

A Framework for Consumer Analysis

Buying a Home Security System

Barbara Linton is 37, divorced, and the mother of two daughters, Joanne and Jenny, ages 7 and 10. A successful doctor, she earns more than \$100,000 annually. She lives in her own home in a Chicago suburb with her children, who go to private schools.

Recently a number of robberies and burglaries have occurred close to her neighborhood. One of her friends was attacked in a mall parking lot and robbed. Barbara is concerned about her safety and that of her children and is considering buying a home security system. However, she knows nothing about this product.

Barbara's uncle who lives in Minneapolis had a home security system installed a few years ago after his home had been burglarized. After the 10 o'clock news report on another robbery in her area, Barbara decides to take the kids and fly home to see her family the following weekend. She plans to include a visit to her uncle's house to chat with him about his home security system.

Her uncle Al is glad to see her and glad to explain the system he bought. He has a wireless activator on his keychain which enables him to arm or disarm the system from anywhere in his home. When armed, the system automatically sets off an alarm and calls the security company if someone tries to break into his home. The company then calls the local authorities and has them sent to his address. He paid for installation and pays a monthly monitoring fee for this service. "The peace of mind and feeling of security I get from this system makes it well worth the money," he tells Barbara.

When she returns home, she goes online and Googles "Home Security System." She finds an article on how to choose a company for a continually monitored home security system, and finds a variety of other useful information and companies that offer this service. She decides to purchase from ADT Security Services since it advertises that it is "America's



#1 home security service provider.” She calls ADT and a few weeks later, the system is installed and she writes a check to

pay for it. She feels much safer in her home and believes it was the right thing to do to protect her and her children.

What factors are involved in the purchase made by Barbara Linton? Many theories, models, and concepts have been borrowed from other fields and developed by marketing researchers in attempts to understand consumer behavior. In many cases, these ideas overlap and even compete with one another as useful descriptions of consumers. To date, no one approach is fully accepted, nor is it likely that a single, grand theory of consumer behavior can be devised that all researchers would agree on.

Nevertheless, in this chapter we present a framework for researching, analyzing, and understanding consumers to help marketers develop more effective strategies. The framework is a general one that can be used to analyze any consumer behavior issue facing marketers, from developing new products and services to improving strategies for existing products and services. It can be used to aid nonprofit organizations in developing exchanges with consumers, including donations and use of nonprofit services, such as museums and libraries. The framework also provides the organizational structure for this book.

We begin the chapter by introducing three elements that should be researched and analyzed to develop effective marketing strategies: (1) consumer affect and cognition, (2) consumer behavior, and (3) consumer environments. Then we discuss the special relationships among these elements and the role of consumer research and analysis in developing marketing strategies. Next, we discuss marketing strategy—the stimuli placed in the environment to influence consumers. We conclude with a discussion of four levels of consumer analysis.

Three Elements for Consumer Analysis

Exhibit 2.1 presents three elements for consumer analysis and the relationships among them. Each element is critical for developing a complete understanding of consumers and selecting strategies to influence them.

Exhibit 2.1

Three Elements for Consumer Analysis



Consumer Insight 2.1

Some Basic Questions about Consumer Affect and Cognition



Although many competing theories and ideas about consumer affect and cognition have been proposed, no single theory completely describes the workings of the consumer's mind. However, carefully studying and thinking about the information in Section 2 of this text should help you develop informed answers to questions about affect and cognition such as the following:

1. How do consumers interpret information about marketing stimuli such as products, stores, and advertising?
2. How do consumers choose from among alternative product classes, products, and brands?
3. How do consumers form evaluations of products and brands?
4. How does memory affect consumer decision making?
5. How do affect and cognition influence behavior and environments?
6. How do behavior and environments influence affect and cognition?
7. How do consumers interpret the benefits of marketing offerings?
8. Why are consumers more interested or involved in some products or brands than others?
9. How do marketing strategies influence consumers' affective and cognitive responses?
10. How do affective and cognitive responses influence each other?

Consumer Affect and Cognition

Consumer *affect* and *cognition* refer to two types of mental responses consumers exhibit toward stimuli and events in their environment. **Affect** refers to their feelings about stimuli and events, such as whether they like or dislike a product. **Cognition** refers to their thinking, such as their beliefs about a particular product.

