

At the end of this chapter you should understand:

### LEARNING OUTCOMES

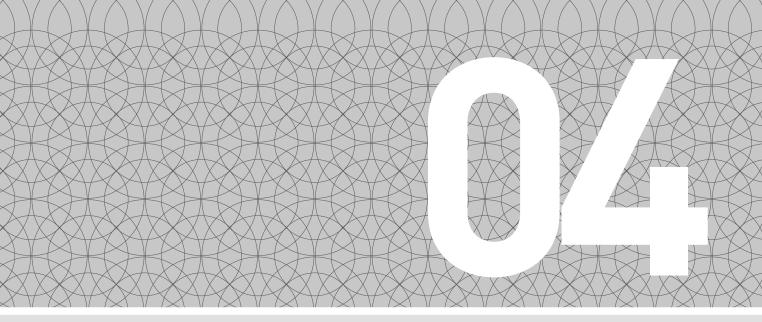
• the concepts of exposure, attention, interpretation, memory and their role in the interpretation of marketing information

• the nature of perception and its role in consumer behaviour

- the information processing process as it relates to consumer behaviour
- the communication processes involved in perception
- the concept of semiotics and its relevance to consumer perception
- the role of risk and risk reduction strategies
- the nature of positioning and consumer behaviour
- the importance of brands in consumer marketing.

**HAVE** you ever told what you thought to be a funny story only to have nobody laugh? The usual response might be 'Well, I guess you had to be there!'. This is because of the way each of us perceive different situations. Marketers are interested in understanding the nature of perception so that marketing messages can be framed to capture the attention of the audience. Marketers also want their messages to be processed and remembered.

In the average day, consumers are presented with an overwhelming amount of information, including numerous marketing messages. These bits of information are called stimuli and the way that consumers deal with them is called perception. In order to understand perception, marketers must understand both the nature of stimuli and the way in which consumers respond to it. In this chapter, we will discuss some of the key concepts involved in the study or perception and how these relate to marketing. This chapter also emphasises the importance of branding decisions and product positioning



### MARKETING IN FOCUS

# EFFECTIVE BRAND STRATEGY IS CRITICAL TO SUCCESS

As the Brand Identity Guru (www.brandidentityguru.com) states: Brand strategy is nothing new. Yet, the expectations consumers

have for a product or service they buy is stronger than it's ever been. This is why companies interested in long-term success must create the most promising, targeted brand experience possible.'

Brand equity is one of the most valuable assets an organisation can own. A strong brand leads to high brand equity and can help an organisation stand out in a highly competitive market. It represents the marketer's promise to its customers. However, just because you decide that you want consumers to perceive your brand in a particular way, does not mean that they will!

The major supermarket chains in Australia struggle to maximise their share of the household grocery shopping dollar every week. One of the most successful retailers in Australia is Woolworths. With its 'Fresh Food People' positioning strategy, in 2008 Woolworths managed to secure a 31 per cent market share of the supermarket section.

In 2009, Woolworths unveiled a new logo, described as 'a stylised peeled Sine sentence: 'It means we can speak Conter than spell out the whole word.' Conter than spell out the whole word.' Continued Hulsbosch. Hulsbosch is behind many successful brand makeovers including Taronga Zoo in Sydney, The Australian Ballet and P&O Cruises. He sums up Continued

Marketing the importance of a having a strong brand by explaining simply that it creates in focus lovalty. continued

Brands convey the meaning of a business to consumers. Consequently, they should be seen as an investment and something to be protected. The idea of having just a single symbol for a business is at the heart of any successful marketer's dreams. Think of the world's great brands and you usually think of their logo. Consider McDonald's, Nike and Toyota, just to name a few.

#### **Discussion questions**

- 1. List five brands that you feel are among the most popular in Australia. What factors make these brands so successful?
- 2. Why do you think Woolworths undertook its rebranding program?
- 3. Why do you think brand positioning is so important?



## WHAT IS PERCEPTION?

Perception is an automatic and natural phenomenon and involves the interpretation of stimuli from the environment. It involves organising and giving meaning to new information from the environment. A **sensation** is the immediate experience generated by an incoming stimulus. Sensations enter the body via our sensory receptors: eyes, ears, nose, mouth and skin. As a formal definition, to perceive is to [see, hear, touch, taste, smell, sense] some [thing, event, situation] in a particular way.<sup>1</sup>

Most early research on perception concerned the basis of physiological reactions to stimuli. The growing emphasis on satisfying customer needs, however, has led to marketers considering perception in the context of consumer decision making. Marketers conduct research to determine how consumers perceive products and to gain an insight into how they can influence consumer perceptions in the future.



