries.

## Recomended literature

---

1. Crane, R., 2000. *European business culture*. New York: Financial Times Press.
2. Schiffman, L. G., & Kanuk, L. L., 2010. *Consumer behavior: global edition*. London: Pearson Higher Education.
3. Solomon, M. R., Bamossy, G., Askegaard, S. & Hogg, M. K., 2010. *Consumer behavior*. New York: Financial Times Press.
4. Antonides G. & van Raaij, W. F., 2003. *Consumer behavior. European perspective*. New York: John Wiley & Sons, Ltd.
5. Cohen, L., 2003. *A Consumers' Republic: The Politics of Mass Consumption in Postwar America*. New York: Alfred Knopf.

### Social and demographic determinants



#### Chapter describes:

- ✦ Different social factor determining consumer behavior
- ✦ Types of reference groups
- ✦ Age, gender, education and other demographic determinants of consumer behavior

#### You will be able to:

- ✦ Define social groups which consumers belong to
- ✦ Identify roles of consumer in different social groups
- ✦ Point demographic features which determine consumer decisions on market



## Social factors determining consumer behavior

Social factors consisting of various types of social groups, including reference groups or opinion leaders, are another group of socio-cultural determinants of consumer behavior. A group may be defined as two or more people who interact together and share some common attitudes and/ or behaviors. Generally speaking, people are naturally sociable. There is a strong desire amongst most people to form part of a group. This group may be a family, a department at work, or a social club (Solomon, Bamossy, Askegaard & Hogg, 2010).

### DEFINITION

*A **GROUP** may be defined as two or more people whom interact together and share some common attitudes and/or behaviors. This definition is by no means comprehensive. It is perhaps easier to define a group in terms of its characteristics. A collection of people which possess most of the characteristics listed are usually deemed to constitute a group:*

- *More than 1 person.*
- *Sufficient interaction between members.*
- *Perception of themselves as a group.*
- *A certain set of agreed/accepted values (called norms).*
- *Allocation of specific roles (different activities) to members.*
- *Social (affective) relations between members.*
- *Shared aims.*

Most research work by psychologists and sociologists has shown that groups, specially references groups, exert a strong influence on the way we behave. Reference groups denote groups of people that constitute a reference point for comparisons and assessments of an individual's own opinion and behavior, as well as for the formulation of values and attitudes (Blackwell, Miniard & Engel, 2001).

From a marketing perspective, reference groups are useful in that they are influential in the formation of consumer behavior. A teenager may, for instance, decide to dress in a certain way because of the influence of his, or her, schoolmates. In this example the schoolmates are the reference group.

There are two general types of reference groups:

- 1) *Normative groups* – these are groups which shape the basic attitudes and behavior of an individual. The most prevalent normative group is the individual's family.
- 2) *Comparative groups* – these are groups which are used to compare and contrast one's existing attitudes and behaviors.

Reference groups are frequently *categorized on the following dimensions* (Harris, 2010):

- ✦ *Ascribed versus acquired groups* – ascribed groups are those to which an individual naturally belongs, e.g. gender, family unit. Acquired groups are those to which an individual actively seeks membership, e.g. health club.
- ✦ *Formal versus informal groups* – a formal group is well-defined in terms of its structure and purpose, e.g. parliament. Informal groups are less structured and exist primarily to fulfill a social function, e.g. a group of drinking 'buddies'.
- ✦ *Primary versus secondary groups* – primary groups are usually small and associated with more personal contact, e.g. close friends, colleagues at work. Secondary groups are usually larger with communication which is generally less personal, e.g. colleges, large work groups.

#### ACTIVITY

*List 5 reference groups that you belong to. For each of these decide whether it should be classed as a normative group, comparative group or whether it fulfills both functions.*

There are *two important reference groups* to which an individual does not belong (Kotler & Keller, 2009):

- 1) *Aspirational groups* – these are groups which an individual likes to join, e.g. rock musicians, artists.
- 2) *Dissociative groups* – these are the groups in which an individual actively avoids a membership of, e.g. for some people the Hell's Angels motorbike club might be such a group, others might actively avoid working in the arms industry.



## ACTIVITY

*Categorize the following groups on the dimensions: ascribed/acquired, formal/informal, primary/secondary. Note whether they might also be aspirational or dissociative.*

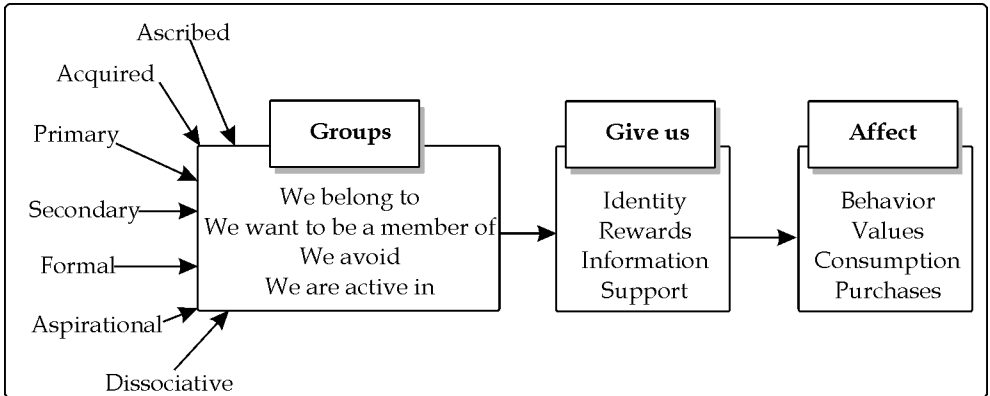
- *Dance troupe,*
- *Local branch of political party,*
- *Your college class.*

From marketing point of view, informal, primary groups are of the most interest as they are likely to exert the most influence on an individual's consumer behavior. In addition, aspirational groups are the most important non-membership groups for the same reasons. Those groups affect buying behavior in a normative, informative, and evaluative way. The normative influence occurs when a group provides the individual with certain norms of behavior. The informative influence is connected to guaranteed provision of credible information by a benchmark group with respect to buying decisions. The evaluative influence, in turn, occurs when the consumer is aware of the values and attitudes accepted by a benchmark group and lets them affect him/her (Diller, Shedroff & Rhea, 2006).

In addition, one can distinguish influence exerted through roles, which means that each position occupied by the individual in society is related to a certain role. This role is restrained by acceptable and permissible behavior and has a concrete set of products/props, as well as is characterized by so-called group conformism. Group conformism is a change in behavior, attitudes, and opinions as a result of real or projected pressure from another person or a group of people (Evans, Foxall & Jamal, 2009). The influence of reference groups refers particularly to the choice of products, brands, preferences, ways of searching for information, sensitivity to economic factors, susceptibility to promotional activities, and so on.

## ACTIVITY

*Watch 3 or 4 commercial breaks on TV and identify those where referent group appeal has been used. Identify which type of appeal.*

**Figure 9.1. Reference groups and their influence on consumer behavior**

Source: Phipps & Simmons (2008)

When consumer join a group he/she must accept certain norms, which govern the behavior of the group, and take on a certain role (whether it be active or passive). Norms may apply to any aspect of the behavior of the group. If you joined Greenpeace, the environmental action group, you would be expected to agree with their 'direct action' method of campaigning. You might also be expected not to buy environmentally-unfriendly products, where alternatives were available, to avoid unnecessary car travel, and to vote for the Green Party. As a member of a local Greenpeace group you might also be given, or take on a number of roles: as organizer of a door-to-door collection, as press officer and so on.

Norms commonly affect the following *aspects* of the group culture:

- ✦ Physical appearance and dress.
- ✦ Social and leisure activities (even when these are not the main business of the group).
- ✦ Language and gestures used.
- ✦ General opinions, attitudes and beliefs.
- ✦ The way in which the group carries out its own business.

Roles within a group are decided, primarily, on how we see ourselves and what others expect of us. If we see ourselves as a leader we are likely to try for this role. Alternatively, if others see us as 'leadership material' we are likely to be offered this role. Within any groups a number of role types commonly exists. Most roles inevitably fall into the first two *categories*:

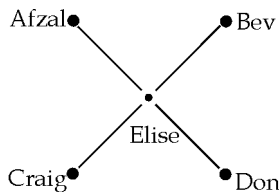
- ✦ *Task roles* – a member or members concerned with pursuing the goals of the group (often referred to as the members who 'get things done').

- ✦ *Maintenance roles* – a member or members concerned with keeping the group operational and efficient (these may be the group administrators or act as emotional supports for the group).
- ✦ *Comedy role* – a member who is a joker or the willing butt of jokes.
- ✦ *Observer role* – a passive observer of proceedings.
- ✦ *Deviant role* – a member who constantly disagrees and challenges the group norms.
- ✦ *Specialist role* – a member who is held as being a specialist in the technical activities of the group.
- ✦ *Spokesperson role* – a member who communicates the activities of the group to non-group members.

The way in which group members communicate with one another is important to marketers. The direction and density of communication affects how quickly decisions are made, the satisfaction of group members and the quality of the decision. Study of communication patterns might also help you to market your products more effectively and efficiently. The sociometric method is the technique mostly used to determine communication patterns. Individuals are asked where they obtained advice or information on a certain subject or product and whom they provided with advice or information. Lines are then drawn on a diagram between circles representing the individuals involved to form what is called a sociogram. It might be that you wish to know how knowledge of a particular product spread within a community or how consumers found out about a special offer.

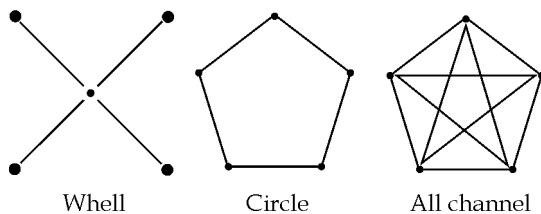
### EXAMPLE

*For instance, Afzal, Bev, Craig and Don all state that they bought a new book because of a recommendation from their mutual acquaintance Elise.*



*When such studies are undertaken, three common sociogram patterns emerge; circle, wheel and all-channel. These are illu-*

strated below for a five person group. Each line represents a channel of communication, each dot represents an individual.



### ACTIVITY

*How do you communicate within your class? Pick a subject which has been discussed at a recent break time and draw out a sociogram. Describe the various structures you discover.*

Apart from reference groups, opinion leaders play another significant role as social determinants of behavior. Opinion leaders are people who informally, consciously, or unconsciously affect other people's motives, attitudes, and buying decisions (in one or in many areas). Their influence is connected with non-formal communication, which is gaining more significance in current market conditions (Schiffman, Bednall, O'Cass, Paladino, D'Alessandro & Kanuk, 2008). Within reference groups, there is still another vital factor, i.e., the family, which appears as the most potent primary reference group. A distinction should be made between the so-called family of upbringing and the family of procreation. The latter, i.e., the spouse and children, exerts the most direct influence on a buyer's behavior, as it forms the most important social unit that buys goods and services. Other family factors determining consumer behavior include stage of family life cycle, so-called life transformations, arrangement of roles, model of decisions made in a family, and family demographic features, i.e., place of residence, professional activity, personal composition, and so on.

### ACTIVITY

*What demographic characteristics would you imagine an opinion leader in the following purchasing decisions might possess?*

*Who would you consult about purchasing Top 10 chart music?*

*Who would you consult about purchasing a violin?*

*Who would you consult about purchasing a sewing machine?*

## Demographic determinants in explanation of consumer behavior

Demographic determinants are among the most essential objective determinants of consumer behavior. They comprise age, gender, household size, stage of family life cycle, profession, education, race, and nationality, among others. Despite the growing influence of social, cultural, and psychological determinants on consumer behavior within the last decades, demographic determinants still remain essential variables characterizing the consumer. First of all, they differentiate needs, stimulate or inhibit definite consumer behavior, and determine the conditions of the occurrence of behavior. Additionally, they are easy to identify and constitute one of the fundamental criteria of market segmentation and typology.

Demographic factors allow divisions based on generations, including the Silent Generation (year 1909–1945), the Baby Boomers (1946–1964), Generation X (1965–1980) and Generation Y (1981–1995) (Graham, 2010). People of the Silent Generation (today accounting for 26% of the population of Europe) grew up in the difficult and turbulent times of world wars, which resulted in predictability and rationality in their decisions. Unlike the Silent Generation, Baby Boomers (30% of the population) are people who, since their birth, have been setting trends: they contributed to the dynamic development of the toy industry in their childhood; their adolescence marked the time of the expansion of fast food chain restaurants; and during their adult life, they shaped the real estate market. Currently – on account of their age – they make demands concerning their health, physical, and mental fitness. Generation X (about 17% of the European population) is a generation of discouraged people, frightened by the perspective of a crisis; or they reject the hunt for money, and traditional values. While growing up, they began to set up their own businesses and establish families (Solomon, Bamossy, Askegaard & Hogg, 2010).

### ACTIVITY

*Think how you might use age differences to market a new dating service in different countries in Europe.*

Age is of considerable importance among the variables of consumer behavior. It is particularly vital during the initial and final stages of human life. With age, changes occur in people's needs and consumption volume, market decisions, and roles in the buying processes (Harcar, Spillan & Kucukemiroglu, 2005). Age also marks boundaries of buying possibilities: children, for example, have a limited ability to take legal actions, whereas more senior people, due to their health condition, are limited in their abilities to compare goods and to make purchases.

Adulthood is the period of the greatest market activity, which is mainly due to the fact that the age of 35–55 is the time of achieving the highest income level during the whole lifetime. Consumers aged 35–44 spend most on household maintenance, cars, and entertainment. People aged 45–54 spend 30% more on foodstuffs and clothing and 57% more on savings within pension schemes than those in other age categories (Solomon, Bamossy, Askegaard & Hogg, 2010). The increased expenses in maturity are a factor differentiating consumer behavior at various stages of adulthood because uniformity of lifestyles in different age groups leads to standardization of consumption within each group. However, 'attributing' definite products or brands to a definite age group is no longer valid. On the contrary, seeing that more mature consumers are interested in offers targeted at younger people, producers may decide to expand their offer with products addressed to older people, without tarnishing the image of a youth brand.

**EXAMPLE**

***Children as buyers on the Lithuanian market***

*At present, children and young people are an important group of buyers of market products. In Lithuania, the population of children and young people is in decline, yet every fifth person is under the age of 19. The role of children in buying decisions is growing proportionately to their age. In the early years, their influence concerns the purchase of sweets, favorite snacks, or toys. Teenagers, in turn, press for purchases of clothes and holidays, as well as act as initiators of purchases of consumer durables, particularly electronic equipment. According to research results, children have the greatest impact on the purchase of products to be used by them. Their influence is rather moderate*

*with respect to activities undertaken by the whole family (vacation, restaurants), and the lowest when it comes to the purchase of consumer durables and expensive goods. In the case of consumer durables, though, children's role is most prominent in the initial stages of the decision-making process (problem recognition, information search) and less important in the phase of a product purchase. Children can also decide about certain aspects of a purchase, leaving other aspects to parents. Consequently, they make a decision about a cell phone model, yet the choice of the operator or the place of purchase, as well as the type of contract remains in the parental power.*

Source: DG SANCO (2007)

Elderly people constitute a very special group of consumers (Lambkin, Foxall, van Raaij & Heilbrunn, 2001). In the monthly budgets of seniors, savings reaches a slightly lower level than that of working people. Elderly people make their purchases in a more planned and organized way. Several times a week, they buy food in small local stores close to their home. They form their opinions of market offers mainly on the basis of their knowledge and experience. Average expenses of senior households are higher compared to working households, as well as to expenses of all households. The expenses mainly concern basic goods: according to observations, the expenses connected to satisfaction of nutrition, accommodation, and health needs account for the largest share of all expenses. Households of senior people have a higher level of consumption of food (by about 20-30%), but a lower level of purchasing durable products. Additionally, the equipment used by senior households is not new (Harris, 2010).

Gender is another determinant of consumer behavior. Gender differences affect consumer expectations of market goods and services, consumer ways of buying goods, and roles in the decision-making process. The comparison of male and female shares in decision making has revealed that women are more frequent decision makers with respect to shopping and big purchase planning, whereas men make decisions about ways of gaining the means of need satisfaction. With regard to definite goods, it turns out that male decisions chiefly concern all technical parameters of a purchased product, and whether the

product will be bought or not. Women, in turn, take the lead in decisions concerning the appearance of the product (Schiffman & Kanuk, 2010).

Household size also belongs to the group of demographic determinants, which, together with income, determines the way a given household is furnished with consumer durables – the higher the number of family members, the better the standard of household furnishing with consumer durables. The average monthly consumption of food per capita decreases with an increase in the number of family members. It turns out that the average food consumption per capita of a one-member household is 20 to 85% higher than that of a multi-member household (Hawkins & Best, 2004).

Finally, the stage of family life cycle appears as an especially significant determinant of decision-making processes. Generally, the older the family, the more autonomic are the decisions are made by its members. Households run by 20-year-olds have a lower level of average spending than other families, as income in this age group is lower. In the course of maturing, consumers achieve higher income levels (until retirement); and therefore, in time, they can afford to increase their expenses on luxuries, higher-quality home furnishings, better services, and food. These changes, however, entail other types of decisions and different ways of making them. The analysis of the family life cycle assumes the existence of breakthrough moments that change consumers' previous priorities into new ones. These moments include the establishment of a family, the birth of a child, leaving home by the last child, the death of a spouse, retirement, or even divorce. These types of experiences provoke substantial changes in the level and structure of consumption expenses (Solomon, Bamossy, Askegaard & Hogg, 2010), as well as in the ways and models of decision making.

#### EXAMPLE

##### ***Way of spending free time by Finish consumers***

*Research carried out in the Finish market reveals that numerous families prefer to spend their leisure in an active way – by participating in sports or tourism. Two-member families (childless) also prefer to spend their free time outside the home, but by meeting friends or going to the theater or museum. Additionally, they like tourism or meetings. Three-member families most*



*frequently choose entertainment that does not require leaving home – watching TV or taking care of the house, animals, and garden. The interest in computer games grows proportionately to the number of family members, but declines with respect to the cinema and social activities.*

Source: DG SANCO (2009)

Education is considered to be another key factor that has a determining influence on consumer market behavior. Accordingly, people with basic education prefer to watch TV, tend to their house or garden, or look after their animals – generally activities that do not require leaving home or making a physical or intellectual effort. They like to relax together at home (Blackwell, Miniard & Engel, 2001). Quite an opposite approach is seen in people with tertiary and secondary education -- they go in for sports and tourism more often than people of other educational levels. People with a bachelor's degree spend their free time visiting friends; shopping; and going to concert halls, theaters, and museums. The higher the level of education is, the greater the people's interest in the cinema, tourism, and social activities outside the home. The degree of attractiveness of watching TV and tending to one's own home declines with the level of education. A higher level of education causes a rise in independent decision making by males and females and a fall in mutual decision making or decisions made by children (Evans, Foxall & Jamal, 2009).

Race and nationality are the most potent determinants with respect to consumer eating customs and habits, and slightly less important for consumption of consumer durables and services. As a result of migrations, many countries have seen minority groups foster the development of ethnic markets, stores, and service points (Raymond, 2003). Consequently, they affect the local society, leading to the mixing of cultures. Nevertheless, some groups live in isolation, trying to preserve their native character. Affiliation with a consumer ethnic group affects degree of vulnerability to a media message, type of message, food preferences, political views, type of leisure, and readiness to try out new products.

## Recommended literature

---

1. Doole, I., Lancaster, P. & Lowe, R., 2005. *Understanding and managing customers*. New York: Financial Times Press.
2. Evans, M., Moutinho, L. & van Raaij, W. F., 1996. *Applied consumer behavior*, Harlow: Addison-Wesley Publi. Co.
3. Graham, J., 2010. *Critical Thinking in Consumer Behavior: Cases and Experiential Exercises*. New Jersey: Prentice Hall.
4. Lambkin, M., Foxall, G., van Raaij, F. & Heilbrunn, B., 2001. *European perspective on consumer behavior*. London: Prentice Hall Europe.
5. Raymond, M., 2003. *Tomorrow people: future consumers and how to read them*. London: Financial Times Press.

# Psychological determinants



### Chapter describes:

- ✦ Motives and attitudes as determinants of consumer behavior
- ✦ Notion of perception and emotion
- ✦ Other psychological determinates of consumer behavior



### You will be able to:

- ✦ Develop motivation program for consumer on different market
- ✦ Assess how emotion influence consumer decisions
- ✦ Define importance of beliefs and values in creation consumer attitudes
- ✦ Influence on consumer leaning process

## Psychological factors determining consumer behavior

---

Differentiation of consumer behavior is explained through an array of objective factors. It is obvious, however, that psychological factors are of equal or even greater importance for determining individual consumer decisions. Today, one can observe that these factors are gaining more significance in developing countries, as well as in emerging markets, because improvement in a consumer's material situation blunts his/her sensitivity to economic conditions, thus opening the way for more personal factors like motives, preferences, and attitudes. These and other determinants form a group of subjective factors defined as intervening variables that influence people's buying decisions. Objective factors provide certain foundations, mostly material ones, for definite consumer decisions. However, these objective variables and the individual's response come under the influence of other, subjective factors (intermediary) that are mostly responsible for the shape of the final consumer reaction (Schiffman & Kanuk, 2010). Psychological determinants, which greatly affect consumer buying behavior are motivation and attitude. However emotions, perception, remembering, learning, personality, and habits plays also significant role in determining consumer behavior.

### Motivation

---

Motivation is another example of a factor determining consumer behavior in the market. It is defined as an internal process that conditions human endeavors to reach certain goals or as activation, an incentive or a reason for initiation or continuation of a certain behavior (Raymond, 2003). The study of motivation is concerned with why people choose to behave in a certain way. In particular, it is concerned with:

- ✦ The most basic human requirements – referred to as 'needs'.
- ✦ How these needs translate into behaviors – referred to as 'drives'.
- ✦ What these behaviors aim to achieve – referred to as 'goals'.

In an organization context, understanding what motivates a workforce is of prime importance to ensuring their continued productivity and satisfaction. In a marketing context, understanding what motivates a consumer is equally

important. It enables products to be produced which are both desired and satisfying. An understanding of what motivates is also of use in preparing promotions and can be used for market segmentation purposes.

Motivation has its own direction (it is oriented to reaching a certain goal) and intensity (Hawkins & Best, 2004). Intensification of motivation depends on the importance and intensity of the need that generated the motivation. However, the choice of a concrete direction and action as well as the ultimate goal is made on the basis of a consumer's mental (cognitive) processes and previous experience.

