

CHAPTER 2

Determinants of Customer Behavior: Personal Factors and Market Environment

Women Shop, Men Buy

In April 1991, a new magazine for men—*Full-time Dads*—appeared on the newsstand. It contained stories about the joys and frustrations of child rearing. Utterly familiar to women, these topics were largely new to men. At least until the 1970s, men in much of the Western world didn't spend much time shopping, cooking, or changing diapers. But in the 1980s, and much more so in the 1990s, men started sharing more and more in the home-making chores, partly because women were increasingly in the labor force, and partly because of a movement toward equality of the sexes. The old adage *Real men don't. . .* changed into *Enlightened men do. . .*

According to a survey by Maritz Marketing Research, a U.S. marketing research company, only 45 percent of men buy all of their personal items, compared to 82 percent of women who buy or control all of their personal purchases. Retailers generally believe that while women shop, men buy—meaning that men don't enjoy shopping and that they don't do comparison shopping. Moreover, the objective men and women expect their purchased product to satisfy differs. As one clothing retailer has put it, “Women shop to look beautiful; men shop not to look stupid.” Men are also less likely to be buyers of household products—cleaning supplies, for example. Only 28 percent of men buy these products, as opposed to 77 percent of women. Men have a greater motivation for knowing how things they buy work. Dubbed the “must-know” segment of men (some 25 percent of those with an annual income of \$20,000), these men are good at do-it-yourself jobs and influence others about products.

In media, men read more newspapers while women read more magazines and books. Men also read more nonfiction, whereas women read more fiction. On TV, men watch more sports, action, or scientific programs, whereas women watch more daytime dramas, feature films, game shows, and sitcoms. Men are becoming more savvy about household products. And women are learning to buy cars, electronics, and power tools. Still, some activities remain mostly the “men thing,” like watching sports or drinking beer. Eighty-five percent of beer drinkers in the U.S. are men.¹

According to U.S. Census 2000, the number of single-father households rose 62 percent between 1990 and 2000. The increase in single dads outpaced the growth of single moms, which increased 25% in the same 10-year period. As more men join the ranks of

full-time dads, household products previously bought mostly by women will increasingly be bought as much by men. The trend shows that gender as a personal trait will continue to affect customer behavior in a more profound manner in the twenty-first century.

Gender is only one of the personal traits that influences customer values and preferences. Personal traits refer to the characteristics customers possess as individuals. These can be grouped into three broad categories: genetics, biogenics, and personality. Race, gender and age are the three biogenic personal traits affecting customer behavior. The second set of personal factors affecting the customer is the personal context—the social, economic, and cultural environment in which the customer has lived and is living. The dimensions are culture, groups and institutions, personal worth, and social class.

Apart from the personal factors, two facets of market environment—natural (the market traits) and man-made (the market context)—also affect customer behavior. Market traits refer to the physical characteristics of the marketplace. Where customers live, purchase, and use products and services affect customer's needs and wants in all areas of life (food habits, clothing, tastes, leisure choices, to name a few). These influences are not merely weather-related, but are related more broadly to customers' habitat, including the climate, topography, and ecology.

In contrast to the three market traits, the economy and other aspects of the marketplace are created by humans as members of an organized society. We explore the influence of economy, government policy, and technology on customer behavior. We begin with the impact of economy—in particular, financial resources, customer sentiment, and business cycles. We then consider how various types of government policies and technology influence customer wants and behavior. Figure 2.1 presents the different external determinants, both personal and market-related, that affect the three roles of the customer—user, payer, and buyer.

Finally, we summarize how the dimensions of market environment and personal factors affect these three customer roles. With all this valuable information and statistics, this chapter covers some of the most important aspects that a marketer must realize in understanding customer behavior.

Personal Factors

Personal factors can be divided into two broad classes—personal traits and the personal context.

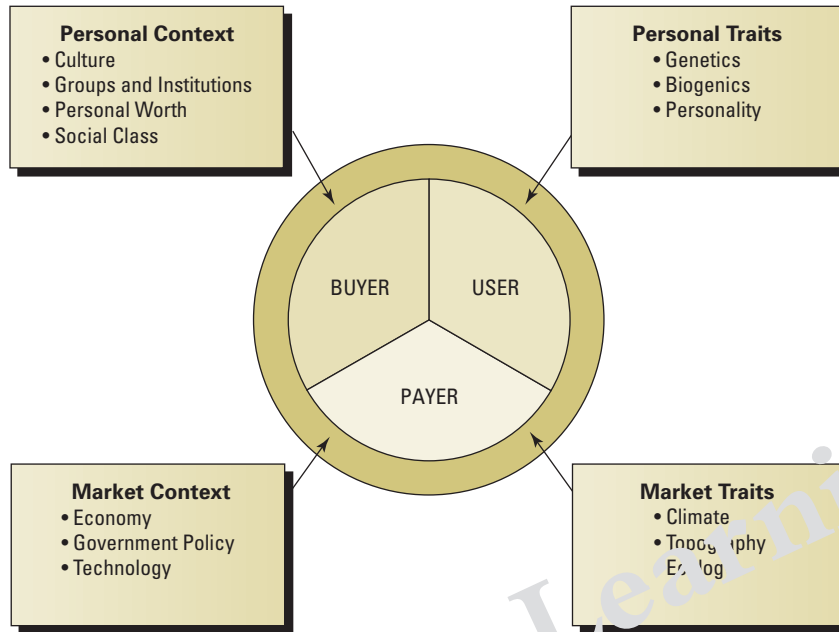
Personal traits refer to the characteristics customers possess as individuals. The personal context refers to the characteristics of the social, economic, and cultural environment in which the customer has lived and is living.

Personal Traits

Personal traits include those biological and physiological features a person is born with and those that develop as a person grows but whose origin derives from biological heredity. There are two types of personal characteristics: individual traits and group traits.

Framework

FIGURE 2.1



Individual traits consist of unique biogenic and psychogenic aspects of an individual customer. The biogenic individual trait is called *genetics*. The psychogenic individual traits are called *personality traits*. Genetics are ascribed (i.e., a human inherits them from birth), while personality traits are produced by a combination of genetics, group traits, and a person's external environment.

Group traits consist of common biogenic categories including race, gender, and age. These are considered group traits because they are not unique to an individual; rather, they are shared by and describe a group of persons such as “all men 25 years of age.” A person is born with these traits and does not have the ability to alter them. These group traits allow researchers to analyze customers at a group or segment level to see whether trends or significant differences exist between groups of customers with different traits.

Genetics: The Cards We Are Dealt at Birth

Genetics refers to the biochemical heredity of an organism, specifically to sequences of chemical compounds in DNA. DNA, an acronym for deoxyribonucleic acid, refers to the chemicals in cell nuclei that form the molecular basis of heredity in organisms. Genes, or segments of DNA, synthesize the proteins of which the human body is made. In so doing, the 100,000 or so genes within each human cell provide the code that determines our characteristics. Currently, research is in progress on genetics and DNA, seeking to discover secrets of the human condition and behavior. The Window on Research provides information on the Human Genome Project that is currently extending the frontiers of research in this area.

Advances in neurology are uncovering various chemicals that regulate human emotions and behavior. These discoveries support the idea of **biological determinism**—the belief that human behavior is determined by biological factors such as genetics and DNA.



WINDOW ON RESEARCH

The Human Genome Project

Started in 1990, The Human Genome Project (HGP) is a 13-year project to map completely the entire spectrum of genetic materials that can be found in all human beings. It is a research effort initiated by the Department of Energy (DOE) and jointly managed by the DOE and the National Institutes of Health (NIH). The main goals of this project are to identify all of the approximately 30,000 genes in human DNA and to determine the sequences of the three billion chemical base pairs that make up human DNA.

Some of the most significant benefits of the HGP lie in the area of medicine. With the complete sequence of the DNA from a human cell, the HGP provides detailed genome maps to understand the critical differences that differentiate individuals and that often contribute to diseases. This information provides inputs to earlier detection of genetic predispositions to diseases such as inherited colon cancer, Alzheimer's disease, and familial breast cancer. At the same time, medical researchers will also be able to devise new treatments for these diseases with new classes of drugs, immunotherapy techniques, and possible augmentation or even replacement of defective genes through gene therapy. In 1994, the DOE initiated the Microbial Genome Program to sequence the genomes of bacteria useful in energy production, environmental remediation, toxic waste reduction, and industrial processing. This project is likely to provide information on development of new energy sources (biofuels) and on products and processes that decrease environmental pollution. It will also help pharmaceutical researchers understand how these pathogenic microbes cause disease, thus helping to discover better solutions to tackling these diseases.

Use of DNA information in forensics for criminal investigations is already well-known in the United States. Research on the HGP will aid this process by making it easy to use DNA-related evidence in exonerating innocent people and identifying criminals in trials. It also will help establish paternity and provide help in other family-related cases.

Genome identification for agriculture, livestock, and poultry also will help us create more disease-resistant plants and animals, increasing outputs in agriculture and providing the customer with more nutritious foods.

The Consulting Resources Corporation newsletter projects the large-scale commercial use of this data, and sales of DNA-based products and technologies in the biotechnology industry are pegged at \$45 billion by 2009.

The presence of genome technology is bound to have societal implications, which are already evident in the discussions on cloning of humans. Hence, a program devoted to the ethical, legal, and social implications (ELSI) of genome research has been set up. As a part of this effort, a model genetic privacy bill was introduced into the U.S. Senate in November 1995, and parts of it have been incorporated into the Genetic Confidentiality and Non-Discrimination Act introduced by Senator Pete Domenici in June 1996.

There is no doubt that the Human Genome Project is a vast resource of information for consumer researchers on how genetic traits will ultimately affect consumers' marketplace behavior.

Source: The above section is adapted from several reports on the Human Genome Project information site funded by the DOE on the Internet. Please see <http://www.ornl.gov/hgmis/> for detailed information on the project.

However, we need to note that other nonbiological factors, such as culture, perception, learning, and individual motivation, determine much of adult behavior as well.

Genetics affects customer needs and behavior by establishing the following four factors: (1) physiological differences, (2) diseases and mental disorder, (3) circadian rhythm, and (4) emotions and behavior.

The most direct and vivid effect of genetics is on a person's physical features and *physiological characteristics*—height, weight, skin color and tone, color of eyes, color and texture of hair, and bodily reactions to variations in temperature and other environmental changes (e.g., allergies), which are all caused by genetics. Genetics and biological makeup immediately affect human susceptibility to certain diseases. Diseases like Huntington's chorea, hemophilia, Alzheimer's disease, and schizophrenia also are caused by genetic factors. The effect of genetic makeup causes customers to seek special products and services, environments, and possible medical services and treatments to alleviate or cure genetics-produced diseases. All living creatures, humans included, have a daily cycle of activity, called their *circadian rhythm*. This biological "clock" governs rhythms like sleep-wake cycles. People's rhythms affect, among other things, when shoppers like to shop, and research also is examining whether consumers might process advertisements differently at different times of the day according to their circadian rhythm. Finally, many emotions or emotional disorders and behaviors also are rooted in biological factors. Twelve percent of U.S. children and teenagers suffer, for example, from brain disorders,² and many of these problems are based in brain chemistry.

An interesting debate concerns whether human behavior is determined by **nature** (biological factors) or **nurture** (the familial and social environment). Those who favor nurture argue that behavior is determined by a person's upbringing, family life, parental values, peer group influences, school, and church groups. The nature argument, on the other hand, credits a person's genetic makeup for much of human behavior: our emotions, sexual preference, tribalism, love of status, notions of beauty, sociability, creativity, and morality itself. Adherents to the nurture-based argument insist that we learn these behaviors by observing how we and others are treated. On the nature side of the debate, one particular factor that researchers have studied is the birth order of children. Birth order is the sequence among all siblings born of the same mother. Frank Sulloway, a science historian at MIT, has studied thousands of famous people of the last five centuries and has concluded that birth order matters. Specifically, older children are control freaks—ambitious, ambitious, and driven. Having no younger siblings in their family during the initial years, they identify with adults and learn to act responsibly and to maintain and enforce law and order. Younger siblings, in contrast, take themselves much less seriously and are more sociable, less judgmental, more risk taking, and more open to new things and to change.

Race

Race refers to a person's genetic heritage group. A related concept is *ethnic identity*, which refers to one's ethnic heritage. In the United States, the Bureau of the Census specifies the following four race categories: (1) Caucasian, (2) African American, (3) American Indian and Alaskan Eskimos, and (4) Asian and Pacific Islanders. The U.S. Census asks for ethnic identity separately, and Hispanics are included as a category there, although they are not identified as a separate race. Another point to note is that not all Asians have the same genetic heritage and, therefore, are not the same race. Asians tend to mark the fourth category because they interpret it as a geographic identity group rather than a race. Thus, the U.S. government's race identification is an administrative designation rather than a scientific or cultural classification.

In the 1980 census in the United States, one in five persons was of nonwhite, non-European origin; in the 1990 census, this number had risen to one in four. According to a report by the U.S. Census Bureau, in 2000 there were 33.9 million African Americans (12.1 percent of the population), 35.3 million Hispanics (12.5 percent), 10.1 million Asians (3.6 percent), and 2.1 million American Indians (0.7 percent).³ By 2010, one in three American children will be a member of a minority group.

Given such diversity, marketers need to understand the ethnic makeup of U.S. customers. The marketing literature identifies four race/ethnic groups in the United States: European Americans, African Americans, Hispanics, and Asian Americans.

European Americans—Americans of European descent—number about 200 million, about 4 million of them foreign born, representing some 15 countries of origin. Median household income is highest among those of French origin (<\$75,000 for 40 percent of them), the majority of whom have been in the United States for more than 10 years.⁴ The lowest income is among those of Polish origin (<\$25,000 for about 40 percent of them), the majority of whom have had a U.S. residence for fewer than 10 years. European Americans are very competitive, aggressive, and explicit and direct in their communications. They seek and desire change and value youth and materialism. Not all Europeans think of themselves as ethnic, but many do, and this group exhibits different marketplace behavior from the other European Americans.⁵ The ethnic Europeans work longer hours and spend the fruits of their labor liberally on material goods and on recreation such as cruises and gambling. Marketers have to adapt their mainstream strategies to reach ethnic Europeans.

African Americans number 33.9 million (12.1 percent of the total U.S. population) and are expected to grow to 40 million by 2010. Their median age is 30.6 years (compared to 38.6 years for whites).⁶ In 1998, their average household size was 3.42 (compared to 3.02 for whites).⁷ Many children live in single-parent families, and most of them are female-headed families. The median annual household income (3-year average 1997–99) of this group is \$26,608 compared to \$43,287 for whites.⁸ The U.S. Department of Commerce has found that a child in a low-income white family is three times more likely to have Web access than a low-income African-American child. African Americans are the smallest group online (32 percent) compared to whites (45 percent).⁹ Apart from income and education differences that lead to the smaller online population, another reason could be that general purpose search agents may not be perceived as an effective way to locate Web content that is compelling to African-American users.¹⁰ Some exclusive sites on the Net for African Americans are <http://netnoir.com>, and <http://www.everythingblack.com>. Family and religious values are very important to African Americans. They are self-image conscious and like to display style. They tend to buy premium brands; they buy premium liquor and gold as status symbols. African Americans enjoy shopping, using it as a social occasion. Compared to the general population, they spend disproportionately more on clothing, shoes, and home electronics. African Americans tend to drink regular colas, flavored drinks, and high-sugar drinks. They also account for one-third of the U.S. consumption of malt liquor. Marketers have not directed much of their resources to African Americans in products, or in TV or print advertisements. Until recently, cosmetic companies marketed the same makeup products for whites and African Americans, and their children had to make do with white dolls, white cartoons, and white fairy tales. Now, however, there are special media such as the Black Entertainment Television (BET) network and magazines such as *Ebony*, *Essence*, *Black Enterprise*, *Emerge*, and *YSB*.