Affective responses can be favorable or unfavorable and vary in intensity. For instance, affect includes relatively intense *emotions* such as love or anger, less strong *feeling states* such as satisfaction or frustration, *moods* such as boredom or relaxation, and milder overall *attitudes* such as liking McDonald's french fries or disliking Bic pens. Marketers typically develop strategies to create positive affect for their products and brands to increase the chances that consumers will buy them.

Cognition refers to the mental structures and processes involved in thinking, understanding, and interpreting stimuli and events. It includes the knowledge, meanings, and beliefs that consumers have developed from their experiences and stored in their memories. It also includes the processes associated with paying attention to and understanding stimuli and events, remembering past events, forming evaluations, and making purchasing decisions and choices. Although many aspects of cognition are conscious thinking processes, others are essentially automatic. Marketers often try to increase consumers' attention to products and their knowledge about them. For example, Volvo ads often feature detailed information about the safety features of the cars to increase consumers' knowledge and the chances that they will buy Volvos.

Section 2 of this text offers a detailed treatment of consumer affect and cognition and explains the importance of understanding them for developing marketing strategies. Consumer Insight 2.1 offers a sample of the types of questions Section 2 is designed to answer.

Consumer Insight 2.2

Some Basic Questions about Consumer Behaviors



Although less attention has been given to studying overt behavior of consumers, many behavior influence techniques seem to be commonly used by marketing practitioners. Carefully studying and thinking about the information in Section 3 of this text should help you develop informed answers to questions about behavior such as these:

1. How do behavior approaches differ from affective and cognitive approaches to studying consumer behavior?
2. What is classical conditioning, and how is it used by marketers to influence consumer behavior?
3. What is operant conditioning, and how is it used by marketers to influence consumer behavior?
4. What is vicarious learning, and how is it used by marketers to influence consumer behavior?
5. What consumer behaviors are of interest to marketing management?
6. How much control does marketing have over consumers' behavior?
7. How do affect and cognition and environments affect behavior?
8. How does behavior influence affect and cognition and environments?
9. How can behavior theory be used by marketing managers?
10. Do the frequency and quality of consumer behavior vary by individuals, products, and situations?

Consumer Behavior

In this text, **behavior** refers to the physical actions of consumers that can be directly observed and measured by others. It is also called *overt behavior* to distinguish it from mental activities, such as thinking, that cannot be observed directly. Thus, a trip to The Gap at the mall involves behavior; deciding whether to go there is not an overt behavior because it cannot be observed by others. Examples of behaviors include shopping at stores or on the Internet, buying products, and using credit cards.

Behavior is critical for marketing strategy because only through behavior can sales be made and profits earned. Although many marketing strategies are designed to influence consumers' affect and cognition, these strategies must ultimately result in overt consumer behavior to have value for the company. Thus, it is critical for marketers to analyze, understand, and influence overt behavior. This can be done in many ways, including offering superior quality (Toyota), lower prices (Circuit City), greater convenience (Peapod online groceries), easier availability (Coke is sold in millions of stores and vending machines), and better service (Briggs & Stratton lawnmower engines are serviced at 25,000 locations). Marketers can also influence overt behavior by offering products, stores, and brands that are trendier (The Gap), sexier (Calvin Klein jeans), more popular (Nike), and more prestigious (Mont Blanc pens) than competitive offerings.

Section 3 of this text is devoted to overt consumer behavior. Consumer Insight 2.2 offers a sample of the types of questions Section 3 is designed to answer to aid in developing successful marketing strategies.

Consumer Environment

The consumer **environment** refers to everything external to consumers that influences what they think, feel, and do. It includes social stimuli, such as the actions of others in

cultures, subcultures, social classes, reference groups, and families, that influence consumers. It also includes other physical stimuli, such as stores, products, advertisements, and signs, that can change consumers' thoughts, feelings, and actions.



Consumer research can help marketers understand consumer affect and cognition, behavior, and environments

The consumer environment is important to marketing because it is the medium in which stimuli are placed to influence consumers. For example, marketers run commercials during TV shows that their target markets watch to inform, persuade, and remind them to buy certain products and brands. Marketers can send free samples, coupons, catalogs, and advertisements by mail to get them into consumers' environments. Stores are located close to populated areas to get them in the proximity of consumers. Web sites become part of a consumer's environment if they are contacted.