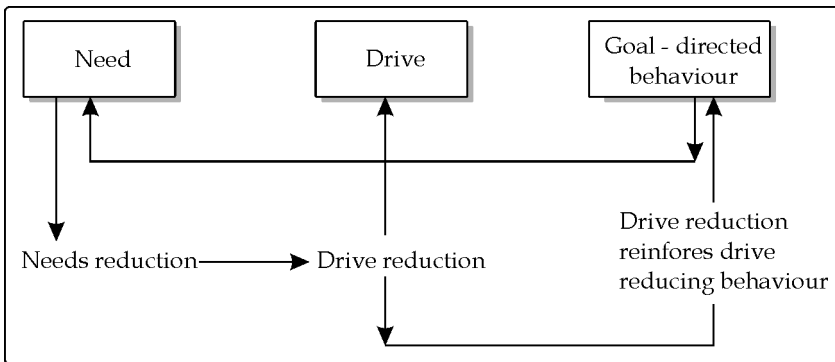
It is worth mentioning the fact that motivation may be of a positive character (when the consumer seeks something worth the effort, when he/she wants to improve his/her current condition) or a negative character (when the individual, through a certain activity, wants to avoid negative phenomena, wants to protect himself/herself against something) (Schiffman & Kanuk, 2010). Along with these two types of motives, there exist some other types, including internal and external, innate and acquired, primary and secondary, general and selective, rational and emotional, and conscious or unconscious (Diller, Shedroff & Rhea, 2006). Motives are most commonly distinguished on the basis of their characteristics – the description of what they refer to, i.e., a concrete need (e.g., hunger, safety, affiliation, etc.). Consequently, a practical classification of motivation is concurrent with a classification of needs.

The establishment of the motives and needs behind consumer needs is of key importance for an effective marketing policy designed to satisfy them. Nonetheless, it is a difficult task because the motives underlying certain behavior are generally quite varied. People buy products not only on account of their functional value, but also to impress other people, indulge their whims, improve their social position, or spend earned money. Nonetheless, even a very precise definition of consumer needs does not guarantee success, as the most difficult task for the manager is to transform a need into an actual motivation, i.e., to persuade the consumer who experiences some lack to take concrete actions. Moreover, one motive can spur actions aimed at different goals (objects). These actions are equally capable of satisfying the consumer's initial need (e.g., hunger may provoke the consumer to prepare a meal or order a pizza by phone), so it is difficult to predict possible consumer behavior upon generation of a certain motive. Despite these problems, attempts are made to

apply the theory of motivation in practice, especially to develop effective promotional messages (Solomon, Bamossy, Askegaard & Hogg, 2010).

One of the most popular theory which links needs and drives with goals is that of Hull. His Drive-Reduction Theory attempts to explain both motivation and learning. He was mostly concerned with the operation of primary needs but principles he presents are of general interest. Hull's theory is illustrated in Figure 10.1. A need gives rise to a drive and corresponding behavior aimed at reducing the drive and thus the need.

**Figure 10.1. A simplified view of Hull's Drive Reduction Theory**



Source: Blythe (1997)

According to Hull, this act of reducing the drive (drive reduction) reinforces the drive-reducing behavior thus making the behavior more likely to occur again in response to recurrence of the need.

#### EXAMPLE

*Suppose we are on a beach and feel thirsty. We will go to find the nearest source of refreshment, a beach bar perhaps. According to Hull's theory we are most likely to drink a product which has satisfied our thirst in the past, Żywiec water for instance. If this is not on sale, we may pick something similar, or try something new, and this (if it satisfies us) is then more likely to be selected next time we are thirsty.*

*As well as positive motivations (in the above example, the drink) we can also experience negative motivations or avoidance of certain items or situation. If we are thirsty, for example, we are likely to avoid salty things, which are likely to make us even more thirsty. To give another example, if we are cold we will avoid situation which will make us colder (avoidance of cold) and seek out situation, that make us warmer (approach warmth).*

One of the biggest problem is connected with measuring consumer motives. The most popular techniques for motivation research are undoubtedly projective techniques. However, depth interviews and group discussions are also used. Unlike other uses of these methods, the focus is to uncover *why* a particular behavior took place. The group discussion can yield more information than individual in-depth interviews but is not suitable for the discussion of certain topics such as those that might embarrass, are difficult to discuss in company or require very individual consideration.

## ACTIVITY

*Try interviewing fellow students about their motivation for undertaking the marketing course. Start by asking the question:*

*Why did you decide to apply for this particular course at this particular university?*

*Make notes as they answer. After each answer your aim is to ask another why question about some detail of their previous answer. It is likely that a number of opportunities for further questioning will arise, make sure no opportunity is missed. Note each question, returning to it if necessary.*

*What needs and motives did you identify?*

## Attitudes

---

Attitude is another factor determining consumer behavior. Attitude is a relatively constant and coherent assessment defining a person's approach to a certain object, item, or idea. (Kotler, Keller, Brady, Goodman & Hansen, 2009). Attitudes indicate the individual's knowledge and feelings, which reflect either positive or negative approaches towards a given object. Additionally, they reveal themselves in definite beliefs and behavior. A learned orientation or disposition, toward an object or situation, which provides a tendency to respond favorably or unfavorably to the object of situation. The learning may not be based on personal experience but may be acquired through observational learning and identification (Rokeach, 1968). Attitudes are likes and dislikes (Bern, 1979). An overall evaluation that allows one to respond in a consistently favorable or unfavorable manner with respect to a given object or alternative (Kiezel, 2011)

All this is linked to the concept of a system of attitudes composed of the following components: a behavioral component, comprising the intentions of behavior ('I plan to buy healthy food'), a behavior component ('I buy food items from healthy food stores'), a cognitive component ('I know that ecologically grown vegetables contain more antioxidants and fewer nitrates'), an emotional component ('I like eating healthy food'), and finally the attitude itself as a total evaluation including its other components ('I am for the development of ecological farming and the selling of healthy food') (Evans, Foxall & Jamal, 2009). Attitudes, including those concerning products, buying customs, and places of purchase, can be acquired by assimilation from other consumers (e.g., from parents, peers) or through one's own behavior and experience (e.g., as a result of trying our various products) (Graham, 2010).

Attitudes are normally thought of as resulting from a combination of beliefs and values. The relationship between attitudes and our beliefs and values is a complex one.

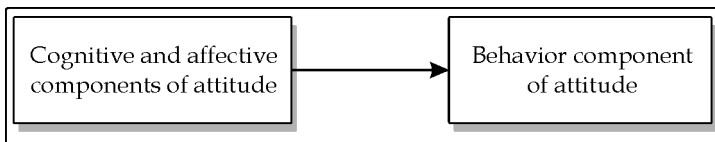
- ✦ *Beliefs* – the body of knowledge we hold about the world (may be incomplete or inaccurate). Beliefs are often expressed in sentences where the word 'is' appears. For example, the information that 'Guinness is good for you' was presented as a fact in a clever advertising campaign. Undoubtedly, this view now forms part of many peoples' belief system.



- ✦ *Values* – these are deeply held views about what is good, desirable, valuable, worthwhile. Unlike beliefs, these are usually ideals to which we aspire and may be expressed in sentences where the words 'should be' appear. For example, 'Health care should be free to all' is an expression of the value of social justice.

As marketers, we are most interested in being able to predict and alter the behavioral component of attitudes. We want people to like our products but also buy them, remain loyal and recommend the products to others. All these involve action of some sort. Figure 10.2 represents a simple model of the relationship between attitudes and behavior. In this simple model positive cognitive and affective perceptions of an object lead to positive behaviors and vice versa.

**Figure 10.2. A simple model of the relationship between attitudes and behavior**

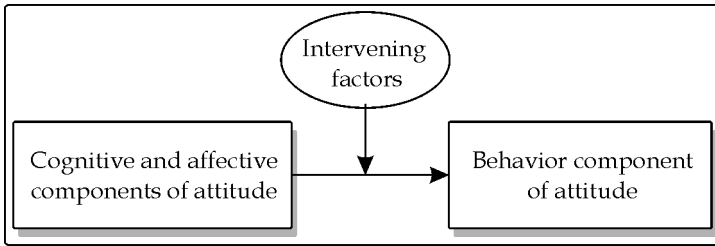


Source: Graham (2010)

Unfortunately, psychological research has found that there is no clear relationship between measured attitudes and behavior. Perhaps this is not surprising as many of the factors which also influence our behavior are outside our own control. It might be, for instance, that we would like to take a 3-week holiday in Italy. We are extremely favorably disposed towards the idea but there are a number of reasons why we might not be able actually to book the holiday.

Some examples of outside influences, in this instance, might be:

- ✦ We have no money.
- ✦ We cannot get the time off work.
- ✦ There are no more bookings available for Italy this year.
- ✦ Italy has an air traffic control strike on at the moment.
- ✦ A family member is ill and needs our support.

**Figure 10.3. Relationship between attitudes and behavior**

Source: Ibid.

Attitudes are only one factor in behavior. They are a predisposing factor. In other words, without any other interventions, the attitudes would lead more directly to behavior. The following intervening factors are said to affect the degree to which attitude leads to behavior (Karcz & Kędzior, 2004):

- ✦ *Unforeseen events* – it may be that unforeseen events lead to a change in behavior. For instance, you may wish to go to a football match but it starts raining so you reluctantly make alternative arrangements.
- ✦ *Elapsed time* – as attitudes are dynamic, the longer the elapsed time between measurement of the attitude and the behavior you are trying to predict, the less likely there is to be a link.
- ✦ *Situational factors* – it may be that the situation you find yourself in precludes action. For example, a consumer may wish to buy a tub of ice cream but the shops have just closed or they may not have enough money to hand.
- ✦ *Stability* – a particular attitude may be unstable in that you keep changing your mind. For example, one day you may feel like wearing jeans, the next day more formal wear.
- ✦ *Conflict of attitudes* – it may be that more than one attitude is applicable to a certain situation, the resultant behavior will inevitably lead to a compromise behavior. For example, you go into a shop to buy a tub of ice cream. You and your partner both want a different flavor. You equally well want to keep your partner happy and you want your favorite flavor. The behavior you exhibit will be a compromise between these two contradictory aims (the exact compromise will depend how selfish you are!).
- ✦ *Strength* – the strength with which an attitude is held can determine behavior. Also one attitude can be expressed in many different ways. For ex-

ample, if you support a particular political party you may or may not become a member depending on the strength of your support.

- ✦ *Specificity* – the accuracy with which attitudes are measured also affect the degree to which they are able to predict behavior. This is discussed in more detail below.

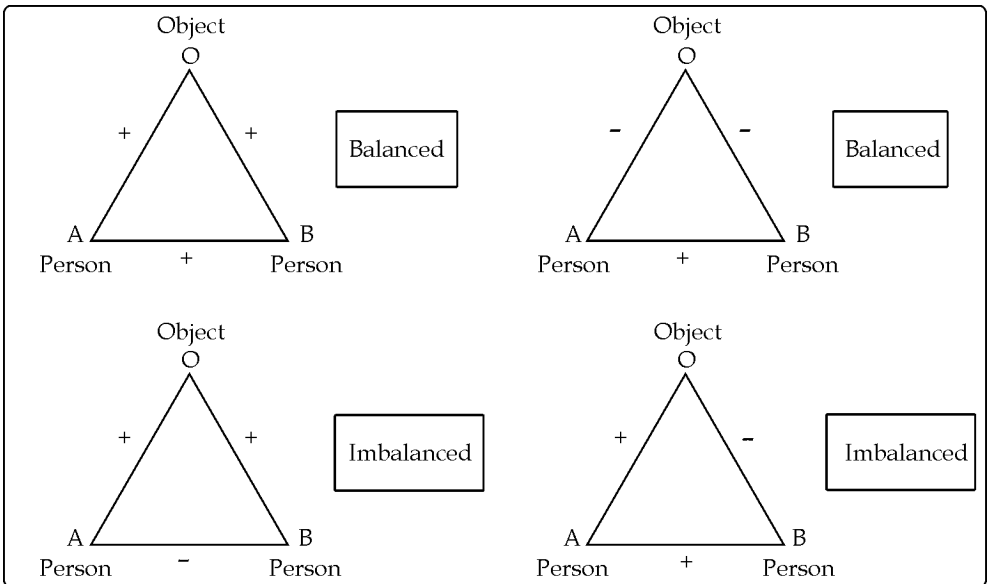
There are two prominent attitude theories which address how attitudes change and adapt to changing circumstances: balance theory, and congruity theory. These are all based on the assumption that people seek consistency in their attitudes. That is, one cannot simultaneously hold two contradictory beliefs. Suppose a reliable friend recommends a restaurant which you subsequently visit and find disappointing. In general terms, consistency theories state that you cannot simultaneously believe both that your friend is reliable yet that his recommendation was wrong. You would, according to consistency theorists, be 'forced' to either change your opinion of your friend or make some excuse concerning the performance of the restaurant on the occasion you visited.

Balance theory (Heider, 1958) is mainly concerned with the transfer of information between people. This is of use to marketers investigating ways in which recommendations, as well as negative information, are communicated. Consider a person (A) that receives information from another person (B) concerning an attitude object (O). Depending on the whether this information is positive or negative, the following four scenarios are possible. The interactions are represented as triangles, the nature of the communications as positive (or favorable) (+) or negative (or unfavorable) (-).

The top triangle (1) is balanced. Persons A and B have a positive attitude, both towards each other, and the object. There is no inconsistency. Triangle (2) is unbalanced. Persons A and B have a negative attitude towards each other yet they both have a positive attitude to the object. Although their views of the object are consistent (both positive), their views of each other are negative. This is inconsistent. Triangle (3) is balanced. Persons A and B have a positive attitude towards each other and share the same (negative) attitude towards the object. There is no inconsistency. Triangle (4) is unbalanced. Persons A and B have a positive attitude towards each other but their attitudes towards the object are different. This is inconsistent. According to balance theory, where there is inconsistency (situations B and D) this must be resolved either by changing the attitude to a person or the object.

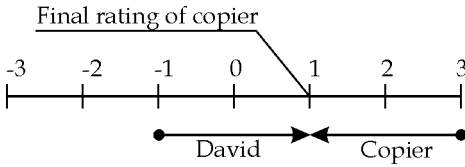
In turn, congruity theory builds on the notion of positive and negative attitudes and adds the concept of attitude strength. Congruity theory allows us to rate our attitudes towards an object from -3 (highly unfavorable) to +3 (high favorable) with a middle zero point. To reduce consistency (to obtain congruity), we take into account not only the direction of the attitude (as in balance theory) but also its strength.

**Figure 10.4. Balance and imbalance triangles in Balance theory**

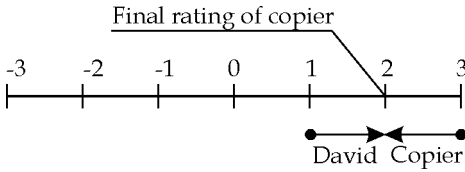


### EXAMPLE

*Suppose we gain the impression from David that the copier is extremely good and meets all our requirements. We might rate it +3 (high favorable). However, we also take a mild dislike to Dave, let us say a rating of -1 (slight unfavorable). To achieve congruity we must adjust both of these ratings. Congruity theory states that the final attitude towards an object is calculated by halving the difference between the ratings. Therefore we would give the copier a rating of +1 (slightly favorable), the mid-point between -1 and +3.*



*Alternatively, suppose we took a mild liking to David (rating +1). This would result in a more positive rating of the copier of +2.*



## ACTIVITY

*Pick four television commercials that involve celebrities. For each advert, rate the celebrity using a -3 to +3 scale. Now, using the same scale, rate the goods or services that they are promoting.*

Consumer attitudes towards products, stores, store clerks, promotional forms, and advertising media have apparent impact on consumer market behavior because the individual notices the positive features of an object that he/she is positively predisposed to. Consequently, a positive attitude towards product advertising is often reflected in a positive attitude towards a promoted product. Basing buying decisions on one's own established attitudes is comfortable for customers since consistent behavior towards similar products (e.g., loyalty to a footwear brand or a domestic appliances brand) saves time and energy needed for developing one's own opinion about other offers, and simultaneously reduces the risk of making a wrong decision. Therefore, changing long-established consumer attitudes is a very difficult task. Nonetheless, companies undertake actions to mold and modify them by resorting to persuasive techniques and messages (Hawkins & Best, 2004). On the other hand, there are factors that weaken the relationship between attitude and behavior (e.g., limited financial resources), which leads to a situation where even a very positive consumer attitude towards a product does not end in a purchase (e.g., in the case of a Volvo car).

## Emotion

---

Emotions have a great impact on consumer cognitive and decision-making processes. Sources in the literature distinguish between emotions, as consciously experienced, subjective psychical conditions accompanying daily experiences, and moods, as affective states of lower intensity and relatively short duration (Evans, Moutinho, & van Raaj, 1996). Basic emotions consist of interest, joy, surprise, fear, anger, worry, disgust, contempt, shame, and feelings of guilt.

The greatest influence of emotions on a person is revealed in the way they determine the direction of human actions, as people tend to avoid objects and situations that bring displeasure, and choose those that bring pleasure. In terms of consumer behavior, emotions are especially important because they have a direct impact on market decisions (mainly impulsive decisions, often evoked by the buyer's good mood), as well as on other subjective factors by modifying their influence on consumer behavior. Accordingly, emotions determine perception, foster perception selectivity, and thus influence the processes of learning and remembering, as, according to research results, a positive mood stimulates active integration of incoming data with various information categories present in the human cognitive process. A negative mood, in turn, works the opposite way. It hinders the process of learning and remembering. Finally, emotions mold attitudes, one of their important attributes (Diller, Shedroff & Rhea, 2006). The emotions experienced by the consumer at a given moment, as well as the emotions displayed in advertising, determine consumer reception of and consumer reaction to an advertisement. This fact is of particular importance from a practical point of view. Study results show that positive emotions improve susceptibility to advertising and facilitate remembering of the products and brands presented. At the same time, it was concluded that commercials should not be played at key moments during interesting films or during very aggressive programs, as this lowers the chance of reaching the viewer with a positive message while he/she is experiencing strong negative emotions (aroused by the program content or a commercial break) (Doole, Lancaster & Lowe, 2005).

## Personality

Consumer personality is the last, but not least, subjective determinant of consumer behavior broadly discussed in the literature. In fact, it appears as the outcome of the existence and influence of all the previously discussed psychical factors. There are no unanimous definitions of this category. Most frequently, it is referred to as a relatively permanent psychical construction of individual features, which both determine and reflect the way the individual responds to the environment. Examples of such features – personality components – include self-confidence, autonomy, adaptability, dominance, order, emotional stability, independence, respect, sociability, shyness, and so forth. (Solomon, Bamossy, Askegaard & Hogg, 2010).

On one hand, personality is the expression of the unique and different character of each individual person, who is capable of showing distinctive reactions to a particular stimulus. On the other hand, the fact that personality presents a set of certain features allows for recognition of similarities between people with respect to one or several characteristics (e.g., innovation). This provides an incentive for development of consumer typologies and market segmentation, and even for making forecasts about consumer behavior on the basis of research into personality. Unfortunately, it turns out that the possibilities of personality variables, both in market segmentation and in forecasting consumer buying decisions, are limited (Foxall & Goldsmith, 1998). Therefore, marketers have begun to refer to so-called psychography (psychographics), which presents a psychological portrait of the consumer, partially based on personality analysis and measurement of actual consumer behavior, interests, and opinions (Schiffman & Kanuk, 2010). This method is helpful in defining the individual's lifestyle by combining subjective variables with demographic features such as age, profession, and income. These characteristics are used to develop consumer profiles that are similar in terms of activities and ways of product consumption. Thus, psychography is useful from the perspective of market segmentation, product positioning, and elaboration of promotional campaigns.

### ACTIVITY

*How are your colleagues expressing their personality*

*What personality do your colleagues have? – Your answer should be based on your colleagues' clothes.*

## Perception

It is not a coincidence that perception begins the list of intervening variables, as perception processes, i.e., recognition, selection, and organization and interpretation of stimuli in order to give some meaning to the surrounding world (Foxall & Goldsmith, 1998) underlie all kinds of human behavior, not only market behavior. Through perception, the consumer becomes aware of the existence of certain products and their attributes and is able to see differences between the brands and places of purchase. Hence, perception is a condition of and an introduction to every buying decision (Graham, 2010). The process of perception consists of two stages: in the first stage the individual receives signals from the external world by means of the five senses (Doole, Lancaster & Lowe, 2005), and in the second stage, based on previous experience and obtained information, he/she interprets the received stimuli. The second stage of perception is especially vital, as it determines the way a message is integrated with the whole human knowledge; and it categorizes the information included in the message. Moreover, it can influence the way the information is distorted.

**Table 10.1. Differences in perception of the color in selected European countries**

Country	White	Red	Green	Blue
Austria	Innocence	Anger	Hope	Faithfulness
Denmark	Purity	Danger	Boredom	Quality
Finland	Neatness	Love	Envy	Luck of money
France	Youth	Modesty	Youthful	Fear
Portugal	Freedom	Passion	Envy	Faithfulness
Sweden	Goodness	Anger	Inexperience	Credulity
Italy	Luck of success	Danger	Luck of money	Fear

Source: Komor (2000)

In both stages, there occur phenomena that are typical of perception such as tendentious perception, selective attention, selective distortion, and remembering (Blackwell, Miniard & Engel, 2001). These cause the consumer to



notice mostly the stimuli that are essential for the satisfaction of life needs and that reinforce the consumer's current vision of reality and of himself/herself (e.g., the consumer spots products that he/she is already familiar with, that are in his/her favorite color, or that are most needed, etc.). Subsequently, the consumer interprets the stimuli in a way that best fits his/her outlook on life and reinforces previous beliefs (e.g., the consumer interprets price promotion of a favorite product as something attractive, although objectively it is not). Selective perception comes from a consumer's desire to keep his/her views in harmony, but it is also a way of dealing with the excessive information that the contemporary person is bombarded with. That is why people often see what they want to see, and the same object or event may be perceived and interpreted differently by two independent persons (Raymond, 2003). Therefore, companies must check and examine the way buyers receive their offer, since consumers make choices not on the basis of what is real, but what they perceive as real.

Perception is extremely important for the consumer during the process of gaining information. However, for decision making, it is equally important to transform, order, keep, and properly use information stored in memory, in other words, to learn and to remember things. Processes of learning and remembering are strictly connected with perception, as the person learns and draws conclusions from what he/she perceives. However, without processes of remembering and referring to previous experience, it would be impossible to interpret the things that are continuously provided by the processes of perception.

## **Learning process**

---

Knowledge about the processes of remembering and learning may be used effectively in developing consumer behavior (Diller, Shedroff & Rhea, 2006). The laws of psychology related to memory organization are applied in marketing to define the conditions of remembering advertising stimuli better, e.g., for establishing the frequency of message transmissions indispensable for message remembering, positioning a given message among many other messages, provision of message background, type of a message, and so on. (Doole, Lancaster & Lowe, 2005). Classical conditioning is employed in building a brand

image and in reinforcing positive emotions associated with a product. Instrumental marketing, in turn, is not only used in promotion strategies, but also in development of consumer brand loyalty. As for cognitive theories, they are most commonly used in the process of introducing complicated innovations, whose purchase requires deeper thinking. The theories are also referred to in pricing strategy because price is a significant selection criterion considered by buyers (Blythe, 1997).

## Habits

Repeated behavior or decisions that provide the individual with a positive outcome result in the development of habits, which are another psychological determinant of consumer behavior. A habit is not an example of concrete behavior, but it is the ability (tendency) to react to a certain stimulus in a definite (regular) way. Habitual behavior is automatic and does not require concentration or thinking; whereby it belongs to lower forms of human behavior. Despite this, it plays an essential role in decision-making processes (mainly the routine ones), as it determines the purchase of just one specific item (Johnson, 1998).