With over 35.3 million in number in 2000, Hispanics are an important customer group in America. Growing at the highest rate of any ethnic majority, they are estimated to become the single largest ethnic minority group in the United States by 2010. They are the youngest of all groups, with a median age of 26.6 years. There are four major subgroups—Mexicans, Puerto Ricans, Cuban Americans, and Dominicans. Hispanic median income (1997–1999 average) is \$29,110. Though these groups share a broadly common language, cultural values, and customs, there are many important differences in tastes and activities. On Web penetration parameters, Hispanics are just slightly better than African Americans with an online presence of 38 percent.¹¹ Some exclusive Web sites for Hispanics are *Hispanic Online* (<http://www.hispaniconline.com>), which offers chat rooms, message boards and news, events, job availabilities and issues of interest to the Latino community based on its publication, *Hispanic Magazine*, a monthly for and about Latinos. Family and children are very important to Hispanics and take precedence over work. Hispanics, both men and women, have a strong interest in appearance, and they are fascinated by technology. Since good looks and appearance are important to Hispanics, they are heavy buyers and users of cosmetics and toiletries, much more than mainstream America. Since

Hispanics are close-knit and community-oriented, word of mouth is very effective for them; hence, event marketing (sweepstakes, music festivals, sporting events, religious holidays) is a good tool. In mass media, Spanish TV and magazines such as *Hispanic* and *Hispanic Business* are important. From a marketing communications standpoint, the most significant common factor among the Hispanic customers of different origins is their common language, Spanish. To account for differences among Hispanic groups, Donnelley Marketing Information Services (DMIS) in Stamford, Connecticut, has identified as many as 18 segments. For example, two of those segments are “Puerto Rican, high-income, younger, established homes” and “Mexican, lowest-income, younger, low-mobility, Hispanic neighborhoods.”¹² Such micro-segmentation helps local, regional, and national marketers temper national campaigns with local variations.

Between 1980 and 1990, the Asian-American population more than doubled, and it doubled yet again by 2000 to 10.8 million. According to the U.S. 2000 Census, Asian Americans’ median age is 32.4 years, and they have the highest median household income, \$48,614 (3-year average, 1997–1999). They also have a high rate of completing college, 39 percent compared to 17 percent U.S. average. Forrester Research estimates show that about 74 percent of Asian Americans were online by the end of the year 2000. They lead the digital revolution primarily because they are wealthier and better educated than any other ethnic group in the United States, even whites.¹³ The Asian-American group comprises immigrants from several countries: Chinese Americans (23 percent), Filipinos (19 percent), Japanese (12 percent), Asian Indian (11 percent), Korean (11 percent), and Vietnamese (14 percent).

Confucianism has a big influence on many Chinese. This system of beliefs values hard work, long-term reciprocal relationships, respect for authority (especially teachers and parents), harmony in all things, and discipline or delaying gratification. Core Japanese-American values are hard work, loyalty to the group (work, employer, family, community, or whichever group they join), an obligation to return favors, and respect for age and tradition. Education is also valued highly. Filipinos share many cultural traits with Hispanics: family values, courtship rituals, and allowing enough “play” time; they are outgoing and sociable. Korean Americans are very hardworking and value family loyalty, education, frugality and respect for elders. Koreans prefer *Kye*, a system of borrowing from individuals rather than from banks or government. More than any other minorities, Koreans prefer to maintain their own culture, resisting assimilation. Among Asian Indians, one of the most remarkable traits is a faith in the Hindu philosophy of Karma. Karma, a gospel from Hindu Lord Krishna, emphasizes two seemingly contradictory dictums: (1) a person is predestined to get and achieve whatever is his or her due, based upon his or her deeds in a previous life, or, otherwise, whatever the God has willed for him or her; and (2) at the same time, it is a person’s duty to do his or her work diligently since the work, too, is willed by God. Karma does not imply fatalism; it urges people not to shirk effort but to make peace with whatever is the outcome of their effort. Asian Indians value their families, are deeply religious, and like to maintain their traditions and customs. They are also hardworking and ambitious. Among Asians in general, humility and self-denial for the sake of the group are valued.

Marketplace behavior of Asian Americans differs from the mainstream population as well as from other racial/ethnic minorities. Some examples are:

- Japanese Americans are very sophisticated consumers, have a good deal of money to spend, and buy high-quality mainstream brands.
- Many Asian Indians are vegetarians. But even among those who are not, Hindus will not eat beef, and Muslims will not eat pork or drink alcohol. Many Indians prefer Pizza Hut to McDonald’s.
- Saving face is important to Asians. Therefore, they do not take kindly to advertisements that disparage a competitor’s product. It is considered bad to make someone (e.g., a competitor) lose face.
- In Hawaii, Chinese tend to pay cash for a car, whereas Japanese tend to finance it.
- Koreans prefer a soft sell and face-to-face shopping. Koreans will, however, say “no” more directly than other Asians.

Language obviously is a key factor in targeting ethnic customers. Marketing communications need to be in the language with which minorities feel the most comfortable. But targeting ethnic groups goes beyond a simple language translation; communications should reflect the particular minorities' cultural values and marketplace norms. Local marketers should organize their promotions around ethnic events like the Moon Festival banquet for Chinese and Deepawali for Asian Indians.

Gender

Gender is a biogenic group trait that divides customers into two groups—males and females. This group trait remains constant throughout a person's life, and it influences customer values and preferences. Concerning food, gender differences exist in health-oriented perceptions of foods and beverages. Women tend to buy fresh vegetables, low-cal foods, and diet drinks more than men do.

In clothing, men-women differences exist with respect to color, fabric, and style. Certain fabrics, like chiffon or silk, are predominantly used in women's clothing. Bright full-spectrum colors are usually used for women, whereas men are mostly clothed in white, blue, black, brown, and gray.

Men-women differences in shelter preferences also are well known. In the purchase of a house, women are generally more concerned with such functional features as the amount of closet space in bedrooms, the size and shape of the kitchen, and the proximity of the house to a playground. Men, on the other hand, have historically been more concerned about the heating, cooling, and electrical systems and the kind of building material utilized. Marketers should, however, be watchful for changes in gender-based preferences since many of the traditional gender roles in the United States are changing. Today, a large number of men are buying groceries, and women are buying cars. By the early 1990s, women had become 49 percent of all new car buyers, and they exercise an influence on some 80 percent of all new car sales. So car makers are paying attention to women's needs in terms of design and customer contact.¹⁴

In businesses, men-women differences also are relevant to career paths, benefits, and support services. Men-women differences are moderated by life cycle, education, and income. Sex differences between pre-puberty children are very minimal, but they begin to materialize significantly as a child moves into the teenage years, and even more significantly as the person moves into young adulthood and parenthood. However, as a person moves into retirement, the differences become less acute as the pressures to conform to societal norms become less important. Education also moderates gender differences so that the role differences between men and women tend to be less pronounced with education. Finally, income also may mediate gender differences. Higher-income groups (with better education and occupation) are likely to show reduced men-women differences.¹⁵

Internet usage seems to be quite gender-balanced, with women accounting for about 49 percent of the online population in the U.S. and men accounting for 51 percent. However surveys show that "women are 'seekers' online, meaning they go online for a specific reason, while men tend to be surfers or browsers." It follows that men tend to spend more time online while women visit fewer sites for shorter periods of time, and are loyal to these sites. Portal sites like *iVillage.com*, *Women.com*, and *Oxygen.com* provide information on all issues that women are interested in. Studies show that women in the United States make 80 percent of health-care decisions and 60 percent of the health-care purchases, and sites like *OnHealth.com*, *Allhealth.com* (an *iVillage* site) and *ThriveOnline.com* (owned by Oxygen Media) target women with health related information.¹⁶

Age

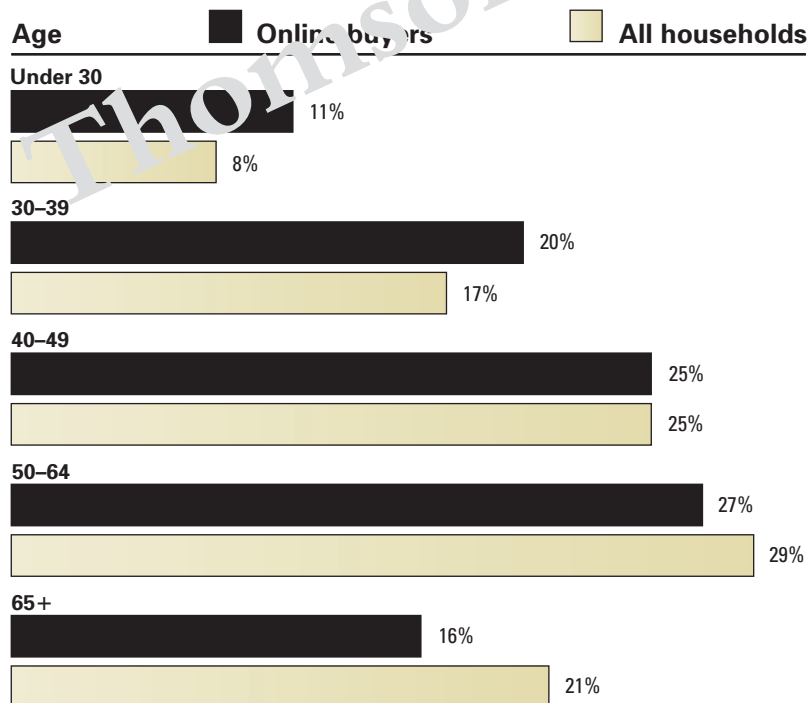
A person's age, like the preceding two biogenic group traits, has monumental influence on customer behavior. In this context, age refers to the length of time elapsed since a person's birth. This is the chronological age, different from psychological age (how young a person feels) or mental age.

Age is perhaps the most pervasive influence on customer behavior. It is an important personal determinant to study for three reasons. First, both needs and wants vary immensely by age. Young people's needs and preferences in clothing, food, and automobiles differ significantly from those of older adults. Second, age helps determine the lifetime revenue from a customer. **Lifetime revenue** is the estimated revenue a firm may expect to receive from a customer over the customer's lifetime. For example, in the insurance industry, a firm makes money on a policy only after the policy has been in effect for seven years. In such instances, the lifetime revenues from a customer, rather than the initial sale, become the key consideration. The estimation of lifetime revenues obviously depends on a customer's age. The final reason for studying age is that changes in a population's age composition imply massive shifts in markets and in the values and demands of consumers in the aggregate. In particular, the aging of the population in the United States is creating great age diversity, with corresponding diversity in the kinds of products the market demands, and this diversity is likely to pervade in cybermarkets as well. A recent Annual Internet Shopper Study by Ernst & Young found that the online buyer age profile closely parallels the age distribution of U.S. households as a whole, except for a few percentage point differences in the under-30 and 65+ age groups.¹⁷ See Figure 2.2.

Identifying the Age Groups. There are three ways to classify customers by age groups. The first and most direct measure of age is to anchor the counting to the birth year, that is, chronological age-based grouping. The book *Generations* identifies four age groups in the U.S. population.¹⁸ These are (1) The G.I. Generation—born from 1901 to 1924; (2)

Distribution of Online Buyers by Age

FIGURE 2.2



Silent Generation—born between 1925 and 1945; (3) Baby Boomers—born between 1946 and 1964; and (4) Generation X—born after 1964. In addition, teenagers and children are important age segments for many marketers. Values and marketplace behaviors vary greatly among these different groups.

The *G.I. Generation* accounted for some 16.6 million persons in the United States in 2000 (of the total 63 million born). This generation has lived through the Great Depression in the late 1920s and World War II and has emerged triumphant and optimistic. Aided by the G.I. Bill, they have a financially secure life in their senior years. According to a survey done by Georgia State University's Center for Mature Consumer Studies, 32 million Americans aged 65 or over have discretionary incomes of roughly \$7,000 a year, and a record number participate in leisure activities, travel, investing, and extending loans and gifts to youngsters in their extended families. For details on values of this age group, read the Customer Insight box.

The *Silent Generation* (some 42.7 million in 2000) faced the Depression and the World War crises during its youth. They believed in the success of the system rather than in individual enterprise, seeking secure careers in big corporations. This generation has enjoyed a life of prosperity and the lowest rate of any sociological evils (e.g., crime), all with minimum initiatives.

The *Baby Boomers* (82.8 million in 2000) are the most self-absorbed of all four generations. They desire anti-aging, anti-fat products, cosmetics, body shapers, and so on. As a group, they are more educated and affluent; their household income is higher than the average U.S. household income. Most of them are in the parenting trap with children under the age of 18. Employment rate among baby boomers is high among both sexes, and time is a major constraint, increasing the demand for convenient time-saving.

Generation X, the age segment born between 1965 and 1975 (39.9 million in 2000), is so named because of their negation of most Boomer values. Today, the early cohorts are young adults (ages 25 to 35) while the latter cohorts are youth (ages 20 to 24). Most of the Xers in the younger cohort are found on college campuses, military bases, and in their parental homes. Their music is not rock 'n' roll or classic rock or retro; it is rap, urban rhythm and blues, and industrial dance music. They are serious about education and enhancing their job prospects. They are more accepting of diversity in race, ethnicity, religion, language, and lifestyles. They support social issues, dislike hype in advertising, and reject conspicuous consumption.

Beyond the four age groups described in the book *Generations*, two more age groups deserve attention: teenagers and children. Today's teenagers are the children of baby boomers and are about 31 million in number. They spent an estimated \$103 billion of their money in 1996 and, in addition, spent an estimated \$33 billion of their parents' money.¹⁹ Savvy marketers recognize the potential teens represent and have made special efforts to respond to their needs and offer them the market values they seek. This generation, born between 1977 and 1995, is also being recognized as Generation Y by marketers and is extremely Internet-savvy. The Window on Practice presents a profile of Generation Y.

In the United States, children 5 to 13 years old now number 35 million. According to a national survey of this group, children spend about \$9 billion annually, and a 10-year old averages about five visits a week to five different stores.²⁰ Even more significant than their own purchases is the amount of influence they exercise on their parents' purchase decisions. This influence stems both from personal preference and from product expertise and is estimated at upward of \$150 billion a year.²¹

Of the 31 million U.S. kids ages 12 to 19, there were 16 million online in 2000 (Simmons Market Research), and 31 million will be online in 2005 (*Computer Economics*). Teens spend 10-plus hours a week online and 20 percent have shopped online (Jupiter Communications). Some popular teen portals are *Alloy*, *Scour*, *iTurf*, *Bolt*, *Snowball and Bluetorch*, and they offer various features such as chat, email, fashion, sports, entertainment, e-commerce and more. A product's "cool image" tends to draw teens to sites and they share this information with their peers thereby bringing referrals to sites. An important problem with teen e-commerce is lack of payment options. Sites like *IcanBuy.com* and *Cybermoola.com* enable parents to create online accounts for their children, so that teens

CUSTOMER INSIGHT

How Mature Adults Differ from Young Adults

According to David B. Wolfe, the author of *Serving the Ageless Market*, as a person matures, his or her modes of thinking change. In early childhood, his or her cues to thinking come from within. During adulthood, the person is more oriented to cues from the external world. During mature years, the person tends to turn again toward internal cues, assimilating the external information within the internal cues from experience and values one holds.

Based on his research, David Wolfe believes that mature persons hold five key values:

- Autonomy and self-sufficiency
- Social and spiritual connectedness
- Altruism
- Personal growth
- Revitalization

Thus, to mature adults, direct benefits of products (e.g., clean hair) are less appealing than a product's role in fulfilling these values. Some examples illustrate this distinction:

1. Kimberly-Clark's promotion of Depend undergarments was hugely successful by showing an actress playing golf and going about her active life; in contrast, competitors promoted the functional features such as absorbency and were not as successful.
2. Freedom Group of Florida developed a senior housing community and recruited residents by having a mortgage-burning party signifying self-sufficiency and autonomy.
3. Mature adults tend to patronize mom-and-pop stores to a greater degree because their owners are able to offer them personalization and social connectedness.
4. Thrifty Car Rental Co. found that a donation to a social project was more appealing to seniors than a direct discount.
5. Elderhostel offers mature adults travel programs in conjunction with educational programs at universities worldwide; close to 300,000 adults participate annually in this personal growth and revitalization opportunity.

These examples show that marketers can benefit greatly by being aware of these values. Each communication and advertising campaign and each product offering should be preassessed on how well it reflects the values mature adults hold.

Sources: Adapted from David B. Wolfe, *Serving the Ageless Market* (McGraw Hill, 1990); David B. Wolfe, "Targeting the Mature Adults," *American Demographics*, March 1994, pp. 32–36.

without credit cards can still purchase goods. Teens have also been known to research products online and purchase offline because of a lack of credit cards. Hence, marketers need to focus on making the Web a branding and information vehicle for teen products.²²



WINDOW ON PRACTICE

Generation Y

Generation Y, those born between 1977 to 1995, is the largest population sector in the United States since the baby-boomer era. Also known as the Echo Boomers, Digital Generation, and the Millennials, they account for 21 percent of the U.S. population. They are racially diverse, one in three is not Caucasian, and one in four lives in a single-parent household.

"This generation is destined to eat, breathe, and sleep online." According to a survey by the Fortino Group, Generation Y kids (aged 10 to 17) will be associated with the Internet for an average of 23 years of their lives. The adult cohort of Generation Y (young adults aged 18 to 23) is adept at using the Internet for information search and e-commerce. As Bob Reiner, unit manager of Enterprise Internet Services with State Farm puts it—"This is the first generation to truly internalize the Internet, as opposed to other generations that have adopted it."

