

CHAPTER 3

CONSUMER PERCEPTION



LEARNING OBJECTIVES

- To define and comprehend elements of the perception process.
- To explore components of the human sensory system.
- To gain insight into the process of perceptual selectivity.
- To recognize the impact of stimulus, individual, and situational variables on perception.
- To become familiar with the Gestalt view of perception.
- To understand the process of perceptual categorization and inference.
- To grasp the relationship between imagery and consumer perception.



KEY TERMS

perception
exposure
attention
sensation
synesthesia
perceptual overloading
perceptual vigilance
selective exposure
selective attention
perceptual defense
selective sensitization
selective interpretation
adaptation
stimulus factors

individual factors
chunk
bottom-up processing
top-down processing
absolute (lower) threshold
terminal (upper) threshold
differential threshold
or just noticeable
difference (JND)
situational self-image
situational variables
Gestalt
closure
grouping

proximity
context
figure and ground
perceptual categorization
surrogate indicators
prototype matching
perceptual inferences
schema
script
image
imagery
brand equity

One of the biggest issues companies have to face head-on is the quality of the image their products project to the public. Perhaps this concern is nowhere more evident than in the automobile industry, where image perception is the major factor determining what make of car consumers select.

To dispel the poor perception about quality of American automobiles compared with cars made overseas, U.S. automakers, starting in 2007, took serious steps toward adopting technologies and innovations whose objectives were to enhance the quality image of domestic vehicles. For example, in recent years, features such as automatic navigation and parking systems, lane-departure warning, collision avoiding mechanisms, side blind-zone alert, and hands-free communication systems (such as calling, radio tuning, climate control, and concierge) have become standard equipment in many recently produced car models. In the case of General Motors, for instance, autonomous driving has claimed a significant share of the more than \$7 billion the company has spent annually on research and development over the past three years. GM aims to be the first automaker to bring vehicle-to-vehicle communication to market—that is, cars “talking” to one another in order to avoid collision—in its 2017 Cadillac CTS.

Today, Chrysler, General Motors, Ford, and Tesla have been working diligently to offer cars to match and beat the imports in this arena. In 2016, General Motors, Ford, and Tesla offered a number of outstanding vehicles that were rated among the top ten cars by Clean Fleet Report charts. However, it seems that with these high-quality vehicles, domestic automakers are still struggling to overcome what seems to be a national bias against American-made cars, resulting in many consumers shying away from buying domestic automobiles.

In order to dispel this unfavorable image, domestic auto companies have attempted to alter consumers’ quality perception of domestic cars by emphasizing facts regarding the location where these cars are actually being built. Toyota, for instance, assembles its best-selling Camry in the United States, using parts that are 90 percent American made. Conversely, the Ford Fusion is built in Mexico, with 80 percent of its parts manufactured outside the United States. Furthermore, Buick’s latest sport utility concept car, the Envision, is built completely in China. Automakers also stress the fact that several foreign cars, including Honda, Toyota, Subaru, Nissan, BMW, and Volkswagen, are actually built in the United States. Thus, the assumption that a foreign-made car is a better quality car is perhaps a widespread misnomer.¹

As the debate concerning the quality of import versus domestic cars continues, do you agree with the assertion that quality perception is not a “generalized” concept, but rather depends on which specific brand or model is better suited to what an individual happens to be looking for in a car? Cite an example that supports your point of view. Learn more about ratings of car quality by visiting the J. D. Powers and Associates website at <http://www.jdpower.com/autos/articles/2016> and about hybrid and electric cars at <http://www.cleanfleetreport.com/>. In terms of the fore-mentioned automotive innovations, the issue becomes how well consumers will interface with and experience all this technology. Will it really help them, or will it become a secondary burden for people who just love to drive their cars? Explain.

This chapter begins by examining the stages of the perception process—exposure, attention, sensation, and interpretation—as well as its subjective and selective nature. We also continue to address stimulus, individual, and situational influences on perception. After discussing the Gestalt view of perception, perceptual categorization, and perceptual inferences, the chapter covers the topic of brand imagery, brand equity, and risk perception.

WHAT IS PERCEPTION?

Perception is the process of selecting, organizing, and interpreting sensations into a meaningful whole. In the past, methods of studying stimuli and measuring responses to them were restricted to examining the five senses. Today, however, the view that perception uses merely sight, hearing, smell, taste, and touch to comprehend the environment is inadequate. Although the senses do play a major role in our comprehension of an event, our interpretation of a sensation may lead to a false perception. Perception is highly subjective and therefore easily distorted.

An individual's frame of reference affects the way he or she interprets sensations. For example, two friends may go to see the same movie but leave with different interpretations of the film. Their frames of reference, experience, and expectations are among the factors that influence their evaluations. Not only may different people perceive the same stimulus differently, but the same person may also perceive a given object or situation differently at various times or under different circumstances.

Consumer perceptions are vital to marketers and often underlie the success or failure of products in the marketplace. For example, a glance at the success story of the iPhone 6S is a case in point. Apple witnessed overwhelming success with the 6S model during the first weekend of its launch in September 2015. The iPhone 6S scored very high on the customer

perception
the process of selecting,
organizing, and interpreting
sensations into a
meaningful whole

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In the year 2016, 207.2 million individuals in the United States owned a smartphone.

exposure

the act of deliberately or accidentally coming into contact with environmental stimuli

attention

the allocation of an individual's mental capacity to a stimulus or task

satisfaction front, with the majority of owners describing it as “simply the best phone ever.” The phone also received rave reviews from Gadgets 360, as well as from various publications that praised its extraordinary high-tech features. This has been a familiar theme for Apple’s iPhones since the induction of the original model back in November 2007, during which sales amounted to 1.4 million units in just the first ninety days.

Three concepts are intimately related to perception: exposure, attention, and sensation. Acquisition of sensory information is possible only when consumers attend to stimuli they are exposed to. For example, commercials that escape viewers’ attention produce no sensation and, thus, have no effect on behavior.

EXPOSURE, ATTENTION, AND SENSATION

The process of perception begins with exposure to a stimulus. **Exposure** occurs when individuals come into contact with environmental stimuli either accidentally or through their own deliberate, goal-directed behavior. Not all stimuli to which we are exposed, however, get noticed.

Attention refers to the allocation of mental capacity to a stimulus or task.² After choosing whether or not to expose themselves to a message, consumers may momentarily pay attention to a specific aspect of the stimulus that is within their range of exposure. Attention can be planned, involuntary, or spontaneous. Planned attention is goal directed; individuals use their attention—such as watching a TV commercial or reading an ad in a magazine—to help them perform a specific activity such as shopping. When external stimuli force their way into our awareness, attention is involuntary. Imagine, for instance, that a fire alarm were to sound as you read this. Your automatic reaction would be immediate involuntary atten-

tion to the alarm. Spontaneous attention, on the other hand, may be exemplified by shoppers looking for birthday gifts. They do not concentrate too narrowly on any particular product class; thus they may remain open to other stimuli. A perfume bottle noticed by accident while shopping at a department store is an example of a product that receives spontaneous attention.

Sensation refers to the responses of our sensory receptors (eyes, ears, mouth, nose, touch) to environmental stimuli, and the transmission of this data to the brain via the nervous system. This process represents the acquisition of raw sensory information received through the sense organs—a preliminary step in the processing of information.

sensation

the responses of a person's sensory receptors to environmental stimuli and transmission of this data to the brain via the nervous system

SENSORY SYSTEMS

Environmental stimuli or sensory inputs are received through our five senses. Visualize for a moment a young woman shopping in an open fruit market on a sunny summer day. She *sees* the splendid colors of the different varieties of fruit, *smells* the sweet aromas of mangoes and strawberries, *tastes* a sample of a ripe pineapple, *hears* the calls of vendors promoting

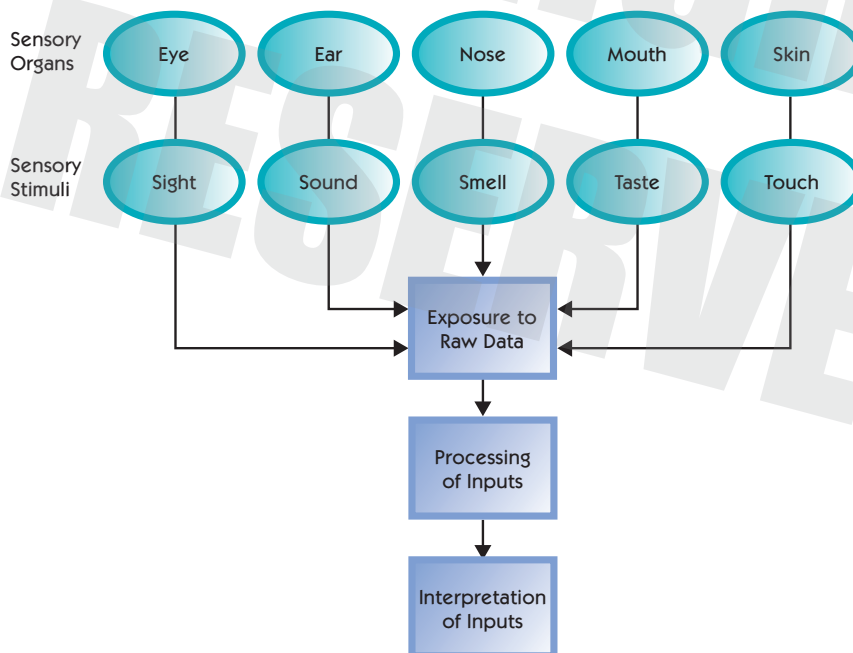


EXHIBIT 3.1

An Overview of the Perceptual Process

their fruits, and *feels* the weight and consistency of a melon as she examines it before purchase. The input picked up by her senses as she walks among the fruit stands is the raw data—ingredients in the initial step of information processing. Exhibit 3.1 depicts an overview of the perceptual process.