### ACTIVITY

*Think of a recent decision you have made. What influencing psychological factors can you identify? Were there other influencing factors as well?*

*Similarly, can you remember any occasion when you resisted persuasion. What went wrong in the persuasive process? List the factors involved.*

## Recommended literature

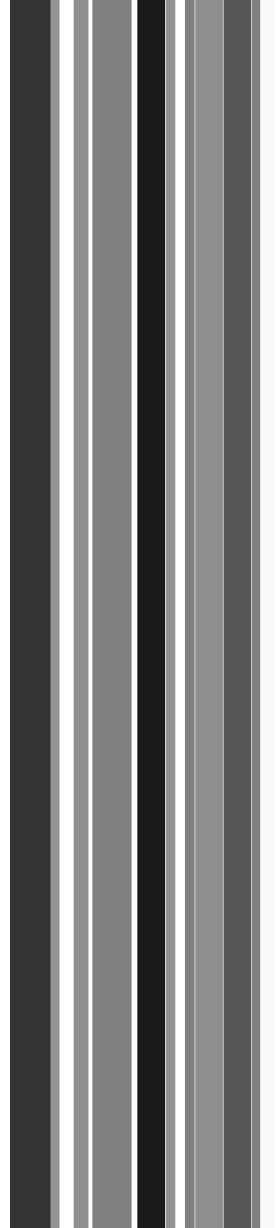
---

1. Graham, J., 2010. *Critical thinking in consumer behavior: cases and experiential exercises*. New Jersey: Prentice Hall.
2. Harris, E. K., 2010. *Customer service: a practical approach*. London: Pearson Higher Education.
3. Kahneman, D. & Tversky, A., 2000. *Choice, values, and frazes*. Cambridge: Cambridge University Press.
4. Lewis, D. & Bidger, D., 2001. *The soul of the new consumer*. London: Nicholas Brealey Publishing.
5. Schiffman, L. G., & Kanuk, L. L., 2010. *Consumer behavior: global edition*. London: Pearson Higher Education.

## Part IV

# Consumer behavior application in international market

---



## Consumer loyalty and dissonance



### Chapter describes:

- ✦ Effects of consumer decision-making process
- ✦ Nature of consumer loyalty
- ✦ Types and levels of consumer loyalty behavior
- ✦ Notion of consumer dissonance



### You will be able to:

- ✦ Identify factors determining consumer loyalty
- ✦ Develop loyalty programs for different groups of consumers
- ✦ Investigate causes of consumer dissonance
- ✦ Create strategy reducing consumer dissonance

## Effects of consumer decision-making process

---

Consumer decisions on market are always followed by assessment of a product and the circumstances of a purchase with respect to fulfillment of consumer expectations. This comparison may produce a feeling of satisfaction, sometimes delight, or dissatisfaction and disappointment (Hawkins & Best, 2004). A greater difference between expectations and reality causes greater consumer dissatisfaction. Both discomfort and satisfaction are likely to become a subject of information exchange between consumers, as well as provide experience and knowledge for future decisions. When the consumer makes an assessment of his/her decision during consumption of a product, this may lead to positive feelings, i.e., satisfaction, which, in the long run, may develop into brand loyalty (Chumpitaz-Caceres & Paparoidamis, 2007). The truth is, however, that the purchase often evokes negative feelings in the form of post-purchase cognitive dissonance.

## Consumer loyalty – international approach

---

Consumer loyalty is growing in significance, as it presents an important corporate competitive factor and non-material company capital. The issue of consumer loyalty is particularly important with respect to the competitive position of companies in the international market and in terms of basic economic categories. Having a great number of loyal consumers is tantamount to company success. Many observers of marketing, and especially of the marketing environment, notice phenomena that indicate the need to develop corporate management oriented around building consumer loyalty. The phenomena include (Sroga, 2005):

- ✦ the increasing importance of information about a market, buyers, products, services, and competitors necessary for making proper corporate and consumer decisions;
- ✦ developing marketing, from local, through national, to the international and the global market;
- ✦ turning from mass marketing to individualized and diversified marketing;
- ✦ a need for rationalization of marketing and reduction of marketing costs; and

- ✦ a switch from satisfaction of consumer needs to satisfaction of consumer wishes, and a focus on non-price competition, mostly achieved through increasing product attractiveness as an expression of marketing methods and techniques.

Consumer loyalty can be defined as a consumer attitude toward a company and its products. This attitude is based on durability, longevity, and acceptance of goods and service conditions (Smyczek, 2001; Butscher, 1999). Consumer loyalty, i.e., consumer 'attachment' to a company is an expression of mutual understanding and mutual cooperation. Developing consumer loyalty (faithfulness) integrates all purposefully performed marketing activities, whereas being loyal is 'rewarded' by gaining preferential purchase conditions. A loyal consumer is one who is 'attached' to a company, is resistant to competitors' activities (i.e., a difficult-to-gain customer), and represents the interests of his or her company in the market (Schiffman & Kanuk, 2010).

#### DEFINITION

**CONSUMER LOYALTY** can be defined as a consumer attitude toward a company and its products. This attitude is based on durability, longevity, and acceptance of goods and service conditions. Consumer loyalty, i.e., consumer 'attachment' to a company is an expression of mutual understanding and mutual cooperation.

Thus, consumer loyalty is tantamount to the consumer's full acceptance of a company's market offer. Such an attitude gets crystallized through emotional experiences and different states of consciousness (O'Dell & Pajunen, 1997; Stern & Hammond, 2004). A consumer becomes loyal to a company when a product delivers positive emotional experiences. Moreover, this loyalty is reinforced by showing the company's respect for and recognition of the customer, by proving its corporate integrity and transparency, as well as by ensuring competent service and meeting consumer needs and expectations. The level of consumer loyalty decreases when something negatively affects consumer perception of a product or a company.

Approaching loyalty as an attitude means presenting it as a function of an attitude demonstrated through some behavior (Dick & Basu, 1994; Lau & Lee,

1999). Attitudes are accompanied by close psychical constructs such as engagement and real entanglement. Iverson and Kuruvilla (1995) perceive customer engagement and customer loyalty as interchangeable concepts. Customer engagement is a key to advanced understanding of loyalty. According to Storbacka and Lehtinen (2001), loyalty appears as an intention of both parties to act and as willingness to interact with others. According to Reichheld (2003), loyalty emerges only if there is positive engagement. There is no place for loyalty in the case of passive and indifferent repeat buying by customers and when there are exit barriers imposed by a company or by other circumstances (e.g., lack of an alternative or the existence of purchase-resignation costs). Griffin (1995) points out two factors characteristic for customer loyalty: great involvement in a product or service in comparison to potential alternatives and buying behavior. Special attention should be drawn to the definition presented by Oliver (1999), in which the author argues that customer loyalty is a long-lasting customer engagement in making repurchases or in repeated consistent support of a preferred product or a brand in the future. As a consequence, the customer keeps on buying the same brand or the same set of brands despite situational influence or marketing activities designed to change such behavior (Urban & Simieniako, 2008).

Another approach to the phenomenon of consumer loyalty is connected to a behavioral concept. The behavioral approach to consumer loyalty is presented in the literature as a repeated behavior supporting an object of loyalty, especially a repurchase. This loyalty is regarded as the quickest result of or as a visible demonstration of loyalty.

Stum and Thiry (1991) distinguish four characteristic types of buying behavior of loyal customers:

- ✧ making repeated purchases,
- ✧ buying other goods and services,
- ✧ spreading a positive word-of-mouth, and
- ✧ low susceptibility to competitors' activities.

Other possible types of loyal behavior include

- ✦ giving advice to a company (Gruen & Gentry, 1995),
- ✦ accepting small problems on the part of a company (Tucker, 1964; Newman & Werbel, 1973), and
- ✦ intentions of repeated purchases (Soderlund, 1998).



The behavioral concept of loyalty was critically approached by Jacoby and Chestnut (1978) and Day (1969), who described weaknesses in its explanatory qualities. They suggest that consumer brand loyalty should be defined with reference to dimensions of customer attitudes and behaviors. According to these researchers, loyalty is a predisposition in a consumer towards a brand and represents a function of psychological processes; this predisposition consists of preferences and attitude-based engagement (Kassarjian & Robertson, 1991). The authors discuss six indispensable and sufficient conditions of brand loyalty. In a broader sense, loyalty (1) is biased (non-arbitrary), (2) appears as behavior that is a reaction (e.g., to a purchase), (3) is permanently expressed, (4) constitutes a process of decision making with regard to some elements, (5) is a distinction of one or more brands from the whole group of all available brands of the type, and (6) is a function of the evaluation process (Urban & Siemieniako, 2008).

In present market conditions, referring to brand loyalty strictly as a repurchase is, in most business situations, too superficial. It is learning about the motives of customer behavior that are becoming an increasingly significant factor in the loyalty reinforcement process. According to Reichheld (2003), loyalty is something more than repeat buying as it is tantamount to willingness, e.g., of a customer, a worker, or a friend, to make some investments or personal commitments in order to strengthen this relationship; for customers, this may be equal to staying with a seller who treats them properly and provides a long-term value, even if an offered price is not always attractive in particular transactions.

Customer loyalty may be demonstrated with reference to one or more objects connected to a company. With respect to the types of objects of loyalty, one can distinguish loyalty to a brand, a product category, a company's staff members, a selling point (e.g., a store), a group of objects within a community developed around the brand, and the organization (Blackwell, Miniard & Engel, 2001; Blythe, 2009). Undoubtedly, the most favorable situation appears when the customer becomes loyal towards all objects of loyalty. This reduces the risk of customer defection as, in the case of some disloyalty towards one object, the customer may continue the relationship with a company on account of other objects.

Consumer loyalty is based on two types of motives: rational-functional and emotional-symbolic (Światowy & Pluta-Olearnik, 2000). The first concerns the analysis of loyalty with respect to the functional aspect of a product and is related to the analysis of the 'pros' and 'cons' of a purchase. The second comes from consumer feelings and values, the reflection of which he or she seeks in a product. Loyal consumers attach weight to the emotional-symbolic aspect, whereas disloyal consumers have little regard for it (Stern & Hammond, 2004). Additionally, the motives that differentiate consumers mainly relate to social and interpersonal aspects. In other words, through making purchases of definite products, loyal consumers want to convey a certain message about themselves to other consumers. Hence, they highly value the symbolic aspects of a product. It is noteworthy, however, that in the case of certain rational-functional motives, both groups of consumers (loyal and disloyal) have achieved similar results. Both types of consumers admit that when buying a specific product, they often take into consideration the utility value of a product, its price and convenience (Smyczek & Sowa, 2005).

**Table 11.1. Basic attitudes of consumer loyalty**

The state of emotional experiences	The state of consciousness
<ul style="list-style-type: none"> <li>• evoking positive feelings, e.g., interest, satisfaction, joy, liking</li> <li>• good aesthetic impressions</li> <li>• a possibility of experiencing emotions</li> <li>• and showing respect and recognition</li> <li>• meeting requirements of</li> <li>• honesty, faithfulness, righteousness</li> </ul>	<ul style="list-style-type: none"> <li>• knowledge resources</li> <li>• experience gained through, for example, post-purchase dissonance</li> <li>• consolidation of stereotypes</li> </ul>
Total confidence	Conviction about appropriateness of behavior

Source: Światowy & Pluta-Olearnik (2000)

Among many approaches to the motives of consumer loyalty, great significance is attached to models that attempt to define the phenomenon as a whole, the so-called models that define the factors and ways of loyalty development. Some of the proposed models reveal only a 'straightforward' relation-

ship between several basic motives; others represent a complex description of relationships between different phenomena and motives. Some models have been verified through the process of empirical experiments, others not. The most common models of customer loyalty attitudes are:

- ✦ customer satisfaction-based models (Pong & Ytee, 2001; Oliver 1999, Yu & Dean, 2001),
- ✦ brand-based models (McAlexander, Kim & Roberts, 2003),
- ✦ corporate image-based models (Kandampully & Suhartanto, 2000; Zins, 2001),
- ✦ social factor-based models (Butcher, Sparks & O'Callaghany, 2001), and
- ✦ customer attitude-based models (Huddleston, Whipple & VanAnheng, 2004; Sullivan & Adcock, 2003).

Customer loyalty can be classified as exclusive loyalty, also called undivided loyalty, and as multi-loyalty, or divided loyalty. Exclusive loyalty refers to buying one particular brand exclusively, which, in most cases, greatly benefits the company. Multi-loyal customers buy, at least, two brands that are equally acceptable or entirely substitutable, whereby brands are bought and consumed interchangeably (Oliver, 1999). Customers who stop or reduce the buying of brands, as a result of changes in their consumption needs, and who start buying non-substitutable products that provide them with other benefits do not display multi-loyalty, but exclusive loyalty. Recurrence of customer needs may lead to customer loyalty behavior towards the brand. In such a case, the customer reduces the frequency and/or value of purchases of a specific brand, but may remain in a relationship of exclusive loyalty (Reinartz & Kumar, 2002). Through building an image, a company is capable of creating consumer needs connected to a product category or a brand.

It happens that customers demonstrating exclusive loyalty buy less than multi-loyal ones, e.g., due to low buying frequency. Currently, research shows that exclusive loyalty customers account for no more than 20% of all buyers and show a downward trend (Ehrenberg, 2000). With respect to developing customer loyalty, it is important to note that the share of purchases by multi-loyal customers is growing in comparison to purchases made by exclusive customers.

It happens that customers demonstrating exclusive loyalty buy less than multi-loyal ones, e.g., due to low buying frequency. Currently, research shows

**Table. 11.2. Types of consumer loyalty according to profitability**

Volume of spending on a brand within a category (purchase frequency and value)		Volume of spending on a product category (purchase frequency and value)	
		High	Low
High	Exclusive loyalty	Profitable customer – maintain <i>status quo</i> (lack of purchase growth potential)	Nonexistent
	Multi-loyalty	Profitable customer – maintain <i>status quo</i> or increase support concentration (current brand support is rather high)	Nonexistent
Low	Exclusive loyalty	Nonexistent	Low-profitability customer – create need connected with a brand or a product (an increased volume of spending on a brand will occur together with appearance of needs within a category, or development of a brand image will create the needs)
	Multi-loyalty	Low-profitability customer – increase support concentration (current brand support concentration is low)	Zero-profitability customer – minimize expenses (limited chance of brand building)

Source: Siemieniako &amp; Urban (2005)

that exclusive loyalty customers account for no more than 20% of all buyers and show a downward trend (Ehrenberg, 2000). With respect to developing customer loyalty, it is important to note that the share of purchases by multi-loyal customers is growing in comparison to purchases made by exclusive customers.

Dick and Basu (1994) have distinguished different types of loyalty with regard to frequency and volume of purchases and in the customer attitude towards a company. In their typology, one can distinguish true loyalty, latent loyalty, spurious loyalty, and no loyalty. True loyalty is demonstrated both in the behavioral aspect – more frequent purchases -- and in a positive attitude towards the objects of loyalty. Latent loyalty is an expression of a positive attitude toward specific objects of loyalty, but, at the same time, reveals lack of buying activity. Spurious loyalty, in turn, is characterized by intensive loyalty behavior, but also by a negative attitude. This type of loyalty may come from customer habits. Lack of loyalty appears in the case of low buying frequency and a low level of customer engagement. The customer may often be tempted into buying something by a competitive price (Griffin, 1995).

Jones, Sasser Jr. and Earl (1995) classified customers in terms of the level of their loyalty and the degree of achieved satisfaction. They distinguished loyalists/apostles, defectors/terrorists, mercenaries, and hostages (Table 11.3.). Apostles represent customers who are entirely satisfied and continue their relationship with the company. Here, customer needs as well as the company's products and services are perfectly matched. In their description of customer experiences and expectations, Jones, Sasser Jr. and Earl (1995) show some loyalists as individuals whose satisfaction and experiences have gone so far beyond their expectations that they are forced to share their strong emotions with others. They are true apostles. Defectors consist of not only dissatisfied or indifferent customers, but also satisfied ones. The authors of this typology emphasize the fact that it is necessary for companies to show much determination to keep this type of customer through better recognition of their needs and by paying attention to them. However, not all defecting customers can be retained, as some of their needs do not fit the value offered by the company. Terrorists are customers who, having undergone some negative experience with a company, share their anger and frustration with others. This can be exemplified by grocery store customers who buy a damaged product and

**Table 11.3. Level of customer satisfaction and loyalty and types of behavior**

<b>Types of customers</b>	<b>Satisfaction</b>	<b>Loyalty</b>	<b>Behavior</b>
Loyalists/Apostles	High	High	Staying with the company and supporting it
Defectors/Terrorists	From low to medium	From low to medium	Defecting from the company or intending to defect; dissatisfaction
Mercenaries	High	From low to medium	Coming to and leaving a company; low engagement
Hostages	From low to medium	High	Inability to make a change; the sense of 'being trapped'

Source: Jones, Sasser Jr. & Earl (1995)

whose complaint is not properly handled by the staff members. Pests' involvement in expressing negative opinions is likely to exceed that of apostles in sharing their positive views (Lau & Lee, 1999; Smyczek & Sowa, 2005). Mercenaries constitute another group of customers that are troublesome for a company, as their total satisfaction is not reflected in their loyalty towards a company. They are low-price hunters and impulse buyers. They track down new fashion trends or seek a change for the sake of it. Hostages experience a compulsion to continue their relationship with a company regardless of their level of satisfaction. A company that is in the position of a monopolist can keep hostages. Jones, Sasser Jr. and Earl (1995) point out two significant problems a company may experience in dealing with hostages. The first problem refers to a change in the competitive environment because of an increase in the number of competitors. This may cause a defection of hostages, who will turn into pests. The second problem concerns hostages themselves, who are very difficult to deal with owing to their readiness to make complaints and requests for service improvement (Storbacka & Lehtinen, 2001; Johannes, 2004).

There are many benefits for a company that come from having loyal customers (Buchamam & Gilles, 1990):

- ✧ keeping present customers is cheaper than gaining new ones – loyal customers tend to be more frequent buyers of a larger number of a company's products, of complementary products or high-margin accessories;

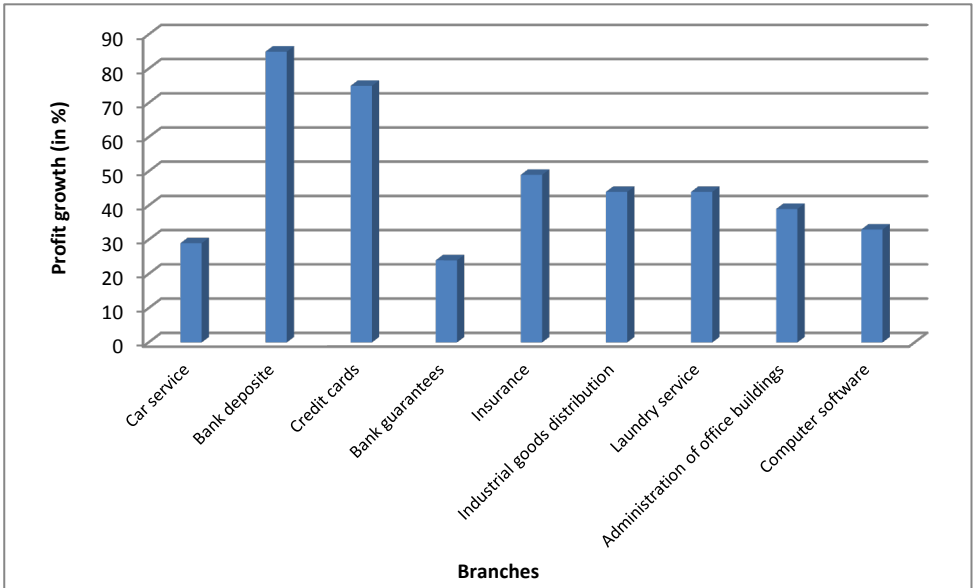
- ✧ costs of handling loyal customers are lower;
- ✧ loyal customers accept higher prices for the same bunch of products;
- ✧ loyal customers act as advocates of their company for other market subjects; and
- ✧ the level of customer loyalty can be raised.

Reichheld (2003) distinguishes the following sources of profits generated by customers who have been with the company for many years: basic profit, profit from growth in purchases, profit from diminishing operating costs, profit from recommended customers, and profit from an increased price. According to Wansink (2003), some companies decide to take up activities aimed at strengthening customer loyalty with the simple conviction that it is far more expensive to gain a new customer than to keep and encourage the existing one to intensify his or her consumption. The benefits of having a portfolio of loyal customers motivate a company to make efforts to prevent defection by maximization of the customer retention index (Urban & Siemieniako, 2008). The influence of the customer retention index on the increase in a company's profits has been demonstrated by Reichheld and Sasser Jr. (1990), whose research showed that a 5% growth in the customer retention index contributes to a profit increase from 25% up to 85%, depending on the type of business (Figure 11.1.).

Companies carry out numerous activities aimed at gaining new customers, from strategy development, through product and service quality improvement, to higher standards of customer service, and to loyalty programs that are designed to bind the customer to a company. Following Dowling and Uncles (1997), companies that implement loyalty programs within their marketing strategy hope

- ✦ to maintain the current level of sales, profits and margins;
- ✦ to increase consumer loyalty and the potential buying force of present customers;
- ✦ to increase the level of cross-buying in present customers;
- ✦ to diversify brand parity;
- ✦ to prevent other brands from entering the market; and
- ✦ to hinder the introduction of similar competitor loyalty programs.

**Figure 11.1. Effect of growth in customer loyalty on company profit in the Polish market**



Source: Adopted from Urban & Siemieniako (2008)

However, not all loyal customers bring benefits to their company. Profitability from having some customers may even be of a marginal value, which has been demonstrated by Reinartz and Kumar (2002). They determined that:

- ✦ it is not true that servicing every loyal customer is cost-effective;
- ✦ loyal customers do not always pay more for the same set of products; on the contrary, they often insist on getting price discounts; and
- ✦ not all loyal customers spread a positive word-of-mouth about their company and its products to their friends and family members; in fact, such behavior is demonstrated only by a part of the 'apostles'.

A company should identify customers who are 'real friends', i.e., customers who bring financial benefits and intend to stay loyal for a long time. According to Reinartz and Kumar (2002), customer loyalty and a company's influence on it appear to be a complex phenomenon; and profits from loyal customers cannot be taken for granted.

The effectiveness of influencing consumer loyalty is conditioned by selectivity in the ways of affecting different customers or customer groups. This, in



turn, necessitates the possession of adequate knowledge about customers, both with respect to their attitudes and their buying behavior regarding a company's products. Moreover, it is equally important to know the economic value connected to purchases made by a customer (e.g., it is essential to know the service costs and the scale of price discounts with regard to particular customers or customer groups). The knowledge of customers is obtained in the process of collection, aggregation, and storage of information. Only effective and thorough knowledge of customers allows for effective development of customer loyalty. Gathering data about customers and undertaking selective activities towards them must be backed up with adequate IT tools (Wang, Pallister & Foxall, 2006).