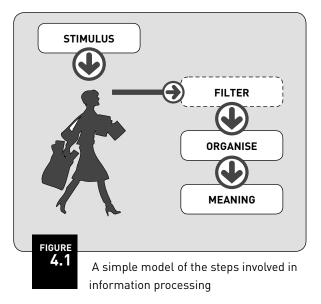
## THE NATURE OF PERCEPTION

Perception is a very individual phenomenon: no two people see things the same way. As perception is about the interpretation of stimuli from the environment, the meaning given to the stimuli is based on an individual's biases.

Leve people see things the same way. As completation of stimuli from the environment, the meaning given to sumuli is based on an individual's biases. It is important to note that although the body's sensory receptors act in an involuntation inner, we can choose what we want to notice. This is a critical point for marketers as nt to make sure their messages are noticed. In order to do this how consumers process information 1.1 manner, we can choose what we want to notice. This is a critical point for marketers as the want to make sure their messages are noticed. In order to do this, marketers are interfected in how consumers process information. Information processing is the series of activities that occur in the brain as information is received, processed and given meaning. SAMP

## THE ROLE OF PERCEPTION IN THE DECISION-MAKING PROCESS

Perception plays an important role in the consumer decision-making process. When it comes to marketing, perception is, in deed, reality. Perception assists consumers to deal with the intense amount of information competing for their attention. When it comes to making purchase decisions, consumers do not have the time or capacity to consider every single competing brand. Consumers use a 'filtering system' to sift through stimuli and choose those they wish to consider further. This filtering system is linked to the consumer's past experiences, their attitudes, cultural influences and the situation. The role of perceptual processing in decision making is quite a complex one, and it requires an understanding



of each of these aspects of psychology and influences on decision making. (Each of these areas is discussed in detail in further chapters.) Perception is a key part of the information processing chain.

### INFORMATION PROCESSING

Figure 4.1 illustrates the steps involved in consumer information processing.

#### EXPOSURE

Consumers are exposed to stimuli whether they like it or not. **Exposure** occurs when our sensory receptors detect a stimulus. Consumers can choose whether or not to deal with the stimulus. The implication for marketers is that information must first be placed in a situation where consumers will be exposed to it. Suppose you determine that your target audience will be watching television at a particular time of the day. What is to stop them from changing channels when the advertisements come on? Nothing really, that is why advertisers often place their advertisements on competing channels at the same time. This is known as road blocking, because wherever the consumer turns, they cannot escape the advertising message!

#### ATTENTION

Attention occurs when information is transferred

# WE'RE WORKING HARD TO STOP CHILD LABOUR. ES ONI unicet EXHIBIT UNICEF uses a striking statement to gain attention 4.1

from the sensory receptors to the brain for further processing. For example, you might see something strange looking in a television advertisement and stop and take notice of the advertisement to sort out what it is you are seeing. Some of the specific attention-getting techniques that marketers use to encourage consumers to consider their messages will be discussed at length in a later chapter.

'Salience' is an important concept when considering how to gain an audience's attention. **Salience** is the psychological term for the phenomenon where people think about things that are important to them more than those things that are not.<sup>2</sup> It sounds simple; however, marketers want to make their products seem important. Repetition is used by advertisers to increase the prominence of a brand and make it more salient.

#### INTERPRETATION

**Interpretation** is the stage of processing at which consumers give meaning to the incoming information. This information is then 'filed' mentally alongside that which the consumer sees as similar. Essentially, these knowledge structures are associations of related data.

Information is subject to cognitive and affective interpretation.

- **Cognitive interpretation** is a process of adding meaning from existing knowledge. Information can be given semantic and psychological meaning.
- Affective interpretation is the processing of information and adding meaning based on feelings.