Just as the bright colors of the fresh fruits, their sweet scent, and their arrangement at the various stands aroused the shopper's desire to buy, so do the sensory qualities of nearly all products. These sensory qualities play an important role in enabling manufacturers to differentiate their products from those of competitors.

Vision

Researchers estimate that as much as 80 percent of what we receive from our environment is gained from vision. We tend to rely more on the other senses mostly when vision is unavailable (for example, in the dark).

The first impression that a product, ad, or store makes on us depends largely on its physical attractiveness; this fact explains why marketers rely heavily on visual appeals in product design, packaging, ad layout, and store decor.

Visual perception is a multidimensional phenomenon involving seeing a number of elements of the product, such as its color, size, shape, and movement. One of the most obvious visual qualities we experience in a product is its color. Not only does color help attract our attention, it also influences our emotions and affects our moods. An examination of the colors in a Crayola crayons box reveals that while the original crayons had only six colors (black, blue, brown, yellow, orange, and red), today Crayola offers 120 crayon colors, including such ones as purple heart, razzmatazz, tropical rain forest, and fuzzy wuzzy brown. These varied colors and names have been proliferating and are now appearing in all types of product categories, such as ice cream, juice drinks, and nail polish. Consider for a moment, how colors are also used in the decor of various commercial establishments. Nightclubs use red light to create an aura of arousal and romance. Hospitals use pale greens and blues to create a peaceful and relaxing environment. Mass-merchandisers use bright colors to attract shoppers' attention.



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Sensory inputs are received through our five senses and play an important role in product differentiation.

Similarly, color expresses emotions. Red roses symbolize love and yellow ones represent friendship. In many cases, specific cultural values are associated with color. In the United States, white connotes happiness and purity, whereas black is linked with death and mourning. In some Asian countries, however, the opposite is true.

Research shows that package color is an important factor in grabbing consumer attention amid the clutter of competing products. For shoppers who are not loyal to a particular brand, a change in package color can win their attention and enhance their consideration of a brand.³

Creative use of color by manufacturers is important, particularly in the area of product design and packaging. Clothing and cosmetics exemplify product categories in which color plays a major role in determining consumers' acceptance or rejection.

Smell

Scents play an important role in our lives. Odors can stir emotions, elicit memories, produce hunger, induce relaxation, or even repel us. The smell of chocolate as we enter a confectionery or the scent of perfume as we pass through the cosmetics section of a department store entices many shoppers to stop and purchase. Humans, like all animals, quickly learn to assign values to different scents. They come to recognize that the unpleas-

ant smell of spoiled food means harm, and thus the food should be avoided. On the other hand, they are attracted to the smell of a freshly baked cake due to the perceived promise of tasty ingredients such as butter, eggs, vanilla, and sugar.

The same effect of olfactory cues holds true in the case of human relationships. Both sexes are programmed to search for certain types of mates. One of the most primal determinants in this process is the sense of smell; that is, a desirable partner must smell right. Moreover, scientists have cited various cases of the invisible influence of scent in our daily lives. One of the best-known examples of this phenomenon is found in recent research regarding the effect of chemical communication via pheromones on human sexuality. Such influence has the ability of altering our hormone levels, accelerating our puberty, guiding our choice of mate, and even determining our sexual orientation.⁴

Responses to scents are culturally based. They result from prior associations between the scent and occasions or emotions that surrounded the presence of the scent. In the food category, for example, most people find the smell of fresh popcorn to be irresistible when they enter a movie theater. Garlic is viewed as delectable in Italy. Curry odors produce hunger sensations in India. Similarly, perfumes and colognes are capable of stirring up various feelings, emotions, or memories. The smell of someone's perfume or cologne, for example, is often a powerful enticement in a relationship—a theme that promoters of these products often utilize.

Realizing the positive effect of scent on consumption, some advertisers began using scented ads. In one type, a scented strip on the ad page releases a fragrance when the reader unfolds a crease (Figure 3.1). In another type, a scented spot produces a fragrance when the reader scratches it. Advertisers of a variety of products including perfumes, cosmetics, chocolates, and other foods and liquor have found that combining the scent with other elements of the printed ad tends to increase the effectiveness of their message.

Taste

Most scientists consider the sense of taste to be inseparable from the sense of smell. Receptors (taste buds) that reside on the tongue and palate combine with smell to produce familiar taste sensations such as saltiness, sweetness, bitterness, and sourness.



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FIGURE 3.1

Ads for perfumes often contain a scent strip that allows consumers to sample the fragrance as an enticement to purchase the brand.

Taste has a significant effect on how foods and beverages fare in the marketplace—a fact that causes food and beverage processors to spare no cost or effort in ensuring that the taste of their products pleases consumer palates. Manufacturers of products ranging from cookies and snack foods to soft drinks, wines, and beers conduct taste tests either in an internal facility or through testing agencies such as Taste Test and St. Croix Sensory, Inc., which utilize professional sensory panelists who are trained to detect minute taste differences. Even schools such as Sensory Spectrum offer courses and seminars in taste perceptions.

An innovation in the sense of taste is the new electronic tongue, which was introduced a few years ago as a result of a joint Russian–Italian project. The electronic tongue, like its natural counterpart, can distinguish among a vast array of subtle flavors using a combination of the four elements of taste: sweet, sour, salty, and bitter. The electronic tongue is a silicon chip with small spherical beads a little wider in diameter than a hair. These beads act like test tubes, holding and analyzing liquid that is poured on them. The food and beverage industry uses the electronic tongue to monitor the flavors of existing products, and some have used the tongue to develop a digital library of tastes proven to be popular with consumers.

Acceptance of and preferences for new, unfamiliar taste sensations can be learned through familiarity. Many of us have developed an appreciation for foods that once were nontraditional to the American palate. Ethnic dishes, hot foods, and exotic spices are but a few examples of this phenomenon.

CONSUMER BEHAVIOR IN PRACTICE

No Plastic Surgeon Is Needed for This Nose

New electronic noses are now available. With these devices, researchers can perform a variety of functions that range from measuring and quantifying smell to designing a desirable aroma that can be added to a product. At General Motors, for example, researchers have used the electronic nose to pinpoint and simulate the *new car* smell that is so inviting to new car buyers. Similarly, Volkswagen engineers believe that they have isolated a *quality* smell that can be incorporated into new vehicles. Unilever uses the mechanical nose for sniffing people's armpits to design effective and pleasantly aromatic deodorant-antiperspirant products. Perfume makers use the new noses to defend their brands against counterfeit fragrances. Food and beverage producers find them valuable in choosing the perfect aroma to add to their products.

The new nose technology came about as a by-product of research on the stealth aircraft program conducted for the U.S. military. During that project, researchers were enamored of certain polymers, or chains of molecules, that had the characteristics of conducting electricity and producing definite reactions to smell. Even though polymers were never used in building stealth aircraft, the published research was enough to encourage scientists to use them in developing the electronic nose. At Warwick University in Britain, scientists used

the technology to produce the first electronic nose prototype in the mid-1980s.

The principle on which these mechanical noses operate is the ability of polymers to absorb scent vapors and match them with models retained in computer programs. Thus, an electric nose can sniff a particular wine of a certain vintage, determine if it smells identical to another batch, and identify any existing differences.

Applications for this high-tech nose are virtually limitless. One application can be found in the food industry. The machine can verify or discredit superiority claims made by marketers on behalf of their products. For example, freshness claims for foods or beverages can now be verified. The U.S. Food and Drug Administration's fish inspectors currently utilize electronic sniffers to grade fish at dockside inspections. Using the new nose eliminates disagreements between fishers and inspectors regarding the grades assigned to commercial fish.⁵

Scent and taste are integral factors when marketing foods, beverages, cosmetics, and a host of other products. Visit Huber the Nose at www.thenose.ch. Enumerate some specific products in which scents play an important role. What other products might be created or improved by adding scents to them? Do scents of places (e.g., stores) or objects (e.g., new cars) influence your shopping and buying behavior? Why or why not?

Sound

Speech and music are two important weapons in the marketer's arsenal. Most marketing communications, including commercials, sales presentations, and stores' sound systems, employ speech or music. That is not to mention the extent of music as an industry in itself, with annual sales of music or music-related items amounting to hundreds of billions of dollars.

Making sense of speech is a cognitive process that involves our knowledge of meaning of words, how we string words together, our frame of reference, and the situation in which the speech is being presented. Music, on the other hand, has the ability to evoke feelings. In commercials, the choice of background music is a sensitive issue, because music can be used to set a desired mood, stir relevant emotions, or influence liking for the message. For example, research on the use of popular songs and song parodies in TV commercials for products including tennis shoes, soft drinks, and cookies revealed a positive effect of such music on consumers' recall of the ads.⁶ Such recall is enhanced due to the emotional connections that many consumers have with a particular song or performer.⁷ Likewise, advertisers have embarked on the music video approach popularized by MTV and VH1 and have used this format to build commercials and even entire campaigns.⁸

Research shows a positive correlation between music in retail settings and store sales. Morrison and colleagues conducted research on the effect of music (high or low volume) and aroma (vanilla scent present or absent) on young fashion shoppers in an authentic retail setting. Results showed that the volume of music and the presence of a vanilla scent both had a significant impact on shoppers' emotions and satisfaction levels. Additional analysis of the results revealed that the arousal generated by music and aroma resulted in heightened pleasure levels, that in turn positively influenced shoppers' behavior, including time and money spent, approach behavior, and overall satisfaction with the shopping experience.⁹ In another study, research showed that in department stores where Top 40 music was played, shoppers over the age of twenty-five believed that they had spent more time at the site; where as in department stores that played easy-listening instrumental music, shoppers under the age of twenty-five felt that they had been in the store longer than they really were. These results confirm the notion that unfamiliar or less-preferred music tends to slow down perceived time for shoppers.¹⁰ In still another investigation conducted in eating establishments, researchers found that restaurants in which slow-tempo music was played had longer waits for tables, as well as significantly higher bar tabs. Interestingly, although restaurant patrons did not eat more in the slow-music environment, they tended to consume more alcoholic beverages.¹¹

Noise, on the other hand, is negatively correlated with retail sales. Levels of anxiety and stress increase with the amount of noise in the shopping environment. Thus, a noisy buying experience may adversely affect consumers' evaluations of stores and products.