Section 4 of this text discusses the environment and its influence on consumers. Consumer Insight 2.3 offers a sample of the types of questions Section 4 is designed to answer.

Relationships among Affect and Cognition, Behavior, and the Environment

In Exhibit 2.1 each of the three elements is connected by a two-headed arrow signifying that any of them can be either a cause or an effect of a change in one or more of the other elements. For example, a consumer sees an ad for a new laundry detergent that promises to clean clothes better than Tide. This ad changes what the consumer thinks about the new brand and leads to a purchase of it. In this case, a change in the consumer's environment (the ad for the new detergent) led to a change in cognition (the consumer believed the new detergent was better), which led to a change in behavior (the consumer bought the new brand).

A change in laundry detergent purchase and use could come about in other ways. For example, a consumer receives a free sample of a new liquid detergent in the mail, tries it out, likes it, and then purchases it. In this case, a change in the consumer's environment (the free sample) led to a change in behavior (use and purchase), which led to a change in the consumer's affect and cognition (liking the new brand).

Another possibility is that a consumer is dissatisfied with his or her current brand of laundry detergent. On the next trip to the grocery store, the consumer inspects other brands and selects one that promises to get white clothes whiter. In this example, a change in affect and cognition (dissatisfaction) led to a change in the consumer's environment (inspecting other brands), which led to a change in behavior (purchase of a different brand).

Although changes can occur in other ways, these examples serve to illustrate our view of consumers, namely, that consumer processes not only involve a dynamic and interactive system but also represent a *reciprocal system*.¹ In a **reciprocal system**, any of the elements can be either a cause or an effect of a change at any particular time. Affect and cognition can change consumer behavior and environments. Behavior can change consumers' affect, cognition, and environments. Environments can change consumers' affect, cognition, and behavior.

Viewing consumer processes as a reciprocal system involving affect and cognition, behavior, and the environment has five implications. First, any comprehensive

Consumer Insight 2.3

Some Basic Questions about Consumer Environments



Environmental psychology seeks to extend knowledge about the relationships between environmental stimuli and human behavior. In consumer research, the major environmental factors examined have been concerned with the impact of various societal aspects. Carefully studying and thinking about the information in Section 4 of this text should help you develop informed answers to these questions about the environment:

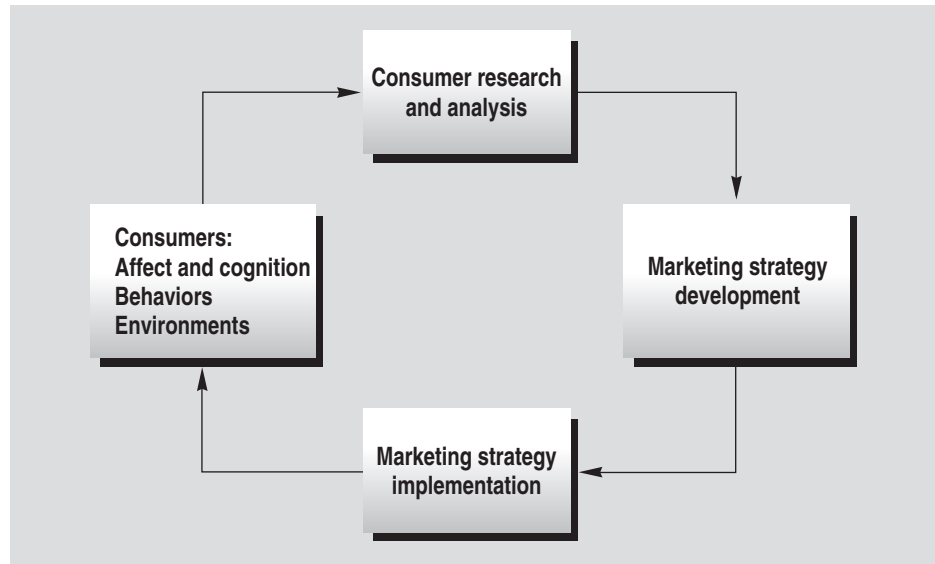
1. In what physical environments do consumer behaviors occur?
2. How do environments influence consumers' affect and cognition and behavior?
3. How do consumer affect and cognition and behavior affect the environment?
4. What effect does culture have on consumers?
5. What effect does subculture have on consumers?
6. What effect does social class have on consumers?
7. What effect do reference groups have on consumers?
8. What effect do families have on consumers?
9. In what ways do consumers influence one another concerning marketing offerings?
10. How powerful are interpersonal influences on consumer behavior?