Marketers are cognizant of this characteristic when they deal with Generation Y members. More and more companies are using the Internet as a marketing tool to target young people. Given the sophisticated nature of the digital media that they are exposed to, they are more tuned to merchandise concepts that involve "exploring the unknown" or focus on "co-production" in terms of developing their own products.

In terms of their Internet usage, Generation Y and Generation X customers are quite similar. Brand loyalty is important to Generation Y and they prefer ordering online to ordering on the phone. However, Generation Y customers are "harder to please" and account for higher product returns compared to older customers. Most of the Generation Y consumers have Internet access

Another approach to classifying the age is based on a person's school year. Categories include preschoolers (under 6 years of age), primary and secondary schoolers (6 to 18 years old), college students (18 to 25 years old), adults (26 to 45 and 45 to 65), and mature adults (over 65). This approach to classifying age is a good approach if the interest is in measuring the impact of outside influences (as well as continuing family influences) on the development of a person.

The third approach is the **family life cycle concept**. This concept captures the movement of individuals and families as they go through major life events (e.g., marriage, divorce, birth of a baby, death, and so on). Some of these stages are, illustratively, single persons, families with young children, and empty nesters whose children are living on their own. Each of these and other stages characterize the commonalities that exist among the families in that stage. For example, a young single person is characterized by having relatively low earnings and, therefore, very little discretionary income. Newly married couples are more financially well off if both spouses work, and they buy such products as automobiles, clothing, and vacations. However, married couples with very young children tend to experience tremendous time pressure (particularly if both spouses are working) and consequently seek time-saving products and services. Empty nesters tend to spend a greater part of their discretionary income on vacations and recreation and also become more health oriented. Thus, the family life cycle-based classification of age offers marketers valuable insights into the consumption patterns of customers as they move from one age group to the next.

and convenience is a key motivation for shopping on the Internet. More than 33 percent are satisfied with their online shopping experience.

A Saatchi & Saatchi study found today's youth to be "confident, self-reliant, optimistic, and positive." Despite being the 'cool' generation, they retain family values—they want to marry, have children, and own a home. They admire attributes such as honesty, caring in others as against ambition or fashion ability, and pride themselves on their determination. They are looking for strong successful careers and want to play a meaningful role in the companies that they work in. They are very strong on the concept of "work/life balance."

Marketers' research processes to study Generation Y need to take a more indirect approach than direct. Projective techniques could be used to gather information about Generation Y peers and focus groups can be conducted with groups of friends in their homes, or malls, music festivals, and clubs where the generation normally hangs out. It would be worthwhile for marketers to look for Generation Y opinion leaders and interview them to get an idea of trends. As John Almash, president of Stratcom, a Massapequa, N.Y.-based marketing consultancy puts it—"Marketing campaigns to Generation Y would be best low-key and sincere, as this group does not want to be controlled—they would like to be addressed as people who can figure out things for themselves."

Sources: Adapted from "Generation Y Web Shoppers Emerge as Mini-Baby Boomers," *Business Wire*, May 9, 2000; Caela Farren, "Gen Y: A new breed of Values and Desires," *Philippine Daily Inquirer*, February 21, 2001, 10; Lori Chordas, "A New Generation in the Cross Hairs," *Best's Review*, February 1, 2001, 49; Kenny MacIver, "Connectivity from a Lifetime of Clicks," *The Times of London*, November 22, 1999, 19; "Generation X and Y Reveal the Future of Home Improvement and Repair," *PR Newswire*, September 16, 1999; "Landmark Study Identifies Generation Y Preferences," *Children's Business*, 32(1), March 1, 1999; "Key to Marketing Successfully to Gen X And Y? Break All Your Rules," *Card News*, Vol. 15, Issue 3, February 9, 2000.

Intergenerational Differences in Household and Business Markets. The intergenerational differences among the age groups affect their customer behavior with regard to basic consumer goods—food, clothing, and shelter. There has been a significant change over the last 80 years with respect to what customers value. In regard to universal values that customers seek, there has been a general shift from a functional and economic orientation for the pre-war (G.I.) segment to a preoccupation with personal values by successive generations. With respect to food, the universal value of product quality is a driving force for all segments, except that the value of convenience-in-use is also very important for the Baby Boomers and Generation-X segments. The ability to use a credit card at the supermarket is a credit value sought by the Baby Boomers and Generation-X segments, in contrast to the two older segments. For clothing, the pre-war segment is more concerned with performance values like durability, quality, and universal price/economic value, whereas the younger segments, while not ignoring the universal values, tend to place greater importance on the nonfunctional personal value of social image associated with various items and styles of clothing. Among services, insurance is a good example of an industry where age plays a significant role in shaping customer desire for diverse market values. Customers from the pre-war segment have little need for life insurance because their dependents have already grown up. However, Silent Generation and Baby Boomer segments place much greater emphasis on the universal value for financial coverage as well as the personal value of the security for their loved ones in case of an eventuality.

In business markets, age has an influence on a service like payroll benefits, since employees look for different benefits from a company as they grow older. For example, a Generation X customer will want to start building a pension; in contrast, a younger employee, such as a Generation Y member, would be concerned with life insurance and disability insurance.

Customer Personality

As mentioned in the beginning of the discussion on personal traits, personality is an individual psychogenic trait that affects customer behavior. *Personality* refers to a person's consistent ways of responding to the environment in which he or she lives. Everyday descriptions of people as innovative or tradition-bound, dogmatic or open-minded, sociable or aloof, aggressive or meek, are all references to these persons' personalities. Humans develop personality because it is efficient to build a standard repertoire of responses to one's environment, as opposed to developing a new response every time a situation arises. Some of these standard responses will apply to a person's behavior as a customer.

How Is Personality Developed? Customer personality is a function of two factors: genetic makeup and environmental conditioning.

$$\text{Personality} = \text{Genetics} \times \text{Environment}$$

These two factors have emerged from separate streams of research: environmental determination and genetic determination. The leading proponent of environmental determination was American psychologist B. F. Skinner, and the leading proponent of genetic determination was British psychologist Hans Eysenck. Skinner's theory, known as **behaviorism theory**, is that a person develops a pattern of behavioral responses because of the rewards and punishments offered by his or her environment. Therefore, personality—a consistent pattern of behavioral responses—is formed and can be molded by a society by means of environmental shaping. Eysenck, on the other hand, considered biogenetic factors as important causes of individual differences. As an illustration of the genetic origins of personality, consider the trait of introversion/extraversion. Eysenck demonstrated that a person's relative introversion/extraversion depends highly upon arousal of the brain as mediated by the body systems. Introverts exhibit a more intense state of arousal than extraverts. With intrinsically lower levels of stimulation, extraverts tend to seek it in their external environment, "whereas introverts tend to avoid additional stimulation because their internal mechanisms are chronically switched to a 'high-gain' position."²³ For an example of research behind these views, see the Window on Research box.

In the psychology literature, two of the dominant theories for explaining the concept of personality are the Freudian theory of personality and the personality trait theory.

Sigmund Freud, the founder of psychoanalysis, was the first to argue that the human personality is driven by both conscious and unconscious motives (i.e., desires). He proposed three divisions of the human psyche: **id**, **ego**, and **superego**. The *id* is the basic source of inner energy directed at avoiding pain and obtaining pleasure and represents the unconscious drives and urges. The *superego* is the moral side of the psyche and reflects societal ideals. The *ego* is the conscious mediator between the *id* and the *superego*; that is, between the unconscious and impulsive desires of the *id* and the societal ideals internalized by the *superego*. The *ego* helps the person respond to the world in many socially acceptable ways, and such behaviors are called "defense mechanisms." For example, the *id* may want to own an expensive car, but the *superego* would remind the *ego* that, given the person's financial means, it would be unwise to buy an expensive car. To resolve this anxiety, the person saves his or her *ego* (sense of self) by arguing, for example, that an expensive car is a status symbol, used by people with not enough confidence in their inherent ability or talent. This argument, made to others or to oneself, is an example of a defense mechanism.

WINDOW ON RESEARCH

Genetics and Personality Traits

Why are some people thrill seekers while others lead a more subdued life? The answer lies in chromosome 11. Thrill-seeking behavior is affected, according to a recent discovery, by how brain cells process a neural messenger chemical called dopamine. The transmission of that chemical message is determined by a gene called D4DR. Individuals who have a certain kind of extra-long DNA sequence on part of chromosome 11 also score much higher on psychological tests measuring a personality trait called “novelty seeking.”

This is the finding of two independent researchers. Richard P. Ebstein and colleagues at Herzog Memorial Hospital in Jerusalem examined 124 unrelated Israeli subjects, giving them a test that measures four personality dimensions—novelty seeking, harm avoidance, reward dependence, and persistence. The researchers took blood samples from each subject for genetic analysis. They found that subjects who scored highest on novelty seeking, characterized as impulsive, exploratory, fickle, excitable, quick-tempered, and extravagant, were much more likely to have the long seven-segment component of D4DR. In contrast, subjects with the shorter version scored significantly lower and tended to be reflective, rigid, loyal, stoic, slow-tempered, and frugal. The same findings were obtained in another study, conducted by Jonathan Benjamin and colleagues at the Laboratory of Clinical Science at the National Institute of Mental Health, who tested 315 American subjects.

The studies do not indicate that novelty seeking is controlled by a single gene or a number of genes. Upbringing, life experience, and numerous environmental factors clearly play a major role in complex human behaviors. Indeed, the researchers note that the genetic factor had a relatively minor impact, accounting for some 10 percent of the variance in the novelty-seeking behavior.

In another study of nearly 2,300 twins, psychologists at the University of Minnesota found that on a rating scale for happiness, genetically identical twins scored more similarly than even fraternal twins. A person’s proclivity for being happy is explained, according to psychologists, only 3 percent by such factors as level of education, family income, marital status, and religious belief; in comparison, it is explained as much as 50 percent by our genetics.

Sources: Adapted from “Genetic Studies Suggest Connection between Heredity and Behavior,” *The Buffalo News*, January 2, 1996, Tuesday, City Edition, p. 3A; Curt Suplee, “Researchers Find Personality Gene: Chromosome Pattern Markes People Seek Thrills,” *International Herald Tribune*, January 3, 1996; Kathleen McAuliffe, “Born to Be Happy,” *Self*, December 1996, p. 33.

To prevent anxiety, by keeping the unacceptable id impulses or other threatening material from reaching consciousness, the ego employs a variety of unconscious tactics:

- **Aggression**—To display anger or inflict pain on someone out of frustration and without justification. Example: A customer who suspects the retailer of taking advantage of a market shortage spoils merchandise in the store.

- *Rationalization*—To explain some action by a motive that is more acceptable than the actual motive, which is suppressed from consciousness. The use of corporate jets and country club memberships are rationalized as needed for business efficacy although the real motive and reason in many cases is prestige and a personal sense of vanity.
- *Projection*—To blame others for a person's own shortcomings or to attribute personal feelings to others. For example, a customer breaks an appliance by wrongful use and then blames the manufacturer or the workmanship.
- *Repression*—To devote a great deal of energy to keeping a particular thought or feeling at the unconscious level. Examples of repression include situations in which consumers avoid products that are associated with unattractive situations and, at the same time, deny that association to be the reason for their choice. For example, products associated with a person's ex-spouse may be avoided.
- *Withdrawal*—When not successful in a situation, to simply withdraw from the situation. Thus, both household and business customers literally withdraw from associations, conferences, book clubs, and so on, if they believe they are not respected in those gatherings.
- *Regression*—To “revert” to childhood behaviors. At special sale events in stores where supplies are limited, many adults resort to fighting like children to get to the merchandise.

In the **trait theory of personality**, a person is viewed as a composite of several personality traits. A **personality trait** is a consistent, characteristic way of behaving.²⁴ Thus, compulsive people consistently and characteristically act compulsively; people with the personality trait of dogmatism consistently hold on to their beliefs; and variety-seeking individuals are constantly changing their preferences. Catell, a leading trait theorist, identified 16 fundamental traits that account for a person's behavior.²⁵ He termed these “source traits” since, in his view, these were the source of other “surface traits” or overt behavior.

Another set of personality traits is the Edwards Personality Preference Schedule (EPPS), which consists of the 15 traits. In fact, early personality research in consumer behavior used the EPPS to identify brand preferences of different consumer segments.

Yet another classification is made by psychologist Karen Horney. Horney grouped people into three categories: compliant, aggressive, and detached (CAD). The **compliant** type seeks others' friendship, acceptance, appreciation, and love, and tries to be likable and agreeable. The **aggressive** type, on the other hand, values personal accomplishment over friendship and seeks power and admiration from others. Finally, the **detached** person is independent-minded, entertains no obligations, and admits little social influence on personal choices.

The first reported study of personality traits in marketing was conducted by Franklin B. Evans in 1959. Evans used the EPPS measures to examine whether Ford and Chevy owners differed in their personality traits, but he failed to find any personality differences. Three years later, another researcher, Westfall, attempted the same study with a different personality measure and found no difference between owners of Ford and Chevrolet brands. However, he did find personality differences between owners of convertible and standard/compact models. For example, owners of convertibles were more active, sociable, and impulsive, as we would intuitively expect. Another researcher, Joel B. Cohen, used Horney's CAD typology of personality to check for product purchase and consumption differences across the three personality types. Though differences were found for just 7 of the 15 categories used in the study, the study did reveal some interesting findings. For example, mouthwash and Dial soap were used substantially more often by compliants than by the detached group. Old Spice was the favorite deodorant of the aggressive type, whereas the leading brand, Right Guard, was the choice of the other two types. Aggressives used colognes more and preferred Coors beer, whereas the detached types drank tea more than the other groups.

Some consumer researchers have studied the personality trait of *tolerance for ambiguity*, which, as the name implies, refers to how comfortable a person feels with uncertainty and lack of complete information. Researchers Charles M. Schaninger and Donald

Sciglimpaglia found that consumers with low tolerance for ambiguity and higher self-esteem tended to use more product information in their brand-choice decision.²⁶

Personality research in earlier years has suffered from (1) a lack of personality scales specifically developed for consumer behavior and (2) a lack of understanding on which personality traits should matter for which consumer choices.²⁷ Today, trait-oriented personality research has fallen out of favor with consumer researchers, who increasingly use a lifestyles view of personality.

Personality of the Business Customer. In business organizations, people are not simply employees, co-workers, managers, or subordinates. In addition to their job titles and job responsibility, they have a personality that they bring to the work they do and, for our purposes, to how they play their customer role. They could be aggressive or subdued, fast or slow in their speech and movement, emotional or unemotional, and task-oriented or relationship-oriented. One apt personality typology for business customers is the “social styles” classification, proposed by Dr. David W. Merrill of the research group at Tracom Corporation, Denver, Colorado.²⁸ This classification uses two personality traits:

1. *Assertiveness*—the aspect of behavior that measures whether a person tends to tell or ask and the degree to which others see that person as trying to influence their decisions. Assertive people take a stand and make their position clear to others. They are demanding, aggressive, and forceful. In social situations, they are likely to initiate conversation and display a take-charge attitude. In contrast, unassertive people are unassuming, contented, quiet, and easygoing. They tend not to express their ideas or beliefs, but instead to listen to others and to be supportive of others’ ideas. The “telling” kind of individuals, when placed in an uneasy social situation, tend to “fight” or confront the situation. The “asking” kind prefer “flight” or avoiding the situation.
2. *Responsiveness*—a person’s tendency to emote rather than control feelings and the extent to which others can see that person as an individual who displays feelings or emotions openly in social situations. A more responsive individual readily expresses anger, joy, or hurt feelings and tends to be warm, emotional, or lighthearted. The unresponsive, or the controlling types, tend to be reserved, cautious, and serious; to be independent of or indifferent to others’ feelings; and to use reason or logic more in making decisions. An unresponsive person is more task-oriented rather than relationship-oriented, and the reverse is the case with the responsive person.

By combining these two traits, we can identify the four social styles shown in Table 2.1: driving, expressive, amiable, and analytical. The driving types want to dominate in interpersonal situations, want their opinion to prevail, demand compliance with their wish, and do so in a “cold” manner, without any regard for others’ feelings. The expressive types also are opinionated and demanding of compliance with their requests, but they do so with emotions, using persuasion rather than authority. The amiable types are unassertive, undemanding, and easygoing, but they also are warm, openly show their feelings, and are desirous of establishing personal relationships with those they deal with. Finally, the analytical types are neither demanding and assertive nor emotional. They tend to ask questions, collect information, and study the data carefully before forming an opinion. This classification has been used in employee selection and in employee training to increase effectiveness in working with co-workers, subordinates, and superiors.