Touch

Have you noticed how children show affection toward animals by touching and petting them or how mothers demonstrate love by caressing and hugging an infant? Touch, in this sense, communicates feelings.

Writers suggest there are two types of touch: active touch and passive touch.¹² In the first case, an individual touches to express a feeling or to initiate a reaction. In the second case, the receiver feels the experience of being touched, such as how we feel when we receive a massage.

Touch is a component in many consumer behavior situations. It is part of the exploratory nature of human beings. In shopping, people often squeeze a melon, feel the texture of a fabric, or run their fingers through a fur coat. Physical contact with products provides consumers with vital information that, in many cases, is a main ingredient in their choice among competing brands.

Some observers believe that one of the drawbacks of online shopping compared with traditional shopping is the fact that it neglects the importance of product exploration and active touching that many consumers feel is a necessary component in their shopping experience. Researchers have found that products with primarily material properties, such as clothing or carpeting, are more likely to be preferred in shopping environments that allow physical inspection and touching than products with geometric properties such as packaged goods for which marketing online or through direct mail would be appropriate strategies.¹³

Although the five human senses are presented here separately, in reality they are much more interrelated than we might suspect. Just as our sense of taste is highly dependent on the sense of smell, our human senses often work together in combination with one another. Many musicians and concert goers, for instance, report that they not only hear the music, they can actually *feel* it. For some people, the senses somehow fuse together and form a sort of sixth sense. This phenomenon is known as **synesthesia**. According to a recent report on CBS, some individuals report the ability to taste sounds or to *experience* colors.

synesthesia
the fusing together of the
human senses

INPUT VARIATION AND ITS EFFECT ON SENSATION

Sensation depends on input variation. A more variable environment produces greater sensation than a constant environment, regardless of the

strength of sensory input. Humans accommodate themselves to varying levels of environmental sensory input. When deprived of sensory stimulation for a time, we exhibit greater sensitivity to its return; hence the expression “It’s so quiet, you can hear a pin drop.” As sensory input decreases, our ability to detect change increases. We attain maximum sensitivity under conditions of minimal stimulation.

This fact has a number of important applications in marketing, particularly in the field of advertising. For example, consumers easily ignore ads when bombarded with a large daily dose of promotional messages. This tendency is a result of **perceptual overloading**, our inability to perceive all the stimuli that compete for our attention at any given moment. Humans also seem to have the ability to discard much of what they receive through their senses. This capability is referred to as **perceptual vigilance**. Perceptual vigilance has its roots in our tendency to be selective in what we perceive. Clearly, our senses are limited in their capacity to process all the stimuli in our surroundings. Hence, we attend to stimuli selectively.

PERCEPTUAL SELECTIVITY

We are confronted daily with thousands of stimuli from our own environment. In the electronic media alone, we receive various types of online advertising including all sorts of banners, text messages, emails, in-game, and keyword ads on platforms such as Facebook and Twitter. We also are exposed to thousands of products in stores, ads in the media, as well as people, events, and situations. For example, retail stores such as Target carry 366,000 SKUs or product items, Walmart 200,000, and CVS 190,000. Because it is beyond a person’s capability and interest to see everything there is to see, we screen out certain stimuli. This selectivity is of great concern to marketers, who attempt to communicate with their target audiences and surmount such blocking of information.

Selective Exposure and Attention

The selectivity process is like a series of filters or sieves that allows or disallows environmental stimuli to reach our consciousness. The first of these filters is called selective exposure. We exhibit **selective exposure** when we ignore media that address unimportant topics. Nobody pays attention to *every* ad, nor can anyone notice *all* the products in a supermarket.

perceptual overloading

the inability to perceive all the stimuli that compete for an individual’s attention at a given moment

perceptual vigilance

an individual’s ability to disregard much of the stimulation one receives through the senses

selective exposure

a tendency of people to ignore media and ads that address topics that are unimportant to them

selective attention

a tendency of individuals to heed information that interests them and to avoid information that is irrelevant

perceptual defense

a tendency to block threatening or contradictory stimuli from extensive conscious processing

selective sensitization

a tendency to perceive more readily information that is consistent with one's needs and beliefs

selective interpretation

the act of combining relevant knowledge structures with expectations and intentions to derive meaning from a stimulus

Selective attention refers to our tendency to heed information that interests us; while at the same time we avoid information that is irrelevant, threatening, or contrary to our beliefs. Heavy smokers, for example, are unlikely to watch and attend to anti-smoking ad campaigns or read the affirmative disclosures (health warning labels) on cigarette packages. Exhibit 3.2 depicts the process of perceptual selectivity, indicating that perception occurs after environmental stimuli have been filtered through the processes of selective exposure and selective attention. Furthermore, the tendency of individuals to block threatening or contradictory stimuli from their conscious processing is known as **perceptual defense**. It serves as a defense mechanism to protect an individual's self-image and ego. We also more readily perceive information that is consistent with our own needs, beliefs, values, or attitudes. This tendency is known as **selective sensitization**. Sports fans, for example, are prone to keep up with their favorite teams and ignore others.

Selective Interpretation

Once an external stimulus attracts our attention, our perceptual system begins to consciously process it by means of **selective interpretation**. In interpreting a stimulus, we scan our memory for cues or relevant knowledge from prior learning and experience. We combine these cues with our expectations and intentions in order to interpret the stimulus and derive its meaning, which may or may not coincide with the intended meaning.

Marketers know that it is not what they say that matters, but rather what customers hear or want to hear that counts. A few years ago, G. Heileman Brewing Company, makers of Old Style Beer, ran a billboard ad in Chicago featuring infamous gangster Al Capone with the caption "Al persuaded all his friends to try Old Style." Although Heileman said the ad was one of a series designed to show how long Old Style had been available in Chicago, many viewers believed it perpetuated ethnic stereotypes. Heileman realized that viewer perceptions had distorted the intended meaning and promptly withdrew the ad in response to public outcry.¹⁴ In another example, Nike a few years ago recalled 38,000 pairs of shoes bearing a logo that turned out to be inadvertently offensive to the Muslim community. The logo in question resembled the word *Allah*, which translates as "God" in Arabic. The notion that Nike would place the name of the deity on footwear was regarded by some to be a sacrilege. In response, Nike communicated sincere apologies for any unintentional offence. In addition to the recall, 30,000 pairs of shoes with the controversial logo were diverted from marketplaces such as Saudi Arabia, Kuwait, Indonesia, and Turkey to other markets.¹⁵

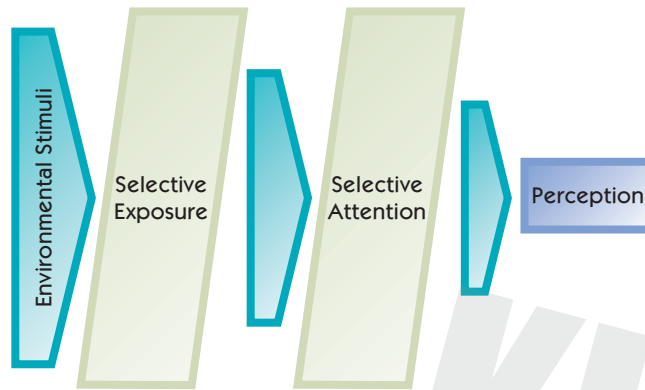


EXHIBIT 3.2

Perceptual Selectivity

Attention Stimulation

The phenomenon of perceptual selection poses a major challenge to marketers today. They must contend with the tech-savvy consumers of the day, such as users of smartphones, iPads, digital TVs, DVRs, and on-demand programming. This is particularly true today due to the availability of functions on these devices that allow users to delete, skip, clear, and cut promotional messages altogether when opening a site or viewing a program. Marketers must also deal with speed readers who seldom pay attention to print ads. In short, they must present messages to an audience that may not be interested in attending to them. On the other hand, many readers of special-interest publications read them cover-to-cover, ads and all, and even save them for future reference.

To combat selective exposure, marketers plan the placement of ads so that target consumers are most likely to be exposed to them. For example, some TV advertisers employ a tactic known as *roadblocking*. They arrange to air the same commercial on all networks at approximately the same time or during the same period, so that a person switching channels will still be exposed to the same commercial on whatever channel is being watched. To overcome selective attention, advertising appeals are designed to coincide with target consumers' lifestyles and needs. Another method is to address consumer fears or solve some problem, such as bad breath, hair loss, or dandruff. Choice of an appropriate medium is also important. Ads for expensive cooking utensils, fine wines, gourmet chocolates, and exotic desserts are more appropriate in *Bon Appetit* magazine than in *Business Week*. Because children influence the product choices their parents make, commercials for a kid's breakfast cereal are more effective during Saturday morning cartoons than on late-night talk shows.

Television advertisers employ a tactic known as *roadblocking*, so that a person switching channels will be exposed to the same commercial on whatever channel is being watched.