analysis of consumers must consider all three elements and the relationships among them. Descriptions of consumers in terms of only one or two of the elements are incomplete. For example, to assume that affect and cognition always cause behavior and ignore the impact of the environment underestimates the dynamic nature of consumption processes. Similarly, to assume that the environment controls behavior without consideration of affect and cognition also gives an incomplete description. The development of marketing strategies should include an analysis of all three elements, their relationships, and the direction of causal change at particular times.

Second, any of the three elements may be the starting point for consumer analysis. Although we think that marketing strategists should start with an analysis of the specific overt behaviors consumers must perform to achieve marketing objectives, useful analyses could start with affect and cognition by researching what consumers think and feel about such things as the various brands of a product. Alternatively, the analysis could start with consumers' environments by examining changes in their worlds that could change their affect, cognition, and behavior. However, regardless of the starting point, all three elements and their relationships should be analyzed.

Third, because this view is dynamic, it recognizes that consumers can continuously change. Although some consumers may change little during a particular time period, others may change their affect, cognition, behavior, and environments frequently. Thus, keeping abreast of consumers involves continuous research to detect changes that could influence marketing strategies.

Fourth, although our example focused on a single consumer, consumer analysis can be applied at several levels. It can be used to analyze not only a single consumer but also groups of consumers that make up a target market—a larger group of consumers made up of all the purchasers of a product in an industry—or an entire society. Because marketing strategies can be applied at all of these levels, this approach is useful for all types of marketing issues, as discussed at the end of the chapter.

Exhibit 2.2**The Role of Consumer Research and Analysis in Marketing Strategy**

Finally, this framework for analyzing consumers highlights the importance of consumer research and analysis in developing marketing strategies. As shown in Exhibit 2.2, consumer research and analysis should be key activities for developing marketing strategies. Consumer research includes many types of studies, such as test marketing, advertising pretests, sales promotion effects, analysis of sales and market share data, pricing experiments, traffic and shopping patterns, surveys, and many others.

A logical sequence is to first research and analyze what consumers think, feel, and do relative to a company's offerings and those of competitors. In addition, an analysis of consumer environments is called for to see what factors are currently influencing them and what changes are occurring. Based on this research and analysis, a marketing strategy is developed that involves setting objectives, specifying an appropriate target market, and developing a marketing mix (product, promotion, price, place) to influence it. After the target market has been selected based on careful analysis of key differences in groups of consumers, marketing strategies involve placing stimuli in the environment that hopefully will become part of the target market's environment and ultimately influence its members' behavior.

Consumer research and analysis should not end when a strategy has been implemented, however. Rather, research should continue to investigate the effects of the strategy and whether it could be made more effective. For example, although AriZona Beverages implemented a successful strategy for selling its products, it tried to increase its market share by using squeezable sports bottles with a nozzle like the ones athletes use to guzzle on the run. Thus, marketing strategy should involve a continuous process of researching and analyzing consumers and developing, implementing, and continuously improving strategies.

Marketing Strategy

From a consumer analysis point of view, a **marketing strategy** is a set of stimuli placed in consumers' environments designed to influence their affect, cognition, and behavior. These stimuli include such things as products, brands, packaging,

Exhibit 2.3**The Wheel of Consumer Analysis**

advertisements, coupons, stores, credit cards, price tags, salespeople's communications, and, in some cases, sounds (music), smells (perfume), and other sensory cues.

Exhibit 2.3 presents our complete framework, which we call the Wheel of Consumer Analysis. It is a wheel because it is constantly rotating with changes in consumers and in marketing strategy. Marketing strategy is treated as the hub of the wheel because it is a central marketing activity and is designed by marketing organizations to influence consumers.