The following four social types display distinct behaviors, both verbal and nonverbal, that can be used to identify the social style of a customer in business negotiations.

Personal Context

Our personal context—the characteristics of the socio-econocultural environment in which we have lived and are living—has intimately influenced our resources, tastes, and preferences. It therefore affects our behavior as customers by helping to define what we can and

TABLE 2.1

Classification of Personality Into Social Styles

	LOW RESPONSIVENESS		
LOW ASSERTIVENESS	Analytical Slow reaction Maximum effort to organize Minimum concern for relationships Historical time frame Cautious action Tends to reject involvement	Driving Swift reaction Maximum effort to control Minimum concern for caution in relationships Present time frame Direct action Tends to reject inaction	HIGH ASSERTIVENESS
	Amiable Unhurried reaction Maximum effort to relate Minimum concern for effecting change Present time frame Supportive action Tends to reject conflict	Expressive Rapid reaction Maximum effort to involve Minimum concern for routine Future time frame Impulsive action Tends to reject isolation	
	HIGH RESPONSIVENESS		

Source: Adapted from David W. Merrill and Roger H. Reid, *Personal Styles and Effective Performance: Make Your Style Work for You* (Radnor, PA: Chilton Book Company, 1981).

want to use and buy. Personal context has four dimensions that affect customer behavior: culture, institutions and groups, personal worth, and social class. Of these, culture and reference groups influence customers' tastes and preferences, and personal worth influences resources. This quartet of contextual factors forms the conduit through which all customer behavior is channeled. Without an understanding of these contextual factors, it is nearly impossible to understand why customers from different countries, subcultures, economic means, religions, families, and other institutions seek different values from the marketplace.

Culture

Webster's New Collegiate Dictionary defines culture as "the integrated pattern of human behavior that includes thought, speech, action, and artifacts and depends on man's capacity for learning and transmitting knowledge to succeeding generations." Thus, culture is everything a person learns and shares with members of a society, including ideas, norms, morals, values, knowledge, skills, technology, tools, material objects, and behavior. Culture excludes genetically inherited instincts, since these are not learned, as well as individual behaviors, norms, knowledge, and so on, not shared with other members of society.

We learn our culture by the processes of enculturation and acculturation. **Enculturation** is the process of learning one's own culture. **Acculturation** is the process of learning a new culture. Learning a culture entails becoming knowledgeable about its various elements.

- **Values**—Values are conceptions of what is good and desirable versus what is bad and undesirable.
- **Norms**—Norms are rules of behavior. They are a guide of do's and don'ts. Norms are more specific than values and dictate acceptable and unacceptable behavior.

- *Rituals*—Rituals are a set of symbolic behaviors that occur in a fixed sequence and tend to be repeated periodically. Being symbolic behavior, they have a meaning in culture.
- *Myths*—Myths are stories that express some key values of society. For example, the story of Santa Claus is a myth in much of the Christian world.

National culture refers to the culture prevalent in a nation. It comprises the norms, rituals, and values common to everyone in that nation regardless of the subgroup affiliation. A related concept is that of popular culture. **Popular culture** is the culture of the masses, with norms, rituals, and values that have a mass appeal. For example, Hollywood and the movie industry has had an influence on the popular culture in the United States. **Subculture** is the culture of a group within the larger society. The group may be based on any common characteristics (such as nationality of origin, race, region, age, religion, gender, social class, or profession) identifying that group as distinct from other groups or from the society at large.

Corporations have culture, too,²⁹ and it is reflected in a company's rituals and customs and even in corporate myths and celebration of its heroes. Values such as "People are important," "Merit matters," and "Prosper through diversity" define what success means in the corporation. Cultural heroes, such as Henry Ford at Ford Motor Co., Thomas Watson at IBM, Jack Welch at GE, Richard Bronson at Virginia Atlantic, Herbert D. Kelleher at Southwest Airlines, and Steve Jobs at Apple, personify the culture's values and provide tangible role models for others. The current dot.com era has spawned its own culture in corporations, where 20-somethings in their faded jeans and pony-tailed hair teach their 60-something bosses how to communicate via the Internet as well as how to loosen their tie a bit!

Characteristics of Culture. The concept of culture has the following six characteristics.

1. *Culture is learned.* We are not born with it, and instinctive behavior, which we possess since birth, is not culture. Thus, the act of crying or laughing is not culture; however, knowing when it is proper to cry or laugh in public is culture, since that is something we have to learn.
2. *Culture regulates society.* It does so by offering norms and standards of behavior and by sanctioning deviations from that behavior. Everyone in a culture knows the rules to live by.
3. *Culture makes living more efficient.* Because culture is shared (by definition), we don't have to learn things anew as we encounter new people and new situations within the same culture.
4. *Culture is adaptive.* Culture is a human response to the environment, and as the environment changes, culture is likely to adapt itself to the new environmental demands. Survival makes adaptation imperative. A U.S. firm doing business in Latin America, for example, would have to adapt its ways of dealing with Latin American customers or else face failure.
5. *Culture is environmental.* It envelops everyone's life alike and always. Like environment, we take culture for granted until something unexpected happens. That is, if a cultural norm is broken, only then is our attention drawn to the otherwise quiet existence of culture.
6. *Multiple cultures are nested hierarchically.* The culture of a larger group constrains and shapes the culture of the smaller groups within it. For example, the culture of a middle-income Hispanic family in the United States is actually the culture of the middle class, nested inside the culture of the Hispanics, in turn nested in the U.S. culture.

Dimensions of Cross-Cultural Values. Although culture includes a host of shared beliefs and behaviors, the bedrock of culture is values. Cultural values may apply to things, ideas, goals, and behaviors. Based on research in a number of countries, Dutch social scientist Geert Hofstede has developed a classification of value orientations with the

following five dimensions: individualism/collectivism, power distance, uncertainty avoidance, masculinity/femininity, and abstract or associative thinking.³⁰

Individualism versus collectivism concerns the value individuals place on their own individual advancement and benefits versus the good of the groups and institutions of which they are members. Cultures marked with individualism exhibit loose ties among individuals, self-interest over the group interest, a large amount of personal freedom, and survival of the fittest. Contrarily, cultures of collectivism exhibit close ties between individuals, group interest over self-interest, a limited amount of personal freedom, and group protection. The United States is an example of individualism, whereas Asian societies value collectivism. One implication of this cultural value is the kinds of emotional appeals that will influence consumers in these two societies. Emotional appeals can be ego-focused—associated with the internal state such as pride, happiness, anger, and frustration. Or emotional appeals can be other-focused—associated with others in a social context and including such emotions as empathy, peacefulness, indebtedness, and shame. It is well documented that in collectivist cultures (e.g., China, Japan, Taiwan), the self is considered to be inseparable from others and the social context. Hence, in an emotional experience, members of a collectivist culture would be expected to focus on interpersonal aspects of the experience, weaving the individual with interpretations of what other people notice, think, and feel about the experience. Consequently, in the collectivist cultures, other-focused emotional appeals would be expected to be more persuasive than ego-focused appeals; the converse would be expected for individualistic cultures. However, at least one research study found this not to be true. Researchers Jennifer Aaker and Patti Williams examined the persuasive effect of emotional appeals on members of a collectivist culture (China) versus an individualistic culture (the United States). They found that ego-focused emotional appeals led to more favorable attitudes for the members of the collectivist culture than other-focused emotional appeals. In this study, when the Chinese participants from the collectivist culture encountered the ego-focused emotional appeal (on a one-to-one basis, as a form of a print advertisement rather than in the presence of others), it actually prompted them to access several parts of their independent self, thus leading to an increase in individual thoughts. Hence, the ego-focused appeal led to more favorable attitudes than the other-focused appeal. The reverse was true of the U.S. participants in the study.³¹ Obviously, the way in which the individualistic and collectivist values play out depends on a number of other factors.

Power distance refers to the extent of social inequality and the extent of submissive relationship with authority. In cultures with large power distance, there is greater authoritarianism among persons of different strata in the larger population, among members of the family, and among managerial hierarchy in organizations. Whereas in cultures with small power distance, there is greater egalitarianism among those same groups. Consequently, decision making is more participative.

Power distance also refers to the extent to which personal relationships are allowed to be formed between members holding different levels of power and authority. In societies with large power distance, subordinates are required to maintain a distance from their superiors and always act in a subservient way. In societies with small power distance, relations between members at different vertical ranks are not as formal. Some countries with large power distance are Egypt, Guatemala, India, Iraq, and Malaysia. Some countries with small power distance are Canada, the United States, Germany, Great Britain, Israel, and Switzerland, to name a few.

Uncertainty avoidance can be defined as the extent to which people in a society feel the need to avoid ambiguous situations. They try to manage these situations by providing explicit and formal rules and regulations, rejecting novel ideas, and accepting the existence of absolute truths and superordinate goals in the context of work organization.

Uncertainty avoidance is directly related to the importance of quality assurance and service guarantees. People who cannot tolerate uncertainty would be expected to seek greater dependability, reliability, and guarantees when buying products and services.

Masculinity versus femininity refers to the extent to which male and female roles are segregated and the degree to which masculine roles are considered superior (masculine cul-

ture) or inferior (feminine culture). The United States is becoming a society free of this dimension, with greater equality between the genders. In contrast, Asian societies are markedly masculine. In a masculine society, dominant values are money, success, and material things. A feminine society more strongly values improving quality of life, preserving the environment, helping others, putting relationships before money and achievement, and thinking “Small is beautiful.”

The fifth dimension is *abstract versus associative thinking*. Thinking cultures also differ in terms of the thinking associated with the creation of values in products or services; that is, whether values are engineered into them or added by associative processes, such as celebrity endorsement of the products and services. In abstract cultures, cause-and-effect relationships and logical thinking are dominant. Abstract cultures emphasize the use of the cause-and-effect relationships, face-to-face communication, field independence, and eagerness to change and innovate.

In associative cultures, people utilize associations among events that may not have much logical basis. For example, associative cultures tend to link events to the influence of gods or the supernatural or to link a personality (e.g., Michael Jordan) to a product or service.

Researchers Johnston and Johal map the Internet culture on four of Hofstede’s cultural dimensions. On the dimension of power distance, the Internet culture leans toward low power distance since it is informal in nature, promotes interaction, treats every user as equal in status and power, and has no differential barriers for access to information. On the individualism-versus-collectivism front, the Internet is slowly moving from being of a collective nature (with cooperation, sharing, and free information to all) to being of an individualistic nature that is more commercial. As to uncertainty avoidance, the Internet culture scores low on this dimension as it is innovative, constantly changing with the introduction of new technology and tools, and it encourages interaction rather than acceptance. The final dimension against which the Internet is matched is that of masculinity/femininity. Johnston and Johal find it difficult to brand the Internet as one or the other since it reflects characteristics of both. The aggressive, competitive masculine nature is certainly present on the Internet as illustrated in e-commerce activity, and, at the same time, communities on the Net also exhibit all the caring, nurturing feminine characteristics for its members.³²

Institutions and Groups

Besides being part of a culture, customers are members of various institutions and groups, which form the second part of the customer’s personal context. **Groups** can be defined as two or more persons sharing a common purpose. **Institutions** are more permanent groups with pervasive and universal presence in society, such as schools, religions, and the family.

Since institutions and groups influence individual behavior by serving as points of reference, as sources of norm, value, and conduct, they are also called reference groups. Reference groups are persons, groups, and institutions that individuals look to for guidance regarding their own behavior and values and whose opinion they respect.

Types of Groups. Groups have been classified in many ways. The common classifications divide groups according to frequency of contact, nature of membership, formality, and group members’ ability to choose whether they belong. Within the category of *frequency of contact*, there are two divisions: primary groups and secondary groups.

Primary groups are those a person interacts with frequently (not necessarily face to face) and considers their opinion or norms important to follow. In secondary groups, the contact is infrequent, and the norms of the group are considered less binding or obligatory. Examples of primary groups are family, work organization, church groups, business cartels, and so on. Examples of secondary groups are distant relatives and occupational groups such as doctors, lawyers, musicians, and theater artists.

A second dimension to differentiate groups is according to whether the membership is real or symbolic (the *nature of the membership*). Membership groups are the ones where an individual claiming to be a member is recognized as such by the head or leader or the key members of the group. In symbolic groups, on the other hand, there is no provision

or procedure for granting membership, and the group leader or key members may even deny membership. However, the individual regards himself or herself to be a member and voluntarily and unobtrusively adopts the group's norms and values and identifies with the group. Examples of membership groups are family, the YMCA, and warehouse clubs, while celebrities and heroes as sources of inspiration may be symbolic groups to customers who emulate the norms, values, and behavior of their hero. As shown in Table 2.2 (the nature of membership and frequency of contact), these two bases for classifying groups can be combined to describe many groups.

TABLE 2.2 Types of Groups

	PRIMARY	SECONDARY
MEMBERSHIP	<ul style="list-style-type: none"> • Family • Work organizations • Church groups • Fraternities/sororities 	<ul style="list-style-type: none"> • Professional associations • Credit unions • Political campaign volunteers • YMCA
SYMBOLIC	<ul style="list-style-type: none"> • Personal role model • A significant other • The person one "secretly admires" 	<ul style="list-style-type: none"> • Celebrities • Fortune 500 companies • Other artists (for an artist)

Groups differ on the degree of *formality* and whether or not the person has the *freedom to choose the group*, the other two ways to classify groups. In formal groups, conduct and behavior tend to be highly codified. Informal groups, in contrast, have few explicit rules about group behavior. A choice group, as the name implies, is a group a person voluntarily chooses to join. An ascribed or assigned group is one in which membership is automatic for someone who has the characteristic that defines the group. Together, these two dimensions lead to four types of groups as depicted in Table 2.3.

TABLE 2.3 Classification of Groups for Household Customers

	TYPE OF INSTITUTIONS/GROUPS	
	INFORMAL	FORMAL
CHOICE	<ul style="list-style-type: none"> • Volunteer groups • Community • Friendship groups • Cultural heroes 	<ul style="list-style-type: none"> • School • Workplace • Fraternities/sororities
TYPE OF MEMBERSHIP		
ASCRIBED OR ASSIGNED	<ul style="list-style-type: none"> • Family • Relatives • Tribes 	<ul style="list-style-type: none"> • Religion • Prison

Choice-based informal groups include neighborhood, community, social, and volunteer groups while formal choice-based groups include school, workplace, fraternities, and sororities. Membership in the assigned or ascribed group is usually by birth (family, relatives, or a tribe) or by some formal process, such as becoming a prisoner or being declared a minority for receiving government benefits. Since most people stay in their religion of birth, we consider religious groups as well as families as ascribed groups—the family being an informal institution, and the religious group being a formal institution.

This typology of groups applies to business customers as well. Informal but choice-based groups are “best in class” companies with which a business customer firm may consider itself to be affiliated. Informal ascribed groups are committees and task forces. Choice-based formal groups are professional associations, such as the American Marketing Association (AMA) or corporate country clubs. An example of a formal but ascribed group in a business setting is a business being identified as a small business and then being accorded all the privileges and responsibilities of the small businesses as a group.

Family and Religion as Reference Groups. As stated above, the family is an ascribed informal group and also a primary membership group. It is undoubtedly the most influential reference group for any individual customer. Family can be defined as a group of people related by marriage and biology. Family is the institution in which children, the future adults of the society, receive their precepts and guidance. In families, members interact continually in intense and face-to-face communications, and member preferences and desires get constant feedback and are channeled and shaped by reinforcement or sanctions from other members. Families are important and influence customer behavior across cultures. The influence of family members on one another’s buying decision process is discussed in a later chapter.

Like family, religion is a reference group that exercises substantial influence on customers’ values, customs, and habits. Religion refers to a system of beliefs about the supernatural and spiritual world, about God, and about how humans, as God’s creatures, are supposed to behave on this earth. Religious affiliation affects customer behavior principally by influencing the customer’s personality structure—his or her beliefs, values, and behavioral tendencies. These personality structures, in turn, affect customers’ marketplace behaviors.

Conditions for Reference Group Influence. Behavioral scientist Francis S. Bourne addressed the question, “When or under what conditions does reference group influence occur?” He proposed that a product’s or service’s conspicuousness is the principal factor that affects whether or not users of that product or service will be susceptible to reference group influence.³³ Bourne proposed that there are two dimensions of conspicuousness: exclusivity and public visibility. If everyone owns and uses a product or service, then the ownership and use of that product or service has no exclusivity. Hence, there is no basis for being concerned about others’ opinions of it. The second dimension, visibility, is critical because a product or service has to be visible and identifiable in order for reference group members to approve or disapprove it.