There are several factors that influence the way consumers interpret information. These include:

- Individual characteristics. These include prior learning and expectations of the individual. For example, if we are brought up to believe that the family is very important, then we are more likely to respond favourable to messages that portray family scenarios.
- Stimulus factors. This refers to how a message is communicated, by way of the actual message or media. For example, if Kylie Minogue was used as a spokesperson for a brand, she might appeal to people aged in their 20's and 30's, however she may not really appeal to senior citizens. Older citizens may respond a lot more favourable to somebody such as John Laws or Ray Martin.
- Situational factors. Different situations can have an impact on the way information is interpreted. For example, you may be on a diet and be very hungry at a particular time, so you may decide to eat something you wouldn't normally eat, because it's all that you can find. Similarly, you might normally have a light breakfast but when on holidays enjoy a large buffet breakfast.
- The way that information is presented. This can also influence the way it is processed. For example, product packaging is very important for communicating information about branding, positioning and tangible benefits. It is estimated that over 70 per cent of purchase decisions are made at point of sale.<sup>3</sup> Therefore, packaging and in-store communication play a very important role. Packaging research has found that picture elements of packaging should be positioned on the left-hand side in order to enhance recall. Brand name or variety descriptions are most effective placed in the middle of the pack, or on the right-hand side.

#### MEMORY

Memory is a complex psychological phenomenon and can be defined as the information storage facility in the brain. It is discussed in detail in Chapter 5. However, it is useful in understanding perception as the ability of consumers to interpret new information is based on their existing memory.

Marketers want their marketing messages to be transferred to and stored in the consumer's memory for consideration when making abuying decision. Exhibit 4.2 shows some well-known brand logos. We can easily recall the brand names when we see such stimuli because we have been exposed to them several times and they have been memorised.

### INFORMATION PROCESSING AND CONSUMER BEHAVIOUR



There are a number of theories related to perception and information processing that can guide marketing decisions. Some of these are discussed below.

#### ABSOLUTE THRESHOLD

The **absolute threshold** is the lowest point at which we perceive stimuli. For example, if you flip through a glossy fashion magazine, you are likely to see page after page of advertisements for cosmetics and perfumes. After a while they will all look the same, and specific advertisements won't be noticed unless they really stand out. This saturation is because of clutter. If you turned to a totally white page with a tiny bit of copy, you would be more likely to 'register' the stimulus as your attention would be drawn to it! The process of flipping through the pages and ignoring the advertisements is called **adaption**. We keep flipping through and seeing what we perceive as the 'same thing' because we get used to the same sort of stimuli. The key for marketers when designing communications therefore is to make the message different in some way. This may by through the use of colour or striking images.

### WEBER'S CONCEPT OF JUST NOTICEABLE DIFFERENCE

The concept of **just noticeable difference** (IND) is the minimum level of change to a

For example, marketers of grocery items such as margarine, tea and soft drink make very subtle changes to packaging over time. They dare not make extensive changes in case the product is not recognised. A good example of this is Continental brand pasta and sauce the the the company ran a mass media campaign to let customers know the about to change. The pack design did indeed 1 about to change. The pack design did indeed change, but so too did the size of the

They became taller and narrower, giving the appearance of being bigger when in fact they contained slightly less than the previous design.

#### SELECTIVE EXPOSURE

Consumers are exposed to so many promotional messages every day that they tend to filter out unwanted information. **Selective exposure** refers to the fact that consumers make a choice, or selection, about what information they will notice.

We respond to our environment, whether physical or perceived. The way we perceive things is influenced by our biases. We selectively tune in and out of the environment. For example, many younger people don't like watching news and current affairs show so they avoid them. Basically, people tend to see what they want to see<sup>5</sup> and interpret information and the environment from their own perspective.

#### SELECTIVE DISTORTION

**Sensory distortion** occurs when consumers add preconceived ideas or attitudes to interpret new information that enters the sensory store of the memory. For example, you may believe that you cannot trust a car salesperson, so when looking for a new car you may not believe anything the salesperson tells you, relying instead on a friend's judgement. Many nonbank lenders use the image of banks as the 'bad guys' when it comes to promoting their own home loans. Consumers that agree with this opinion are likely to view the non-bank lenders more favourably. However, there is no objective evidence for this bias, it is just a belief.

#### SELECTIVE RETENTION

Have you ever been asked to put the garbage bin out while you are watching your favourite television show? You may answer 'Yes, I'll do it', but then forget about it a few minutes later. The reason is **selective retention**. This is when people remember information that they find meaningful and interesting. For example, some people are very careful to look out for Australian-made products. So, if a new Australian-made product is introduced into the market, these people are more likely to have a favourable attitude towards it. A key selling point of some electrical goods is that they are made in Japan, as many people believe that Japanese-made consumer electronics are superior to those made in other parts of Asia. The implication is that marketing communication must be designed with specific appeals to the consumer's interest.