Clearly, marketing strategies should be designed not only to influence consumers but also to be influenced by them. For example, if research shows that consumers are disgusted (affect and cognition) with blatant advertisements for Calvin Klein jeans, the company may want to change its ads to better appeal to the market. If research shows that consumers in the target market do not shop (behavior) in stores where a company's product is featured, the distribution strategy may have to be changed. If research shows that consumers want to be able to get information from a company's Web site (environment) and none exists, the company may want to create one. Thus, marketing strategies should be developed, implemented, and changed based on consumer research and analysis.

Section 5 of this text is devoted to marketing strategy. Although the entire text focuses on applying consumer analysis to marketing strategy issues, Section 5 focuses specifically on market segmentation and each element of the marketing mix: product, promotion, price, and place (channels of distribution).² Consumer Insight 2.4 offers a sample of the types of questions Section 5 is designed to answer.

Levels of Consumer Analysis

As noted, consumer research and analysis can be conducted at several different levels. The Wheel of Consumer Analysis is a flexible tool that can aid in understanding different societies, industries, market segments, or individual consumers. It can be

Consumer Insight 2.4

Some Basic Questions about Marketing Strategy and Consumers



Consumers are the focal point in the development of successful marketing strategies. Marketing strategies both influence and are influenced by consumers' affect and cognition, behavior, and environment. Carefully studying and thinking about the information in Section 5 of this text should help you develop informed answers to questions about marketing strategies such as the following:

1. What are some effective ways to segment markets?
2. How can products be effectively positioned?
3. What are the relationships between product strategies and consumers?
4. What are the relationships between promotion strategies and consumers?
5. What are the relationships between channels of distribution and consumers?
6. What are the relationships between pricing strategies and consumers?
7. What consumer variables affect the success of a marketing strategy?
8. How can a firm develop brand-loyal consumers?
9. What is the role of consumer satisfaction in developing successful market offerings?
10. How does nonstore consumer behavior differ from behavior in stores?

used fruitfully by both marketing strategists and public policy officials to understand the dynamics that shape each of these levels.

Societies

Changes in what a society believes and how its members behave can be analyzed with the Wheel of Consumer Analysis. For example, a recent change in our society involves greater concern with health and fitness. How did this change occur? Surely, consumers were always concerned with living long, happy lives. A growing body of medical research indicated people could be healthier and live longer if they ate properly and exercised regularly. This research may have changed attitudes of some consumers about their eating and exercise habits. As these consumers, particularly those on the West Coast, changed their attitudes and began living more healthful lifestyles, many other consumers copied these beliefs and behavior patterns. In addition, healthy, well-toned people are considered more attractive in our society. This belief may have accelerated the health and fitness movement. Also, because a variety of health-related industries, such as health foods, exercise equipment, and sports apparel, developed and promoted proper eating habits and regular exercise, consumers were increasingly exposed to the concept and benefits of an active lifestyle.

Of course, not everyone in society has changed his or her lifestyle, and some who did eventually reverted to less healthful habits. However, the brief discussion here shows changes in the environment (medical research reports), cognition and affect (beliefs about how to live longer and healthier), behavior (eating healthful foods and exercising), and marketing strategies (development and promotion of health foods, exercise equipment, and apparel products), that interacted to create this change in society in general. The Wheel of Consumer Analysis can account for these changes in our society and can also be applied to other societies to help explain their structures and practices.



Our society's emphasis on health and fitness can be accounted for by the Wheel of Consumer Analysis

Industries

The Wheel of Consumer Analysis can be used to analyze the relationships of a company and its competitors with consumers in specific industries. For example, consider the effects of health concerns on the beer industry. Lite beer from Miller took advantage of the health movement and created the market for reduced-calorie beer. Miller Brewing Company became the light-beer market leader by being the first to offer a product that was consistent with a change occurring in society, and it also, through developing and marketing the product, helped accelerate the change. Thus, a change in consumer beliefs and behavior concerning calorie intake influenced a marketing strategy to introduce and spread the change in consumer beliefs and behaviors. The success of the product influenced competitors to also offer light beers, further changing demand for this product category.