Based on Bourne’s ideas, marketing professors and consumer researchers William O. Bearden and Michael J. Etzel have suggested that the reference group influence may occur for the ownership of the product per se, for the choice of a specific brand, or for both. This will depend on whether a product is a luxury or a necessity (capturing the “exclusivity” dimension in Bourne’s proposal) and whether the product is used in private or in public (capturing the “visibility” dimension of conspicuousness). The following four combinations are presented in Table 2.4.³⁴

1. *Publicly consumed luxuries*—In this case, reference groups will influence both whether or not the product will be owned and which brand will be purchased.
2. *Privately consumed luxuries*—Here, reference group influence will be strong for the ownership of the product (because it is a luxury) but weak for the brand choice (since it will be used in private, out of public visibility).

TABLE 2.4

Private-Public, Luxury-Necessity, Product-Brand Influences

		PUBLIC	
		WEAK REFERENCE GROUP INFLUENCE (-)	STRONG REFERENCE GROUP INFLUENCE (+)
NECESSITY	PRODUCT BRAND	<p><i>Public necessities</i></p> <ul style="list-style-type: none"> • Influence: Weak product and strong brand • Examples: Wristwatch, automobile, man's suit 	<p><i>Public luxuries</i></p> <ul style="list-style-type: none"> • Influence: Strong product and brand • Examples: Golf clubs, snow skis, sailboat
	BRAND	<p><i>Private necessities</i></p> <ul style="list-style-type: none"> • Influence: Weak product and brand • Examples: Mattress, floor lamp, refrigerator 	<p><i>Private luxuries</i></p> <ul style="list-style-type: none"> • Influence: Strong product and weak brand • Examples: TV game, trash compactor, icemaker

Source: William O. Bearden and Michael J. Etzel, "Reference Group Influence on Product and Brand Purchase Decisions," *Journal of Consumer Research* 9 (1982), pp. 183–94. Reprinted with permission of the University of Chicago Press.

3. *Publicly consumed necessities*—In this case, product ownership influence will be absent or weak since everyone owns it, but brand-level influence will be strong due to public visibility.
4. *Privately consumed necessities*—Finally, for products that are necessities and, in addition, are consumed privately, neither product ownership nor the choice of specific brands is likely to be influenced by reference groups.

Types of Reference Group Influence. Whether the reference group influences decisions about a brand or a product category, the influence may operate through several types of power. The nature of influence power exercised by reference group members may be of three types: expertise, reward and sanction, and attractiveness. Corresponding to each type of power is a type of reference group influence: informational, normative, and identificational, respectively.³⁵

Informational influence occurs when a consumer seeks and accepts advice from someone else because of the latter's expertise on the performance characteristics of the product or service being bought. Professional advisors such as doctors, lawyers, or product enthusiasts among your informal groups are examples of informational reference groups. Business customers also seek and accept informational influence from legal, technical, and management consultants.

Normative influence occurs when a consumer's decision is influenced by his or her desire to conform with the expectations of someone else. This influence stems from the reference group's power to reward or sanction the consumption behavior of others. Family members exercise normative influence on our behaviors as customers, and businesses are subject to normative influence from the government.

Identificational influence occurs when a consumer buys something because it helps him or her to be like someone else. Everybody has a role model, and the consumer emulates, to the extent possible, the lifestyle of people he or she admires, buying products associated with, used by, or endorsed by these admired people. Entertainment, sports,

or political celebrities serve as reference groups for multitudes of consumers. In business markets, identificational influences are at work when companies look to other corporations as “best in class,” or the most admired companies, and emulate these companies to gain their advantages.

Personal Worth

Along with culture and reference groups, the customer context that influences the market values a customer seeks includes personal worth. Personal worth is equivalent to the financial worth of a person.

Measurement of Personal Worth. Personal worth has three components: income, wealth, and borrowing power.

A person's income is the amount of monetary earnings that person receives periodically on a more or less regular basis. Although no two families spend their money in exactly the same way, there is, on average, quite a consistent pattern of how income is allocated over expense categories. Statistical analyses of data from families with diverse income groups show that poor families spend their income largely on food, housing, and basic clothing. As income increases, people tend to eat more food, and more of the food is less staple, but the proportion of income spent on food declines. Proportion of income spent on housing rises with income in the very low income range, but then it remains fairly constant. Expenditures on clothing, automobiles, and luxury goods rise sharply with income until a very high upper limit is reached. Finally, savings rise dramatically with income, and they never decline. Similarly, in business markets, cash flows influence what will or will not be bought. Many small business failures can be traced directly to cash-flow problems. On the other hand, rapid growth also can create cash-flow problems from corporate acquisitions. For example, General Foods was built on buying out small local or regional brands and making them national brands, including Yuban, Maxwell House, and Sanka coffees and Bird's Eye frozen vegetables.

The second component and measure of personal worth is wealth. In household markets, wealth is assessed as the net worth of the individual. Net worth of an individual is defined as the current monetary value of all assets owned minus the current monetary value of all liabilities. Wealth is created by five means: (1) inheritance; (2) high-income accumulation, including “passive income” from investment of one's wealth; (3) employee stock option plans and 401K savings; (4) accumulation of nonmonetary wealth such as equity in home ownership, jewelry, or art; and (5) lottery winnings.

The counterpart of net worth for a business market is the concept of shareholder equity. Net worth is the book value of the business and may or may not be commensurate with the business's market value as captured in shareholders' equity.

Borrowing power is the final indicator of a customer's economic condition. In consumer markets, borrowing power is the anticipated level of income of the person (lifetime disposable income and asset accumulation through savings). Consumer credit cards, home mortgages, and automobile financing are based upon an accounting of the customer's borrowing power. The business market equivalent is the firm's ability to repay debt in the future and is measured by creditworthiness of the organization based on ratings by A. M. Best Company and Standard & Poor's.

Customers can be divided into three groups on the basis of their personal worth: poor, middle-class, and affluent, and customer behavior differs widely across these groups.

In general, poverty is a level of personal wealth at which a household cannot even pay for all its basic needs, such as food, clothing, and shelter. In 1999, this figure was \$15,569 for a U.S. family of four.³⁶ The number of people below the poverty line was 32.3 million, representing 11.8 percent of the U.S. population.³⁷ Studies show that the poor do not follow wise purchasing strategies and actually pay more for goods and services than do the rest of society. This occurs because poor consumers do not have the skills and transportation to shop for bargains and because merchants exploit their weaknesses. There is no single definition of “middle income.” One conventional grouping

deems income levels of less than \$25,000 as low income, from \$25,000 to \$75,000 as middle income, and greater than \$75,000 as upper income. There is no universal definition for affluence. A convenient definition is to designate the top one-fifth of households as affluent. In the United States, this group's annual income exceeds \$70,000, with the average income exceeding \$100,000. The top one-fifth of the households account for 35 percent of all wine consumption in the United States, more than 60 percent of all airline travel, and 54 percent of all new car sales.

The income distribution of Internet users is slowly reflecting the economically privileged and unprivileged classes. Though research on the Internet population has found that Internet users, in the aggregate, have higher household earnings than the general public, this econo-digital divide seems to be closing. In 1999, according to *eMarketer*, the average Net household earned \$57,000. In August 2001, the largest income group on the Internet was the \$60,000–\$100,000 bracket comprising about 28.4 percent of the population online. However, from about 1995 to 1996, the Internet population was divided almost equally among the income classes, with about 27.8 percent of the Internet population having an annual income of under \$40,000, 25.8 percent having between \$40,000 and \$60,000, and about 18.1 percent having an income above \$100,000.

Yet, it is evident that the higher-income group is more tuned to purchasing via the Internet. A comparison of U.S. households purchasing via the Internet in 1999 and 2000 shows that 53 percent of the respondents in the \$50,000-plus income bracket purchased via the Internet in 2000 compared to 40 percent in 1999. The overall percentages have increased in the \$35,000–\$49,999 bracket (29 percent in 2000 versus 18 percent in 1999) and in the \$25,000–\$34,999 bracket (35 percent in 2000 versus 27 percent in 1999). However, as PC costs decrease, penetration of the Internet will increase in lower-income households, and online purchasing also will become prevalent in the lower-income groups.³⁸

Social Class

Many sociologists, consumer economists, and consumer researchers consider social class, rather than personal worth, to be a more meaningful characteristic to understand and predict customer behavior. Income is an important factor in deciding a person's social class, but it is not the only determinant. Social class also depends considerably on one's education and occupation so that, despite relatively low income, a highly educated person or someone in a more prestigious occupation could be accorded a higher social class, and vice versa. **Social class** is the relative standing of members of a society so that a higher position implies a higher status than those in the lower social class.

Social Class Characteristics. Some characteristics of the concept of social class are as follows:

1. *Rank ordering*—Social classes are ranked in terms of social prestige.
2. *Relative permanence*—Social classes are relatively permanent characteristics of the family. A person's social class does not change from day to day or even from year to year.
3. *Intergenerational class mobility*—It is possible for a person to move out of the social class of his or her birth and into a higher or lower class by acquiring the values, resources, and behaviors of the new class.
4. *Internal homogeneity*—Classes are homogenous within each strata. Persons belonging to the same social class tend to be similar in terms of the types of occupations, the kinds of neighborhoods they live in, their food habits, socializing, and so on.
5. *Distinct from income*—Though income is an important determinant of social class, there is no one-to-one correspondence between the two. Since social class depends as much on other factors, such as education, occupation, and personal tastes, it is not uncommon for a person of relatively middle income to be in the upper social class and vice versa. For example, priests, politicians in power, and educators command prestige and status significantly disproportionate with their income earnings.

Social Classes in America: A Brief Profile. Sociologist Richard P. Coleman and his colleague Lee P. Rainwater have developed a social-class grouping based on a study of 900 residents in the Boston and Kansas City areas.³⁹ They questioned respondents on their perceptions of the social hierarchy and their own participation in it. They found that the middle mass of citizens most readily talk in terms of “people like us in the middle,” “people above,” and “people below.” The broad social groups in Coleman’s scheme—Upper, Middle, and Lower Americans—differ markedly in their marketplace behaviors.

Typically, Lower Americans are “family folks,” deriving their emotional and psychological support from family members and relatives. “Locational narrowness” marks their preference in housing, travel, sports, and news. They live close to their kin, travel nearby or to meet relatives, favor local sports heroes, and take interest more in local news than national news.

On the other hand, Middle Americans are most concerned with wanting to “do the right thing” and buying what is popular. Middle-class persons tend to emulate the lifestyles of the Upper Americans, and this “upward gaze” makes them patronize dinner theaters and other trickle-down culture. Physical activities are becoming core to middle-class life “in which possessions-pride has yielded to activities-pleasure.”

Upper Americans are, as a whole, concerned with buying quality merchandise, favoring prestige brands, and spending with good taste. Two points about the Upper American group are noteworthy. First, a subdivision of this group has been identified and referred to by sociologist Irving Kristol as “The New Class.” Consisting of media influentials (TV anchor persons, talk-show hosts, newspaper editors and journalists) and nonprofit professionals (educators and government officials), the members of this subgroup tend to be anti-capitalists, and their basic thrust in ideology and consumption style has been to establish themselves above the Middle American classes. Marketing scholar Fred Webster calls them “socially conscious consumers.”⁴⁰

The second point Coleman makes is that, more than any other group, Upper Americans are a more heterogeneous group today: “Upper America is now a vibrant mix of many lifestyles, which might be labeled post preppie, sybaritic, counter-cultural, conventional, intellectual, political, etc. Such subdivisions are usually more important for targeting messages and goods than are the horizontal, status-flavored, class-named strata.”⁴¹

Market Environment

In addition to the personal factors described above, the market environment presents the second group of determinants that affect customer behavior. We divide market environment into two broad classes: market traits and market context. Market traits refer to the physical characteristics of the surroundings in which consumers select, use, and pay for products and services in both household and business markets. There are three physical characteristics of a place: climate, topography, and ecology.

Market context refers to the man-made market forces (as opposed to the nature-made forces) of the market as a physical place that affects customer wants and needs. It has three components: economy, government policy, and technology.

Market Traits

The market traits—climate, topography, and ecology—influence customers’ needs as opposed to wants.

Climate

Climate is the first major component of the geophysical market environment. It consists of temperature, wind, humidity, and rainfall in the area. The patterns of these four elements vary on different locations of the earth, depending on latitude, the distance north

or south from the equator. Research in the area of homeostasis (a process by which the body seeks to regulate its internal environment) reveals that certain consumer behaviors, such as mood and expressed affect, are influenced by variations in the intensity and duration of sunlight and temperatures across climates and seasons, respectively. Several other consumption behaviors, such as stimulation and sensation seeking, novelty and variety seeking, risk taking, and impulsivity, are related to the optimal stimulation level of an individual. The optimal stimulation level is a function of the interaction of three neurotransmitters in the brain whose release and synthesis is caused by different levels of sunlight and temperature (heat) in our atmosphere.⁴²

In an attempt to maintain a thermoregulatory balance (an internal core body temperature of about 37°C), humans learn to cope with climate and climate-dependent availability of food, plants, animals, and building materials. This, in turn, intimately influences people's consumption of food, use of clothing, housing patterns, and the geographical distribution of population itself. Food consumption patterns differ dramatically between the tropical and arctic countries. Colder arctic countries rely heavily on animals for food as well as for clothing. Northern Europeans eat more red meat and fewer fruits and vegetables than do southern Europeans.

Striking differences in clothing are apparent across different climates with respect to materials, design, and style. People living in colder climates rely on wool and leather, while those living in warmer climates rely on cotton, silk, and other lighter fabrics.

Differences are found in customer needs for shelter. Colder countries utilize wood and stone as materials, compared to warmer countries that use clay and brick.

Climate also affects business customers' needs and purchases. All industrial machinery and equipment must be designed to withstand the climatic conditions in which the business customer is located. For example, heat, humidity, and dust affect the performance of trucks, tractors, and farm equipment. Computers and other machinery often need climate-controlled environments to perform.

In addition to climatic changes from one location to another, climate in any one place also varies throughout the year, causing the annual cycle of seasonality. Business sales vary from month to month in a calendar year. This seasonal variation is caused by three factors: (1) annual climate changes; (2) calendar events such as school year, football season, and so on; and (3) holidays and festivities. To a degree, the last two factors are themselves related to or influenced by the first factor.

The effects of annual climate changes on customer purchases are obvious. Customers need and buy warm clothing during winter and cool clothing during summer. Around the world, coffee, tea, and other hot beverages are purchased more during cold months, and soft drinks and ice creams are bought more during warm months. Calendar-year events impel other purchases. Some examples of purchases for a typical calendar year in a North American family with children are cold remedies during the January–February flu season, and allergy medications during March, the start of allergy season when pollen counts start. May begins the four-month-long summer season, where customers embark on outdoor activities, such as bicycling, gardening, swimming, and sports. Accordingly, they buy products related to these activities throughout these four months. June is peak season for weddings and graduations, both inducing purchases of party goods and other celebration merchandise. July and August are peak months for family travel, both vacationing and moving. August is back-to-school month, and sales of school supplies and children's clothing peak. November begins the early holiday shopping season, and December peaks the purchase of all kinds of retail items, including clothing, toys, books, shoes, and gifts. Holiday spending online for the year 2000 was \$10.7 billion, more than double the 1999 total of \$5.2 billion. Convenience (avoiding crowds), easier price comparison, wider product selection, and lower prices online are some of the reasons for this boom in online spending in the holiday season.⁴³

Topography

Another major component of the geophysical environment is **topography**—the terrain, altitude, and soil conditions of the market where customers buy and use the product or service. In addition to differences in food, shelter, and clothing across topographical regions,

a number of other products and services also are needed principally due to topographical conditions. These include flood insurance, erosion-resistant foundations for homes, special water treatment plans, and different means of transportation based on terrain.

Consumption varies across different regions of the world, and indeed within a single country. Regional consumption differences are due to two factors: (1) geophysical conditions comprising climate, topography, and ecology and (2) cultural and/or ethnic heritage. To capture regional preference differences, it is illuminating to draw and study maps of regional variations in product consumption. These maps show **geographical variation**—different patterns of consumption in different regions. If we consider bicycling as a mode of commuting to work, the Pacific region has the greatest concentration, with more than 10 bike commuters per 1,000 commuters; Alabama, Mississippi, Tennessee, and Kentucky show the lowest rate, with fewer than 2 bike commuters per 1,000 commuters. These differences occur due to variations in climate, topography, and facilitative infrastructure such as biker lanes in city traffic.⁴⁴

As against topography, cultural and ethnic heritage plays a major role in the variation in pretzel consumption in the United States. A significant proportion of the population of New York and the Mid-Atlantic states is of European heritage, accounting for the greater consumption of pretzels there.⁴⁵

To address such differences, marketers may use a strategy of **regional marketing**—the practice of adapting marketing programs according to segmentation based on geographic differences among customers. The marketer recognizes customer diversity from one region to another and tailors the entire marketing mix to each region. For example, Campbell's Soup, whose chicken noodle soup is a runaway national success, has revamped its entire marketing infrastructure along regional lines. The sales and brand management is also set up along regional lines, and brand managers serve as the company's "listening post" on its consumers' regional preferences.⁴⁶

Ecology

The third market characteristic, **ecology**, refers to the natural resources and the delicate balance and interdependence among vegetation, animals, and humans. It also includes concepts related to the food chain. One of the recent concerns in the United States is what has been referred to as the greenhouse effect and global warming. **Global warming** is the theory that the earth's climate is becoming warmer due to increases in hydrocarbons in the atmosphere, which are released with increased industrialization.