Company activities that are designed to enhance customer loyalty take the form of investments that are expected to generate some financial return. It is possible, though, that some investments may not yield the required profit, especially when the customer demonstrates loyal behavior (even a very profitable one) only temporarily. Not all customers can be retained by a company despite consolidation of its various activities. Therefore, such customers should not be invested in as some of them are innately liable to change brands (Blythe, 1997; Johannes, 2004).

## EXAMPLE

### ***TRI\*M method of consumer loyalty research***

*One of the most popular methods for diagnosing customer loyalty and developing a strategy for winning customer loyalty in the international market is the TRI\*M method (Measure, Manage, Monitor). The method is proposed by TNS.*

*TRI\*M consists of six different topical components and is customized regionally to focus better on the specific business challenges within regions and bring its global stakeholder management expertise to bear. In just the past three years, more than 45 percent of Fortune 100 companies have used TRI\*M to measure and manage customer relationships.*

*TRI\*M also provides a set of concise diagnostic tools and a benchmark database of more than 8,000 studies representing*

## EXAMPLE

*more than 12 million interviews across 120 countries. This knowledge database provides information about the business context of your organization within scalable geographic areas, industries, and sectors.*

*TRI\*M determines the top priorities for addressing key issues affecting customer relationships. By identifying valuable lead indicators for future success and highlighting lag indicators that offer opportunities for improvement, the TRI\*M method helps companies set gainful priorities and use their resources to obtain results in the most effective manner.*

Source: TNS (2010)

To form pro-loyalty strategies in order to build a stable relationship with customers, a company should focus on what follows the customer's first purchase of a given type of product. In order to form such a relationship a company needs to (Reichheld, 1993):

- ✦ identify buyers and gain knowledge on every one of them; this requires creating a database in which each individual customer will have his or her own unique place;
- ✦ constantly monitor information on buyers, which allows for estimating the value of every customer and establishing how attractive each one is for the company; and
- ✦ adjust its offer to every customer (based on the collected information on each buyer); a company should pay more attention to key customers, i.e., the most attractive customers to the company, and should develop a range of incentives to encourage them to remain faithful.

Creating a bond with a customer is a long-term process (Orchowski, 1999; Stern & Hammond, 2004). It requires a partnership approach and constant cooperation with the customer in order to form the best possible relationship based on mutual benefits. It is impossible to create and tighten bonds with a customer who cannot tell a particular brand from others. In such a situation, a company should act through promotion and should use informal communication to get to the customers and persuade them to buy a particular product (e.g., to try it out). These activities fall under the traditional understanding of

marketing. If, however, a company wishes to establish a relationship with a customer, it needs to take another step, i.e., develop a customer habit of choosing a given brand over others (Cichosz, 2003).

When a company prepares a pro-loyalty strategy, the company first needs to clearly define its goals, namely the level of consumer loyalty that will be satisfactory. The goal(s) of pro-loyalty activities ought to be quantified and, most of all, presented to all the employees in the company, since the involvement of all personnel may guarantee the success of such activities (Lau & Lee, 1999; Johansson, 2006). The following coefficients may be helpful in quantifying the goals – on the one hand, they define consumer loyalty; on the other hand, they determine it (O'Dell & Pajunen, 1997):

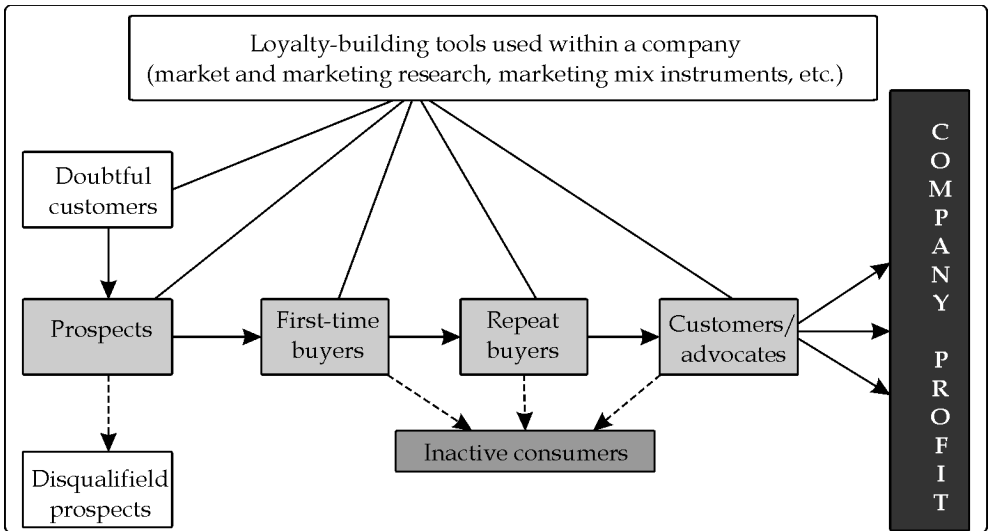
- ✧ New consumer turnover coefficient is the ratio of the number of customers who make their first purchase to those who make their second purchase in a given period of time. The time is defined according to a typical purchase cycle (repurchase) specific for a given industry or product/service.
- ✧ Consumer turnover coefficient is the percentage of customers who have made a defined number of repurchases in a given period of time.
- ✧ Consumer share coefficient is the percentage of overall consumer purchases of particular brand.
- ✧ Average monthly number of new consumers is the average number of consumers who have made their first purchase of given brand in a given month.
- ✧ Purchase frequency is the average number of purchases made by consumers of a particular brand during one year.
- ✧ Average purchase value is the average value paid for goods/services at a single purchase.
- ✧ Consumer defection rate is the percentage of consumers who were lost to the company or have become inactive for various reasons in a given period of time.

Calculating these coefficients will not only allow for defining the goals of a loyalty-building strategy but will also facilitate the selection of appropriate tools for shaping consumer attitudes and will improve the process of monitoring the realization of the selected goals.

In creating a pro-loyalty strategy, every company ought to conduct a thorough analysis of its customers and should group them according to the scheme

presented above. Then a separate set of marketing activities should be prepared for every single group. These activities will allow for 'passing' from one group to another and will, at the same time, increase the level of consumers' loyalty to the company. We need to remember that the sign of increasing loyalty is a boost in the sales of a given brand. This ensures the growth of a company's profit. In this way a profit-generating system is established (Rudawska, 2005).

**Figure 11.2. Profit-generating system in a company**



Source: Adopted from: Griffin (1997) and Smyczek (2001)

Through marketing research, a company conducts an analysis of customers belonging to the 'doubtful' group. Then by using marketing activities, it tries to transform them into 'prospects' (Butcher, 1999). It is worth noting that persons of great potential (financial, intellectual, etc.) are subject to further actions undertaken by a company. In contrast, persons of low potential (thus classified by managers) are disqualified and removed from the system. The sooner a company rejects such customers, the faster its financial results will improve, since the loss of time and financial means spent on the 'doubtful' group (customers who do not or cannot buy products) is reflected in the amount of profit. Once 'prospects' are defined, a company should proceed to

establishing a plan of marketing activities that will allow for transforming this group into first-time buyers and then into repeat-buyers, regular customers, and advocates (Marin, Ruiz & Rubio, 2009; Schiffman & Kanuk, 2010).

It has to be remembered that when a customer goes through the profit-generating system, climbing to higher levels of loyalty, he or she should be encouraged by the company to regularly buy its products and give up other, competitive goods (Rudawska, 2005). Without a well-prepared set of marketing activities, the first-time buyers, repeat-buyers, regular customers, and advocates may turn into inactive customers. This causes significant loss to the company, which is reflected in a decrease in sales and lowered profit. It is worth noting that the higher we go in the profit-generating system, the smaller the number of customers (Buchanan & Gilles, 1990). This arises from the fact that every person reacts to a company's marketing activities in a different way, and not all consumers are affected by them (sometimes only a part of such activities reaches a customer). Such activities may also be hampered by the competition. This is why they should be diversified according to the target group. A set of such activities is included in Table 11.4.

**Table 11.4. Activities undertaken under pro-loyalty strategy (according to customer type)**

Customer type	Main goal	Type of activity
Doubtful customer/Prospect	Gain customers' understanding	<ol style="list-style-type: none"> <li>1. Listening to customers' voice.</li> <li>2. Understanding customers' decisions.</li> <li>3. Special activities: <ul style="list-style-type: none"> <li>- free consultation on how to use the product, etc. and</li> <li>- guarantee of reliability.</li> </ul> </li> </ol>
First-time buyers	Satisfy / increase customer expectations	<ol style="list-style-type: none"> <li>1. Increasing customer expectations.</li> <li>2. Creating a vision of further purchases.</li> <li>3. Thanking for cooperation.</li> <li>4. Inviting to repurchase.</li> </ol>
Repeat-buyers	Provide additional values with every purchase	<ol style="list-style-type: none"> <li>1. Satisfying customers' needs through: <ul style="list-style-type: none"> <li>- additional value and</li> <li>- cross-selling.</li> </ul> </li> </ol>

		<ol style="list-style-type: none"> <li>2. Sales of loyalty-building products.</li> <li>3. Analysis of every purchase of competitive goods.</li> <li>4. Constantly prompting customers' reaction.</li> </ol>
Customers	Adjust the offer to the needs of a particular customer	<ol style="list-style-type: none"> <li>1. Customer care. Looking for ways of activating the customer.</li> <li>2. No continuation of cooperation with a customer 'for free'.</li> <li>3. Convincing the customer that further cooperation with the company is efficacious.</li> <li>4. Looking for methods to contact the customer systematically.</li> </ol>
Advocates	Allow customers to 'sell' company's products	<ol style="list-style-type: none"> <li>1. Encouraging advocates, by sending them letters of appreciation and promises of reward, to recommend the company to others.</li> <li>2. Developing a regular communication with customer network and with influential individuals.</li> </ol>
Inactive	Elaborate a good plan for customer 'return'	<ol style="list-style-type: none"> <li>1. Quick identification of inactive customers and show of interest in them.</li> <li>2. Preparing a special offer to induce customers to return to the company.</li> <li>3. Meeting the requirements of customers and communicating offer changes to them.</li> <li>4. Patience and systematic contact with inactive customers are of uttermost importance.</li> </ol>

Source: Griffin (1995)

One of the important tools used for building long-term bonds with customers in pro-loyalty strategies carried out by companies that operate in international markets is a loyalty program. Kotler (2000) defines loyalty programs as the process of identifying, keeping, and increasing all that the best customers provide for the company through the creation of long-term, interactive, and value-adding bonds with customers. We may, however, also define loyalty programs as a set of tools and undertakings related to the use of particular market-affecting instruments in order to build and uphold consumer loyalty (Schlegel-

milch, Keegan & Stoettinger, 2001). Thus, we may say that the first approach to loyalty programs focuses on the process and the other on instruments.

<b>ACTIVITY</b>	<p><i>Work in group and create loyalty program for following companies:</i></p> <ul style="list-style-type: none"> <li>- <i>Producer of mayonnaise (Customers – Greedy men)</i></li> <li>- <i>Underwear (for men) producer (Customers – Apostles)</i></li> <li>- <i>University (Customers – Hostages)</i></li> </ul> <p><i>Loyalty program, among the others, should include:</i></p> <ul style="list-style-type: none"> <li>- <i>Goals of program</i></li> <li>- <i>Target group</i></li> <li>- <i>Benefits for customers (in money and in kind)</i></li> <li>- <i>Communication strategy</i></li> <li>- <i>Budget for preparing and for implementing loyalty program</i></li> <li>- <i>Sources of finance</i></li> <li>- <i>Program introduction (timing and activity)</i></li> </ul>
-----------------	---

What is essential in loyalty programs is the reward customers who often buy a given product or buy it in large quantities receive from the company. In a properly elaborated loyalty program, a company should define both the profits it wishes to gain and the benefits the program provides for the customers (Butscher, 1999; Bridson, Evans & Hickman, 2008). We need to remember that loyalty programs do not have to give direct financial benefits to customers (such as discounts, gift cards, etc.). What is also important, and possibly even more important, is emotional gain ('I am reasonable when I buy my brand').

Dowling and Uncles (1997) indicate some of the factors that ought to maximize the chances of success in carrying out a loyalty program. They include the following:

- ✦ a loyalty program ought to be prepared in such a way that it adds value (attractiveness) to the offered product;
- ✦ the funds destined for program realization cannot use up the whole marketing budget because if the competition undertakes a similar action, some funds need to be available to counteract;
- ✦ the reward plan for loyal customers ought to maximize the buyer's motivation to repurchase; and

- ✦ before proceeding to the planning stage, a company needs to conduct a thorough analysis of the market situation.

**Table 11.5. Motives for participation in loyalty programs in France and Romania (in %)**

Motives	France	Romania
<b><i>Material motives</i></b>		
Possibility to exchange points for awards	32.6	52.1
Possibility to exchange points for free-of-charge goods or services	30.7	16.8
Possibility to obtain discount for other goods or services	19.4	15.3
Possibility to obtain discount for goods or services from other (partner) companies	11.2	7.9
<b><i>Emotional motives</i></b>		
Special services	5.6	2.1
Possibility of belonging to program (elitism)	2.2	2.6
Possibility to change points for charity goals	3.7	1.4
Don't know	1.5	3.9

Source: DG SANCO (2010)

Loyalty programs used by companies that operate in the international market may be divided according to various criteria. If we take the manner of participation in a program into account, we may talk about the following types.

- ✦ *Marketing programs of participation* – their objective is to reward customers who often buy a given product or buy it in large quantities. The characteristic feature of this program is that the company that introduces it first, gains the most profit. This usually happens when the competition does not react quickly enough. If their reaction is fast, the program may become a burden for all the companies that offer it. After some time, most of the customers already 'belong' to some program and collect 'points', no matter which company's products they use (Table 11.6.). In this situation, the winner becomes the company whose program is the most effective or attracts the greatest number of customers (due to special benefits) or those companies that create the most sophisticated system, including attractive



and convincing offers for particular customers (Kotler, Keller, Brady, Goodman & Hansen, 2009);

- ★ *Consumer clubs* – created by companies around their product or products. The clubs offer a real and observable value to their members in the form of nonfinancial profits or an optimized combination of financial and nonfinancial profits; the purpose of such a club is to activate customers so that they buy more and/or recommend the company's products to others and so that they communicate their observations in the club (Butscher, 1999; Bridson, Evans & Hickman, 2008). Consumer clubs are particularly recommended in those countries that have very strict regulations on such issues as, e.g., offering a given product to various customer groups at various prices – an example is Germany, where the law on these matters is very strict, and so consumer clubs are the most popular in this country. In such situations, the clubs mainly provide their members with emotional, nonfinancial profits and additional services (not connected with price reduction).

**Table 11.6. Examples of loyalty programs in the Polish gasoline market**

Company	Orlen	BP	Statoil	Shell	Lotos
Name of program	Vitay	Partner Club	Premium club	Smart	Navigator
Catalog	Yes	Yes	Yes	Yes	Yes
Update of catalog	Quarterly	Once per year	Once per year	Once per year	Online
Number of awards	101	258	232	138	10
Awarding of points	Only for purchasing at station	Only for purchasing at station	For purchasing at station and partners	For purchasing at station and partners	Only for purchasing at station
Validity of points	3 years	1.5 years	3 years	4 years	1 year
Value of points	1l = 6 points	1l = 1 point	1l = 1 point	1l = 1 point	10l = 1 point
Real value in %	0.7-1.7	0.4-0.9	1-1.7	0.3-0.4	2-3

Source: Media and Marketing (2010)

According to the number of participants, loyalty programs may be divided into the following groups:

- ✧ *Open programs* – every person who wishes to, (e.g., who buys a given product) may participate. This type of program is characterized by a large number of participants, which enhances its effectiveness. The database obtained through such a program may become the basis for market segmentation. This program is most advisable for companies that do not have information on their present customers and potential buyers, operate in the mass market or market of individual customers, and have increased the budget for the realization of the program in the long-term (Smyczek, 2001).
- ✧ *Programs with a limited number of participants* – they are usually connected with paying some kind of membership fee. The fee partly covers the costs of the program, and the limited access to it makes the program more attractive and valuable to the customers. A well-defined member profile makes it easier to prepare appropriate tools of communication and persuasion. However, a membership fee increases the consumers' expectations for the program and requires that the managers systematically increase the values the program offers to its participants. 'Limited' programs are the best solution for companies that wish to win the most valuable customers and that have a very well-segmented market. It is extremely useful for companies with small budgets that prefer more concentrated activities and are active in the so called non-consumer markets, such as the industrial goods and services market (Bridson, Evans & Hickman, 2008).

According to their duration the programs are divided into temporary programs and permanent programs. In terms of the medium used, they are divided as follows.

- ✦ *Traditional programs* and
- ✦ *Internet programs (virtual)* – here we may talk of commercial and corporate loyalty programs. Commercial loyalty programs are organized by particular web portals, and they are aimed at gaining profit. They use the point system to attract and reward customers for their loyalty, or they use their own 'internal currencies'. In commercial programs, there is a strict cooperation with advertisers. These programs are only present in the virtual world. On the other hand, corporate loyalty programs are prepared by particular companies in order to form long-term fidelity in their customers. Due to those programs, a company is able to contact directly and communicate with its cus-

tomers in an interactive manner. The offers of value added are disseminated among the participants of the program via the Internet. Examples are the market loyalty program of Lufthansa (Miles&More) or Air France (Flying-bule).

Other types of loyalty programs include music and book clubs; fan clubs; user clubs, e.g., the Peugeot Owners Club; 'bonus' programs; discount clubs; and 'wholesale' clubs. Bearing the foregoing in mind, we should emphasize the fact that quickly developing competition in international markets will constantly force companies to introduce innovations and improve the already established strategies and loyalty programs. Many companies will have to change their activities and introduce completely new strategies.

## **Post-purchase dissonance**

---

As it was said before, consumer post-purchase evaluations result in the development of consumer feelings, including satisfaction (when consumer expectations have been fulfilled or even surpassed) or dissonance. If a product overstates the number of advantages provided by a product, the consumer is disappointed. The bigger the gap between expectations and actual product attributes, the deeper the feeling of dissonance experienced by the consumer. The phenomenon of post-purchase dissonance is tightly related to the consumer's belief that he or she has made an erroneous decision (Garbarski, 1997). In other words, post-purchase dissonance is one of responses which satisfy consumer needs. Such responses are more likely to be perpetuated. That is why are called conditioning. There are two prominent conditioning theories: classical conditioning and operant conditioning.

Classical conditioning is said to take place when two stimuli are paired. That is, a stimulus is associated with an event. The work on this form of conditioning arose out of experimentation by Ivan Pavlov with dogs. Naturally, the dogs would salivate on sight of meat. But, by repeatedly preceding the arrival of the meat by a ring of a bell, Pavlov was able to get the dogs to salivate to the sound of the bell without the presence of meat. The dogs were therefore conditioned to produce salivation.

Classical conditioning is frequently used in advertising and promotions. By repeatedly associating a slogan, image or sound with a particular product it is possible to conjure up the memory of the product by the associated stimulus only. For example, colors have become associated with particular political parties so that the color alone can evoke thoughts of the party. Similarly, a jingle or other tune associated with a product in an advertisement which goes on to become a 'popular hit' will continue to evoke images of that product (for free!). It is now quite common for music to be scored for commercials with just this goal. The association between the conditioned stimulus and the original response slowly weakens until it is totally extinguished. This is known as extinction. A conditioned response that has been extinguished may, however, spontaneously recover, if the original association is again reinforced. In other words, the association will take less time to re-establish than the learning of a new association. It is as if the mind has retained some kind of 'memory' of the association which makes re-establishment easier. For example, offering petrol tokens will reinforce a driver to use that chain of petrol stations although the association will slowly weaken if the promotion is stopped. However, due to the action of spontaneous recovery, a reintroduction of the token scheme will make the original driver more easy to attract back when compared to a driver new to that chain of stations (Phipps & Simmons, 2008).

Operant conditioning is different from classical conditioning in that the learner is instrumental in producing the stimulus (in classical conditioning the stimulus - the bell in the case of Pavlov's dogs - was introduced by the experimenter). This can be explained using the experiments of Skinner on more animals, this time rats, in a cage which became known as the 'Skinner Box'. The box contained a lever which, when depressed, dispensed food pellets. After wandering around the cage for some time the rats eventually pressed the lever, either out of curiosity or by accident, which of course provided them with food (positive reinforcement). As a result, the pressing of the lever became associated with the production of food. Both positive and negative reinforcement can occur. For example, if the lever delivered an electric shock, the rat would be unlikely to repeat the behavior. Sales promotions commonly make use of operant conditioning to reinforce certain behaviors. For example, the 'coalminers coupons' scheme for Christmas introduced by Społem stores reinforces shopping at that store. Operant conditioning is also responsible for

much brand loyalty. If a customer is satisfied with a brand or product their purchasing behavior is reinforced.

# ACTIVITY

*Please, go to two supermarkets: local and international in your town and try to identify at least three promotions. What type of conditioning is being used in each? How I could create dissonance?*

The concept of post-purchase dissonance has its origins in the theory of the so-called cognitive dissonance formulated by L. Festinger, who assumed that people experience a need for internal harmony (consonance) between their attitudes, beliefs and values (Kiezel, 2010). According to Festinger, any two pieces of information (say A and B) contained in a person's mind can be related in one of three ways:

- ✦ They can be consonant, or consistent. In this case A implies B.
- ✦ They can be dissonant, or inconsistent. In this case A implies the opposite of B.
- ✦ They can be unrelated or irrelevant to each other. A not related to B.

For example, the two pieces of information 'I like cream cakes' and 'cream cakes make me spotty' are dissonant. Presumably, one does not want to have spots yet one wants to eat cream cakes. On the other hand, 'I like Heineken' and 'Heineken is good for you' are consonant pieces of information.

In case of a discrepancy between at least two elements of this system (i.e. two simultaneously existing contradictory beliefs and attitudes), the consumer experiences an unpleasant feeling of internal tension (dissonance). Since the dissonance works as punishment, it is natural either to reduce this disagreeable condition or get rid of it, and to restore the state of harmony (balance). That is why people try to avoid situations which provoke or reinforce this unpleasant feeling. These are often subconscious reactions which are demonstrated, among others, through a selective perception of new information and redefinition of the previously-acquired one in such a way as to lessen the importance of dissonance-generating information (Gajewski, 1994).

According to the concept of cognitive dissonance, most purchases result in the consumer's doubts as to rightness of his or her decision. This doubt and

## ACTIVITY

*Find one or more people who is intending to buy a lottery ticket. Ask them to rate their chances of winning on a scale of 1 to 10 where 10 is high, 1 is low.*

*After they have bought the ticket – get them to rate their chances again. Has their rating changed? If so, how can this be explained by dissonance theory.*

uncertainty (post-purchase dissonance) occur in a situation where the consumer has chosen from among products with both positive and negative attributes. In such a case the chosen alternative has some disadvantages, whereas the rejected one has certain positive features, too. Consequently, the negative aspects of a purchased product combined with advantages of the rejected one result in the development of post-purchase dissonance.