However, another change in this industry is the concern with responsible drinking, which decreases demand for alcohol products in general. This change has led to the development and marketing of nonalcoholic beers

and, for many consumers, abstinence from any alcoholic beverages. Consumer groups such as Mothers Against Drunk Driving and Students Against Drunk Driving have also influenced many members of society to reduce their alcohol consumption. Although being drunk and boisterous was considered acceptable behavior some years ago, many consumers no longer find it so. Similarly, smoking was at one time considered a sign of maturity and “coolness,” whereas today fewer and fewer public places tolerate smoking.

At the industry level, changes in consumer cognition, affect, and behavior can threaten existing products and can also offer opportunities to develop products more consistent with new values and behaviors. Successful marketing strategies depend on analyzing consumer–product relationships not only for the company's products but for those of competitors, and creating an advantage over competitive offerings.

Market Segments

The Wheel of Consumer Analysis can be used to analyze groups of consumers who have some similarity in cognition, affect, behavior, and environment. Successful firms in an industry usually divide the total market into segments and try to appeal most strongly to one or more of them. For example, the emphasis on health encouraged many consumers to become involved in sports. However, specific shoes designed to play each sport effectively were not always available. Today consumers can find many varieties and styles of shoes for running, bicycling, soccer, basketball, and other sports. These shoes vary in design, features, and price ranges to appeal to groups of consumers that are similar in some ways.

Reebok, for example, developed its Blacktop shoe for young basketball players on urban outdoor courts. The shoe was a few ounces heavier than those of competitors,



The food industry has developed and marketed new products to respond to consumers' demand for faster food preparation

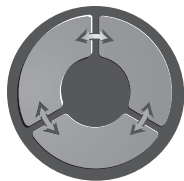
moderately priced, and designed for performance on asphalt and concrete. The shoe looked good, so it appealed to the 80 percent of consumers who buy athletic shoes solely for fashion, but it also was tough enough to stand up to rugged outdoor play. The shoe sold out in many stores in its first two months, and more than 2.2 million pairs were expected to be sold in its first year—a smashing marketing success.³ Thus, by understanding the wants and preferences (cognition and affect) of urban youths (target market) for a good-looking, moderately priced, long-wearing shoe, promoted for regular guys who play basketball (behavior) on outdoor courts (environment), Reebok developed a successful marketing strategy.

Individual Consumers

Finally, the Wheel of Consumer Analysis can be used to analyze the consumption history, a single purchase, or some aspect of a purchase for a specific consumer. Lands' End, a catalog marketer, carefully analyzes individual consumers in terms of their previous purchasing history. The company can then target individual consumers with specialty catalogs of the types of merchandise previously bought. To understand Barbara Linton's purchase of a home security system we need to consider her affect, behavior, cognition, and environment, discussed below.

Back To...

Buying a Home Security System



This case provides a simple description of the purchase of a home security system.

We hope it is written in such a manner that you can easily understand the sequence of events. However, imagine how difficult it would be to try to describe these events by considering *only* cognitive and affective factors *or* behavioral *or* environmental factors.

Cognitive and affective factors, such as Barbara's concern for her and her family's safety, her information processing and decision

making to buy a home security system, and her feelings of greater safety are useful—but they alone could not explain what Barbara did and the environmental factors that influenced these thoughts, feelings, and actions. Her overt behavior, such as visiting her uncle, going online to collect more information, calling ADT security services, and writing a check, is also useful but incomplete for capturing the meaning of the behavior and the contexts in which these actions occurred. The environmental factors, such as the news reports on crime, the

proximity of the crimes to her home, the information from her uncle and from various Web sites, are necessary but are quite sterile when discussed independently of Barbara's cognitive, affective, and behavioral events.

Thus, even for a simple description of a consumer purchase, all three elements—*affect and cognition, behavior, and environment*—work together to provide efficient, useful knowledge of consumer behavior. All three are also necessary for academic attempts to understand consumers and for managerial attempts to develop successful marketing strategies. Analysis of all three elements is superior to any one or two of the elements taken in isolation.

We should also consider the role of marketing strategy in this scenario. While the information from her uncle about his home security system was likely influential in this purchase, the availability of information about this product on the Internet also was important. The fact that ADT is “America’s #1 home security provider” apparently was the key element in brand choice for Barbara.

Finally, all three elements of the wheel are needed to understand the need for and use of products, such as home security systems, in our society and the factors that influence exchanges for them. All three are needed to understand the demand for such products and services and the role of marketing in society.