Ecology affects customer behavior by making certain market options less convenient or less attractive and by customers exercising their environmental values, which then bear upon their market choices. Market choices become less attractive, in turn, by two mechanisms: (1) the deteriorating ecology makes certain modes of consumption less convenient or less satisfying, and (2) government disincentives make ecologically undesirable behaviors personally more costly. As an example of the ecology itself hindering certain behaviors, consider pollution. To avoid polluting the air, many consumers will reduce the amount of driving they do. On the other hand, as an example of the second mechanism of government disincentives, the government could impose a higher tax on fuel or require certain pollution-reducing equipment to control pollution. Apart from these two options, customers' own environmental values affect customer choices in that they voluntarily seek ecologically friendly options.

Ecology: Consumers Who Want to Save Nature. Some have called the 1990s "the age of the **green consumer**"—the consumer who is concerned about the deteriorating environment and is willing to take action to save it, including sacrificing personal consumption. In a 1991 survey of U.S. adults, the environment was the fourth most mentioned problem, after the economy, homelessness, and education. People who show some commitment to the environment in their marketplace choices are termed **environmentally conscious consumers**, defined as "those who actively seek out products perceived as having relatively minimal impact on the environment."⁴⁷ Depending on the degree of "greenness," consumers have been defined segmented as shown in Table 2.5. The Window on Research box presents a profile of the green consumer.

TABLE 2.5 Environmental Segments

1. True-Blue Greens (9 percent)—The most deeply committed to environment, they are in the forefront of the green movement in America, and they express their concern both by advocacy and by pro-environmental consumption behavior, such as recycling and buying products made from recycled materials.
2. Greenback Greens (6 percent)—This group backs its commitment to environment by showing willingness to pay more for environmentally friendly products.
3. Sprouts (31 percent)—This group shows a moderate level of commitment to environmental issues with a limited amount of pro-environmental behavior.
4. Grouzers (19 percent)—They display a lack of pro-environmental attitudes and behavior and rationalize their inaction by blaming others.
5. Basic Browns (33 percent)—Environment is not a concern to them, and they do not want to be bothered with environmental issues. The majority of them are poor and are more preoccupied with just making ends meet than with worrying about anything else.

Source: *The Environment: Public Attitudes and Behavior*, a report by RoperASW and S.C. Johnson & Sons, Inc. (New York, June 2002).

WINDOW ON RESEARCH

Profile of the Green Consumer

What is the profile of green consumers? Demographically, according to various polls, the typical green consumer is a woman who is likely to be 30 to 49 years of age; who has children six years or older; is educated, affluent, politically liberal; and lives in a northeast, west, or midwest suburb. Psychographically, green consumers are very interested in news and politics and are active in their communities. They are not afraid to express their opinions and will do so by writing letters to newspapers. They think pollution is a serious threat to people's health and are willing to reduce their standard of living in an effort to tighten pollution standards. They do believe that the individual can make a difference in making the environment healthier. An intercept sample survey of 704 shoppers in Hong Kong shows that the demographic profile of the green consumer in Hong Kong is very similar to that of the green consumers in the West. They were more likely to have a higher education and higher household income. Heavy green consumers perceived influence from other persons, the government and other green groups; possessed a strong self-identity; and used the mass media for environmental news.

Sources: Adapted from Jacquelyn A. Ottman, *Green Marketing* (Lincolnwood, Ill.: NTC Business Books, 1992); Joseph Winski, "Lifestyle Study," *Advertising Age*, October 5, 1990, in Ottman, *Green Marketing*; Kara Chan, "Market Segmentation of Green Consumers in Hong Kong," *Journal of International Consumer Marketing*, 12 (2), 1999, pp. 7–24.

EnviroLink network (<http://www.envirolink.netforchange.com>) is an online community forum that provides comprehensive resources (Web site and domain name hosting for environmental and animal rights organizations, discussion forums, educational and government resources) for individuals, organizations, and businesses working for social and environmental change. Despite consumer interest in the environment, environmental products

remain a small fraction of the retail market, mainly because shopping for green products is not easy. Reading *Consumer Reports* and other literature to find the most energy-efficient appliance or the safest microwave is laborious and impractical for day-to-day shopping. Moreover, studies have found that consumers are skeptical of claims made on the labels of green products. With the growth of e-commerce, online shops will be able to empower consumers by providing them with fast and easy information and access to green goods. E-tailers like *EcoMall.com* and *GreenMarketplace.com* have seized the business opportunity provided by green consumers to set up sites that offer a wide array of environment-friendly products and services to customers on the Net. The next generation of sites will rely on sophisticated search engines—or “green bots”—to scan and screen for environmental features of products. Brokers, agents, and buyers’ clubs could use these search engines to ferret out the best products for their clients and members. Some search criteria that could be used are published energy and water efficiency ratings of appliances, toxic chemicals used as product ingredients, publicly available information on chemical releases or accidents at manufacturing facilities, and products that use tropical hardwoods or other scarce resources.⁴⁸

Business Response to Environmentalism. In their effort to respond to the consumer demand for a healthier environment, marketers engage in **environmental marketing**, which refers to the marketing of products and services in a manner that attempts to minimize the damage to the environment. This might entail conservation of scarce resources such as trees and energy; prudent use of pesticides in agricultural production; use of recycled, recyclable, or biodegradable materials in the production of the product as well as in its packaging; product design changes to reduce air or water pollution due to product use; and adapting manufacturing processes to minimize air or water pollution. For example, DuPont, an American firm, has promised that within a decade it will slash its emissions of greenhouse gases by nearly two-thirds compared to 1990 levels, while holding total energy use flat and using renewable resources for one-tenth of its energy worldwide. Britain’s BP has also accepted voluntary targets for reduction of carbon-dioxide emissions through use of an innovative emissions-trading scheme among its dozens of divisions worldwide. The board of directors at Royal Dutch/Shell, an Anglo-Dutch energy giant, now require that all big projects must not only meet the company’s required internal rate of return, but also consider the future cost of carbon emissions. This cost will be \$5 per ton of carbon dioxide in 2005–2009, rising to \$20 per ton from 2010.⁴⁹

Market Context

The market context—economy, government policy, and technology—are the three other environmental determinants of consumer behavior. In contrast to the market characteristics, these aspects of the market context are created by humans as members of an organized society. The economic conditions in your own country, state, or city affect your purchase behavior—stimulating it in prosperous times and dampening it during economic downturns. Government policy can create or collapse markets and their competitive structures with the stroke of a pen. Finally, technology can revolutionize both what and how customers buy. If you could visit your mom, for example, on the videophone, or if you could confer with your business associates via a videoconference, you would be less likely to give much business to the airlines.

Economy

As a component of the market context, the **economy** refers to the state of the national economy with respect to levels of employment, wages, inflation, interest rates, currency exchange rates, and aggregate household savings and disposable income. The economic climate affects customer behavior by three mechanisms:

1. By directly expanding or shrinking the financial resources of a household, or the buying power of these resources, the national economy encourages or constrains

customer purchases at the individual household levels as well as for business customers. Take the case of the slump in the IT industry with the current recession in the economy. Companies are downsizing, and as customers lose jobs, the financial resources in their households shrink drastically.

2. By influencing customer sentiment—optimism or pessimism about the future—it encourages or dampens consumer spending.
3. By driving business cycles the economy influences a customer's spending and saving behavior.

Speaking of financial resources, George Katona, a well-known economist, classified all household expenditures as either necessary or discretionary. **Necessary expenditures** entail the purchase of products and services needed for minimal sustenance, while **discretionary expenditures** entail the purchase of goods and services to make life physically or psychologically more comfortable beyond sustenance. In hard economic times, consumers would cut down on what they consider to be discretionary purchases, limiting their purchases to necessary items.⁵⁰

The effect of the national economy on household purchase behavior occurs through **customer expectations**. The customer's economic outlook can be optimistic or pessimistic, which will either spur or curb household spending. The economic optimism/pessimism of consumers has been tracked since 1946 by the University of Michigan Survey Research Center. Termed "**The Index of Consumer Sentiment**," the measure is based on monthly surveys in which a national probability sample of households are asked the following questions:

1. We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially that you were a year ago? Why do you say so?
2. Now looking ahead—do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?
3. Now turning to business conditions in the country as a whole—do you think that during the next 12 months we'll have good times financially, or bad times, or what?
4. Looking ahead, which would you say is more likely—that in the country as a whole we'll have continuous good times during the next five years or so, or that we'll have periods of widespread unemployment, depression, or what?
5. About the big things people buy for their homes—such as furniture, a refrigerator, a stove, television, and things like that. Generally speaking, do you think now is a good time or a bad time for people to buy major household items? Why do you say so?⁵¹

In addition, the survey asks respondents about their plans to purchase automobiles over the next year. Thus, the general state of a nation's economy influences customer behavior by affecting customers' sense of optimism. Another such survey is the Consumer Confidence survey conducted for The Conference Board by NFO Research, Inc. Each month, questionnaires are mailed to different nationwide representative samples of 5,000 households, of which roughly 3,500 typically respond. The Index is based on responses to five questions included in the survey:

1. Respondents' appraisal of current business conditions.
2. Respondents' expectations regarding business conditions six months hence.
3. Respondents' appraisal of the current employment conditions.
4. Respondents' expectations regarding employment conditions six months hence.
5. Respondents' expectations regarding their total family income six months hence.

For each of the five questions above, there are three response options: *positive*, *negative*, and *neutral*. The response proportions to each question are seasonally adjusted. For each of the five questions, the *positive* figure is divided by the sum of the *positive* and *negative* to yield a proportion, which is called the "*Relative*" value. For each question, the av-

erage “*Relative*” for the calendar year 1985 is then used as a benchmark to yield the Index value for that question. The Indexes are then averaged together as follows: Consumer Confidence Index: Average of all five Indexes; Present Situation Index: Average of Indexes for Questions 1 and 3; Expectations Index: Average of Indexes for Questions 2, 4, and 5.⁵²

A measure of business performance is the total retail sales of all goods and services in the economy. When total retail sales are rising, the economy is said to be in a boom; with declining sales, the economy is said to be in recession. Often a nation’s business goes through a cycle of boom and recession; this is called a **business cycle**. The business cycle works like this: When the economy is doing well and is growing, the unemployment rate is low, and total production is high. Consumer spending is on the rise, causing high demand. Due to rising demand as well as rising wages (which raise the cost of production), consumer prices increase, resulting in inflation. With inflation, interest rates go up, which makes consumers want to save more and reduce spending. Reduced spending leads to a manufacturer inventory buildup, which in turn leads to manufacturers cutting back on production and laying off workers. Consequently, unemployment rises, and consumer spending is further reduced, leading to recession. Eventually, piled-up inventories begin to deplete, and manufacturers begin to return to prerecession levels of production, giving the economy its recovery, and later a boom. Thus, the business cycle is completed.⁵³

Government Policy

Another market context factor—**government policy**—comprises monetary policy, fiscal policy, and public policy. Monetary policy includes decisions on interest rates, the money supply, regulating financial institutions, and so on. Fiscal policy deals with government trade practices, procurement, spending, borrowing, taxing, and the like. Finally, public policy comprises such government acts as economic regulation, environmental regulation, product safety, mergers and acquisitions, and other government policies. Internet marketers are still relatively free of customary and legal restrictions, but new global commercial instruments and laws will soon evolve to support the global cyberspace market.

Monetary and Fiscal Policy. Government influences market behavior by managing the national economy through adjustments to federal interest rates, money supply, taxation, and other instruments of monetary and fiscal policy. In the United States, the Federal Reserve (the nation’s central bank) may raise its prime lending rate (the rate at which it loans funds to other commercial banks), which discourages borrowing (e.g., home-refinancing market slows because interest rate hikes cause customers to abandon their refinancing plans). A hike in interest rate also causes customers to reduce their overall spending. This happens for two reasons. First, an increase in interest rate translates to higher mortgage payments, which reduces money that the customer will have available for other spending. Second, the higher rates also cause customers to reduce their use of credit cards, which again reduces their purchasing power.

The effect of the Fed’s policy on business customers is just the opposite. Because of lowered consumer demand due to a decline in cash available to the consumer, businesses cannot command the price they require to keep up with the rising costs. They must rely on cost reduction via productivity gains, so they need to invest in new equipment that may improve productivity. This results in capital outlays despite the high interest rates for borrowing.

A change in the income tax or sales tax similarly causes shifts in customer purchases. Depending on the nature of tax changes and the expected permanency of it, customers would postpone or advance their purchases of products and services. In October 1998, then-President Bill Clinton signed the Internet Tax Freedom Act, creating a three-year moratorium on state and local taxation of Internet access. A special commission studied the recommended tax policies for the cyber environment in this time, and this moratorium has been extended for two more years. The moratorium now expires on November 1, 2003. The decision of this committee could influence e-commerce in a big way.⁵⁴

Public Policy. Governments at the federal, state, and local levels enact various laws that influence both business and customer behavior. These laws establish public policy that influences customer behavior in four ways: (1) by constraining choices, (2) by mandating certain products or services, (3) by protecting the consumer in his or her purchases, and (4) by setting up facilitative infrastructure.

Constraining Choices. When constraining choices, the government creates regulations that monitor **negligent consumer behavior**. Negligent behavior puts a person or others at risk and imposes heavy costs on society or otherwise deteriorates quality of life in the long run. At an individual level, these include behaviors such as driving under the influence of alcohol, smoking, using steroids and other drugs, and littering along highways. For businesses, such behaviors include environmental pollution, sale of unsafe products, or use of harmful ingredients or processes in manufacturing. Government bans or controls the sale and use of what it considers to be harmful products, such as drugs, alcohol, tobacco, and firearms. Government also controls what products may be consumed in public places, for example, by prohibiting smoking, drinking, and gambling in schools.

Mandating Choices. Though the government forbids some choices, it mandates others. **Compliance** refers to the government mandate for customers to obey defined rules and regulations with respect to purchase, payment, and, more important, product usage, including disposal. To obtain customer compliance with these mandates, governments pass laws and issue regulations with penalties for failure to comply. For example, in the United States, the federal and state governments require the use of certain products, such as helmets by motorcycle riders and seat belts by drivers and passengers of automobiles.

Protecting the Consumer. The government also can play an intense role in enacting and enforcing laws to protect consumers against personal injury or fraud. In effect, all elements of the marketing mix (product, promotion, price, and place) are covered in various laws meant to protect the consumer.

In 1914, the U.S. Congress established the Federal Trade Commission (FTC—<http://www.ftc.gov>) as a body of specialists with the power to investigate and enforce laws that require businesses to engage in fair business practices. One of the FTC's most important duties is to oversee advertising and ensure that no company engages in deceptive advertising. The FTC defines **deceptive advertising** as that which "has the capacity to deceive a measurable segment of the public." A classic example of the regulation of deceptive advertising is the case of Listerine. Warner-Lambert, the manufacturer of Listerine, claimed in its advertising from 1921 to 1975 that Listerine would prevent or lessen common colds and sore throats. In 1975, the FTC determined that the claim was misleading and ordered **corrective advertising** (advertising whose message includes a correction of previous deception). Accordingly, the company was required to insert the following disclaimer in its future advertising: "While Listerine will not prevent colds or sore throats or lessen their severity, . . ." (This was followed by whatever new selling appeal it wanted to employ, such as countering bad breath). The FTC requires that companies substantiate any claim made in an advertisement by documenting all verifiable benefits in company files. A **verifiable benefit** is one that can be verified by independent laboratory tests, such as whether a brand cleans clothes better than a competitor's brand, or whether a shampoo will prevent hair thinning. The FTC is also authorized to monitor manufacturers' adherence to warranty promises and consumer redress for failed warranties.