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Adaptation Levels

Humans are able to adapt to a wide variety of physical, social, and psychological conditions and develop familiarity with stimuli, especially those they experience regularly, to the point where the presence of a stimulus fails to produce its characteristic sensation. While having lunch at the university cafeteria, you may be bombarded with sensory inputs such as noise generated by other students, background music, the smell of food, and the sight of people carrying trays. Yet you may still manage to read the assignment for an upcoming class without being bothered by the surrounding commotion.

adaptation
an indifference to a stimulus
to which an individual has
become overly accustomed

One method some TV commercials use to deviate from the audience's prior **adaptation** level is to create the impression of loudness by filtering out any noises that may drown out the ad's primary message. By removing low-frequency sounds that can mask higher frequencies, advertisers can ensure that sound in commercials is perceived at or near optimal levels. Departing from prior adaptation levels does not necessarily mean making clever, brilliantly executed presentations of stimuli. In some cases, monotonous or dull presentations can also be noticed, so long as they are different or unfamiliar.

STIMULUS AND INDIVIDUAL FACTORS OF PERCEPTION

As we discussed in the section on sensory systems, marketers attempt to design the physical attributes of products, brands, packages, ads, and stores to attract or direct consumer attention and entice prospects with merchandise offerings. The physical characteristics of objects are referred to as **stimulus factors**. They produce the physiological impulses that in turn produce a sensation. These factors (such as size, color, shape, taste, or smell) are the primary elements of the object that interact with our sensory systems to produce a sensation.

Just as the properties of one stimulus differ from those of other stimuli, human beings also differ from one another. **Individual factors** of perception are qualities of people that influence their interpretation of an impulse. Examples of individual factors include consumers' needs, interests, beliefs, goals, experiences, feelings, expectations, memories, personalities, self-perceptions, lifestyles, roles, risk tolerances, attention spans, and mental sets. Any of these may affect our perception of products, services, brands, stores, ads, or policies.

The needs of individuals influence their perception. Those who shop for food while hungry find everything appetizing. Consequently, they are prone to spend more on groceries. An individual's interests can determine whether or not he or she subscribes to specific magazines, watches particular TV programs, as well as how one uses his or her handheld electronic devices. A person's beliefs about various restaurants, prior experiences with them, and feelings toward them influence where he or she might take a friend for dinner. Our expectations about the future and tolerance for risk can influence our willingness to invest in the stock market or whether we are in the market for insurance. We tend to prefer products and brands that complement our personality, self-concept, and lifestyle. The type of car a person drives, for example, reflects his or her self-perception and communicates something about the person to others. The role we play at the moment also influences our perceptions. In the role of a busy student, we may eat fast-food lunches, but as a single parent, we may pack nutritious lunches for our school-age children.

Span of attention, another individual factor of perception, deals with limitations on a person's ability to process bits of information. Humans can attend to only a small number of items at any given time. This limit appears to range from five to seven **chunks** of information, where a chunk

stimulus factors

the physical characteristics of an object that produce physiological impulses in an individual

individual factors

the qualities of people that influence their interpretation of an impulse

chunk

an organized grouping of data inputs

is an organized grouping of data inputs. Social security numbers, for instance, are partitioned into three chunks—a three-digit number, two-digit number, and four-digit number. The length of time that stimuli can hold a consumer's attention also appears to be brief, often only a few seconds. Children, in particular, have very short attention spans.¹⁶ Consequently, advertisers continuously provide appropriate cues in ads and commercials to recapture the audience's attention. For example, TV commercials for toys use special photographic angles, fast action, appealing colors, upbeat music, and other happy children to capture and hold kids' attention. Similarly, print ads for fast foods often depict mouth-watering close-up photos of a product to appeal to hungry consumers' taste buds.

An individual's mental set or perceptual style describes our tendency to process information and react in a certain manner under given circumstances. For example, an individual may be predisposed to consistently react positively to innovative ideas or to resist new ways of performing familiar tasks. People inclined to behave in particular ways often find it difficult to change.

Bottom-Up and Top-Down Processing

In the domain of research concerning how consumers process information to acquire meaning and form perceptions, a recent body of knowledge has emerged to explain two different pathways that sensory inputs can take before an individual formulates a perception. In the first pathway, which is known as **bottom-up processing**, features of the stimulus or stimulus factors of an object—such as its size, color, shape, taste, and smell—are the sensory inputs that become registered onto a sensory memory. These sensory inputs, in turn, get processed at a higher level of the brain. Finally, the view or a meaning of a stimulus becomes registered in our long-term memory. In this case, information processing has proceeded from the totality of the small parts (i.e., stimulus factors) to construct a view of the whole (i.e., the recognized pattern or perceptual image that has emerged). For example, consider the case of a consumer in a shopping mall who passes a pastry shop. She notices a delicious-looking chocolate cake, topped with frosting, fruit, and nuts, displayed in the window. Without hesitation, she enters the pastry shop and orders the cake. The stimulus factors of the object (i.e., the cake) in this case resulted in her positive perception and subsequent purchase action.

bottom-up processing
physical characteristics
of the stimulus drive
perception

In the second pathway, which is known as **top-down processing**, individual factors such as our needs, interests, goals, expectations, and experiences drive the extracted recognition pattern. Information processing, in this case, is based on our prior knowledge or schemata, which allows us to make inferences to perceive or see more than is contained in the stimulus itself. The resulting recognition, therefore, does not simply reflect a mere interpretation of a number of stimulus factors, but rather it represents a dynamic process of searching for the best meaning of the stimulus—given the individual characteristics and qualities of the perceiver. For instance, imagine a shopper who is looking to purchase a watch to replace her old one. In a jewelry store that carries watches, the shopper was shown two almost identical watches, indistinguishable in appearance and functions. The first is a Swiss watch, while the second is one made in China. After contemplating the alternatives for a moment, she chooses the Swiss-made watch—for which she pays a lofty price compared with the Chinese option. Her action can be explained by her preconceived beliefs regarding the high quality, precision, and dependability of Swiss-made watches compared with her lesser-quality perception of the Chinese import. Exhibit 3.3 depicts the two pathways of information processing known as bottom-up and top-down.

Although stimulus attributes and perceiver characteristics or conditions affect the way we perceive objects, the notion that perception can be explained solely in terms of stimulus and individual factors is debated, especially by Gestalt psychologists, whose views we discuss shortly.

top-down processing
individual experiences,
goals, and expectations
drive perception

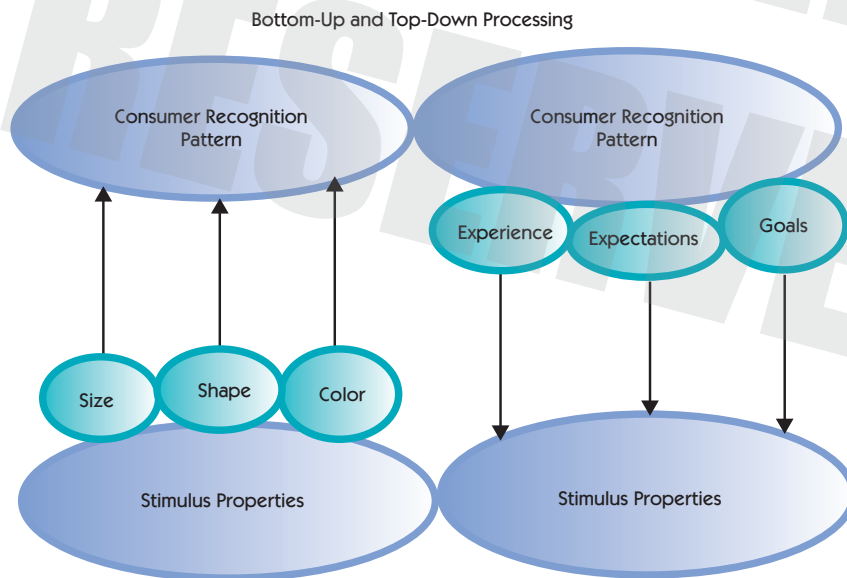


EXHIBIT 3.3

Bottom-Up and Top-Down
Processing

THRESHOLD LEVELS

Every human sensory process (sight, hearing, smell, taste, and touch) has an upper and lower limit of responsiveness. For example, humans cannot hear high-pitched whistles that dogs respond to easily. The study of the link between physical stimulation and resulting sensation is called *psychophysics*. It investigates the relationship between the psychological and the physical worlds.

There are three thresholds for each sense: an absolute threshold, a terminal threshold, and a differential threshold or just-noticeable difference (JND). The **absolute threshold** is the lowest level at which an individual can experience a sensation. It is the point below which the physical stimulus can no longer be detected. Absolute limits can theoretically be established for every type of sensation.

The **terminal threshold** is the point beyond which further increments in the intensity of a stimulus produce no greater sensation. Would adding a third scoop of raisins to Kellogg's Raisin Bran add to the taste? Would adding more perfume to a bottle of Hugo Boss aftershave improve its scent? Would mixing an added blend of coffee beans to Maxwell House Coffee improve the taste? Obviously, if such changes resulted in higher cost but had an undetected effect on quality or taste, they would be unwarranted.