Summary In this chapter, we presented our overall framework for the analysis of consumer behavior. We also described a general approach to developing marketing strategies intended to influence consumers’ *affect and cognition, behavior, and environments*. We believe this framework can help you understand many of the complexities of consumer behavior. However, other concepts related to consumer behavior must be considered. Later in this text, we will present many of these concepts and discuss how they can be used to develop, select, and evaluate marketing strategies.

Key Terms and Concepts

affect **21**
 behavior **22**
 cognition **21**

environment **22**
 marketing strategy **25**
 reciprocal system **23**

Review and Discussion Questions

1. Explain consumer *affect and cognition, behavior, and environment*. Why do marketers need to consider all three in developing strategies?
2. Explain the relationship between consumer environments and marketing strategy.
3. Why must marketing strategies ultimately influence overt consumer behavior to be successful?
4. What are the implications of viewing consumer processes as a reciprocal system?
5. Explain four levels at which consumer analysis can be conducted. Offer one example of how consumer analysis could aid marketers at each level.

6. Offer three examples of how a change in a marketing strategy led to changes in your affect, cognition, behavior, and environment.
7. In considering your answer to question 6, do you think there was anything unethical in the marketing strategies?
8. ▼ Look up information on aging in the United States at the census Web site, **www.census.gov**. What changes are taking place in the age of the population in general and in racial, ethnic, and gender groups? For what levels of consumer analysis would this information be useful?

Marketing Strategy in Action

Starbucks—2008

In 2003, Starbucks accomplished something that few companies ever do: It became a Fortune 500 company—a phenomenal achievement for a company that went public only 12 years earlier. The company had over 6,000 stores worldwide in 2003 and expanded to over 16,000 by 2008.

Starbucks created not only a successful business but a thriving industry. When the company started its massive expansion in the early 1990s, the United States had about 200 coffeehouses. In 2003 there were over 14,000 coffeehouses, the majority of them not Starbucks but mom-and-pops that bloomed after the dawn of the \$3 cup of coffee. According to a Starbucks executive, “We changed the way people live their lives, what they do when they get up in the morning, how they reward themselves, and where they meet. That’s more important to me than just building a company.”

Starbucks’ iced beverages, which offer larger profit margins than regular drip coffee, are big sellers in the South and Southwest. After making some adjustments, such as adding outdoor seating and couches to stores to better serve the needs of its customers, Atlanta locations have shown double-digit sales growth. Atlanta boasts 33 successful Starbucks, and plans for expansion are in the works. Plans for further expansion in cities with even more Starbucks stores, such as New York City and San Francisco, are also on the drawing board. Although 70 stores operate in New York City alone, it is estimated that growth there will continue until 200 stores are operating in the city! As for fears of market saturation, Starbucks has none. In fact, the java giant has two highly profitable outlets that face each other on Robson Street in Vancouver, British Columbia. Each store has more than \$1 million in annual sales. International expansion is also taking place. In fact, the number one Starbucks in the world is located in Tokyo, and a total of 500 stores are slated to be operational in Asia in the next three years.

What is the secret of Starbucks’ phenomenal success? According to Howard Schultz, chairman and CEO of Starbucks Corporation, the company’s success is due to the experience created within the stores as well as the unsurpassed quality of the coffee. A steaming café au lait must be perfectly replicated, whether the store is in Seattle or New York City. In a world filled with people leading busy, stressful lives, Schultz believes he has created a “third place” between home and work where people can go to get their own personal time out or to relax with friends.

Schultz also attributes his company’s success to the thousands of employees working worldwide. Starbucks’ employee training program churns out “baristas” by educating 300 to 400 new hires per month in classes such as “Brewing the Perfect Cup at Home” and “Coffee Knowledge.” Here they are taught to remind customers to purchase new beans weekly and that tap water might not be sufficient when brewing the

perfect cup of coffee. They are also encouraged to share their feelings about coffee, selling, and working for Starbucks. Employees are also given guidelines to maintain and enhance self-esteem, to learn how to listen and acknowledge, and to know when to ask for help. E-mail, suggestion cards, and regular forms allow unsatisfied workers to communicate with headquarters. If the annual barista turnover of 60 percent, compared with 140 percent for hourly workers in the fast-food industry, is any indication of the quality of its training programs, Starbucks seems to have a handle on how to gain and maintain employee loyalty. What about the demographic makeup of the work force? About 24 percent of the employees are people of color and 63 percent are women.