It is noteworthy that the phenomenon of post-purchase dissonance and the degree to which it is experienced by the consumer are largely dependent on the following factors (Lewis & Bidger, 2001):

- ✧ *The significance of the decision* – if you had spent a lot of money on the holiday or perhaps it was your only holiday for a number of years, the dissonance would undoubtedly be greater.
- ✧ *The attractiveness of the rejected alternative* – if your decision had been a narrow one then positive information from one of the rejected options is likely to create greater dissonance.
- ✧ *The number of negative characters of the choice made* – if the selected destination was seen to have a several tilings 'going for it' then a disappointing report about the weather, for instance, is less likely to create dissonance.
- ✧ *The number of options considered* – the more rejected choices the greater the dissonance. Trying to choose a holiday destination from ten alternatives makes it more likely that one of the rejected options would have turned out better.
- ✧ *Commitment to decision* – if the decision can easily be reversed and/or no public expression of the decision has been made then less dissonance is likely to result.
- ✧ *Volition or choice* – if the choice is 'forced' rather than voluntary then dissonance is minimized.

Post-purchase dissonance may be experienced by the consumer in different moments, for example, right after the purchase (use) of a given product, still in a shop, when the consumer is dissatisfied with customer service or with service rendering. It may also appear after leaving the branch of a given shop, right on the market, when the consumer compares a purchased product with other available products (Fey, 1994; Eggert & Ulaga, 2002).

### ACTIVITY

*Have you ever been aware of post-purchase dissonance? How have you coped?*

*Try to think of examples on goods and services markets.*

*Try to think of examples on local market and abroad.*

Consumers experiencing dissonance will act to reduce the discomfort. There are a number of ways this can be done. They *can*:

- ✦ Change their decision. This may not always be possible or practical.
- ✦ Actively seek positive information about the chosen alternative. This is called selective exposure.
- ✦ Concentrate on information presenting the positive features of the chosen alternative and ignore information presenting negative features. This is called selective attention.
- ✦ Change their attitudes.
- ✦ Actively avoid exposure to information that is likely to cause dissonance. This is called selective avoidance.
- ✦ Dismiss or devalue ambiguous information about the chosen option. This is called selective interpretation.

### EXAMPLE

*The dissonance resulting from the information that consumers like cream cakes' and 'cream cakes make me fat' can be reduced by one or more of the following. We might:*

- *Stop eating cakes (change decision).*
- *Decide that cake eating does not cause fatness (change attitudes).*
- *Convince ourselves that enjoying a cream cake is worth the risk of putting on a bit of weight (selective attention).*

- *Question the link between cake eating and weight increase (selective interpretation).*
- *Eat a cake but then avoid information in magazines and papers which suggests cakes are bad (selective avoidance).*
- *Eat a cake but then seek information in magazines and papers which suggests cakes are good (selective exposure).*

Marketers can use dissonance theory in several ways (Smyczek, 2001):

- ✧ *Post-purchase reinforcement* – continue to supply the purchaser with positive information about the product even after purchase thus reducing post-purchase dissonance. This will retain brand and corporate loyalty. This is common amongst car manufacturers who continue to send on glossy brochures and owner newsletters after the purchase is made. BMW are known to place car adverts aimed solely at existing owners of their cars.
- ✧ *Try and buy schemes* – offering limited trials, reinforced by coupons and gifts, will create a commitment and positive attitude towards the product which is then more likely to be purchased (to avoid dissonance when the product is returned). Book clubs are one example of sales organizations that operate in this way.
- ✧ *Anticipating and addressing dissonance in the advertising message and product branding* – a recent advert for cream cakes actually emphasized that they were a treat which, perhaps, wasn't the healthiest. The message given was 'Go on - you are worth it'. In the area of product branding, one cigarette manufacturer is actually trying to give a similar message with 'Death' cigarettes. Acknowledging the health problems with smoking but promoting a devil-may-care image.

Bearing in mind the above-presented considerations, it should be underlined that firms ought to present their products in a way that faithfully reflects their actual functioning, as the occurrence of post-purchase dissonance will have a significant influence on consumer future behaviors. After completion of a certain decision-making process, the consumer is no longer the same individual as before, with an initial need for a definite product. Of course, the consumer may develop the same need again, yet his or her subsequent choices will be based on previous experience.



## Recommended literature

---

1. Doole, I., Lancaster, P. & Lowe, R., 2005. *Understanding and managing customers*. New York: Financial Times Press.
2. Glowik, M. & Smyczek, S., 2011. *International Marketing Management*. Munich: Oldenbourg.
3. Griffin, J., 1995. *Customer loyalty. How to earn it, how to keep it*. London: Lexington Books.
4. O'Dell, S. M. & Pajunen, J. A., 1997. *The butterfly customer*. Toronto: John Wiley & Sons.
5. Smith, S. & Wheeler, J., 2002. *Managing the customer experience: turning customers into advocates*. New York: Financial Times Press.

# Consumer protection on international market



### Chapter describes:

- ✦ Consumer rights on market
- ✦ Models of consumer protection
- ✦ Institutions responsible for protection consumer on market
- ✦ System of alternative dispute resolutions

### You will be able to:

- ✦ Specify threats of consumer on market
- ✦ Understand differences in systems of consumer protection
- ✦ Apply different law regulations concerning consumer protection in practice
- ✦ Use particular instruments to protect consumers



## Threats of consumer on market

In market economy the consumer should have the possibility of selecting the right product, as well as the form, place, and time of its purchase, and should have proper conditions for making the right decision (Schiffman & Kanuk, 2010). Such goals are achieved by means of various methods. This is why the importance of marketing for consumers should be considered in terms of both advantages and threats. The threats to consumer interests are usually connected with the following (Niepokulczycka, 1998):

- ✦ lack of transparency in the market (many diverse products, introduction of new products, etc.);
- ✦ depersonalisation of the market;
- ✦ selling products in large shopping facilities;
- ✦ using sophisticated methods to seduce buyers, e.g., by arousing emotional motives to purchase a product;
- ✦ artificially provoked needs, e.g., through promotional activity of enterprises;
- ✦ increasing prices through manipulating the assortment of goods and by means of a well-developed brokering network; and
- ✦ over-function of packing, which often causes an increase in prices and has ecological consequences, etc.

### ACTIVITY

*How do marketing techniques threaten consumer interest on market?*

*Think about different markets, like well-developed economies, transitional and developing countries as nearly industrialized countries in Asia. There are any differences?*

Highly developed countries have to face problems connected with the standard and quality of living of the whole society, limiting of competition, threats to the natural environment, and overly careless use of non-renewable sources of raw materials and energy. These are associated with marketing activities perceived as contradicting the original philosophy (Davies & Pardey, 1994). The complaints usually refer to quality, price, or consumer service; and they may, for instance, be related to the abuse of certain techniques and mar-

keting instruments (Kaleta, 2006). Since most of the time the decisions related to buying goods are subconscious, it is both advisable and necessary to protect consumer interests. Consumers do not have the possibility of carefully analysing every purchase, and so there are many ways of provoking consumer behavior based on subconscious reflexes (Bishop, 2010).

## **Consumer interest protection**

---

Consumer interests are threatened in many ways. Four spheres of operation of such threats are axiological, economic, qualitative, and commercial. The axiological sphere involves such activities of the producers as creating excessive needs, wrong needs, and the need for restitution. The economic sphere refers to threats caused by the purchase of goods of reduced mass and/or at an increased price. The qualitative sphere refers to latent defects of goods, legal defects, and contents that are harmful substances and components. In the commercial sphere, the consumer may suffer losses due to mismanagement arising from style of living, habits, lack of planning, and so on (Vizer, 2010).

Some of the threats to consumer interests are observed throughout the whole country, while others refer only to certain social groups. The country-wide threats are caused by civilization processes, industrial and technological processes as well as organizational processes in the economy, and lack of appropriate laws for consumer protection. Threats to the interests of social groups are usually connected with solutions adopted in the economy to settle certain problems. The premises for consumer interest protection as well as the number of various types of threats justify the need for those interests to be protected.

The term consumer interest protection is a descriptive term and is used to characterise a set of activities directed at the protection of consumers when their rights and interests are being threatened (Blackwell, Miniard & Engel, 2001). The descriptive nature of the term has, however, some significant consequences. The manner of perceiving that set of activities, which is crucial for consumer interests, varies depending on the field the author specializes in, on

the perspective taken to observe phenomena, and on the current socio-economic situation. The idea of consumer protection emerged in the 19<sup>th</sup> century when the market economy was born. The first activities aimed at the protection of buyers against exploitation and unfair trade practices were undertaken by the developing cooperative movement (Maliszewska-Nienartowicz, 2004).

#### DEFINITION

*The term **CONSUMER INTEREST PROTECTION** is a descriptive term and is used to characterize a set of activities directed at the protection of consumers when their rights and interests are being threatened.*

The consumer movement, as well as other social movements originated in the period of rapid industrialisation in the second part of the 19<sup>th</sup> century, mainly in the U.S. The key event for the process was John F. Kennedy's address to the Congress on March 15, 1962, when four basic consumer rights were pronounced: the right to safety, the right to be informed, the right to choose, and the right to be heard. These rights were later developed by Consumers International until they became the basis for the Guidelines of the General Assembly of the UNO on consumer protection (adopted in 1985). The issue of consumer protection was also discussed in European Communities. The formation of community consumer protection was a multi-stage process (Kieźel, 2007).

What ought to be considered, then, is the scope of consumer interest protection. This protection covers the most precious things, such as life, health, material interest, and position in the market. The subjects of protection are the consumer and the institutions organizing activities in the area of consumer interest protection. The latter include the state, self-governing bodies, social organizations, and consumers themselves. The activity of all those groups of subjects acting in favour of consumer interest protection should form an overall system of protection.

An important term related to consumer protection is consumerism. It is an umbrella term for all the activities undertaken by state, social, and private institutions for the benefit of consumers. In a broader sense, consumerism is

### ***Problems of consumer protection in transforming CEE***

*The system transformation and membership of most CEE countries in the European Union gives a new perspective to the issue of consumer interest protection. It is worth noting that due to the inferior position of the consumer in the market, the threats to their interests do not diminish with the development of the CEE countries and the European and global market. What changes, though, is the scope and direction of threats. Some of the unfavorable phenomena caused by the communist system have been eliminated, such as lack of commodities, queues, profiteering, or unfair trading practices; but they have been replaced by other problems. Nowadays the consumer is bewildered by the variety of offers but at the same time has to face the challenge of making the right decision. He/she needs help. He/she needs objective, reliable information in order to choose correctly. The process is very often disturbed by the variety and intensity of messages coming from many sources, which often contradict one another. Moreover, the consumer is also manipulated and deceived due to his/her ignorance. The process of political transformation in CEE countries led to a decrease in the sense of social safety. This was connected to unemployment and limited access to many commodities and services, in particular among the most indigent families. In addition to creating a group of receivers who benefited from the changes in the market, transformation resulted in considerable polarization of the society and marginalization of many social groups, who then had to face basic existential problems. This is also the reason why CEE consumers look forward to activities that will protect their interests.*

Source: Gasparski (2004)

a movement designed to increase the rights of consumers in their relation with producers and providers of goods and services (Raymond, 2003). It is a mixture of people, ideas, and organizations representing groups and needs that were not represented before, trying to induce some changes or a reform

of the existing rules. The movement defends basic consumer rights and these include the following (Doole, Lancaster & Lowe, 2005):

- ✦ *The right to protection against products and services that are dangerous for health and life.* No such products and services should be present on the market. For this purpose safety requirements need to be stipulated, and consumers need to be informed of the possible risks connected with the use of particular products or services. Consumers also need to be protected against accidents.
- ✦ *The right to protection of economic interests.* This ought to provide consumer protection against the producers, brokers, or retailers abusing their position. It involves a ban on unfair competition and on imposing unfavorable terms of contracts, the idea of improving the quality of goods and services and caring for environmental protection.
- ✦ *The right to information and to consumer education.* The consumer should have the actual possibility of making a conscious choice in the market. This requires reliable information on the characteristics of products and information on the prices of goods and the methods of their use. Another important issue is information on procedures of executing consumer rights.
- ✦ *The right to an effective system of pursuing claims.* In the case of a complaint, the consumer should have access to professional aid.
- ✦ *The right to representation.* Consumers have the right to present their opinion on all matters concerning their individual as well as collective interests, i.e., the interests of a consumer community. Voluntary consumer associations constitute such representation.

The basic objective of consumerism is to extend the rights and powers of buyers in their relationship with sellers of goods and service providers. Thus consumerism motivates all subjects participating in economic life to be active in educating and informing consumers as well as in protecting consumer rights (Harris, 2010). What needs to be considered are the forms of protection and their instruments. The multiplicity of threats to consumer interests makes it difficult to apply a single method of protection. The forms of consumer protection include pro-consumer legislation and institutional forms. Those legal and extra-legal forms of protection are closely related and they intermingle. In the countries where a market economy is well developed, the governments create a system of laws and institutions to protect consumer interests. These

nicely supplement the basic and effective protection provided by the market mechanisms, competition, and business ethics.

## **Consumer protection instruments**

---

The instruments of consumer protection can be divided into three groups: state instruments, individual instruments, and mixed (Sawyer, 2010). The state instruments are activities of the state that, either directly or indirectly, protect the consumer without his/her active participation, e.g., obligatory standards of quality and safety, labelling food, anti-trust law, etc. The state acts on behalf of the consumer. Individual instruments are types of consumer behavior that protect him/her. Whether a consumer uses them or not depends entirely on him/her. They include all kinds of decisions made by the consumers, such as where to buy, for what price, how to use the product, how to treat a trademark, etc. Mixed instruments are the laws that vest in consumers the right to protect their interests, such as the part of the Civil Code that refers to warranty and others.

It is worth noting that it is the consumers who bear the greatest responsibility for their own protection. The state, on the other hand, should provide proper conditions by providing legal norms and regulations, education, and broad access to information. Economic processes undergo globalization and thus become more and more complex, technology changes rapidly, and economic pathology spreads. All these factors make state intervention on behalf of a consumer practically indispensable (Keay, 2010). Thus, consumer actions to protect their interests ought to be supported by the state.

The protection instruments may also be divided into the following groups: legal, economic, psychological, and ethical. Legal instruments are the laws that objectively concern consumers, the goods they buy, or the entities offering those goods, and such enactments that do not directly refer to the consumer, but that provide the conditions for the proper functioning of the market (packages of laws protecting fair competition and anti-trust laws). Economic instruments are those that are used by the consumers themselves as well as those that are used by the producers and vendors. This group of instruments



includes some that are related to quality protection, such as trade-marks, quality standards, certificates, etc. Psychological and ethical instruments may also be of considerable importance, though their practical significance in present conditions is rather small (Wells & Prensky, 1996).

Forming consumer rights sealed the development of institutional forms of consumer interest protection. Activities in this matter are conducted, apart from consumer organizations, by specialised state bodies, self-governing bodies, social organisations, and others. Consumer rights ought to be represented in every country by all economic entities and organizations. Institutional forms of consumer interest protection in European countries create a complex and coherent organizational system, which is gradually evolving along with economic development. What is characteristic of this system is the functioning of specialized institutions, situated high in the governmental hierarchy, that shape and execute consumer policy. The activities of such entities supplement those of regional and local governments; civil organizations, including consumer organizations; and cooperative organizations (Groom, 2010).

## Models of consumer protection

---

Four models of institutional consumer protection systems are present in the European Union (Kiezel, 2007):

- ✧ *ombudsman model* – in which the crucial role in consumer protection is that of a single-person institution, a consumer advocate or ombudsman. He/she is administration-independent, appointed for a fixed term, usually by the Parliament. A consumer advocate is usually vested with specified powers.
- ✧ *administrative model* – in which it is the administration that exercises the consumer policy. Consumer protection is usually performed by a single, specialized administrative body (usually situated in economic ministries), which usually has a well-developed structure throughout the country.
- ✧ *court model* – based on a highly advanced operation of courts, where common access and short procedures (the so called courts of petty matters, courts of small claims) guarantee quick compensation. This model al-

so assumes the functioning of various public institutions executing and coordinating the consumer protection policy. The most characteristic feature for this model, however, is the presence of fast-operating courts, which only deal with deciding consumer litigation.

- ✧ *German model* – in this model the consumer policy is executed by means of strong consumer organizations. Consumer organizations are state-independent citizen associations that deal with the protection of buyer rights. They are present on the local and national level, and they have a joint representation in community institutions, which allows them to act on particular issues arising between buyers and vendors. They also fight to bring about changes in legal regulations that favor producers and traders.

In the European Union, institutional systems of consumer protection are usually mixed, with one of the models prevailing. The ombudsman model, for instance, is dominant in Scandinavia; the administrative model, in France; and the court model is common in Anglo-Saxon countries.

Apart from the model approach to institutional solutions in the field of consumer interest protection, there is also a model approach to consumer law in EU countries, which includes the following models (Rokicka, 1996):

- ✧ *consumer code model* – e.g., in France, where a consumer code was adopted in 1993. The code was a comprehensive normative act relating to the main two branches of the law, i.e., to civil law and to administrative law. The advantage of this model is that it collects all legal regulations concerning consumer protection in a single, dominant act.
- ✧ *framework regulation model* – applied in the countries that have passed laws on consumer protection. It is based on a formal principle, namely the adoption of consumer protection law.
- ✧ *distributed regulation model* – characterised by the lack of a single consumer law, either in the form of a code or a detailed statute. Instead there exist numerous special acts governing only parts of the consumer protection issue. This model is applied in countries with a long consumerism tradition, where the legal acts were being added one by one for dozens of years, e.g., in the United States.

In the European Union there are a number of institutions and organizations in which consumer protection is the basic activity. Special institutions protect consumer interests on the country level, but there are also some transnational ones.

***Institutions that protect consumer interests  
in the European Union***

- *Institutions of the European Union* – the European Parliament, the European Commission (EC), the Directorate General for Health and Consumers (DG SANCO), the European Consumer Consultative Group (ECCG)
- *Consumer organizations on the level of the European Union* – Association of European Consumers (AEC), the European Association for the Co-ordination of Consumer Representation in Standardization (ANEC), the European Consumers' Organization (BEUC)
- *Other organizations* – Confederation of Family Organizations in the European Union (COFACE), the European Community of Consumer Co-operatives (Euro Coop)

Particularly countries in the European Union have developed their own institutional solutions within the framework of consumer protection. They provide a good reference point when discussing the situation in other countries, especially in less-developed countries. Institutional forms of consumer protection in highly developed countries create a complex and well integrated organizational system that evolved gradually alongside economic development in those countries and adjusted itself to the needs of the market and of its subjects. In this system, there is usually some specialized institution with enough power to shape and execute the state consumer policy (Kher, Frewer, de Jonge & Wentholt, 2010). Some examples are the following:

- ✧ in France – the National Council for Consumption;
- ✧ in Germany – the Federal Ministry of Food, Agriculture and Consumer Protection;
- ✧ in Sweden – minister for Consumer Policy;
- ✧ in Great Britain – the National Consumer Council (deals with the general problem of consumer policy and living conditions), the Office of Fair Trading (a supervisory institution), and the British Standards Institute (establishes the minimum standards for the quality of consumable products); and

- ✧ in Norway – the Ministry of Consumer Affairs (In Sweden and in Norway, there are also Market Courts and Consumer Advocates. The role of regional and local governments as well as that of citizen and consumer organisations is also significant.).

EXAMPLE

***Finish institutions protecting consumer on market***

*In Finland consumer interests are protected by the Consumer Agency, whose scope, under its articles, is to prepare and spread consumer information as well as to educate consumers. There are other organizations and economic entities that provide consumer information, but the agency is the main and coordinating party. Its principal objective is to furnish consumers with a sufficient number of basic informative materials, which are distributed among the citizens free of charge by municipal consumer advisors and other persons. The agency also focuses on providing information on current matters and on active collaboration with mass media. It also publishes the results of all sorts of comparative tests and examinations in its magazine, 'Kuluttaja - lehti', and on Internet websites. It supports schools in the formation of consumer awareness and furnishes entrepreneurs with information, which should add to greater consumer satisfaction with better services, more beneficial terms of contracts, and faster consideration of claims and complaints.*

*Another institution operating in Finland is the Office of Consumer Claims, which is an impartial and independent body. It is financed by the state. Its procedures partly resemble those of a court, though, in some respects, it is also similar to administrative bodies and has some features uniquely its own. As a country-wide body, it usually deals with all sorts of consumer-related disputes and is a part of the consumer protection system that was formed in Finland in the 70s. The office does not protect the consumer directly, in the manner that a Consumer Advocate does, but it provides indirect protection and conducts preventive activities. Its principal and original task is to propose solutions for disputes*

*between consumers and traders concerning goods and services. However, since 1995 the office has broadened the scope of its operation, and now it deals with disputes arising from housing transactions. It also issues statements for courts on matters within its competence. It provides information for municipal consumer advisors and in effect also for traders. Using the mass media and publishing, it informs other consumer-related bodies and the general public of the decisions it has adopted.*

Source: DG CANCO (2010)

Another interesting question is the development of arbitration courts in Europe. Their operation may greatly reduce the burden of the work of common courts. In EU countries, arbitration courts are of great renown. A very specific example of the importance of arbitration courts for issues of consumer protection is Spain, where consumer rights protection is provided for in the constitution. There is a public arbitration system organized by the central and local administrative bodies as well as many specialized arbitration systems that settle disputes between consumers and the entrepreneurs operating within a particular sector (Mak, 2010).

## **System of alternative dispute resolution**

In European countries, there are also the so called alternative dispute resolution (ADR) systems. They operate outside the court structure and help to settle disputes between consumers and entrepreneurs who are unable to reach an understanding on their own. The experience of the EU Member States shows that such alternative extrajudicial systems of dispute settlement may be very beneficial both for consumers and for entrepreneurs. Their main advantages are the low costs of the proceedings and the short time for settling a dispute. In order to help consumers and entrepreneurs reach an understanding, a third party is usually involved – an arbiter, a mediator or an ombudsman (Kiezel, 2007). Extrajudicial procedures are usually an alternative to court proceedings. They may also function as preliminary or supplementary pro-

ceedings. As far as material jurisdiction is concerned, there are systems that deal with issues concerning only a single sector, e.g., telecommunications or insurance, and those that deal with all consumer matters. Extrajudicial systems of resolving disputes are usually formed under agreements between both entrepreneur and consumer organizations. In Scandinavian EU countries, disputes are resolved out-of-court by state institutions. The binding force of the decisions delivered by each system varies considerably. In some cases the decisions are merely recommendations, e.g., the mediator or ombudsman model; while in other cases they are binding for the entrepreneur, e.g., arbitration, claims committee; and in still others they bind both parties, e.g., arbitration (DG SANCO, 2007).

The main types of alternative systems of extrajudicial resolution of consumer disputes (ADR) that function in the European Union countries are these.