The **differential threshold** or **just-noticeable-difference (JND)** is the smallest increment in the intensity of a stimulus that can be detected by an individual and still be perceived as an increase or decrease. In 1834 Ernst H. Weber, then a pioneer in the study of psychophysics, quantified the relationship between the intensity of a stimulus and the change in intensity that is required to produce a recognizable difference. According to Weber, the size of the least detectable change in the intensity of a stimulus, the JND, is a function of the initial intensity. For example, if the study lamp on your desk contains a 200-watt bulb, you are unlikely to notice an increase or decrease of a single watt in the intensity of light. However, if your room were illuminated by a single candle, you would immediately notice an additional candle's light. Similarly, a rebate of \$200 for purchasing a \$60,000 BMW would probably go unnoticed, but a \$200 rebate offered by Sears toward the purchase of a \$500 washing machine would immediately be detected by the marketplace.

absolute (lower) threshold
the lowest intensity level
at which an individual can
detect a stimulus

terminal (upper) threshold
the point beyond which
further increases in the
intensity of a stimulus
produce no greater
sensation

differential threshold (JND)
the smallest increment in
the intensity of a stimulus
that a person can detect

What the JND Means to Marketers

A number of potential applications for the JND exist in marketing. These relate to pricing, product sizing, and packaging strategies. Whether marketers desire a change (such as altered package size, higher or lower price, or adjusted product quality) to be discernible by consumers or not, they need to estimate the JND.

Clothing retailers, for example, find that markdowns of less than 20 percent from the original price of a garment have little effect on enhancing sales. For consumers to believe they are getting a bargain, the markdown must be 20 percent or more. On the other hand, if the intention is to raise prices, marketers may want the effect to go undetected by the public. This is particularly true of manufacturers faced with rising costs of product ingredients. They debate whether to raise prices, with a possible negative effect on the company's competitive position, or alter ingredients (thereby reducing the quantity or quality of the product). In either case, the move is usually designed to be below the JND to produce the least disruptive effect on the company's competitive position.

ETHICAL DILEMMA

A Tarnished View of Gold

The adverse economic and political conditions that marred the first decade of the twenty-first century in the United States, including two wars, the housing meltdown, the subsequent financial crisis at home, a mounting national debt, recession, and falling value of the dollar, all took their tolls on consumer confidence, which plunged to historic lows. Consumers who lost a large portion of their investments during trying times rushed to protect whatever they had left of their nest egg.

For such persons, one attractive alternative to investing in the stock market was the opportunity to invest in gold. Gold, throughout history, has been perceived by people as a hedge or harbor against economic or political unrest, currency

devaluation, inflation, and war. Bullish on gold, millions of Americans rushed to purchase the precious metal, armed with confidence in the soaring price of gold. For example, investors who purchased gold at \$300 per ounce in the year 2002 increased the worth of their investment by a multiplier of 6 during the early 2010s. These consumers perceived gold to be a safe investment, capable of protecting them against inflation, as well as a tool to maintain or enhance the value of their investment portfolio.

Gold coins and bars, as well as gold accounts and certificates, were among the various ways consumers began to invest in gold. In their view, gold purchases provided safety under current volatile economic conditions and helped them diversify and protect their portfolios from fluctuations in value.

Overwhelming demand for gold by millions of speculators caused its price to skyrocket, reaching highs never before witnessed. For example, during August 2011, gold soared to a new record high of \$1,908 per ounce at the London Gold Fixing.¹⁷ Like most commodities, the price of gold is driven by supply and demand, as well as by speculation. Today, however, the price of gold has fallen to an average of \$1,200 to \$1,300 an ounce (as of this writing).

Under such unusual conditions of heightened demand for a commodity when consumers rush to buy as in the case of gold, billions of dollars exchange hands. Buyers can easily fall prey to unscrupulous vendors—particularly when many lack knowledge and expertise concerning their purchase. Scammers often overprice coins, lie about their bullion content, or attempt to pass off ordinary bullion coins as rare collectibles. Others may try to sell bullion pieces with the same design as coins from the U.S. Mint, but in different sizes—deceiving consumers into believing that the seller is affiliated with the federal government and is selling official U.S. Mint coins.

Unfortunate cases such as these prompted the FTC in 2011 to issue a Consumer Alert entitled “Investing in Bullion & Bullion Coins.” This document covers such topics as tip-offs to rip-offs, hoping to arm consumers with sufficient knowledge to help them spot, stop, avoid, and report fraudulent and deceptive practices in the marketplace.

Just like any other commodity, the price of gold is driven by supply and demand. Hence, the price of gold will continue to soar to astronomic levels as long as investors, during these uncertain economic times, chase the bullion. Do you think that acquiring gold at these inflated prices represents a sound investment? Why or why not? Learn more about these issues by visiting www.consumer.ftc.gov/articles/0134-investing-gold. What precautions would you suggest that consumers should undertake in order to enhance their knowledge before making such a highly speculative investment decision?

Many companies use a strategy of downsizing (decreasing package size while maintaining the price) to combat rising costs. Philip Morris cut the weight of its Brim coffee from twelve to eleven and a half ounces but left the can size and price the same. Similarly, Kimberly-Clark cut the number of diapers in a package from eighty-eight to eighty. These moves in effect raised unit prices while not informing consumers that they were paying more.¹⁸

The same philosophy guides manufacturers and retailers who practice price lining, a strategy of offering a class of products for sale at only a few price levels. A women’s clothing shop, for example, may carry three lines of comparable dresses at a low, medium, and high price. With this practice, marketers create the impression of distinct and noticeable differences between the lines by widening the price gap between them. In doing so, they ensure that consumers are unlikely to perceive the lines as similar, even if in reality they are very comparable.

Some JND tactics that involve making undetectable reductions in package contents have been questioned from an ethical perspective. M&M’s brand candy, on the other hand, occasionally sponsors sales promotions

in which bonus-size packages boast of 10 percent more candy at the regular selling price, a difference that the firm expects consumers to notice.

SITUATIONAL INFLUENCES ON PERCEPTION

As consumers we are usually affected by the situation in which we buy and use products; that is, the factors above and beyond our own characteristics and those of a product or ad. We may feel exuberant or despondent, leisurely at ease or pressed for time.¹⁹ We often tailor our purchases according to how we feel at any given time and the specific circumstances in which we find ourselves. Such behavior reflects our **situational self-image**, the physical and mental state we are experiencing at a specific moment in time.²⁰ For example, a person facing a frustrating situation may tend to smoke, drink, or overeat.

Situational variables are environmental circumstances that constitute the context within which purchases, product usage, and product-related communications occur. There are five classes of situational variables: (1) physical surroundings, (2) social surroundings, (3) task definition, (4) time, and (5) antecedent states. Like stimulus and individual factors, they influence the way we perceive an object or event as well as how we respond to it.

Physical Surroundings

Physical surroundings at any given site include its readily apparent properties, which act on our five senses. For example, Macy's department store in midtown New York, with its elegant fixtures and impressive displays, exemplifies a certain type of physical surrounding. Physical surroundings also include store location, parking facilities, and product assortment. Retailers orchestrate layout (the visible arrangement of merchandise and promotional materials), atmospherics (decor, sounds or music, lighting, aromas, temperature, humidity), customer services, and a variety of other factors including employees' dress, presentation, and demeanor to generate the desired perception of their stores. Clutter in the aisles, on-sale promotions, stock outs, and return policies, as well as some elements beyond a retailer's control such as the weather, can likewise influence shoppers' perceptions.

While this variable is obviously applicable to physical retail stores, similar principles apply to virtual stores visited by consumers who shop online. A

situational self-image
the physical and
mental state a person is
experiencing at a specific
moment in time

situational variables
environmental circumstances
that constitute the context
within which transactions
occur

creative and compelling website with a distinctive logo, digital photography, print collateral, rich interactive media presentation, music, and Flash as well as clever graphic design is necessary to create the desired positive effect in an online environment.

Social Surroundings

Social surroundings are a second set of situational factors. These include other persons present in the shopping environment, such as family members, store personnel and clientele, and the degree of crowding. For example, in a supermarket, parents are often pestered by their young children to buy junk food. Similarly, salespeople's characteristics and manners, as well as interpersonal interactions occurring in the vicinity, are all elements of the social surroundings.

Task Definition

Task definition, a third situational factor, reflects an individual's defined role in the shopping process. For example, one parent may assume the role of purchasing clothing for a family's young children. Task definition may also be the shopper's reason for engaging in a particular behavior. When invited to a dinner party, we may purchase a bottle of wine as a gift for the hosts that is markedly different from one intended for our own consumption. Marketers can build on the concept of task definition to enhance

Social surroundings may influence consumers buying.



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sales. Department stores, for example, encourage engaged couples to sign up for bridal registries. This service facilitates for a couple's friends and relatives the task of purchasing wedding gifts.

Time Perspective

Time perspective is a fourth situational factor. Time can be regarded absolutely or relatively. In absolute terms, time dimensions are, for example, hour of the day, day of the week, or season of the year. In relative terms, time can be regarded in relationship to some past or future event (such as time since or until meals or a paycheck). The appeal of many products rests on their ability to save time. Both the absolute and relative dimensions of time influence how consumers behave in the marketplace. For example, working consumers often shop evenings and weekends. People tend to spend more right after getting paid than later in the period between checks. Similarly, last-minute Christmas shoppers face a very different situation than individuals who complete their holiday shopping early.

Due to the immense growth in online buying, the element of shopping time has undergone drastic changes. Consumers can make purchase decisions more quickly, efficiently, and conveniently on the Web, where a great variety of products is available along with information about where to get the best deal. Moreover, there is no need for the shopper to go through the time-consuming efforts of traveling, dealing with salespeople, and waiting in line at checkout counters, as is the case in conventional retail stores.

Antecedent State

Antecedent state, a fifth situational factor, is the physical or psychological state of an individual immediately preceding his or her current state. Antecedent states are temporary. They can be classified as momentary conditions or momentary moods. Momentary conditions include such circumstances as having cash on hand or none at all. Momentary moods are states like being happy or sad, calm or angry, relaxed or excited. Momentary conditions and moods can influence whether or not consumers buy, what they buy, and how much they buy.