In the online marketplace, commercial Web sites collect personal information explicitly through a variety of means, including registration pages, user surveys, online contests, application forms, and order forms. Web sites also collect personal information through means that are not obvious to consumers, such as "cookies." Surveys show that "privacy" of personal information submitted is a major concern for consumers who participate in the electronic marketplace. The FTC endorses industry self-regulation in the context of consumer privacy in the online environment. It has developed five fair information practice principles to protect consumers in the collection, use, and dissemination of their information:

1. *Notice/Awareness*—covers the disclosure of information practices, including a comprehensive statement of information use—information storage, manipulation, and dissemination.

2. *Choice/Consent*—includes both opt-in and opt-out options and gives consumers the choice to trade information for benefits, depending on the value consumers place on the benefits.
3. *Access/Participation*—allows for the confirmation of accuracy of information, necessary when information is aggregated from multiple sources.
4. *Integrity/Security*—controls for theft or tampering.
5. *Enforcement/Redress*—provides a mechanism to ensure compliance by participating companies; this mechanism is an important credibility cue for online companies but is extremely difficult to accomplish effectively.⁵⁵

Of these principles, the Notice/Awareness principle is the key to privacy since it informs the consumer of the kind of information collected at a site and its use. However, presently, under self-regulation, it is left to the online company to decide the degree of information collection and use along with the type and structure of the disclosure statement.

In addition to issues of individual and organizational privacy, the government also will need to address the issues of information security, controlling the intrusiveness of information technologies, and ensuring universal access (to prevent the creation of information “haves” and “have-nots”).⁵⁶ The Digital Signature and Electronic Authentication Law, passed by the federal government in 1998, allows financial institutions and businesses to use secure electronic authorization in the conduct of business.

The FTC plays an important role in protecting children from unfair advertising practices by applying special regulations to children’s advertising. With regard to the online environment, privacy is even more important in the case of children because the information posted by them on Web sites can be used to identify them by name, e-mail, or postal address. Such information can be misused by predators and by companies for marketing purposes. To address this concern, The Children’s Online Privacy Protection Act (COPPA) and its implementing Rule went into effect on April 21, 2000. The Rule requires commercial Web sites and online services that collect personal information from children under 13 to post privacy policies, notify parents of their information practices, obtain verifiable parental consent, and provide parents with access to their children’s information.⁵⁷

The U.S. Congress also has passed many laws designed to protect the customer from being misled by a business. Different agencies also have been created to protect customers against businesses’ possible wrongdoing. Third-party entities also have emerged online to provide legitimacy and trustworthiness to Web sites with their seals of approval that confirm adequate privacy compliance. TRUSTe, Council for Better Business Bureaus (BBBOnline), and Alliance for Privacy are three such organizations. TRUSTe is an industry-launched initiative with support from AT&T, America Online, Netscape, Oracle, Wired, and Tandem Computers. Alliance for Online Privacy is an alliance of 85 marketers, technology firms, and associations. BBBOnline has the Reliability Seal Program and the Privacy Seal Program that it awards to companies meeting its requirements. It also has a special seal for sites with advertising for children.⁵⁸

Facilitative Infrastructure. The final mechanism by which government policy shapes customer behavior is the development of infrastructure. Governments can establish incentives and infrastructures to encourage certain customer behaviors. One example is the Electric Vehicle initiative in California. Another example is the program to encourage bicycling as a means of commuting. The U.S. government’s 1990 Clean Air Act and 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) give local communities a mandate to build bicycling into their transit plans. The Clean Air Act specifies air quality standards and requires metropolitan areas to develop methods of maintaining air quality, including the encouragement of bicycling for commuting purposes. The ISTEA requires states and local governments to develop plans that would encourage the use of nonmotorized transportation. The federal government has earmarked nearly \$155 billion to support this mandate. Similarly, in the corporate context, the Occupational Safety and Health Act (OSHA) of 1970 ensures safe and healthful working conditions for men and women by enforcing standards specified under the act. Another U.S. government agency, the EPA (Environment Protection Agency), sets standards to protect human health and to safeguard the natural environment—air, water, and land—upon which life depends.

Singapore illustrates how government, through facilitative infrastructure, affects customer behavior. Its government has allocated millions of dollars to build a technology infrastructure to convert Singapore from an economy built on trade and services to one built on information technology. Singapore officials have launched a host of new electronic services that make the government more efficient. Central databases allow bureaucrats to track everything from immigrant work permits to detailed information on the population. The education, hospital, and legal systems are seeing changes, and online training courses are being held for government officials. The infrastructure is being set up to prepare Singaporeans for a Web life so that they become the netizens of tomorrow—super-connected, technologically savvy, civic-minded, and knowledgeable.⁵⁹

Technology

In terms of customer behavior, **technology** is the dimension of market context that consists of the applications of new technology to the development, distribution, and consumption of products and services that increase the quality of life for all customers. Technological breakthroughs can significantly change market behaviors and customer expectations, affecting customer behavior through several avenues:

- By altering the flow of and access to information about marketplace alternatives.
- By making available newer generations of products and services.
- By automating processes that give customers greater flexibility and control as well as improve productivity.
- By making customized products economically feasible.

Increased Access to Information. Technology brings new mass media into being, media that offers consumers information about the marketplace. Before the advent of newspapers, the only sources of market information were town criers, billboards, and word of mouth, and the first two were out-of-home media. With newspapers and television, advertising has come into consumers' homes, thus increasing consumer access to market information.

The role of conventional mass media in bringing market information to customers has been remarkable, but it pales in comparison to the implications of the most recent advancement in technology—namely, the Internet and the so-called information superhighway. You can buy a car on the Internet today; business travelers can find deals on airlines and hotels worldwide, and students can learn about various colleges and universities. The AOL/Roper Starch Cyberstudy of 1,004 adult (ages 18 and over) Internet users in August 2000 shows that four out of five (80 percent) research products online prior to purchase, 76 percent read the news, 70 percent search for health information, and 50 percent get local entertainment information online.⁶⁰ Thus, the first avenue of the impact of technological advances on customer behavior is through increasing customer access to marketplace information.

Product Innovation: New Options. The second way that technology impacts customer choices is via the availability of new products and services based on advances in technology. Consider the advent of cable TV, with its multichannel offerings and services such as pay-per-view and video on demand. Now, customers can order a movie on their television, without leaving their home. Obviously, this cuts into sales at movie theaters and video rental stores. For a business person, computerized reservation systems, online information services, electronic libraries, database marketing, and cable shopping are changing the way they do business with their customers as well as with suppliers.

More Flexibility and Control. Technology also affects customer behavior by delivering freedom from the confines of space and time. That is, you can do business *anytime, anywhere*. You can bank at the ATM (automatic teller machine) 24 hours a day or reach your account via toll-free telephone numbers from anywhere in the United States at any

time. You can order flowers online rather than going to the neighborhood store, and you can receive a college degree without leaving home.

Among business-to-business customers, one noteworthy use of computer technology has been **electronic data interchange (EDI)**, a computer link between a supplier and its business customer that transmits customer inventory data to the supplier as it is being used and depleted, which sets into motion an automatic reorder and shipping of the depleted product. Retailing giant Wal-Mart and its supplier Procter & Gamble have an EDI system; the use of the system results in lowered costs of ordering and order filling, as well as eliminating costly stock outages on the Wal-Mart shelves.⁶¹ Several automobile manufacturers have similar systems with their suppliers. The EDI technology frees the business customer from the effort of monitoring inventory and reordering, and thus lowers costs.

Customized Products and Services. One of the most exciting technological developments in recent years is in the manufacturing arena, namely flexible manufacturing. The marketing benefit of technology is **mass customization**—producing a product after the customer order is received and tailoring the product to the customer’s specific needs without sacrificing the speed or cost efficiencies of conventional mass production methods.

Many companies have capitalized on the use of mass customization. Here are some selected examples.

- Hallmark uses computer technology to offer custom-made cards. By using simple on-screen instructions, you can choose from a selection of graphics, write your own message, and instantly print the card, all for about the same price as off-the-rack cards.
- The John Deere Harvester Works manufacturing plant in Moline, Illinois, is a good example of customization for business customers. The company sells a wide variety of crop planters priced at more than \$100,000. The company has revamped its mass-production manufacturing process to respond to customized orders, and it now keeps only about 20 planters in finished goods inventory. Thus, customers can now choose from hundreds of options (such as row counter, liquid or dry fertilizer, and depth of planting) and can purchase a crop planter that matches their individual needs more closely than ever before.⁶²
- Companies like IMIXrecords (<http://www.imixrecords.com>) allow users to customize music CDs and DVDs over the Internet and then have the product shipped directly from the company. Customers are presented with a list of choices and can pick and choose by title, album, artist, or genre.

Technophilia versus Technophobia. Customers differ in their attitude toward technology. While many customers benefit from and welcome new technology, a sizable proportion show a distaste for it. This is explained by:

1. *Preference for human interaction:* Some consumers desire the “human touch” rather than high tech.
2. *A lack of aptitude for technology:* Some consumers simply find themselves ill-equipped to handle new technology and, indeed, feel a degree of technophobia.

Technophiles, or “**techthusiasts**,” are people who get excited about technology; love to buy new technological innovations as soon as they appear on the market; have early knowledge about technology; and invest substantial time and energy in learning about, acquiring, and using new technological gadgets. **Technophobes**, on the other hand, are the exact opposite. They hate new technology, feel overwhelmed and confused by it, and find themselves ill-equipped to operate even common household and marketplace gadgets.

According to a survey by Backer, Spielvogel, and Bates (BSB) Research Company of New York, one in five Americans is a technophile. Technophiles are younger, more affluent, and somewhat better educated than the average American. They act as advisors, shopping pals, and decision makers for their colleagues, friends, and relatives. Technophobes make up about one in three Americans. These people have never used a computer

or programmed a VCR. To appeal to this segment, technological products ought to be user-friendly and very simple to operate.

In business-to-business markets, too, adopting a new technology requires a new investment from customers as well as a degree of comfort with the new and the unfamiliar. Consider the new technology that Eastman Kodak can offer its customers for their printing needs. Eastman Kodak's Professional & Printing Image Division (which has been sold to Danka) has advanced beyond the traditional photographic imaging using silver-halide film to digital systems for more speed and creative flexibility. Digital applications now complement and, in some cases, even replace, the more traditional silver-halide film imaging. Yet, the reason that Kodak and other companies are holding onto the silver-halide technology is because all customers are not ready to switch completely to the newer technology. There is an important customer behavior lesson here: breakthrough technology that runs ahead of its customers' ability to invest in it or their aptitude for using it will never work from a marketing standpoint.

The Influence of the Determinants of Customer Behavior on the Three Customer Roles

Table 2.6, on pages 82–83, summarizes the effect of each of the determinants on the three customer roles.

Personal Traits

The five personal traits influence the three roles in distinct ways.

Influence of Genetics

A person's genetic makeup determines his or her biological needs as well as physical constitution and hence the need for products necessitated by those biological needs or by special physiological constitution. Beyond performance, genetics also affect a person's emotional state and personality, and this, in turn, affects a person's desire for emotion-producing experiential or hedonic products. The payer role is not much affected by genetics directly, but the buyer role is affected in that certain genetic disorders might incapacitate customers from going to the market, making convenience a more dominant value.

Influence of Race

Some of the effects of race and genetics are similar, while others differ. Due to related genetic differences, race affects skin color and hair type and texture. Therefore, customers from different races need personal care items with specific performance characteristics. Beyond physiology, a customer's race also implies differences in values, lifestyle, and tastes. Then, race influences the payer role for two reasons. First, economic conditions are distributed differently across races due to historical differences in access to opportunities and to race-based cultural differences in individual achievement motivation and belief in upward mobility. Second, there has been a systematic bias against certain ethnic minorities in credit approval. Both of these limit the buying power of some ethnic minorities. Finally, the buyer role is affected by race in at least two ways. First, many ethnic groups prefer to patronize vendors, store owners, and service agents (e.g., insurance agency representatives, real estate agents) of the same race and ethnic background. Second, as buy-

ers, ethnic groups differ in the kind of interaction they seek from suppliers and from store operators. Some races expect mere politeness in commercial transactions and, hence, behave accordingly, while others may expect personal warmth.

Influence of Gender

Gender, too, has a pervasive effect on customer roles. For the user, gender implies the purchase of some gender-specific products and services, based either in some biological or physiological needs or in culture-generated gender-specific customs and tastes. Many performance-related values differ between men and women, such as the ergonomics in the design of the driver seat in cars or the extra security needs in hotel rooms for women business travelers. But men-women differences also spill over to social and emotional values in purchase of products to satisfy these values. The payer role is affected only insofar as there exists, in a given society or in a given family unit, sex-role-based bias in the allocation of the payer role. The buyer role is affected by gender, both in allocation of the responsibility and in gender differences in the specific values the customer seeks as a buyer. Regarding role allocation, again, there are norms about who should be the buyer, which differ across families and cultures. In traditional societies, women do the shopping for routine household items, while men do the shopping for major purchases. In modernized societies and families, the sex roles are more egalitarian, so both sexes assume an equal share of purchasing. Women seek more convenience and time-saving means of shopping due to their being strapped for time, and men are learning the necessary purchasing skills as they are being forced to assume more of that role.

Influence of Age

As users, the needs and wants for product and service categories obviously differ across different age groups. As users in business markets, older workers can't use heavy equipment or parts, and, thus seek different performance value from raw material, parts, and equipment. Moreover, social and emotional values are likely to be more important to youth than to elderly and middle-age customers. As payers, customers are affected by age because age influences their station in their career and, accordingly, their financial resources. Age also affects the separation of the payer and the user role. Generally, these two roles are separated for youth and, again, for many elderly, who now depend on the government for Medicare and retirement benefits. Finally, age influences the buyer role. Elderly purchasers need and seek more service and more convenience and build relationships with sellers. Word-of-mouth communication about shopping is the highest among youth.

Influence of Personality

The role of personality is overarching, affecting all domains of customer behavior. Outgoing persons would participate in outdoor and social activities more and, therefore, would consume products and services relevant to these recreational activities. Similarly, pleasure-seeking individuals would like experiential products more. As payers, some customers would be extravagant, and others would be very frugal and conservative. Some would like to live on credit; others would stay well within current cash resources. Customer personality also affects the buyer role. Brand loyalty and, likewise, store loyalty vary from person to person. These individual differences in brand and store loyalty are basically personality differences. Some individuals like to stick with the tried and tested; others like to explore new options. Another manifestation of personality is in the shopping style—some are browsers, while some are focused shoppers. The personality of the business customer is influential, likewise, across the three roles. The choice of office decor, airline and hotel during business trips, and performance features such as speed versus memory in a computer (impatient users want more speed), as well as the safety factor in design specifications are dependent on the personality of the user. As payers, the long- versus short-term perspective definitely affects the business customer's choice between options or allocation of funds

CHARACTERISTIC	CUSTOMER ROLE		
	USER	PAYER	BUYER
	PERSONAL TRAITS		
Genetics	<ul style="list-style-type: none"> Customers' genetic makeup determines biological needs and the specific performance features sought. Genetics determines personality and emotional makeup to influence specific social and emotional values sought. 	<ul style="list-style-type: none"> Economic means are unevenly distributed across races and ethnic groups. Race-based discrimination in credit limits affordability for some customers. 	<ul style="list-style-type: none"> Certain genetic disorders might incapacitate customers from making shopping trips, so value is more desirable.
Race	<ul style="list-style-type: none"> For personal care items, customers seek products that are compatible with their skin and hair needs. Ethnic tastes in food, clothing, and homes differ. Some minority groups seek social values as compensation. 	<ul style="list-style-type: none"> Sex roles may be the basis for allocating the payer role. 	<ul style="list-style-type: none"> Many customers prefer ethnic stores and suppliers. Race and ethnic group influence the preferred modes of interaction with vendors.
Gender	<ul style="list-style-type: none"> Many products and services are gender specific, due to either physiology or culture. In some cultures, women might use emotional products more. 	<ul style="list-style-type: none"> Sex roles may be the basis for allocating the payer role. 	<ul style="list-style-type: none"> Sex roles may be the basis for allocating the buyer role. Where sex roles include women in the workforce, they might seek convenience and time saving in shopping. In some cultures, men are still learning shopping skills. Elderly buyers need more service and convenience.
Age	<ul style="list-style-type: none"> Product/service usage in many categories is contingent on age. Social and emotional values are more important for youth. Product/service needs are influenced by the physical limitations related to aging (such as inability to lift heavy weights or read fine print). 	<ul style="list-style-type: none"> Age influences the amount of financial resources. The payer's role is more separate from the user's among youth (dependent on parents) and the elderly (dependent on government for income). 	<ul style="list-style-type: none"> Older buyers (in both businesses and households) prefer to buy based on relationship with the seller. Personality types will differ in their loyalty to brands and stores.
Personality	<ul style="list-style-type: none"> At onset of need, some personality types may either delay or rush use of the product or service. Some personalities will be more open to cross-gender product use. Some personalities will have more need for mood and emotional products. 	<ul style="list-style-type: none"> Some personalities will be frugal; others extravagant. Some personalities (of business and household payers) will focus on long-term investment; others on immediate price. 	<ul style="list-style-type: none"> Some personalities enjoy browsing; others focus on obtaining target merchandise. Some personalities focus more on seeking relationships with sellers.
	PERSONAL CONTEXT		
Culture	<ul style="list-style-type: none"> Cultures differ in their insistence on flawless performance. Conspicuous consumption is frowned upon in some cultures. Different cultures permit emotional expressiveness to different degrees. Corporate culture constrains what people wear and drive. 	<ul style="list-style-type: none"> Cultures vary significantly in sanctioning borrowing and in living in debt. Cultures allocate the payer role to specific members of the household. 	<ul style="list-style-type: none"> Cultures assign the buyer role according to their sex-role norms. Negotiations and bargaining practices are governed by cultural norms.