- ✦ *Mediation and conciliation* – through mediation and conciliation, the parties try to reach a settlement through the agency of a third party. The task of the mediator is to help the parties find a satisfactory solution to the problem. He or she does not impose any solution, but only tries to guide the parties to reach compromise on their own. In the conciliation model, the third party first listens to the arguments of the disagreeing parties and then presents the best solution to their problem. This suggested solution does not have to be binding for both parties. In the mediation and conciliation proceedings, the parties are not limited by the regulations of material law and law of procedure. Thus, the resolution of the dispute does not have to be based on any particular legal norm, but may invoke the principles of honesty, righteousness, loyalty, and decency. A settlement reached in such a procedure usually requires an enforcement clause to be appended by the court (Kaleta, 2006).
- ✦ *Arbitration* – this method of extrajudicial resolution of disputes is the closest in nature to court proceedings. The most important legal instrument governing arbitration is the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, dated June 10, 1958. In arbitration, the parties choose one or more neutral persons and present the problem to them. These persons then deliver a final and legally binding resolution. Arbitration may either be interim or institutionalized. In interim arbitration, each party appoints one or more arbiters who then, jointly,

appoint one supreme arbiter. The elected panel resolves a dispute in accordance with previously stipulated rules. The operation of institutionalized arbitration is usually based on a professional arbitration organization. Some models of arbitration require additional enforcement proceedings before a common court (Rokicka, 1996).

- ✦ *Claims committee* – this may be formed by consumer organizations, associations of entrepreneurs, or economic institutions – jointly or independently. Their functionality is based on the common legal regulations or on the principle of autoregulation (the so called soft-law). Claims committees are collective by nature and both groups – consumers and entrepreneurs – are equally represented in them. The resolutions of such committees are usually not binding, though in some systems they are binding for the entrepreneur. Some claims committees may conduct consumer cases without the consent of the entrepreneur. In that case, the final decision is not binding, but it does affect the entrepreneur's reputation (Groom, 2010).
- ✦ *Ombudsman* – namely a spokesperson, who is a single-person institution appointed for the purpose of resolving disputes between entrepreneurs and consumers. An ombudsman has to be a very well-qualified, highly respected person of impeccable character. This type of ADR is usually formed on the initiative of entrepreneurs from a particular sector and constitutes one of the instruments of autoregulation. Even though an ombudsman is appointed by entrepreneurs, he/she is usually an independent body. An ombudsman is generally competent in a limited range of issues; and his/her decision is based on legal regulations, the principle of equality, or on guidelines accepted in a given sector. Ombudsman's decisions are usually binding for the entrepreneur or are not binding for either party (Kiezel, 2007).

Since extrajudicial systems of dispute resolution in the EU countries are so diverse, there are also differences as far as the binding force of their decisions is concerned. Moreover, the systems of dispute resolution exercised in Europe do not secure rights equally effectively. Bearing all this in mind, the European Commission has stipulated the minimum standards for solving extrajudicial consumer disputes. They are based on the principles of independence, transparency, effectiveness, and observance of the law; and their purpose is to help consumers in pursuing claims arising from international transactions within the framework of the single EU market (DG SANCO, 2007).

The minimum standards for ARD are stipulated in:

- ✦ the Commission Recommendation 98/257/EC of March 30, 1998, on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes – Official Journal of the European Communities L115 of April 17, 1998,
- ✦ the Commission Recommendation 2001/310/EC of April 4, 2001, on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes – Official Journal of the European Communities No. 109 of April 19, 2001.

The European Union Member States notify the European Commission of the national extrajudicial entities that meet the minimum requirements stipulated in the Commission Recommendations. The information on ADR is collected, updated, and made accessible by the European Commission through a database ([link](#)). This database is mainly used in trans-border disputes. It helps consumers, entrepreneurs and consumer organisations determine the most appropriate, available extrajudicial method of resolving disputes. It also allows a comparison of various models of ADR systems operating in the Member States and development of cooperation between the European ADR systems. The network of European Consumer Centres supports the EU Member States and the European Commission in the development and promotion of ADR systems as well as in updating the database. The ECC network provides information and assists consumers in pursuing claims by the agency of ADR systems in trans-border disputes.

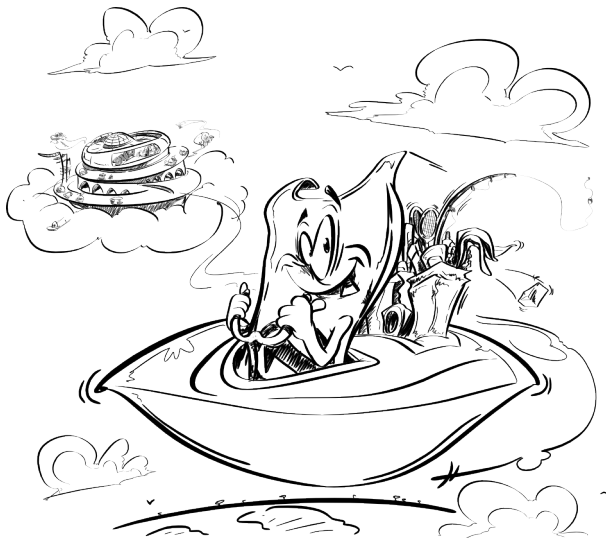


## Recommended literature

---

1. Beauchamp, T. M., 2004. *Case Studies in Business, Society, and Ethics*. London: Pearson Higher Education.
2. Brown, M. T., 2003. *Ethical Process, The: An Approach to Disagreements and Controversial Issues*, London: Pearson Higher Education.
3. De Mooij, M., 2010. *Global Marketing and Advertising. Understanding Cultural Paradoxes*. Los Angeles: SAGE.
4. Lennick, D., Kiel, F., 2005. *Moral Intelligence: Enhancing Business Performance and Leadership Success*. London: Pearson Higher Education.
5. Mcewan, T., 2001. *Managing Values and Beliefs in Organisations*, London: Financial Time Press.

### Future consumer – changes and forecasting



#### Chapter describes:

- ✦ New trends in consumer behavior as results of globalization processes
- ✦ Homogenization and heterogenization of consumption
- ✦ Other new trends in consumer behavior
- ✦ Feature of new consumer

#### You will be able to:



- ✦ Determine practical application of new trend in consumer behavior into practice
- ✦ Identify how new technology influence consumer behavior
- ✦ Forecast future behavior of consumer according to ecological movement and deconsumption idea
- ✦ Influence on ethical aspects of consumer decision on market

## New trends in consumer behavior

---

The new market situation that has emerged because of globalization, the financial crisis, and so on has and will have a huge influence on changes in consumer behavior in the international market. Changes will consist not only in the consumption of new and more popular products or in far-reaching modifications to products that are already in use but also in considerable changes in the level at which needs are satisfied and in consumer decisions in the market and in households. These changes take the form of specific trends – they intensify in some consumer groups, they penetrate other groups, they are subject to modifications, and they disappear with time.

Some of the most important trends that occur in the market and can be observed in the international market are consumption globalization, consumer ethnocentrism, homogenization and heterogenization of consumer behavior, ecological behavior, servicization and dematerialization of consumption, virtualization of consumer behavior and cocooning, deconsumption and prosumption and also ethic consumption.

## Globalization of consumption

---

In the international market, some of the factors that stimulate changes in consumption and in consumer behavior and, at the same time, set new trends for them are (Hollensen, 2010):

- ✦ globalization of the economy and internationalization of business activities;
- ✦ development of democracy, enlarging areas of civil liberties, great ideologies disappearing, etc.;
- ✦ limited influence of religion and tradition on human behavior;
- ✦ development and spread of the Internet and mobile phones etc.;
- ✦ changes in production technologies and distribution of goods;
- ✦ advance of civilization, increasing levels of education (including market-related education) in society;
- ✦ longer life span, increasing numbers of elderly people and their economic emancipation; and

- ✦ changes in the family model, traditional family roles becoming obsolete, the loosening of social bonds etc.

Globalization of consumption manifests itself in intermingling consumption patterns observed on an international scale, in the spreading of consumption patterns, and in the creation of a global consumption culture (Bywalec, 2007; Johansson, 2006). Globalization leads to the creation of global sectors that are based not on location but on values, attitudes, and approach to objects and brands. In this context, creating becomes particularly important. It is usually an answer to the need to emphasize one's affiliation to the global sector (Żabiński, 2000). Globalization of consumer behavior arises from the so-called contemporary culture, which invokes such basic values as:

- ✧ individual subject;
- ✧ activity-oriented attitude, as opposed to existence-oriented attitude;
- ✧ reification of time through economic thinking – 'time is money'; and
- ✧ future-oriented attitude and less interest in the past, but at the same time frustration caused by the small size of the 'here and now' (Glowik & Smyczek, 2011).

#### ACTIVITY

*What behavioral differences should you be aware of when dealing with domestic markets as opposed to international ones?*

*How would you approach cross-cultural differences on global market for:*

- *An international hotel,*
- *A food product,*
- *A beverage,*
- *A computer?*

It is impossible to evaluate the process of globalization of consumption since it has many advantages but also many drawbacks. The advantages mainly arise from the very essence of the process, namely the products and the ways they are used becoming universal throughout the world, regardless of local culture, climate, and so on. Such phenomena often facilitate life; increase human mobility in space; and most of all, stimulate the development of tourism and migration. On the other hand, globalization of consumption hinders

the development of local cultures, products, and manners of consumption, which impoverishes regions and the whole world (Johansson, 2006).

## Consumer ethnocentrism

---

A trend that is very much opposed to globalization is consumer ethnocentrism. Ethnocentrism is defined as an attitude according to which one's own group constitutes the centre of the world, and all else is appraised and classified in reference to it (Solomon, Bamossy, Askegaard & Hogg, 2010). Thus, consumer ethnocentrism is the conviction shared by consumers that they should and are morally obliged to buy domestic products. Ethnocentrism is manifested in ways of perceiving the world and evaluating it consistently in reference to one's own culture. In the sphere of consumption, ethnocentrism is observed as a belief that one needs to buy domestic goods either in order to support domestic industry, trade, and so on or because these products are of better quality than foreign goods. Consumers may also think that by supporting domestic production, they also protect, indirectly, their own jobs; so they do not act only for the good of the country, but for their own good. Therefore, we may say that consumer ethnocentrism is related to making choices on the basis of moral rather than on rational or emotional criteria. On the other hand, ethnocentric behavior requires some knowledge – a customer needs to be able to identify a domestic (or European) product and also needs to be familiar with and understand the benefits he or she gains by purchasing that product.

The power of an ethnocentric attitude depends on the following:

- ✦ the need to possess and use a product, as perceived and felt by an individual (this factor mitigates ethnocentrism) and
- ✦ economic threat related to foreign products, as perceived and felt by an individual or a group, and connected with such phenomena as decreased demand for domestic products, limited domestic output, unemployment, higher taxes, lower standard of living -- this factor exacerbates ethnocentrism (Antonides & van Raaij, 2003).

Consumer ethnocentrism also depends on the demographic characteristics of consumers – their age, sex, education, earnings, and psychosocial characteristics, i.e., open attitude towards foreign cultures, patriotism, conservatism, and collectivism/individualism. In the sphere of consumer behavior, ethnocentrism is an effect of growing market awareness.

# ACTIVITY

*What sort of social and economic changes are happening in your home country today?*

*How would these factors affect consumer ethnocentrism according to:*

- supermarket,*
- construction company,*
- cosmetic company,*
- gym?*

Non-ethnocentric consumers do not pay attention to a product's country of origin. Instead they use other criteria for selecting a product – their decisions are well considered and not based on moral aspects. Such an attitude is called 'consumer cosmopolitanism'. In some countries, there is another type of attitude that is referred to as 'consumer internationalism'. We may talk about such an attitude if consumers consciously choose to buy foreign products. Goods manufactured abroad are treated as better and sometimes even as prestigious and a reflection of the status of the person who owns them.

In the European Union, due to integration processes and the blurring of cultural and national distinctiveness, another phenomenon is observed, namely European ethnocentrism. We observe European ethnocentrism when consumers tend to buy goods manufactured in the European Union. This gives rise to a new type of consumer - a Euro-consumer (Raymond, 2003).

## **Glocalization**

---

Sometimes conflicts occur between globalization and consumer ethnocentrism. These conflicts often end up with a compromise, the outcome of which is usually a global-local hybrid. Thus, we may talk about 'hybridization' of consumption or of its glocalization. When it occurs, a global product is accepted and adjusted to local systems of values and local methods of use. Otherwise it is manifested in global consumption of a 'local' product, e.g., champagne, pizza, whisky (Stiglitz, 2007).

## **Homogenization of consumption**

---

Homogenization of consumption involves unification and assimilation of consumption patterns (Lambkin, Foxall, van Raaij & Heilbrunn, 2001). It is manifested in the shifting and blurring of differences between life phases, in elderly people becoming economically emancipated and life styles of various age and social groups becoming similar, and so on. One of important factors that stimulates homogenization of consumption is a longer lifespan, which means that particular phases of life are longer and differences between them become blurred. Due to the development of education, the period in which we are at school (normally associated with youth) is prolonged to the age of 25-30 years; we are also active professionally for a longer period of time (Doole, Lancaster & Lowe, 2005). Today, when medicine is advancing so rapidly and more people have access to health care, they are still in good shape when they retire and are able to live an active life. This is the reason that passing from one stage of life to another has become very smooth, and why differences between these stages are no longer so well defined. Also, the differences in behavior between men and women, inhabitants of urban and agricultural areas, and representatives of various social classes have become blurred (Raymond, 2003; Lambkin, Foxall, van Raaij & Heilbrunn, 2001).

## Heterogenization of consumption

---

Homogenization stimulates detraditionalization of consumption, which means a decrease in the role of local family and job traditions. Detraditionalization may also have a completely different effect: it may cause diversification of consumption, i.e., lead to its heterogenization. Some factors that foster consumption heterogenization are (Bywalec, 2007; Blythe, 2009):

- ✦ development of democracy and a broader range of civil liberties,
- ✦ disappearance of great ideologies,
- ✦ individualized style of living and formation of subcultures,
- ✦ increasing mobility of people and of means of consumption,
- ✦ increasing ethnocentrism,
- ✦ changes in production technologies and distribution of goods, and
- ✦ development and spread of the Internet.

Developing democratization of consumers' lives induces many people to undertake unrestrained actions, including in the sphere of consumption, which they treat as ways of 'expressing themselves' or 'listening to their inner selves'. This approach is fostered by the huge diversity of goods available on the market and by a tendency toward as much product differentiation as possible (Graham, 2010). An example is the mobile phone market. It is true that consumers' requirements are increasing with respect to mobile phones – they are supposed to be multifunctional, unique, and stylized. They are to boost the owner's self-esteem and even express his or her personality. These expectations, however, are mainly created by manufacturers, who stress the fact that 'your product speaks for you', every time they launch a new one in the market.

---

## Ecological consumption

Another phenomenon that can be observed in today's economy, especially in well-developed countries, is consumers' interest in environmental protection. This has an impact on the choices made by consumers. We feel more often the need to exclude the brands of manufacturers that do not care about the environment from the market, and so we choose other brands or producers. Thus we may talk about ecological consumption, i.e., a modification (and not



limitation) of consumption such that the negative impact is the least possible (Smith & Wheeler, 2002; Lambkin, Foxall, van Raaij & Heilbrunn, 2001). This phenomenon is sometimes referred to as 'green consumerism' (or new consumerism). Consumers who have adopted this attitude make wise, rational decisions on the market. They combine care for their own health with care for the environment. But even though they act in similar ways, their motives are diverse (Solomon, Bamossy, Askegaard & Hogg, 2010; Johannes, 2004):

- ✦ *consumers who rely on sound judgment* – they choose products on the basis of solid knowledge and reliable information; their green behavior is based on their desire to gain prestige;
- ✦ *personally well-oriented consumers* – they purchase green products only out of consideration for their health; and
- ✦ *eco-fanatics* – they consider only green products to be valuable; they often initiate environmental protection activities.

The greening of consumption is manifested in (Doole, Lancaster & Lowe, 2005):

- ✧ the rational use of goods;
- ✧ limited consumption of goods that use up scarce, non-renewable resources or that generate dangerous waste;
- ✧ decisions not to buy products that might be considered superfluous (such as fabric softeners, toothpaste boxes, etc.);
- ✧ buying goods that produce little waste;
- ✧ consuming organic food (with a limited amount of added substances);
- ✧ rational supplies management;
- ✧ choosing multiple-use goods, if possible;
- ✧ using and giving away used clothes, toys, etc.; and
- ✧ traveling by bike or by public transportation rather than by car.

The idea behind the green movement is to create a consumer who is rational and conscious enough to give priority to his or her health and security, and not to convenience, and who thinks about the future of everyday life. In other words, we may say the idea is to transform consumers from 'ego-consumption' to 'eco-consumption'. Such an attitude is also desirable among entrepreneurs, state bodies, and local authorities. It can be shaped; but it requires cooperation of particular entities in the market, responsible actions and decisions, clear motives, and good foresight.

## Service oriented behavior

---

Progressive servicization of the economy leads to the transformation of industrial societies into so-called service societies. One of the characteristics of such a society is an increase in the purchase of services – servicization of consumption. But we are not talking only about a simple servicization of consumption – i.e., replacing one's own consumption as a method of meeting one's needs with purchasing services on the market. What also changes is the quality of purchased services. This mainly refers to the group of services that is related to higher needs – the buyer does not want to 'have' but wants to 'be' or actually to 'survive'. That is why people tend to go on vacations to attractive, remote places or participate in extreme sports. This orientation also makes education or health-related services more popular. The main reasons for the occurrence of this phenomenon are (Lovelock, Wirtz & Chew, 2009):

- ✦ increasing production and use of goods for which services constitute complementary goods;
- ✦ substitution of some material goods and services, which means that some things can be replaced by services (car by taxi, summer house by hotel); and
- ✦ advance of civilization and advances in science and technology, which induces the need to develop the intangible services sector (education, culture, leisure, information).

## Dematerialization of consumption

---

The shift in emphasis to the quality of consumed goods is connected with consumption dematerialization. Consumption dematerialization is defined as growing consumption of intangible goods, such as information, knowledge, aesthetic experiences, improvement of health and general condition, etc. (Schiffman & Kanuk, 2010; Lambkin, Foxall, van Raaij & Heilbrunn, 2001). On the one hand, it induces interest in goods (mostly intangible) that provoke emotions; but on the other hand, there is a growing need for material goods that also provide experiences. Therefore, the phenomenon of symbolic interaction already discussed is becoming more important (Lambkin, Foxall, van Raaij & Heilbrunn, 2001).

When we bear the foregoing in mind, we may say that consumption has moved to the fourth phase of development, namely the post-material phase. As a reminder, in the first phase, the greatest share in the consumption structure (in value terms) was that of food; in the second phase, home and household equipment; and in the third phase, the means of communication and cultural media (Bywalec, 2007).

## Virtualization of consumer behavior

By virtualization of consumer behavior we mean satisfying consumer needs by means of electronic media, mostly the Internet and television. Due to the development of these media, the methods of satisfying many needs have changed radically -- this concerns higher needs in particular. Virtualization in the sphere of consumer behavior is mainly manifested in (Lambkin, Foxall, van Raaij & Heilbrunn, 2001; De Pelsmacker, Geuens & van den Bergh, 2010):

- ✦ more individual and democratized reception of cultural contents, due to which a consumer may select contents according to his or her preferences and may also become an author of cultural contents and offer them to others;
- ✦ replacing the 'culture of signs' with the 'culture of image' and the 'culture of sound' (the so called visualization and phonization of culture);
- ✦ shifting from public institutions to home as the place for satisfying cultural, educational, and even medical needs and satisfying them at any convenient time; and
- ✦ splitting human life into real life (the physical world) and virtual life (what we see on TV or on a computer screen).

### ACTIVITY

*In what way has information technology changed the way in which people do their shopping?*

*Give an example of a technological change in your home country and show how people have benefitted from it.*

It is worth noting that rapidly increasing virtualization of consumer behavior may lead to a split of human life into real and virtual. It may also cause

psychophysical addiction to the Internet, television, or mobile phones. These types of addiction may, with time, become a major social pathology, which is particularly dangerous since it affects mainly youth and children.

---

## Cocooning

---

Another characteristic trend present in the modern economy is cocooning. It develops due to technological progress, in particular the spread of the Internet, which allows for shopping, conducting bank transactions, studying, or even working without leaving one's home (Lambkin, Foxall, van Raaij & Heilbrunn, 2001; Kiezel, 2010). Moreover, housing conditions are improving as well as the economic situation of households, which allows for equipping homes with appropriate devices that provide access to culture, information, or jobs. The development of cocooning is stimulated by progressive individualization of lifestyles and by escape to privacy. As a result, a large group of consumers, in particular women, disabled, and elderly people, are able to undertake all sorts of activities without giving up the raising of children or having to wait in stores and so on.

It is becoming clear that more and more people try to satisfy their cultural and leisure needs without leaving their homes – this is why homes are not only equipped with computers or TV sets, but also with home theatres or even gyms and other amenities. Obviously, this situation has some social consequences: on the one hand, human relationships are limited; people do not meet with friends or neighbors as often as before. On the other hand, we may observe a return to seeing the family as valuable. Family bonds are becoming stronger. This aspect of cocooning, however, refers to a limited number of households, since the role of the family in most cases decreases – young people become independent very quickly, and elderly people do not want to be dependent on their children. Thus, in highly developed countries, multigenerational families (at least of two generations) are becoming scarce. People get married at an older age, the number of single-person households is increasing, people are separated from one another, and this makes the process of decision making much more individualized (Bywalec, 2007).

## Privatization of consumption

---

The phenomenon of consumer cocooning is accompanied by another trend, namely privatization of consumption. This may be interpreted in two ways: we may either think of it as the process of commercialization, i.e., changing public consumption into private consumption or as the so-called process of consumption individualization. This phenomenon is mainly encouraged by (Lambkin, Foxall, van Raaij & Heilbrunn, 2001; Schiffman & Kanuk, 2010):

- ✦ progressive escape to privacy and individualization of lifestyles (decollectivization);
- ✦ more and more households having their own means of transportation, modern information carriers, and cultural media;
- ✦ improving housing conditions and the possibility of installing all sorts of equipment that allows for communication at any distance; and
- ✦ shortening and modifying work time and the ways of doing jobs, thus increasing the amount of free time.

Cocooning and privatization of consumer behavior cause an increase in so-called informal consumption. Informal consumption (hidden consumption) may be defined as a very personal and individualized consumer behavior carried out at home, where the consumer does not have to follow the norms of the public sphere and where they can be themselves and act according to their nature as they are not observed or evaluated by anybody (Smith & Wheeler, 2002).

## Deconsumption

---

In highly developed countries, another tendency may be observed, namely deconsumption. This involves conscious limitation of consumption to a rational level, which means to a level that arises from the natural, individual, physical, and psychic characteristics of a consumer (Bauman, 2004). There are four causes for this phenomenon (Bywalec, 2007):

- ✧ limiting consumption due to increasing instability of modern households (protective consumption);
- ✧ shifting from quantity to quality of the consumed goods;

- ✧ limiting consumption of material goods for the benefit of intangible goods; and
- ✧ limiting consumption to a rational level caused by:
  - growing fatigue and disappointment about high consumption and awareness of the need to rationalize it,
  - lowered ranking of consumption in the system of values (consumption becoming an instrument in accordance with the idea that 'you do not live to consume but consume to live'), and
  - environmental protection.