Situational factors, separately or in combination, can exert a direct impact on purchase choices. They can also combine with the characteristics of a product or a consumer to influence purchases. For example, an elated executive who has just been promoted may decide to buy her husband an expensive set of golf clubs rather than a simple shirt for their anniversary.

For marketers, knowing how a person feels and anticipating what is going on in the environment where a product is being purchased or consumed can help to better predict consumers' product and brand choices.

GESTALT PSYCHOLOGY

Gestalt psychologists suggest a different way of looking at perception. Unlike the traditional view, this perspective emphasizes perceiving cohesive wholes, recognizing meaningful patterns, and formulating total impressions rather than noting discrete elements of a stimulus.

Gestalt

a view that people perceive cohesive wholes and formulate total impressions

Gestalt is a German word, roughly meaning *whole or total impression*. We do not notice or perceive solitary stimuli; rather, we perceive them as part of an overall pattern or Gestalt. In fact we strive to perceive cohesive wholes and meaningful patterns that are simple and complete rather than discrete components.²¹

To marketers, too, the total configuration of the marketing mix is more important than product design, price, distribution, or promotion considered separately. A brand, store, or company image is a total perception formed by processing information from many sources over time. Marketers also know that altering a seemingly minor element of a product, package, or ad sometimes alters its entire character. In a classic case that occurred in 1985, Coca-Cola attempted to change the formula of its flagship brand. In blind taste tests conducted on 190,000 consumers, subjects were asked their taste preferences for the traditional Coke formula, the new formula, and Pepsi. New formula Coke was found to be the consistent winner.²² The public uproar that occurred when the traditional formula was withdrawn from the market forced the cola giant to bring back Coke Classic.

Consumers usually perceive environmental stimuli in a manner consistent with certain Gestalt principles—closure, grouping, proximity, context, and figure and ground. Let us see how these are relevant to marketing strategies and consumer perceptions.

closure

the tendency to perceive complete structures even though some parts are missing

Closure is our tendency to perceive a complete object even though some parts are missing. Upon experiencing an incomplete stimulus, we mentally bring it to completion. In so doing, our active involvement with this stimulus helps us remember it better. Closure, for example, explains the popularity of soap operas. Viewers become *hooked* on a show out of the

need to complete the story line. Similarly, advertisers sometimes use incomplete illustrations, words, or jingles to attract attention and enhance recall.²³

Several Gestalt principles relate to grouping. **Grouping** is the human tendency to perceive large data chunks rather than small units. We integrate bits of information into organized wholes, which enables us to evaluate brands over a variety of product attributes. When prospective students evaluate universities they might attend, their perceptions often involve grouping. The process of assessing these schools is often based largely on global evaluation and overall reputation rather than on specific characteristics of each school under consideration.

Proximity is a Gestalt principle that suggests an object may become associated with another because of spatial and temporal nearness to that item. Objects close together seem to belong together or appear related in some way. Nuts, when sold in supermarkets, could be displayed with snack foods or cake mixes and other baking-related items, in which case we mentally group them with these foods and perceive them as fattening. When they are shelved with health foods, however, we may perceive nuts to be nutritious items that are high in protein. Similarly, proximity relates to product-positioning strategy. Advertisers associate their brands with positive symbols, images, or situations during which the product is used. They also attempt to build associations between product purchase or use and some desirable outcome.

Likewise, the **context** or surroundings, circumstances, or setting in which stimuli occur affects the way we perceive them. For example, an article that appears in the *Wall Street Journal* would be perceived quite differently than the same story in a supermarket tabloid. The ruggedness of a four-wheel-drive vehicle may be expressed by picturing the vehicle against a mountainous terrain. Similarly, a hybrid, electric, or compact car is perceived as a desirable vehicle in an era of concern over pollutants in the air, fuel shortages, and rising gasoline prices.

Figure and ground suggests that objects or figures are perceived in relationship to their background or ground. Interaction between the object and its background is instrumental in creating a desired perception.²⁴ Gestalt psychologists note that in organizing stimuli into wholes, people tend to distinguish stimuli that are prominent (the figure that is generally in the foreground) from stimuli that are less prominent (those in the background). Both print ads and broadcast commercials, as well as websites,

grouping
the tendency to perceive data chunks rather than separate units

proximity
the tendency to assume relatedness due to spatial or temporal nearness

context
the setting in which a stimulus occurs affects how it is perceived

figure and ground
objects are perceived in relation to their background

are usually designed so that the figure dominates, while other elements recede into the background. If the figure is dominant, it is more likely that the eye will go directly to it, particularly if the background has a softer or fuzzier focus.

Up to this point we have discussed the physical and psychological processes that interact to produce a perception. Another area that merits exploration is broadly referred to as perceptual categorization—consumers' tendency to place products into logical categories or classes. In so doing, we simplify information processing and, consequently, the task of buying.

PERCEPTUAL CATEGORIZATION

perceptual categorization
the tendency to group
somewhat similar objects
together



We tend to group objects together and respond to their class membership rather than to their unique attributes. This enables us to process quickly and simply the large volume of stimuli to which we are exposed. For example, a customer notices an unfamiliar item in a supermarket. Based on cues from its whereabouts in the store and its package design, the consumer identifies the item as a pasta product. This process is called **perceptual categorization**. To categorize objects, we weigh cues from the stimulus item to possible matches in our long-term memory. We are likely to react to the item as we would to other elements within the same category. If we believe that pasta is a healthy and tasty alternative to high-fat meals, we may try the item; if we dislike spaghetti, we may avoid it.

Individuals formulate both generic product classes (detergents, snacks, cereals) and subgroups within broader categories (dishwashing detergents and laundry detergents). The more specific subgroups are often based on such factors as quality, durability, prestige, economy, and usage occasion. For example, consumers categorize both filet mignon and ground beef as food items. Filet mignon, however, is expensive and reserved for special occasions; hamburgers are ordinary-meal items. Marketers attempt to facilitate proper categorization of their products. For example, when Toyota introduced the Lexus and Nissan introduced the Infiniti, these two models were intended to be grouped with and compared to other expensive cars. To accomplish this objective, both companies produced a number of print ads and commercials that pictured the new models along with expensive, prestigious cars such as BMWs and Mercedes-Benzes in various settings. Similarly, when Honda introduced its hybrid Civic and Toyota its Prius, both were perceived as environmentally friendly vehicles.

As we saw in the previous chapter on segmentation, most marketers today do not try to make products all things to all people. Although it is essential that consumers recognize a brand as part of its appropriate product class, marketers do not want their brands to be perceived as duplicates of other brands. Rather, positioning strategies attempt to establish both correct brand categorization and brand uniqueness. For example, producers of analgesic products want consumers to classify their brands correctly as pain relievers, but not to think all pain medications are interchangeable.

Marketers attempt to understand how people make judgments about the properties they seek in products. They also try to provide clear, unambiguous cues that enable consumers to categorize products as intended. For example, the original Listerine's antiseptic color, medicinal taste, and tingling sensation suggest that the product kills germs. The swirl inside the top of a jar of peanut butter or tub of margarine suggests freshness. The sound of a new car door's slam suggests how well constructed it is.

Surrogate Indicators

Today, complexity among many consumer products, particularly high-tech items, has never been greater. Some of these products—Wi-Fi, HD, and 3D television; digital cameras; smartphones; and tablets—have tens or even hundreds of features or applications. Consumers, in many cases, struggle to appraise and evaluate the features of these devices and their uses. Keeping pace with such products' new attributes requires significant time and technical knowledge on the part of the consumer. However, since the majority of the consuming public often lacks both the technical expertise and the time required to understand, evaluate, and compare between these brands, consumers simplify their choice process by relying on substitute cues to categorize the brands or their features. For example, if a consumer is contemplating a purchase of a smartphone, the shopper may use cues such as price/brand as benchmarks to guide his or her choice. These cues—price and brand—are called **surrogate indicators**. We use surrogate indicators to place products into categories or discern uniqueness among brands within the same product class. For example, a recent study revealed that consumers rely on manufacturer reputation, the variety a brand offers, retailer reputation, and product warranty as useful surrogate indicators in selecting products. Other common surrogate indicators include brand name, price, and physical appearance.²⁵ Packaging and guarantee, when they serve as signals of product quality to consumers, are also surrogate indicators. Country of origin, in many cases, is also used by consumers as a substitute cue. Country of origin

surrogate indicators
the cues that consumers
rely on to place products
into categories

affects the perceived value of a product. A consumer's prior experience with a country's product, as well as his or her cognitions and feelings about that nation's image, has a major influence on that person's purchasing behavior. Just as Japanese autos, French perfumes, and Swiss watches are highly valued by many consumers, other countries' products, such as toys or seafood from China, may not fare so well.

As suggested by the adage "You get what you pay for," consumers often use price as a surrogate indicator. We tend to rely on price as an indicator of product quality when we face risky situations, when we lack confidence in our ability to assess quality directly, and when we suspect significant quality or price variations among brands. For different types of merchandise, we as consumers formulate notions of *expected price* that serve as reference points in judging the prices we encounter in the marketplace. Over time, these expected prices remain flexible. As selling prices rise and fall, we adjust our price expectations according to market realities and personal experiences.

Price, however, is not always the most important influence on our perception of quality. Other factors such as brand names, store images, prior brand experiences, and specific product-quality attributes can temper the impact of a price-quality relationship. Thus, our overall product perceptions blend information we derived from price, other external cues, and judgments of intrinsic product attributes.