Institutions and groups

- Families differ on seeking materialism and in emphasis on performance versus social and emotional values.
- Religion prohibits consumption of certain products and services.
- Employers and work groups exercise norms on clothing, cars, and business travel options.
- Economic classes have distinct cultures of consumption.

Personal worth

- Families differ in using credit and in individual versus joint responsibility for managing financial matters.
- Islam prohibits borrowing.
- Employers affect the payer by assuming partial or full financial burden.
- By enabling or limiting the resources, economic conditions affect the payer role most directly.

- Families differ in blending versus separating the buyer role from the user and/or payer roles.
- Some religions disallow women to go shopping.
- Employers' purchasing policies constrain the purchaser.
- Greater personal worth supports a more confident approach to vendors.
- Economic means may limit access to vendors.
- Higher economic condition leads customers to seek more convenience and personal shopping experience.

MARKET TRAITS

- Out-of-place products cost more.
- Out-of-season products cost more.

Climate

- Certain types of food, clothing, and shelter are needed.
- Weather-related products are needed.
- Suitable packaging is required.

Topography

- Products adapted to local conditions (e.g., flood insurance, bottled water) are needed.
- Available means of transportation may be limited.

Ecology

- Pollution control products are needed.
- Environmentally friendly products/services are needed.

- Special-needs products must be budgeted for.
- Ecologically friendly products may cost more.

- Ecologically friendly products may require special search effort.

MARKET CONTEXT

- Poor economy requires postponement of major purchases.

Economy

- Financial resources affect definition of necessities as opposed to luxuries.

- Demand and supply imbalances affect choice options.

Government

- Government incentives and disincentives influence choice. Use of some products is forbidden or mandated.

- Interest rates influence desirability of borrowing decisions, such as home refinancing.
- Government protection and laws of commerce (e.g., blue-sky laws) make purchasing secure.

Technology

- New products are available.
- Products may be more customized to the user.

- Laws provide protection against a deceptive or unfair price.
- Purchaser may have access to "anytime, anywhere" shopping.
- Market information may be more readily available, for example, on the Internet.

to a business activity or service. Finally, the four social styles—driving, expressive, amiable, and analytical—directly bear on the kind of interactions buyers would seek with sellers and business negotiators.

Personal Context

Let us see how the personal context factors influence the various market values customers seek in their user, payer, and buyer roles.

Culture

The influence of culture on the market values that users seek (performance, social, and emotional) is pervasive and immense. Cultures vary in their insistence on performance and quality. Social value is also differently interpreted in different cultures. Conspicuous consumption is frowned upon in some cultures, such as in more egalitarian societies. Likewise, cultures differ in whether emotional expressiveness is considered proper and natural. Corporate culture constrains the kinds of clothes we wear and the kinds of cars we drive. Culture influences the payer role in at least two ways. First, it is a determinant of who plays the payer role. In some cultures, it is the female head of the household; in others, it is the male head. Second, cultures influence the payer role in that they differ significantly in their prescription for borrowing money. In non-Western cultures, for example, borrowing is a sign of being poor; the well-to-do don't borrow money. In Western cultures, in contrast, even millionaires may borrow money, since borrowing is a sign of managing money (e.g., in investment portfolios) rather than a sign of not having money. Finally, culture influences the buyer role both in terms of who plays the buyer role and what specific values the buyer may tend to seek. In many cultures, there is a clearer allocation of gender roles, including a norm as to what kinds of products will be shopped for mainly by the female members of the household and what kinds by the male members. In addition, expectations about personal service and convenience differ across cultures. Cultures also vary in negotiating tactics and in allowing the practice of bargaining. Similarly, in business negotiations, the level of direct confrontation considered prudent differs across cultures. These cultural nuances make playing a buyer role an art form in many societies.

Institutions and Reference Groups

Let us consider institutions and groups and their influence on the three roles. The larger culture of a society or country shapes all families in it, but each family also has its own culture, norms, and practices. Thus, different families differ in the value they place on materialism and on simplicity versus indulgence, in permitting debt, and in the extent to which the user, payer, and buyer roles are blended or separated.

Religion certainly influences what people may or may not consume, as detailed earlier in the chapter (e.g., kosher food by Jews). Religion also affects the payer role by sanctioning the practice of borrowing. Islam, for example, forbids the practice of borrowing and lending, since usury is considered a sin. Again, certain religions prohibit women from going to the market, so the buyer role becomes the exclusive prerogative of men.

Employers and work groups influence all three roles. Beyond a norm about clothes and cars, employers also influence other user decisions, such as what kind of personal computer you can buy for your office desk, what airlines and which fare class you may fly, which hotels you may stay at, and whether or not you may take your spouse on business trips. Employers affect the payer role in letting or not letting employees manage their own budget, in terms of allowing certain business expenses (e.g., entertainment, social club membership), and in the extent to which they partially or fully assume the financial burden for the things you buy as an employee and as a consumer (e.g., health-care insurance, company car, housing rent subsidy, home phone, paid annual vacation). Finally, purchasing practice is dictated by employers—some allow individual employees to do their own

purchasing while others mandate centralized purchasing (e.g., using your own travel agent versus using the corporate travel agency).

Personal Worth

Finally, consider the influence of personal worth on the three customer roles. Personal worth influences customers' behavior primarily by constraining their resources. Its influence is greatest, therefore, on the payer role. Not only is the amount of money (whether equity or credit) available for market transactions relatively abundant or scarce, but it also affects the extent to which money is tightly controlled among the user, buyer, and payer roles.

Personal worth affects the other two customer roles as well. Economic classes acquire their own consumption cultures, so there is the consumption culture of the poor, of the middle class, and of the rich, for example. As to the buyer role, personal worth affects both the broad mindset of customers and their specific purchase strategies. In broad terms, it influences the confidence versus timidity with which buyers can approach their suppliers and vendors, and it influences their choice of vendors. In general, then, low personal worth focuses customer attention on universal values in each of the three roles. Only when economic conditions are better does the consumer move up to seeking individual values, whether as a user, a payer, or a buyer.

Market Traits

The three market traits affect all three customer roles. Climate affects the users' need for food, clothing, and shelter. Topography affects needs for particular means of transportation (e.g., the camel in the deserts of Saudi Arabia) and insurance against topography-based mishaps (e.g., floods or hurricanes). Ecology makes ecology-unfriendly products nonviable and channels customer needs toward environment-friendly products and services. For the payer role, some physical environment factors imply greater expense—buying warm clothing in a tropical country is going to be more expensive because of the specialty nature of the products. Similarly, out-of-season merchandise costs more and ecology-friendly products also are more expensive. The buyer role is also affected by the physical market characteristics. If you live in a very hot climate, either you have a good cold storage facility or else you buy products in quantities sufficient for immediate consumption. Accelerated buying to take advantage of price and promotional deals is made infeasible if the storage facilities are inadequate for the climate of the place. Bad weather also leads purchasers to postpone a shopping trip and order home delivery rather than make in-store acquisitions.

Market Context

In this section, we pull together the diverse effects of the three market context factors on the three customer roles. For the user, the economy affects the purchase of discretionary products and luxuries (wants). Government incentives and disincentives (including mandatory prohibition against certain products) influence customer choice. Technology makes new products available and, thus, influences desire for them. It also enables more customized products, and, consequently, it promotes a desire for more individualized products or service. For the payer, poor economic climate induces postponement of major purchases. Interest rates influence home refinancing decisions. Government influences the payer role by means of taxation and protective laws. Laws against deceptive and discriminatory pricing practices serve as assurance to payers that their money will not be taken fraudulently. Technology enables credit card infrastructure, such as the widespread use of technology by merchants across a nation to seek instant credit authorization from credit card vendors. For the buyer, the economy affects the supply and demand, which, in turn, affects the choices available for consideration and the ease or difficulty of acquiring the

product or service. Government laws affect the buyer (as they do the user and payer) by making the purchase activity secure. Finally, technology affects the buyer role by enabling shopping “anytime, anywhere.” Technology also has empowered the buyer by making more information more conveniently available, for example, on the Internet, so that you as a buyer can make more informed decisions.

Summary

This chapter focused on the influence of the external determinants—namely, personal and market factors—on customer behavior.

There are two facets of the personal factors affecting customer behavior—personal traits and personal context. We first discussed personal traits, and showed how they affect customer behavior, and the three roles of the customer—user, payer, and buyer. These traits are genetics, the three biogenic features of race, age, and gender, and personality, which is a function of genetics, biogenics, and the environment. The influence of genetics is through its determining role in the physiology of the individual, the diseases to which a person is made susceptible, circadian rhythms, and moods and emotions. Race and ethnic background influence customers’ needs for skin-specific personal care items, taste, and differences in food and clothing. We discussed the profiles of major races and ethnic groups in the United States, such as Hispanics, African Americans, and Asian Americans. We then discussed customer behavior differences between the two genders with respect to consumption of clothing and personal items. We discussed the diverse categories of age: the G.I. generation, the Silent Generation, Baby Boomers, Generation X, teenagers, and children. These customers need and want different products and services, because their physical characteristics are different and their tastes are different according to the age of their subculture. Finally, we explained what personality is and how it is formed. The Freudian theory illuminates the nature of personality as a set of conscious and subconscious motives and urges. Trait theory views personality as a pattern of behavior. Defense mechanisms were described as the ego’s attempt to manage anxiety and to protect the self from being slighted. For a business customer, we introduced a specific personality typology—social styles—and we showed the relevance of this typology on customer behavior in business interactions.

We then discussed the second facet of the personal factors—personal context. The personal context is the cultural, social, and economic environment that a customer is a member of and in which the customer resides. We described three context factors—culture, institutions and groups, and personal worth. We defined what culture is and discussed its characteristics and components. We described national and popular culture. On the business side, we said that corporate culture also has a significant bearing on the behaviors of individuals or departments. We identified five dimensions of cross-culture value orientations. Institutions and groups, the second context factor, act as reference groups for individuals. Depending on frequency of contact, groups can be primary or secondary, membership or symbolic, choice or ascribed. Their influence depends on the conspicuousness of consumption, and as such, it can occur at the product or brand-choice level. Finally, the last context is the economic condition surrounding the consumer. Its components are income, wealth, and borrowing power. The concept of social class was discussed. It was argued that social classes are motivational in that they motivate customer behavior toward certain activities and possessions. The three major social classes (lower, middle, and upper) were contrasted in regard to their consumption behavior.

The first dimension of the market environment is market traits (i.e., the characteristics of the market as a physical place). You learned that there are three geophysical characteristics—climate, topography, and ecology. Climate plays an important role in shaping the market values customers would seek, and it affects the three basic necessities of life: food, shelter, and clothing. Businesses are also affected by climate, including different types of packaging required for warm and cold climates, and the fact that there is a seasonality with products and services. Topography, the second market trait refers

to the terrain, altitude, and soil conditions where customers use products and services. Topography also affects choices that households and businesses make with respect to food, clothing, and shelter. For example, consumption of snack food varies, and office designs in businesses vary based on topography of the region. Ecology is the final market trait, and it refers to the natural resources and the balance that exist among humans, animals, and vegetation. You learned that ecological changes, such as global warming, air and water pollution, and ozone layer depletion, are affecting household and business customers. As an outcome, there are activist movements around the world to save the environment, and marketers are responding to these demands put on them.

The second dimension of the market environment is the market context, which refers to the context created by humans—namely, economy, government policy, and technology. You learned that the general state of a country's economy impacts customer behavior through the sense of optimism that is measured by the spending patterns of businesses and households. Businesses also follow business cycles, and these have a dramatic impact on the behavior of customers. Government policy affects customers through the monetary and fiscal policies that are enacted and through the public policies that are passed. You learned that through government policies, customer choice is sometimes constrained, mandated, or protected. A brief overview was given of various governmental agencies that play a role in either constraining, mandating, or protecting the user, payer, and buyer in the marketplace. The last determinant of the market context is technology. We discussed how technological breakthroughs significantly change market behaviors and shape customer expectations. You also learned that businesses also are affected by technology. Wal-Mart is one example that was used to show how businesses are using technology to partner with their suppliers in an effort to create better value for the user, payer, and buyer.

These external determinants, both personal and market-based, shape a person's psychological makeup—his or her motives, emotions, and lifestyles.

Key Terms

Acculturation 60	Electronic Data Interchange (EDI) 79
Aggressive 58	Enculturation 60
Behaviorism Theory 56	Environmental Marketing 73
Biological Determinism 45	Environmentally Conscious Consumers 71
Borrowing Power 67	Family Life Cycle Concept 54
Business Cycle 75	Geographical Variation 71
Climate 69	Global Warming 71
Compliance 76	Government Policy 75
Compliant 58	Green Consumer 71
Corrective Advertising 76	Group Traits 45
Customer Expectations 74	Groups 63
Deceptive Advertising 76	Id 56
Detached 58	The Index of Consumer Sentiment 74
Discretionary Expenditures 74	Individual Traits 45
Ecology 71	Institutions 63
Economy 73	
Ego 56	

Lifetime Revenue 51	Social Class 68
Mass Customization 79	Subculture 61
National Culture 61	Superego 56
Nature 47	Technology 78
Necessary Expenditures 74	Technophiles (or Techthusiasts) 79
Negligent Consumer Behavior 76	Technophobes 79
Nurture 47	Topography 70
Personality Trait 58	Trait Theory of Personality 58
Popular Culture 61	Verifiable Benefit 76
Regional Marketing 71	

Discussion Questions and Exercises

1. Cosmetic companies have product lines targeted specifically to African-American women. In contrast, under public pressure, R.J. Reynolds canceled its plan to introduce Uptown, a cigarette targeting African Americans. Do companies have the right to use a subculture's unique characteristics to increase the sales of products? Was R.J. Reynolds simply following the marketing concept, which states that companies should design products to meet the needs of specific market segments? What are the ethical issues involved in subcultural market segmentation?
2. Describe some of the general gender differences that affect consumers in both household and business markets. What have marketers done to handle these differences? Recently, companies like Calvin Klein have tried to minimize gender differences. Do you think this strategy is a good idea?
3. How can marketers use the information in this chapter to develop promotional campaigns designed to increase market share among Asian-American, Hispanic, and African-American consumers for the following products:
 - Cameras
 - Ready-to-eat cereals
 - Fragrances (perfume or cologne)
4. Identify five consumers who come from different national cultures. Interview them to identify how their customer behaviors are different in each of the three roles.
5. Select two households featured in two different TV series or sitcoms. First, classify each household into one of the social classes discussed in the chapter. Then, analyze each household's lifestyle and consumption behavior. Compare the two households if they fall into different social classes.
6. As the Director of Product Development for a medium-sized international producer of soap, lotion, and detergent, you are fundamentally concerned with the movement worldwide toward protecting and preserving the environment. In many countries, specific raw materials have been banned and certain packaging materials have been discontinued. In addition to consumer and government pressure to become a "green" marketer, your major competitor, The Body Shop, has exhibited its commitment to the environment in several meaningful ways. What will you do to move your company toward being more environmentally friendly, and how will you communicate this to your customers?
7. Interview five consumers to rate them on how "environmentally conscious" they are. Then ask them about how their environmental consciousness affects the products and services they have bought within the past year. Verify whether "environmental consciousness" relates to customers' purchasing behavior.

8. Assume you are an entrepreneur and you are about to introduce to the market a revolutionary new product—an interactive kiosk—which enables convenient, easy, Internet access and offers a host of value-added services for business travelers. In general, your target group will be fairly computer savvy and will be familiar with most office equipment, such as faxes, e-mail, and voice-mail systems. What specific customer values will this new technology product satisfy? How will you introduce your new technology given the barrage of new innovations in the marketplace? How will you show that your product has the ability to appeal to both technophiles and technophobes?

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