In view of the foregoing, we may say that the reasons for deconsumption are varied – first is the limitation of consumption out of necessity; the next two consist mainly of changing the manner of consumption. Only the fourth group of reasons lead to a conscious, deliberate, well-considered limitation of consumption based on a reconstruction of the system of values. Protective consumption arises from threats that modern households have to face, such as unemployment, illnesses, unstable situations, and military conflicts in the world (Kahneman & Tversky, 2000). Consumers deliberately limit the consumption of goods. They prefer saving to borrowing, which they hope will secure their future consumption in the event of a disadvantageous situation. It sometimes happens that buyers give up some goods in order to be able to buy goods of better quality – it is becoming very popular to buy highly aesthetic goods or those that are technologically advanced. Another step in this evolution of behavior is a shift towards immaterial spheres of consumption (Kiezel, 2010).

Decconsumption is a reaction to the excessive consumptionism that developed after World War II. Consumptionism is consumption that is not justified by biological, socio-cultural, or economic reasons. Still, many economists considered this phenomenon to be positive.

They used the following supportive arguments (Stiglitz, 2007):

- ✧ it gives the possibility (together with a consumption life style) to spread the idea of freedom, democracy, security, and individuality and
- ✧ the phenomenon is treated as a worldwide leading idea, which integrates people and counterpoises growing fundamental religions and the terrorism based on them and even war.

In the literature, however, the most common attitude towards rapidly growing consumption is rather critical. It is even referred to as 'affluenza',

derived from the words 'affluence' and 'influenza'. The symptoms of this disease are the feeling of continuous dissatisfaction, fatigue, nervous tension, rush; the feeling of permanent lack of something and the buying that follows, and so on (Bywalec, 2007). Some severe consequences of 'affluenza' are also workaholism, permanent debt, excess of waste products, worse relationships with social surroundings, and so on. We may thus say that mass consumption (pertaining to large social groups), which is usually high, has not lived up to expectations. It has improved our daily existence, but it has not made our lives happier; it has not become an effective remedy for eternal problems, such as passing away, getting older, diseases, accidents, and others. That is the reason we feel fatigue and are disappointed with consumption, i.e., we experience the classic symptoms of 'affluenza' (Lambkin, Foxall, van Raaij & Heilbrunn, 2001; Johannes, 2004; Bywalec, 2007).

## Prosumption

---

Another extremely interesting trend in consumption and in consumer behavior is prosumption. The term was coined from the words production (pro-) and consumption (-sumption). The term refers to a process of intermingling between consumption and production so that the difference between them becomes blurred. This may be the outcome of two tendencies: first when consumption 'enters' into the process of production and the manufacturer also becomes a consumer, and second when production is 'included' in consumption and the consumer also becomes a manufacturer (Stiglitz, 2007). Some of the main factors stimulating this process are the following (Lewis & Bidger, 2001):

- ✦ increasing amounts of free time due to automatization and robotization of production processes and the need to use this time in an attractive way;
- ✦ the possibility of working at home and intermingling home life with consumption activities;
- ✦ development and spread of education, in particular of so-called continuing education; and
- ✦ changes in work organization and redefining the role of work in human life (evolution of job towards creativity).

## Ethical consumer behavior

Modern consumption and consumer behavior are also, or even most of all, based on ethical premises. In this context, we introduce the notion of ethical consumption. The term has a very broad meaning. When we talk about ethics in consumption, we should first of all think about consumer behavior aimed at obtaining and using goods in a way that conforms to the basic rules of modern ethics (Antonides & van Raaij, 2003; Johannes, 2004). Such behavior can be manifested in the following ways (Brown, 2003):

- ✧ a person gives up the consumption of goods that are obtained as a result of killing animals,
- ✧ a person gives up the goods that were produced with the use of forced labor or child labor or for inadequate remuneration etc.,
- ✧ a person reacts to the unethical behavior of entrepreneurs, and
- ✧ a person does not participate in gadget consumption etc.

### ACTIVITY

*Think about the following issues:*

*1) Knowing that culture and micro-culture influence consumer purchasing, are there any ethical reasons, such as social disintegration, any injury to social tradition and so on which the marketer needs to consider before marketing goods and services to foreign countries?*

*2) Provided the marketer is convinced that the marketing system will 'design, deliver, and legitimate goods and services that increase the material welfare of the population by promoting equity, justice, and self-reliance without causing injury to tradition', what resistance can they expect at local and/or social level?*

### EXAMPLE

#### **Ethical dilemma**

*The ethical dimension of consumption is visible in various activities aimed at diminishing the differences in the access to consumption goods (which is manifested in poverty and social ex-*



*clusion on the one hand, and as excessive wealth and luxury on the other hand).*

*The Swiss sociologist Ziegler thus comments on the phenomenon: '...I have a sense of the utter absurdity of the world's situation. I am often angry because I have to live in a culture of excess, and I am aware of the fact that at this particular moment there is somebody who is paying for it with his or her life. It is high time we gave up that Malthusian talk about natural selection, which is only supposed to comfort our conscience while we are devouring our steak. If nowadays people die of hunger, it means they are murdered. And every person who does nothing but look is equally guilty'.*

Source: Bywalec (2007)

## Future consumer

As has been shown, the changes we observe in consumption and in consumer behavior nowadays in international markets are not unified. Sometimes they oppose or exclude one another; they are divergent or synergetic. That is why the answer to the question – Quo vadis homo consumicus? – is not at all obvious. If we still wish to try to define a future consumer (a new consumer), we need to remember that this consumer will be characterized by (Graham, 2010):

- ✦ multiculturalism, since consumers function in a multicultural environment;
- ✦ greater awareness of consumer rights and a more rational attitude toward market offers;
- ✦ a critical attitude; consumers will have doubts and will feel anxiety about economic and social policies, and about the functioning of various institutions;
- ✦ an evident need for social bonds that will differ from traditional community bonds;
- ✦ greater mobility in space and in social life;
- ✦ ability to see the value of human-nature relationships;
- ✦ seeking self-development, pursuing complete self-realization;

- ✦ replacing the prestige of having by the prestige of using, increasing the appreciation of free time, since it provides the conditions for achieving individual goals and values;
- ✦ looking for ever stronger experiences, pursuing the exotic, extraordinary; and
- ✦ growing attachment to such values as youth, health, good appearance, and physical fitness.

There are also many changes observe nowadays in demography area, like age structure, geographic distribution, balance between males and females, future size and characteristics. Taking in consideration size of population, we can observe from one side very rapid grow of population generally. The United Nation aroused in October 2011 birth of 7 billion citizen of earth (UN, 2011). And from other side, there is significant decline in population size increment in well-developed countries. Also structure of population in changing. The biggest grow is expected among the oldest part of population. We can even say about an ageing population. People now live longer, one of the reasons for this is medical care. There is an increase in empty nesters who have more discretionary income. The key marketing factor to emerge from this is the swing from teenagers and young adults to middle-aged and elder segments. The increased life expectancy has increased the demand for goods and services catering for the elderly, such as entertainment, health products and holidays.

**ACTIVITY**

*How will these changes in demography affect:*

- food market,
- car market,
- real estate market,
- health care market?

Marketers focus attention on the household as a unit of consumption. In household structure several changes can be observe (Pietrykowski, 2009):

- ✦ Growth in the number of one-person households. One-person households include single, separated, widowed and divorced. This section has grown over the last few years partly as more people are getting divorced and partly because more young adults leave home early. At the same time the number of pensioner one-person households is expected to have increased. There has already been a demand for more starter homes, smaller

appliances, food that can be purchased in smaller quantities and a greater emphasis on convenience products.

- ✦ Rise in the number of two-person cohabitant households. Sociologists propose that cohabitation is the first stage of marriage. Married couples with one or two dependent children will decline.
- ✦ Rise in the number of group households with members of the same sex sharing expenses and living together, particularly in larger cities.

It could be observe family structure changes, which have come about through: later marriages, fewer children, increased divorce rates, more working wives, as well careers for women. The role of women has changed with many women working. Women now have more money but less time. This has led to opportunities for labor-saving consumer durables in the home, convenience food, new cars, changing shopping habits (Sunday shopping and catalogue buying) and child-care facilities.

#### ACTIVITY

*Can you apply social and demographic changes on market to future changes in consumer behavior on different types of market?*

Socio-cultural, demographic, and economic changes that took place in the last decade in Europe and in the rest of the world caused a transformation of consumer mentality and adoption of particular consumption values (Mazurek-Łopacińska, 2002):

- ✦ customers reject the consumption civilization of the 20<sup>th</sup> century – based on increased quantities of consumption – and try to achieve better quality of consumption and of life in general;
- ✦ the critical attitude of customers is increasing, as well as their doubts and anxieties about the existing economic and social policies and the functioning of various institutions; people more often feel concern about the future and their insecure situation;
- ✦ consumers seek self-development, pursue complete self-realization; they pay more attention to emotions, feelings, individual tastes, likes, and dislikes; they more often appreciate their free time, since it provides the conditions for achieving individual goals and values;

- ✧ the social position of women is changing; they try to achieve self-realization at work and in other fields of activity rather than in the family community; and
- ✧ consumers exhibit growing attachment to such values as youth, health, good appearance, and physical fitness; they aim at buying healthy, safe, organic products, etc.; they recognize the importance of ecological problems.

These changes in consumption values give rise to the development of the following characteristics in the new consumer (Solomon, Bamossy, Askegaard & Hogg, 2010):

- ✦ greater awareness of consumer rights and more rational approaches to market offers; we may assume that this will stimulate a tendency to be unfaithful to a product or brand;
- ✦ better strategic skills in managing one's own budget;
- ✦ a growing need for social bonds that differ from traditional community bonds; new forms of social bonds include bonds with small groups of friends, new families, and other relationships that satisfy the need to have one's own place in the world – hence the growing popularity of goods and services that get people together and thus facilitate social interactions;
- ✦ a feature of the new consumer that is particularly important for companies that operate in international markets is the consumer's multiculturalism arising from the fact of living in a multicultural world; on the one hand, we observe a tendency to yield to the global operational strategies of companies; but on the other hand, there is a tendency to retain identity and cultural specificity (in this case, it is the companies that need to adjust their strategies and mechanisms of operation);
- ✦ greater mobility of consumers in space as well as in social life, which favors the development of various forms of social communication; factors increasing customers' mobility in the labor market are system transformation processes that have taken place in the Eastern countries as well as growing liberalism in the economic policy of many countries;
- ✦ an appreciation of the importance of human-nature relationships, manifested in the approval of environmental protection activities and in purchasing and using green products; and
- ✦ a consumer more and more often participates in various forms of interpersonal integration, which focuses, to a smaller or larger extent, on the humanitarian aspects of social, national, and international life.

Clear consumer expectations towards enterprises as well as consumer organizations (Table 13.1.) pose a challenge to marketing companies. A more conscious and better prepared consumer is not so easily deceived by emotions, but rather expects accurate information on the product to have the choice made easier.

**Table 13.1. Consumers' expectations towards companies and consumer organizations**

<b>Consumers expect</b>	
<b>companies will provide</b>	<b>consumer protection institutions will</b>
<ul style="list-style-type: none"> <li>– comprehensive and reliable information on products</li> <li>– a concept of solving consumption problems (design, ideas on how to dress, arrange home, etc.)</li> <li>– high quality products that are, most of all, healthy, safe, and natural</li> <li>– affordable and diverse prices</li> <li>– time-saving forms of sale</li> <li>– convenient methods of payment</li> <li>– polite and creative sales assistants</li> <li>– aesthetic interior decoration of places of sale that encourage customers rather than distance them</li> <li>– an appealing atmosphere in stores</li> <li>– convenient location of stores</li> <li>– commercial infrastructure that facilitates shopping for all types of customers</li> <li>– promotion benefits</li> </ul>	<ul style="list-style-type: none"> <li>– enforce proper labeling of products</li> <li>– elaborate minimum quality standards</li> <li>– test products and make the results public</li> <li>– prevent false advertising</li> <li>– protect consumer safety</li> <li>– help consumers in drawing up claims and complaints</li> <li>– educate consumers</li> <li>– provide objective information on products</li> <li>– evaluate the level of customer service in companies</li> <li>– represent a customer in the event of litigation against a company</li> <li>– provide social/legal advice on consumer issues</li> <li>– evaluate the reliability of promotional activities</li> </ul>

Source: Mazurek-Łopacińska (2002)

In their pursuit of a better quality of living, consumers will be more and more attentive to the uniqueness of the products they buy. Good examples that illustrate this trend are expensive personal products, which are extremely successful on the market, e.g., product lines launched by La Redoute on the

French market. Companies also have to face another challenge, i.e., create services that can be used by consumers for self-realization. These include services related to higher needs in the various spheres of human activity, such as culture, tourism, do-it-yourself work, education, sport, research, creative activity, or pursuit of a hobby (Lambkin, Foxall, van Raaij & Heilbrunn, 2001; Mazurek-Łopacińska, 2002).

Consumers try to live closer to nature. This opens the market to the organic food industry, green clothing, but also to healthy ways of spending free time (such as gardening, sport, and outdoor activities). This has led to a great expansion of health marketing in recent years. Anxiety about the future increases the demand for information and for the guarantees attached to products. This requires a considerable development of post-purchase services and puts great emphasis on being extremely professional in marketing management. This increases the demand for very well-qualified technology and publicity specialists. Growing expectations towards marketing should make marketing professionals more socially responsible for their activities and should lead to the elaboration of rules of professional ethics that ought to be observed (Kieźel, 2010). It is also important for marketing decisions to remain in harmony with ecology and the norms of social coexistence. Companies that adopt a socially responsible attitude include consumer affairs departments in their organizational structure. Their functions, as compared to the older customer relations departments, are broader – they are also responsible for maintaining relationships with customer organizations and for representing and defending consumer interests, not only those of present consumers, but also those of potential consumers and even of whole communities.

## Recommended literature

---

1. Brown, M. T., 2003. *Ethical process: an approach to disagreements and controversial issues*. London: Pearson Higher Education.
2. Doole, I., Lancaster, P. & Lowe, R., 2005. *Understanding and managing customers*. New York: Financial Times Press.
3. Graham, J., 2010. *Critical Thinking in Consumer Behavior: Cases and Experiential Exercises*. New Jersey: Prentice Hall.
4. Lovelock, C. H., Wirtz, J. & Chew, P., 2009. *Essentials of services marketing*. New Jersey: Prentice Hall.
5. Raymond, M., 2003. *Tomorrow people: future consumers and how to read them*. London: Financial Times Press.

## References

---

1. Adler, N., 1983. *A typology of management studies involving culture*. Journal of International Business Studies: 14, 31-32.
2. Ahmad, R. & Buttle, F., 2001. *Customer retention: a potentially potent marketing management strategy*. Journal of Strategic Marketing: 9, 67-94.
3. Albaum, G., Strandskov, J. & Duerr, E., 1998. *International Marketing and Export Management*. London: Addison Wesley Longman.
4. Antonides G. & van Raaij, W. F., 2003. *Consumer behavior. European perspective*. New York: John Wiley & Sons, Ltd.
5. Arnold, E. J., 2000. *Toward a Broadened Theory of Preference Formation and the Diffusion of Innovations: Case from Zinder Province, Niger Republic*, Journal of consumer Research, 16: 239-260.
6. Ash, J. & Wilson, E., 1992. *Chic Thrills: A Fashion Reader*, Berkeley: University of California Press.
7. Balan, C., 2010. *New trends in distribution on FMCG market – case study of Romania*. In: Smyczek, S. & Glowik, M., *Consumer behavior and marketing strategies of companies in the European market*. Katowice: UE.
8. BBC Monitoring Service, 2010. *TV Experts Call for Half of Adverts to Be in Kazakh Language*, March 18.
9. Best, R., 2009. *Market-based management: international version*. London: Pearson Higher Education.
10. Blackwell, R. D., Miniard, P. W. & Engel, J. F., 2001. *Consumer behavior*. Fort Worth: Dryden.
11. Blythe, J., 1997. *Essence consumer behavior*. New York: Financial Times Press.
12. Blythe, J., 2009. *Essentials of marketing*. London: Financial Times Press.
13. Boschat, N. 1993. *Catering to Africa's Consumers*, World Press Review, June 1993: 40-57.
14. Bradley, F., 2005. *International marketing strategy*. New York: Financial Times Press.
15. Bridson, K., Evans, J. & Hickman, M., 2008. *Assessing the relationship between loyalty program attributes, store satisfaction and store loyalty*. Journal of Retailing and Consumer Services: 15 (5), 364-374.
16. Buchanan, R. & Gilles, C., 1990. *Value managed relationship: the key to customer retention and profitability*. European Management Journal: 8 (4), 38-55.
17. Burca de, S., Brown, L. & Fletcher, R., 2004. *International marketing: an SME perspective*. New York: Financial Times Press.
18. Burns, A. C. & Busch, R. F., 2010. *Marketing research: global edition*. London: Pearson Higher Education.
19. Butcher, K., Sparks, B. & O'Collaghan, F., 2001. *Evaluative and relational influences on service loyalty*. International Journal of Service Industry Management: 12 (4), 62-79.
20. Butscher, S. A., 1999. *Customer clubs and loyalty programmes*. Vermont: Gower.
21. Bywalec, C. & Rudnicki, L., 1999. *Podstawy teorii i metodyki badan konsumpcji*. Kraków: AE.
22. Bywalec, C., 2007. *Konsumpcja w teorii i praktyce gospodarowania*. Warszawa: PWN.



23. Cateora, P., 1993. *International Marketing*, Homewood: Irwin.
24. Cavusgi, S. T. & Das, A., 1997. *Methodological issues in empirical cross-cultural research: a survey of the management literature and a framework*. *Management International Review*: 37, 71-96.
25. Chumpitaz-Caceres, R. & Paparoidamis, N. G., 2007. *Service quality, relationship satisfaction, trust, commitment and business-to-business loyalty*. *European Journal of Marketing*: 41 (7/8), 409-428.
26. Churchill, G. A. & Iacobucci, D., 2009. *Marketing research: methodological foundations*, South Western: Educational Publishing.
27. Churchill, G. A., 2002. *Badania marketingowe. Podstawy metodologiczne*. Warszawa: PWN.
28. Cichosz, M., 2003. *Lojalność klienta wobec firmy*. *Marketing i Rynek*: 8, 14-19.
29. Clark, G & Wilson, I., 2009. *International marketing*. London: McGraw-Hill.
30. Classen, C., 1996. *Sugar Cane, Coca-Cola and Hypermakets: Consumption and surrealism in the Argentine Northwest*, in: *Cross-cultural Consumer Behavior*, D. Howes (ed.), New York: Routledge.
31. Cowell, P., 2001. *Marketing to children: a quid for students and practitioners*. *Marketing Review*: 2, 3-27.
32. Craig, C. S. & Douglas, S. P., 2001. *Conducting international marketing research in the twenty-first century*. *International Marketing Review*: 18 (1), 80-90.
33. Csaba, L., 1995. *The capitalist revolution in Eastern Europe. A contribution to the economic theory of systemic change*. Aldershot: Edward Elgar.
34. Davies, P. & Pardey, D., 1994. *Marketing w praktyce*, Warszawa: Kamsoft.
35. Day, G. S., 1969. *A two-dimensional concept of brand loyalty*. *Journal of Advertising Research*: 9 (3), 36-51.
36. De Pelsmacker, P., Geuens, M. & van den Bergh, J., 2010. *Marketing communications: a European perspective*. London. Financial Times Press.
37. Denton, C., 2001. *Marketing Myths of Central America*, *Marketing News*, January 21: 12.
38. DG Sanco, 2007. *Consumers in Europe* [online]. [cited 17.10.2010]. Available from World Wide Web: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-DY-07-001/EN/KS-DY-07-001-EN](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-DY-07-001/EN/KS-DY-07-001-EN).
39. DG SANCO, 2007. *Consumers in Europe. Facts and figures on services of general interest*. Brussels.
40. DG Sanco, 2009. *The status of health in European Union* [online]. [cited 24.10.2010]. Available from World Wide Web: [http://euglorehcd.eulogos.it/IXT/\\_EXT-REP/\\_INDEX.HTM](http://euglorehcd.eulogos.it/IXT/_EXT-REP/_INDEX.HTM)
41. DG SANCO, 2010. *Consumers* [online]. [cited 20.12.2010]. Available from World Wide Web: [http://ec.europa.eu/dgs/health\\_consumer/index\\_en.htm](http://ec.europa.eu/dgs/health_consumer/index_en.htm).
42. DG Sanco, 2010. *Health program in Finland* [online]. [cited 12.10.2010]. Available from World Wide Web: [http://ec.europa.eu/dgs/health\\_consumer/finland/index\\_en.htm](http://ec.europa.eu/dgs/health_consumer/finland/index_en.htm).
43. Dick, A. S. & Basu, K., 1994. *Customer loyalty: toward an integrated conceptual framework*, *Journal of Academy of Marketing Science*: 22 (2), 981-1000.
44. Dickson, P. R. & Sawyer, A. G., 1990. *The price knowledge and search of supermarkets shoppers*. *Journal of Marketing*: 54, 62-86.

45. Diller, S., Shedroff, N. & Rhea, D., 2006. *Making meaning: how successful businesses deliver meaningful customer experiences*. London: New Riders.
46. Doole, I., Lancaster, P., Lowe, R., 2005. *Understanding and Managing Customers*. New York: Financial Times Press.
47. Dowling, G. R. & Uncles, M., 1997. *Do loyalty customer programs really work?* Sloan Management Review: 38 (4), 69-81.
48. Doyle, P. & Stern, P., 2006. *Marketing management and strategy*. New York: Financial Times Press.
49. Eggert, A. & Ulaga, W., 2002. *Customer-perceived value: a substitute for satisfaction in business markets?* Journal of Business and Industrial Marketing: 17 (2/3), 214-238.
50. Ember, M. & Oterbein, K. F., 1991. *Sampling in cross-cultural research*. Behavior Science Research: 32, 129-139.
51. Euromonitor, 2007. *International Marketing Data and Statistics*, London.
52. Eurostat, 2009. *Disposable Income – Real Terms* [online]. [cited 10.11.2010]. Available from World Wide Web: [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_results/](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_results/).
53. Evans, M., Foxall, G. & Jamal, A., 2009. *Consumer behavior*. New York: John Wiley & Sons.
54. Evans, M., Moutinho, L. & van Raaij, W. F., 1996. *Applied consumer behavior*, Harlow: Addison-Wesley Publisher.
55. Fey, C. J., 1994. *Royalties from loyalties*. Journal of Business Strategy: 4 (4), 42-65.
56. Fourier, S. 1997. *Consumers and Their Brands*, Journal of Consumer Behavior, 27: 33-52.
57. Foxall, G. R. & Goldsmith, R. E., 1998. *Psychologia konsumenta i reklamy*. Warszawa: PWN.
58. Frank, R.H., 2004. *Luxury Fever*, New York: Free Press.
59. Gabor, I.R., 1989. *Second Economy in State Socialism: Past Experience and Future Prospects*, European Economic Review, 33: 39-51.
60. Gajewski, S., 1994. *Zachowanie się konsumenta a współczesny marketing*. Łódź: UL.
61. Garbarski, L., 1997. *Zachowania nabywców*. Warszawa: PWE.
62. Gasparski, W., 2004. *Wykłady z etyki biznesu*. Warszawa: WSPiZ.
63. Glowik, M. & Smyczek, S., 2011. *International Marketing Management*. Munich: Olgenbourg.
64. Graham, J., 2010. *Critical thinking in consumer behavior: cases and experiential exercises*. New Jersey: Prentice Hall.
65. Griffin, J., 1995. *Customer loyalty. How to earn it, how to keep it*. London: Lexington Books.
66. Groom, S., 2010. *New unfair commercial practice "Guidance"*. Journal of Direct, Data and Digital Marketing Practice, 11 (4):, 345-349.
67. Gruen, T. W. & Gentry, J. W., 1995. *The outcome set of relationship marketing in consumer markets*. International Business Review: 4 (4), 89-104.
68. GUS, 2010. *Badania budżetów gospodarstw domowych*. Warszawa: GUS Publisher.
69. Haley, G.T. 2000. *Strategic Marketing in Emerging Markets*. Marketing Inteligens and Planning, 18 (5): 225-226.
70. Hall, E., 1995. *Managing cultures*. London: John Wiley & Sons.