The Starbucks success story is continuing into the 21st century as the company is quickly expanding into Europe and Asia. However, one question remains regarding the success of the company in countries already known for their coffee-making expertise: Will such Romans and Parisians care for Starbucks? Continued expansion and visibility have been created domestically as Starbucks has formed partnerships with companies such as United Airlines and Barnes & Noble Booksellers, both of which draw from the same type of knowledgeable customer.

Starbucks Corporation is a very successful company. However, its 2008 stock price fall can be attributed to a variety of factors. First, the success of Starbucks encouraged competitors to focus on coffee products and new restaurants. For example, McDonald’s Corporation has greatly improved its sales and profits by putting increased emphasis on the quality of its coffee. The growth in the number of café-style coffeehouses and restaurants, like Panera Bread, also hurt Starbucks’ same-store sales.

Second, while growing the number of stores rapidly has fueled growth in revenue and earnings, it also makes Starbucks so available that it may not be as special to consumers as it once was. Not too long ago, the arrival of a Starbucks store was a major event, a recognition that a town or neighborhood was worthy of the chic Seattle-based chain. However, in recent years, every street corner, airport concourse, and roadside rest stop in America seemed to attract a Starbucks. Recognition of the over-saturation problem is one reason why Starbucks decided to place its emphasis on store growth in international markets where its business remains robust. It also closed 600 underperforming locations in the United States.

Finally, in its attempts to be more efficient, Starbucks may have reduced the quality of the purchase and use experience. For example, by using flavor-locked packaging for its coffees, the fresh-ground-coffee aroma was lost, not to mention the sound of beans being scooped and ground onsite. By adding hot sandwiches and bakery products to compete with McDonald’s, Starbucks became more of a fast-food restaurant than a coffeehouse in the minds of

some consumers. By trading comfy, stuffed chairs for plastic and selling a variety of games and other products, the quality of the coffee-drinking experience was reduced for many consumers. By adding drive-through windows and speeding up service, many consumers may have started to view Starbucks coffee as a commodity rather than something special and its employees as order-takers rather than knowledgeable coffee experts.

You can learn more about Starbucks at www.starbucks.com.

Discussion Questions

1. Based on the case information and your personal experiences, list at least five things you know about Starbucks. This list offers you some idea about your cognitions concerning the coffee shop chain.
2. List at least five things you like or dislike about Starbucks. This list gives you some idea of your affect for the coffee shops.
3. List at least five behaviors involved in buying a gourmet coffee drink from Starbucks. This list gives you an idea of the behaviors involved in a coffee purchase.
4. List at least five things Starbucks does in the environment to influence consumers' coffee purchases. This list gives you some idea of how the environment influences affect and cognition and behavior.
5. Review the Starbucks Web site at www.starbucks.com. Do you think the descriptions of specialty drinks increase sales? Why or why not?

Sources: www.starbucks.com, October 13, 2008; Anthony Mirhaydari, "Dark Days for Starbucks: Job Cuts and Store Closures," blogs.moneycentral.msn.com, September 3, 2008; Adrienne Carter and David Kiley, "Wooing the Starbucks Crowd," *BusinessWeek*, October 10, 2005, pp. 60–62; Cora Daniels, "Mr. Coffee," *Fortune*, April 14, 2003, pp. 139–140; Benjamin Fulford, "Smell the Beans," *Forbes*, September 4, 2000, p. 56; Anonymous, "Interview with Howard Schultz: Sharing Success," *Executive Excellence*, November 1999, pp. 16–17; Nelson D. Schwartz, "Still Perking after All These Years," *Fortune*, May 24, 1999, pp. 203–210; Janice Matsumoto, "More Than Mocha—Café Starbucks," *Restaurants & Institutions*, October 1, 1998, p. 21; Naomi Weiss, "How Starbucks Impassions Workers to Drive Growth," *Workforce*, August 1998, pp. 60–64; Jennifer Reese, "Starbucks: Inside the Coffee Cult," *Fortune*, December 9, 1996, pp. 190–200.