Prototype Matching

prototype matching
the tendency to compare
brands in a product
category to the category's
leading brand

A phenomenon closely related to perceptual categorization is known as **prototype matching**, our tendency to compare brands in a product category against the exemplar or ideal brand in that category. For example, various brands in the luggage category would likely be compared to a leading brand such as Samsonite. A given luggage piece, therefore, would be judged as acceptable or unacceptable according to how closely it matches the attributes of the category exemplar. Prototype matching explains the power of a brand leader to set the standards for the rest of the product category.²⁶

PERCEPTUAL INFERENCE

Individuals form associations between stimuli. They develop beliefs about products, brands, stores, and companies based on previously acquired in-



Our overall product perceptions blend information from price, brand name, physical appearance, retailer reputation, and other judgments.

formation and their own experiences with the stimuli. **Perceptual inferences** are beliefs based on these forms of prior knowledge and experience that a person unconsciously or consciously comes to assign to products, brands, or stores.²⁷ For example, previous learning may cause consumers to associate high price with superior quality and, consequently, to anticipate a higher level of satisfaction when they select expensive brands and models.

To prompt inferences concerning product quality, marketers may incorporate appropriate sensory cues into their product design. For example, Pine-Sol's strong antiseptic aroma implies that it disinfects as it cleans. Imperial Majesty perfume by Clive Christian of London comes in a Baccarat crystal bottle with an 18K gold-plated bottle collar adorned with diamonds, giving the perfume the prestige it deserves when it is sold at Nordstrom's for \$869 an ounce.

There are three types of perceptual inferences. *Evaluation-based inferences* are judgments leading to a consistently positive or negative brand evaluation. Someone who has had a positive experience with a Magnavox TV may conclude that all Magnavox merchandise is good. This is called the *halo effect*. After a bad experience with the TV, the same person may conclude all Magnavox merchandise is inferior (a negative halo effect). Some inferences are *similarity based*. We may base our beliefs about a brand

perceptual inferences
beliefs based on prior
experience that a person
assigns to products or stores

schema
a structure for
understanding and
interpreting new
information

on its similarity to other products, simply by linking unfamiliar products to familiar ones. For example, a shopper may associate a new condiment packaged in a tall, slender bottle with ketchup. Still other inferences are *correlational*, based on drawing conclusions from the general to the specific. For example, a consumer may believe that the higher the dosage of pain reliever in a headache remedy, the more quickly the brand works. Thus, the brand containing the highest dose of medicine has to relieve pain the fastest.

Schema and Scripts

Consumers store in their memory categorized information about objects. As they gain shopping experience, they recall information in an orderly manner that permits them to buy more efficiently. A **schema** is an organizing framework, a set of expectations that provide a structure for understanding and interpreting new information. A major food processor spent heavily to develop a tastier ketchup with a process that preserved the tomato's aromatic qualities and natural flavor. Upon introduction in supermarkets, however, the ketchup flopped. Why? The new process had eliminated the overcooked, scorched flavor that seeps into ketchup made by conventional processing. Unfortunately, it was precisely this flavor that most consumers identify as the taste of genuine ketchup. The firm adjusted its equipment to overcook and successfully reintroduced an *improved* ketchup. The original ketchup simply didn't fit into consumers' schema of what *real* ketchup should taste like.

Consumers have general schemas and subschemas. An individual may, for example, have general schemas about automobile makes and subschemas about specific car features, such as four-wheel drive, convertible top, stick shift, and automatic transmission. Similarly, a person may have general schemas about retailers and subschemas about various types of stores, such as department stores, discount stores, supermarkets, and convenience stores.

script
the knowledge about
procedures to follow in
recurring situations

Scripts refer to our knowledge about the appropriate behaviors to perform in response to recurring events that we may encounter. For example, as we order a product online, return a purchased merchandise item to a store, or negotiate the purchase price of a new car, we act out a script, a behavior sequence appropriate for the situation. In buying a new automobile, for instance, we may (1) order the make, model, style, color, and various options; (2) agree on the delivery date; (3) negotiate a price; and (4) complete the details of a financing plan.

Scripts include our expectations about locations, situations, people, specific behaviors to perform, and outcomes of that behavior. They organize our knowledge about what to do in familiar situations and let us anticipate the outcome of our actions. Once activated, a script automatically guides most relevant behavior so that we don't have to make many deliberate, conscious decisions when faced with a similar situation. Scripts facilitate shopping. Rather than organizing information from scratch, we rely on experience to develop routines leading toward product purchase and use.

PERCEPTION AND IMAGES

Simply stated, **image** is a person's net impression of what a company, product, brand, or store is all about. Armani suits, for example, convey a different image from those purchased at Sears. Sources of images include sensory information from various sources such as advertising, personal experience, and symbols that people have come to recognize and respond to.

Martineau, based on the earlier work of Levy, characterized *image* as “the total set of attitudes, the halo of psychological meanings, the associations of feeling, the indelibly written aesthetic messages over and above bare physical qualities.”²⁸ In other words, image invokes a functional and psychological portrait that a stimulus paints in consumers' minds.²⁹ It is the mental picture, personality, and feelings that an object conveys to consumers.

To attract customers, manufacturers and retailers must project an image that is acceptable to their target market. Consumers frequently form preferences for one brand or store over another because of its image. The way a brand or store is perceived and what it communicates about the consumer to others can be more important than how well a product works or how much a dealer charges. Thus, it is imperative that both manufacturers and retailers become cognizant of the many factors that contribute to brand and store images. The ad in Figure 3.2 depicts how Chanel uses an elegant image to promote its product line.

Image building presents a challenge for marketers because a mental image encompasses many facets, such as impressions of product attributes, types of people who use a brand, and situations surrounding brand use. Images can be built around notions of economy, safety, reliability, pleasure, status, distinctiveness, or other aspects of the product that may be of interest to the target market.

image

a person's view of what a company, product, brand, or store is

FIGURE 3.2

This photo from Chanel depicts the elegant styles the brand offers to affluent and fashion-conscious women.



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A product's image can differ greatly from its physical attributes. For example, it is often the image we hold of food or beverage items that determines our preferences for them. Consumers frequently find it difficult to believe that brands in certain product categories are virtually identical. They come to insist on a particular brand largely due to image-building factors initiated by marketers such as branding, packaging, pricing, and promotion rather than due to physical product differences. The significance of brand image quickly becomes apparent in the case of a blind wine taste test performed at a winery in California. In that test, researchers gave respondents unidentified samples of red wines such as Merlot and Cabernet Sauvignon. Some of the samples were exclusive French brands; others were expensive competing California brands, as well as wines from Charles Shaw's own winery. To everyone's surprise, the inexpensive \$2.49 bottle of Charles Shaw's wine was rated as high as or even higher than equivalent competing wines for which consumers pay significantly higher prices. The point is that both the famous labels and higher prices elevated consumers' perception of the taste and quality of the designer-brand wines.³⁰

Like products and brands, stores also have images. Establishments such as Bloomingdale's, Saks Fifth Avenue, Nieman Marcus, and Crate and Barrel project very different images than Target, Kmart, Walmart, and Ross. In

selecting stores, consumers look for those that match their self-concept. Some stores intimidate a shopper, whereas others are comfortable to patronize. For some consumers, the same store is regarded as an acceptable source for some types of merchandise but not for others. A shopper may perceive Sears to be a good place to buy appliances and housewares, but not clothing. However, as part of its strategy to overcome this less-than-glamorous perception of its fashions, Sears recently acquired Lands' End and started offering that line of clothing in its stores.

Because stores cannot be all things to all people, retailers attempt to create images congruent with the self-image held by the market segment they target. Store images are shaped by retailers' merchandise assortment, level of customer services, pricing policies, promotional activities, reputation for integrity, degree of community involvement, and atmospherics. Atmospherics entail all the various physical elements in a store's design, both inside and out, that appeal to customers' emotions and stimulate buying. Interior atmospheric elements include sensory factors such as layout (arrangement of departments, width of aisles, grouping of products, location of checkout areas), store fixtures, merchandise displays, wall and floor coverings, lighting, colors, sounds, scent, neatness, degree of crowding, personnel, and clientele. Exterior atmospheric elements include location, appearance of the storefront, display windows, entrances, and degree of traffic congestion.³¹

Interestingly, consumers formulate images of stores regardless of whether retailers deliberately attempt to convey a specific image.³² Although brand name appeared to be the most important cue when consumers formed impressions about a store's merit, the number of salespersons per department seemed to most strongly influence customer images concerning its quality.

Imagery and Promotion

Imagery is a process by which we visualize sensory information in our working memory. Working memory refers to our ability to hold and manipulate information in the mind over short periods of time. For example, when we give directions to an out-of-town friend, we use mental imagery to picture the roads, exits, traffic lights, and stop signs to verbally express our memory of the route. Imagery is helpful to consumers in at least two ways. It helps them to recall and express information they have stored in their memory. It also facilitates consumers' comprehension when products or situations are presented in a pictorial or graphic form.

imagery

the way consumers visualize sensory information in working memory

Imagery is therefore important as a perceptual tool in promotion. In advertising, for example, imagery is created largely through illustrations. Pictures may be used to demonstrate how a product is used. Research shows that dually coded pictures (pictures that show the brand name along with the product) increase recall of the brand name.³³ This enhanced recall is thought to be the result of our seeing the information in two different forms—verbal and pictorial.