71. Han, S. H., Shin, Y. S. Reinhart, W. & Moore, W.T., 2009. *Market segmentation effects in corporate credit rating changes: the case of emerging markets*. Journal of financial Services Research: 35, 141-166.
72. Harcar, T., Spillan J. E. & Kucukemiroglu, O., 2005. *A multi-national study of family decision-making*. Multinational Business Review: 13, 72-91.
73. Harris, E. K., 2010. *Customer service: a practical approach*. London: Pearson Higher Education.
74. Hatton, A., 2000. *The definitive guide to marketing planning*. New York: Financial Times Press.
75. Hawkins, D. I. & Best, C. R., 2004. *Consumer behavior: building marketing strategy*. Boston: McGraw-Hill.
76. Hofstede, G., 2000. *Kultury i organizacje - zaprogramowanie umysłu*. Warszawa: PWE.
77. Hollensen, S., 2010. *Global marketing: a decision-oriented approach*. Harlow: Pearson Education.
78. Holzmuller, H. H., 1995. *Konzeptionelle und methodische Probleme der für interkulturellen Management- und Marketingforschung*. Stuttgart: Schaffer-Poeschel.
79. Hooley, G.J., 1993. *Raising the Iron Curtain: Marketing In a Period of Transition*, European Journal of Marketing, 27: 72-94.
80. Huddleston, P., Whipple, J. & van Anheng, A., 2004. *Food store loyalty: application of a consumer loyalty framework*. Journal of Targeting, Measurement and Analysis for Marketing: 12, 140-159.
81. Hunerberg, R., 1994. *Internationales marketing*. Landsberg: Verlag Moderne Industrie.
82. Husarka, A. *The First Casualty*, The New Yorker, April 19: 58.
83. Iverson, R. D. & Kuruvilla, S., 1995. *Antecedents of union loyalty the influence of individual dispositions and organizational context*. Journal of Organizational Behavior: 16, 142-165.
84. Jacoby, J. & Chestnut, R. W., 1978. *Brand loyalty: measurement and management*. New York: John Wiley & Sons.
85. Johannes, B., 2004. *Looking at consumer behavior in a moral perspective*. Journal of Business Ethics: 51 (2), 129-141.
86. Johansson, J. K., 2006. *Global marketing. Foreign entry, local marketing and global management*. Boston: McGraw Hill.
87. Johansson, J. K. 2009. *Global Marketing: Foreign Entry, Local Marketing & Global Management*, New Jersey: McGraw Hille.
88. Johnson, M. D., 1998. *Customer orientation and market action*. New Jersey: Prentice Hall.
89. Jones, T. O., Sasser Jr., W. E. & Earl, W., 1995. *Why satisfied customers defect*. Harvard Business Review: 73 (6), 198-214.
90. Kadaba, L.S., 2007. *McDonald's has no beef In India*, Houston Chronicle, April 10.
91. Kahneman, D. & Tversky, A., 2000. *Choice, values, and frazes*. Cambridge: Cambridge University Press.
92. Kaleta, K., 2006. *Czy konsument myśli racjonalnie*, Marketing i Rynek, 3: 9-13.
93. Kandampully, J. & Suhartanto, D., 2000. *Customer loyalty in the hotel industry: the role of customer satisfaction and image*. International Journal of Contemporary Hospitality Management: 12 (6), 176-192.

94. Karcz, K. & Kędzior, Z., 2001. *Zachowania podmiotów rynkowych w Polsce a proces integracji europejskiej*. Katowice: CBI AE.
95. Karcz, K. & Kędzior, Z., 2004. *Behavior of market entities in Poland and the process of European integration*. Journal of Economics and Management: 1, 69-80.
96. Karcz, K., 2004. *Międzynarodowe badania marketingowe*. Warszawa: PWE.
97. Keay, J., 2010. *The Price of Stability*. Global Finance, 24 (8): 18-22.
98. Kędzior, Z. & Karcz, K., 2001. *Badania marketingowe w praktyce*. Warszawa: PWE.
99. Kher, S. V., Frewer, L. J., de Jonge, J. & Wentholt, M., 2010. *Experts' perspectives on the implementation of traceability in Europe*. British Food Journal, 112 (3): 261-289.
100. Kieźel, E., (ed.), 2007. *Ochrona interesów konsumentów w Polsce w aspekcie integracji europejskiej*. Warszawa: DIFIN.
101. Kieźel, E., 2010. *Konsument i jego zachowania na rynku europejskim*. Warszawa: PWE.
102. Kieźel, E., 2011. *Zachowania polskich konsumentów w warunkach kryzysu*. Warszawa: PLACET.
103. Komor, M., 2000. *Euromarketing*. Katowice: AE.
104. Kotler, Ph. & Keller, K., 2009. *Framework for marketing management*. New York: Pearson Higher Education.
105. Kotler, Ph., 2000. *Marketing management*. New Jersey: Prentice Hall, Inc.
106. Kotler, Ph., Keller, K., Brady, M., Goodman, M. & Hansen, T., 2009. *Marketing management*. New Jersey: Prentice Hall.
107. Kozinets, R.V., 2002. *Themed Flagship Brand Stores in the New Millennium: Theory, Practice, Prospects*, Journal of Retailing, 78: 24-45.
108. Kumar, V., 2000. *International marketing research*. New Jersey: Prentice Hall.
109. Kwarciać, B., 2000. *Obiektywnie, indywidualnie, podłużnie, synchronicznie i eksperymentalnie*. Modern Marketing: 12, 22-25.
110. Lambkin, M., Foxall, G., van Raaij, F. & Heilbrunn, B., 2001. *European perspective on consumer behavior*. London: Prentice Hall Europe.
111. Lau, G. T. & Lee, S. H., 1999. *Consumers' trust in a brand and the link to brand loyalty*. Journal of Market-Focused Management: 4 (4), 341-370.
112. Lewis, D. & Bidger, D., 2001. *The soul of the new consumer*. London: Nicholas Brealey Publishing.
113. London, T. & Hart, S. L. 2004. *Reinventing strategies for emerging markets: beyond the transnational model*. Journal of International Business Studies, 1 (21): 48-63.
114. Lovelock, C. H., Wirtz, J. & Chew, P., 2009. *Essentials of services marketing*. New Jersey: Prentice Hall.
115. Mak, V., 2010. *Two Levels, One Standard? The Multi-Level Regulation of Consumer Protection in Europe*. SSRN Working Paper Series, 4.
116. Malhotra, N. & Birks, D., 2007. *Marketing research: an applied approach*. New York: Financial Times Press.
117. Malhotra, N. K., Agarwal, J. & Peterson, M., 1996. *Methodological issues in cross-cultural marketing research. A state-of-art review*. International Marketing Review: 13, 9-21.
118. Malhotra, N., Hall, J., Shaw, M. & Oppenheim, P., 2008. *Essentials of marketing research: an applied orientation*. New York: Prentice Hall.

119. Maliszewska-Nienartowicz, J. 2004. *Ewolucja ochrony konsumenta w europejskim prawie wspólnotowym*, Toruń: TNOiK.
120. Małyś-Kaleta, A. 2010. *Kierunki oraz determinanty przemian konsumpcji w Polsce i Czechach na tle procesów integracji europejskiej*. Katowice: UE.
121. Marin, L., Ruiz, S. & Rubio, A., 2009. *The role of identity salience in the effects of corporate social responsibility on consumer behavior*. Journal of Business Ethics: 84 (1), 65-78.
122. Maslow, A., 1994. *Word Bank Says to Poor Nations: Be More Efficient*, Christian Science Monitor, June 22: 6- 12.
123. Mazurek-Lopacińska, K., 2002. *Orientacja na klienta w przedsiębiorstwie*. Warszawa: PWE.
124. McAlexander, J. H., Kim, S. K. & Roberts, S. D., 2003. *Loyalty: the influence of satisfaction and brand community integration*. Journal of Marketing Theory and Practice: Autumn, 164-181.
125. McDonald, G., 2000. *Cross-cultural methodological issues in ethical research*. Journal of Business Ethics: 27, 89-104.
126. McGivern, Y., 2009. *The practice of market research: an introduction*. London: Pearson Education.
127. Media and Marketing, 2010. *Loyalty on gasoline market in Poland* [online]. [cited 23.12.2010]. Available from World Wide Web: [http://media.com.pl/mmp/article/loyalty\\_index.htm](http://media.com.pl/mmp/article/loyalty_index.htm).
128. Menzel, P. & Mann C. C., 1994. *Material World*, San Francisco: Sierra Club Book.
129. Mikulowski, J., 1999. *Komunikacja międzykulturowa. Wprowadzenie*. Kraków: AE.
130. Mooij de., M., 2010. *Global marketing and advertising*. Los Angeles: SAGE.
131. Moutinho, L. & Evans, M., 1992. *Applied marketing research*. London: Addison-Wesley.
132. Muhlbacher, H., Leihs, H. & Dahringer, L., 2006. *International marketing. A global perspective*. London: Thomson Learning.
133. Newman, J. W. & Werbel, R. S., 1973. *Multivariate analysis of brand loyalty for major household appliances*. Journal of Marketing Research: 10, 126-143.
134. Neymann, M., 2005. *Komunikacja i kultura biznesu w Europie*. Warszawa: WSPiZ.
135. Niepokulczycka, M., 1998. *Polityka konsumencka a ochrona konsumentów*, Warszawa: The Polish Consumer Federation.
136. O'Dell, S. M. & Pajunen, J. A., 1997. *The butterfly customer*. Toronto: John Wiley& Sons.
137. Oliver, R. L., 1999. *Whence consumer loyalty?* Journal of Marketing: 63 (4), 41-58.
138. Orchowski, K., 1999. *Budowanie lojalności klientów w usługach doradztwa finansowego*. In: Rogoziński, K., *Marketing usług profesjonalnych*, Poznań: AE.
139. Phipps, R. & Simmons, C., 2008. *Understanding Customers*. Oxford: Butterworth Heinemann.
140. Pięścione, Z., 2003. *Strategie konkurencji i rozwoju przedsiębiorstwa*. Warszawa: PWN.
141. Pietrykowski, B., 2009. *The Political Economy of Consumer Behavior*. New York: Routledge.
142. Pine, J. & Gilmore, J.H., 1999. *The Experience Economy*, Boston: Harvard Business School Press.
143. Pong, L. T. & Yee, T. P., 2001. *An integrated model of service loyalty*. Brussels: Academy of Business and Administrative Sciences.
144. Proctor, T., 2005. *Essentials of marketing research*. New York: Financial Times Press.

145. Raymond, M., 2003. *Tomorrow people: future consumers and how to read them*. London: Financial Times Press.
146. Reece, M., 2010. *Real-time marketing for business growth: how to use social media, measure marketing, and create a culture of execution*. London: Pearson Education.
147. Reichheld, F. F., 2003. *The one number you need to grow*. Harvard Business Review: 81 (12), 82-104.
148. Reinartz, W. & Kumar, V., 2002. *The mismanagement of customer loyalty*. Harvard Business Review: 80 (7), 214-232.
149. Rialp, A. & Rialp, J., 2006. *International marketing research: opportunities and challenges in the 21<sup>st</sup> century*. Advance in International Marketing: 17, 64-81.
150. Rokicka, G. (ed.), 1996. *Model prawnej ochrony konsumenta*. Warszawa: Dom Wydawniczy Elipsa.
151. Rudawska, E., 2005. *Lojalność klientów*. Warszawa: PWE.
152. Rugman, A. M. & Collinson, S., 2009. *International business*. New York: Financial Times Press.
153. Ryan, A., Chan, D., Ployhart, R. E. & Slade, L. A., 1999. *Employee attitude survey in a multinational organization: considering language and culture in assessing measurement equivalence*. Personnel Psychology: 53, 37-58.
154. Sagan, A., 1998. *Badania marketingowe. Podstawowe kierunki*, Kraków: AE.
155. Samar, 2011. *European cars*. [online]. [cited 07.01.2011]. Available from World Wide Web: [http://www.samar.pl/\\_/\\_la/pl/\\_ac/sec,6/\\_Anisis-and-raports.html](http://www.samar.pl/_/_la/pl/_ac/sec,6/_Anisis-and-raports.html).
156. Sawyer, N., 2010. *A clear choice?*. Risk, 23 (8): 28-30.
157. Schiffman, L. G. & Kanuk, L. L., 2010. *Consumer behavior: global edition*. London: Pearson Higher Education.
158. Schiffman, L. G., Bednall, D., O'Cass, A., Paladino, A., D'Alessandro, S. & Kanuk, L. L., 2008. *Consumer behavior*. New Jersey: Prentice Hall.
159. Schlegelmilch, B., Keegan, W. J. & Stoettinger, B., 2001. *Global marketing management: a European perspective*. London: Financial Times Press.
160. Schmidt, M. & Hollensen, S., 2006. *Marketing research: An international approach*. New York: Financial Times Press.
161. Schroeder, J., 1996. *Badania marketingowe rynków zagranicznych*. Poznań: AE.
162. Skaates, M. A. & Cova, B., 2005. *Marketing industrial project-related services internationally: A multi-lingual literature review*. Advance in International Marketing: 15, 72-94.
163. Smith, S. & Wheeler, J., 2002. *Managing the customer experience: turning customers into advocates*. New York: Financial Times Press.
164. Smyczek, S. & Glowik, M. 2010. *Consumer behavior and marketing strategies of companies in the European market*. Katowice: UE.
165. Smyczek, S. & Sowa, I., 2005. *Konsument na rynku – zachowania, modele, aplikacje*. Warszawa: Difin.
166. Smyczek, S., 2001. *Lojalność konsumentów na rynku*. Katowice: AE.
167. Soderlund, M., 1998. *Customer satisfaction and its consequences on customer behavior revisited*. International Journal of Service Industry Management: 9 (2), 68-89.

168. Solomon, M. R., Bamossy, G., Askegaard, S. & Hogg, M. K., 2010. *Consumer behavior*. New York: Financial Times Press.
169. Sroga, G., 2005. *Trendy w marketingu partnerskim*. Marketing w praktyce: 2, 16-42.
170. Steenkamp, J-B. E. M., 2001. *The role of national culture in international marketing research*. International Marketing Review: 18 (1), 30-44.
171. Stellin, S., 2002. *They're Strapping on the Backpacks*, New York Times, March 3: 8.
172. Stern, P. & Hammond, K., 2004. *The relationship between customer loyalty and purchase incidence*. Marketing Letters: 15 (1), 5-19.
173. Stiglitz, J., 2007, *Globalizacja*, Warszawa: PWN.
174. Storbacka, K. & Lehtinen, J. R., 2001. *Sztuka budowania trwałych związków z klientem – Customer Relationship Management*. Kraków: Oficyna Ekonomiczna.
175. Stum, D. & Thiry, A., 1991. *Building Customer Loyalty*. Training and Development Journal, April, 64-81.
176. Sullivan, M. & Adcock, D., 2003. *Marketing w handlu detalicznym*. Kraków: Oficyna Ekonomiczna.
177. Sznajder, A., 2000. *Marketing wirtualny*. Kraków: Dom Wydawniczy ABC.
178. Sznajder, A., 1997. *Euromarketing; Uwarunkowania na rynku Unii Europejskiej*, Warszawa: PWN
179. Światowy, G. & Pluta-Olearnik, M., 2000. *Kreowanie lojalności klientów poprzez markę i jakość usług*. Wrocław: AE.
180. Thaler, R., 1985. *Mental accounting and consumer choice*. Marketing Science: 4, 61-79.
181. TNS, 2011. *Managing customer relationships profitability* [online]. [cited 28.12.2010]. Available from World Wide Web: <http://www.tns-us.com/files/trim.pdf>
182. Tucker, W. T., 1964. *The development of brand loyalty*. Journal of Marketing Research: 1, 43-62.
183. UN, 2011. *Social Development* [online]. [cited 29.10.2011]. Available from World Wide Web: <http://www.un.org/en/development/progareas/socdev.shtml>.
184. Unger, B. 2001. *The Plot Thickens*. The Economist, May 31.
185. Urban, W. & Simieniako, D., 2008. *Lojalność klientów. Modele, motywacja i pomiar*. Warszawa: PWN.
186. Usunie, J-C. & Lee, J., 2009. *Marketing across cultures*. New York: Financial Times Press.
187. Vizer, A., 2010. *Legal Protection*. Canadian Insurance, 115 (7): 50-89.
188. Wang, H. C., Pallister, J. G. & Foxall, G. R., 2006. *Innovativeness and involvement as determinants of website loyalty: determinants of consumer loyalty in B2C e-commerce*. Technovation: 26 (12), 166-173.
189. Warsink, B., 2003. *Developing a cost-effective brand loyalty program*. Journal of Advertising Research: September, 41-63.
190. Wells, W. D. & Prentsky, D., 1996. *Consumer behavior*. NY: John Wiley & Sons, Inc.
191. Wiktor, J. W., Oczkowska, R. & Zbikowska, A., 2008. *Marketing międzynarodowy. Zarys problematyki*. Warszawa: PWE.
192. Wilson, A., 2006. *Marketing research: an integrated approach*. NY: Financial Times Press.
193. Wright, L. T. & Crimp, M., 2000. *The marketing research process*. NY: Financial Times Press.

194. Yu, J. H., Keown, C. H. & Jacobs, L., 1992. *Attitude scale methodology: cross-cultural implications*. Journal of International Marketing: 3, 320-327.
195. Yu, Y. & Dean, A., 2001. *The contribution of emotional satisfaction to consumer loyalty*. International Journal of Service Industry Management: 12 (3), 184-198.
196. Zaborski, A., 2001. *Skalowanie wielowymiarowe w badaniach marketingowych*. Wrocław: AE.
197. Zins, A. H., 2001. *Relative attitudes and commitment in customer loyalty models. Some experiences in the commercial airline industry*. International Journal of Service Industry Management: 12 (3), 160-183.
198. Żabiński, L., 2000. *Modele strategii marketingowych*. Katowice: AE.



## Index of Figures

---

Figure 1.1. Stages of consumer behavior .....	12
Figure 1.2. The six-stage model of consumer decisions .....	17
Figure 1.3. The five-stage model of consumer decisions .....	18
Figure 1.4. Maslow's need hierarchy and ERG model .....	20
Figure 1.5. The customer awareness and choice set.....	23
Figure 1.6. Consumer decision-making .....	27
Figure 1.7. Consumer purchasing decision .....	27
Figure 1.8. Individual factors and environmental influences on the purchase decision .....	30
Figure 2.1. The process of market segmentation in international marketing .....	37
Figure 2.2. Business portfolio matrix in segmentation.....	41
Figure 2.3. Selection of product-country segments.....	42
Figure 2.4. Strategies of market targeting the country-segment relationship .....	49
Figure 4.1. Process of consumer behavior research .....	85
Figure 7.1. Income and demand – a normal good .....	142
Figure 7.2. Income and demand – a inferior goods .....	142
Figure 7.3. A Simple demand curve – relations between price and demand .....	144
Figure 7.4. Demand for Veblen goods (goods of ostentation) .....	145
Figure 7.5. Influence of substitutes on demand .....	146
Figure 7.6. Influence of complementary products on demand .....	146
Figure 8.1. Elements of culture.....	154
Figure 8.2. Product types more suitable for both global and local marketing .....	159
Figure 9.1. Reference groups and their influence on consumer behavior .....	170
Figure 10.1. A simplified view of Hull's Drive Reduction Theory .....	182
Figure 10.2. A simple model of the relationship between attitudes and behavior .....	185
Figure 10.3. Relationship between attitudes and behavior .....	186
Figure 10.4. Balance and imbalance triangles in Balance theory.....	188
Figure 11.1. Effect of growth in customer loyalty on company profit in the Polish market .....	208
Figure 11.2. Profit-generating system in a company .....	212

## Index of Tables

---

Table 1.1. Classification of consumption needs.....	19
Table 2.1. The family life cycle as criterion of international market segmentation.....	42
Table 3.1. Values respected in particular culture circles .....	57
Table 4.1. Division criteria and types of international research on consumer behavior .....	79
Table 4.2. Characteristics of exploratory and causal research .....	81
Table 5.1. Foreign data sources for international research on consumer behavior .....	90
Table 5.2. Publications of selected international organizations .....	91
Table 6.1. Methodological problems in the international research on consumer behavior at preparatory stage .....	103
Table 6.2. Equivalence categories of marketing research in a multicultural environment .....	104
Table 6.3. Selected methods and techniques of international primary research on consumer behavior .....	110
Table 6.4. Comparison of different qualitative methods of consumer behavior research .....	116
Table 6.5. Comparison of different quantitative methods of consumer behavior research .....	124
Table 6.6. Comparison of different sampling methods .....	127
Table 6.7. Qualitative grades and their numeric equivalents in assessment systems of selected countries .....	132
Table 7.1. Income and population in selected European countries .....	139
Table 7.2. Buyers of food per type of store in CEE countries (in %). ....	150
Table 8.1. Some common symbols and their associations in European culture.....	156
Table 8.2. Common rituals and typical artifacts.....	156
Table 10.1. Differences in perception of the color in selected European countries ....	192
Table 11.1. Basic attitudes of consumer loyalty.....	202
Table. 11.2. Types of consumer loyalty according to profitability.....	204
Table 11.3. Level of customer satisfaction and loyalty and types of behavior .....	206
Table 11.4. Activities undertaken under pro-loyalty strategy (according to customer type).....	213
Table 11.5. Motives for participation in loyalty programs in France and Romania (in %). ....	216
Table 11.6. Examples of loyalty programs in the Polish gasoline market.....	217
Table 13.1. Consumers' expectations towards companies and consumer organizations.....	261