Together with the other ingredients of the marketing mix, promotion—and advertising in particular—plays an important role in establishing and enhancing favorable corporate, brand, and store images.³⁴ Because of advertising's ability to generate images, it has sometimes been referred to as the business of *image management*—creating and maintaining images and meanings in a consumer's mind.³⁵

Image Change

The public's positive image of a firm is vital for its continued success. Images can range from clear to vague, from strongly positive to neutral or even negative. A favorable image virtually ensures continued attractiveness of the firm and becomes a valuable asset that is cherished and protected. A negative image, on the other hand, can seriously impair a firm's ability to do business and could even threaten its survival. As a result, image protection and restoration strategies may take the form of aggressive, reactive, or defensive moves.³⁶

Management may take a firm's positive image for granted until something unfortunate occurs and executives are faced with a negative image to rectify. Because attitudes are slow to change, image correction is a time-consuming process. Examples abound in corporate history of companies that were faced with the challenge of changing negative images. Some of the most infamous incidents in recent times include Target's massive customer data security breach, Volkswagen's diesel emission scandal where the company intentionally masked true emission levels of diesel-powered cars, Johnson & Johnson Baby Powder containing talc for feminine hygiene that contributed to ovarian cancer in women, Takata's controversy over defective and potentially lethal airbags that inconvenienced millions of American car owners, Toyota's cover-up of vehicles' severe safety problem with unintended acceleration, and General Motor's faulty ignition switches.

GLOBAL OPPORTUNITY



What Do James Dean, Cowboys, and Latin Americans Have in Common?

Levi Strauss Company markets products in seventy countries around the world. The company owns and operates plants in twenty-five countries and has licensees, distributors, and joint ventures in many others. One of the pressing decisions the company faces in creating a uniform image throughout the world is whether to apply a worldwide strategy to all advertising or settle on localized campaigns for each country in which Levi's products are sold. By allowing the localization of Levi's advertising, the company fears that it may appear as separate and distinct firms in different nations. The fact that local advertising agencies in some countries are quite sophisticated whereas ad agencies in other nations lack expertise in creating and casting commercials would nurture such an impression. On the other hand, a uniform worldwide advertising strategy would tend to ignore differences that characterize consumers in various countries.

In determining which strategy is best, the company reviewed its current ads in various countries. For example, in European television, Levi's commercials project a super-sexy appeal. In the minds of at least some company executives, this is an objectionable personality for the brand. In Latin America, where Levi's ads addressed a family-oriented market, the advertising message was found to be substandard. In the United Kingdom, ads emphasized Levi's as an American brand starring a cowboy in a Wild West fantasy setting. In Japan, to overcome competition from other jean brands, Levi's positioned itself as legendary American jeans with commercials bearing the theme "Heroes Wear Levi's." Japanese Levi commercials featured clips of cult figures such as James Dean. In Brazil, where consumers are more strongly influenced by European fashion trends than by American trends, the French-filmed commercials featured cool young Parisians amidst a wild traffic scene. In Australia, creating brand awareness was the focus of Levi's advertising campaign. Commercials emphasized the brand name and Levi's quality image.

It appeared that while the advantages of employing a uniform advertising strategy in all markets were clear, the disadvantages are just as real. The unique needs of each market could not be met with a single worldwide advertising strategy. Moreover, implementation of a centralized advertising strategy would require an organizational structure that is considerably different from Levi's present one. Finally, local advertising agencies in different parts of the world often resist outside suggestions to change the way they conduct their business.³⁷

Levi Strauss is a name known worldwide. The company's garments and jeans are popular in almost every country in the world. Learn about factors affecting standardization or adaptation of Levi's strategy and tactics in foreign countries by visiting the website http://www.academia.edu/386966/Levi_Strauss_And_International_Marketing_Investigation. In your view, should Levi use an adaptation strategy to market its products in selected foreign countries based on the social, cultural, economic, competitive, and technological factors of the chosen nation? Why or why not?

brand equity
the added value a brand
name brings to a product
beyond its functional worth

Brand Equity

The most successful brands within their product category develop brand equity. **Brand equity** is the added value a brand brings to a product beyond the item's functional value. For example, when brands like Nike or Reebok add value to athletic shoes and exercise gear, these brands are said to possess brand equity. Companies develop equity for their brands by consistently delivering high quality, building strong associations between a brand and a set of benefits (such as Sony's association with innovation and high quality), and developing a consistent image through sponsorship of humanitarian and environmental causes, the use of logos, trademarks, trade characters, or spokespeople.³⁸

Brand equity increases profits and market share. It also enhances both customer and distributor loyalty to a brand. When firms apply brands with strong equity to new products or new lines of products, consumers are more apt to try them. Firms with brand equity may also allow other companies to license their brand for use on noncompeting products (such as Harley-Davidson sunglasses and beach towels).

RISK PERCEPTION

Perception of risk is a fact of life. Any task we undertake in performing our day-to-day activities involves some sort of risk or uncertainty. Whether you are driving your car, purchasing stocks through a broker, or online buying a product, you are taking a certain degree of risk.

Risk perception is a subjective judgment that we make about the characteristics and severity of uncertainties we face. Individuals confronted with the same decision perceive different degrees of ensuing loss or harm. Variations in the perception of risk are due to a number of individual factors that include a person's prior knowledge and experience, one's emotional state, his or her choice of exposure to the source of risk, degree of expected loss, whether or not the risk is within one's control, the level of uncertainty associated with the outcome, and the risk/benefit ratio of the consequences of an action. For example, a high sensation-seeking individual (i.e., one who craves challenges and thrills), such as a skydiver or mountain climber, perceives the risk of these activities differently than an acrophobic person.

Perception of risk is inseparable from any investigation of consumer behavior. Consumers incur various degrees and varieties of risk in the execution of every marketplace transaction. There are generally five types of risk that consumers experience. The first of these is *functional risk*, that is, whether or not the purchased product or service will perform as expected. A second type of risk is *financial risk*, that is, whether the product or service is worth the investment required. A third type is *physical risk*, which questions the danger the product or service poses to the individual or the environment. The fourth type of risk is *social risk*, which seeks to ascertain how significant others will perceive the purchase choice. The fifth type is *psychological risk*, the chance that a faulty choice may bruise the buyer's self-image.

Both consumers and sellers attempt to reduce the degree of risk perception in business transactions. Sellers, for example, adopt various risk-reduction strategies to aid buyers, including offering 100 percent satisfaction guarantees, free product returns, warranties, refunds, samples, and free non-committing trial periods. They also enhance the benefits accrued from a purchase in order to equalize the relationship between risk/benefit paradigms. Consumers, on the other hand, attempt to reduce risk by comparing various competing offerings, acquiring product information from multiple sources, selecting reputable brands and vendors, and seeking endorsed brands, as well as relying upon other surrogate indicators like price.

Unfortunately, the concept of risk perception had become abused to some degree by less-than-scrupulous marketers. Some vendors have come to recognize the power of preying upon consumers' perceptions of risk and fears of uncertainty. Often, vulnerable consumers fall prey to tactics where marketers cite harm if purchase action is not taken. Examples abound in the fields of pharmaceuticals, insurance, health and beauty products, weight-loss clinics, and a host of home-security products and services.³⁹

So far we have seen that consumers do not purchase objectively defined products. Rather, consumers buy products as they perceive them to be. They attend to only particular product attributes and process only a fragment of the advertising messages directed to them. What consumers learn about products, services, brands, and stores is largely an outcome of their experiences. What may seem obvious and critical for marketers may prove to be too subtle or even trivial for consumers. It is for this reason the study of consumer perception alone is insufficient to explain their behavior in the marketplace. It is equally important to understand how consumers *learn* about products, services, brands, and stores, which is the topic of the next chapter, dealing with consumer learning and memory.

SUMMARY

This chapter examines the physiological and psychological bases of perception and explains human perceptual processes. The process of perception begins with exposure to the abundant stimuli in the environment. Because perceptual processes are selective, some—but not all—stimuli may attract an individual's attention. Sensation occurs when an individual's sensory receptors transmit sensory data to the brain via the nervous system. Sensory systems include vision, smell, taste, sound, and touch. Perception occurs as individuals subjectively organize and interpret sensations.

A traditional notion views perception as the outcome of interaction between characteristics of stimuli, characteristics or conditions of perceivers, and situational factors. In this view, factors such as threshold levels (absolute, terminal, or differential) influence perceptual processes. The Gestalt view, on the other hand, emphasizes perceiving cohesive wholes, recognizing meaningful patterns, and formulating total impressions rather than noting discrete elements. Consumers usually perceive stimuli in their environment in a manner consistent with Gestalt principles, including closure, grouping, proximity, context, and figure and ground.

Individuals tend to group stimuli together into classes to facilitate dealing with them. This tendency is known as perceptual categorization. We consciously or unconsciously formulate beliefs about unfamiliar stimuli and assign meanings to objects based on other available information. This tendency is known as perceptual inference.

Schema are organizing frameworks that provide individuals with a structure for understanding new stimuli. Scripts suggest appropriate behavior sequences for particular environments and situations.

Image entails an individual's net impression of what a stimulus is all about. Product, service, and brand positionings must be appropriate for the particular market segment to which they are targeted. Firms may take proactive or reactive–defensive approaches to combat an unfavorable image. Among a firm's greatest assets is the ability of its brands to add value to products and services. This added value is known as brand equity.

Risk perception is a subjective judgment we make about uncertainties we face. Risk can take the forms of functional, physical, social, and psychological disposition.

CASE SYNOPSIS



Guns Anyone?

In the United States, the debate over availability of firearms to individuals has been going on for many years. On the two sides of the debate are gun rights supporters on one hand, and the gun control advocates on the other. The main issue underlying this debate boils down to the question of whether or not Americans would like the gun control laws—which were created to protect us—to take away our basic rights as citizens. This pro and con debate involves at least three entities who happen to have different interests and views regarding how to deal with the gun control issue. These three interested parties are the existing political regime, the citizens of the society, and the criminal element. Conclusions point out that it is primarily the criminal aspect that seems to cause the significant strife which motivates pro and con gun-control parties to require legislative action. Thus, it is safe to suggest that the interplay among these three entities works to prevent or promote passage of gun control laws.

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