#### SELECTIVE ATTENTION

Just as we are selective about the stimuli we are exposed to, we are also selective about the stimuli that we take in. **Selective attention** is the idea that individuals do not take in all the stimuli around them—that would be impossible—but rather 'select' what to notice. This has important marketing implications. Just because a marketer puts a message in front of consumers does not mean they will notice it. Consequently, marketers are constantly striving to achieve 'cut through', which means cutting a path through a consumer's 'defence shield' the get a particular message into the short-term memory.

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Sometimes a message contains far too much information. Not only do you need to get the audience's attention, you need to keep it and make them understand your message.

### INFLUENCES ON PERCEPTION

There are a number of influences on perception, including colour, previous knowledge and experiences, and attitudes and values. We will discuss attitudes and values in Chapter 8 and 9, respectively. In this section we will briefly discuss the influence of colour and previous knowledge on the way we perceive new information.

### COLOUR

Colours have a great influence on perception. Just think of the colours that you associate with different things. In the Western world most people will wear black to a funeral or when grieving because it represents death, whereas white is a traditional wedding dress colour, signifying new life. Pink is commonly associated with femininity and blue with masculinity. Sometimes when someone is sad his or her mood might be described as 'blue'. We also use the phrase 'green with envy'. The colour green is also often used to describe people who are young and inexperienced, while yellow is often considered a cowardly colour. Table 4.1 lists some colours and their associated Western meaning.

Science has proven that colours can influence behaviour.<sup>6</sup> The reason is that the stimuli presented by colours have an influence on the central nervous system. Colours such as red, yellow and orange make us feel warm, whereas blues, greens and violets make us feel cool.<sup>7</sup>

Companies spend a lot of time and money on marketing communications and the choice of colours is an important element. The symbolic nature of colours is used in a range of ways, including on packaging, in advertising and via in-store signs. Think about the perfume 'Red Door'. It uses intense sensual imagery in its advertising, promotion and packaging, with a very vibrant red to represent passion and a warm feeling.

### WORDS AND THEIR CONNOTATIONS

Words often convey a lot more than their dictionary definition. They also often have a further set of associations, often emotional. This is known as connotation. For example, the word

TABLE <b>4.1</b>	Colours and their associated meaning	
RED	Violence, danger, hear, fire, excitement, anger. An attention-grabbing colour that is often used when consumer action is sought. Sale signs are often in red	
ORANGE	Heat, autumn colours, force, exuberance	
YELLOW	Sun, light, warmth, caution. If you want to go for maximum message recall, research suggests that black type on a yellow background is best as yellow is the colour that the eye is attracted to first	ON
GREEN	Cool, natural, water, calm, spring	l'S
BLUE	Cold, water, sky, sadness, femininity	G√
BLACK	Mourning, death, depression, night	•
Courses - E Dinner	Calling with Color McCrow Lill New York 10/5 p 179	•

Source: F Birren, *Selling with Color*, McGraw-Hill, New York, 1945, p. 178

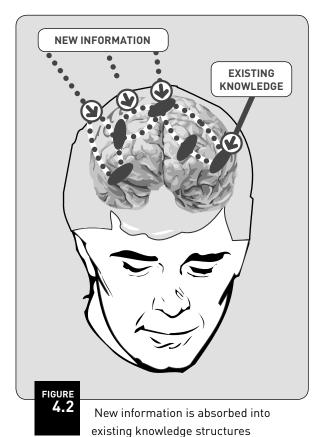
'home' means the place where one lives, but by connotation also suggests security, family, love and comfort. Examples of words that have similar meanings but different connotations include 'cops' and 'police', and 'good bloke' and 'nice man'.

#### PERCEPTUAL CATEGORISATION

Individuals have a '**personal construct**', which is like a personal filing system where you have a whole set of 'files' in your mind with related information in them. This information becomes knowledge. When new information comes in, you must determine which file it fits in by trying to match the message with some information, or knowledge, already in one of the 'files'. Individuals define incoming stimuli as like or unlike others that we are familiar with, based on only a few salient characteristics.<sup>8</sup> This means that when we see, hear, sense new information we tend to evaluate it according to only a few criteria that consumers find important (see Fig. 4.2).

For example, if a person likes cars with European styling and they see an advertisement for a brand new car that has 'European Styling' they will be more likely to regard the car in a favourable way, even though they may know little else about the car.

Another example is family branding. **Family branding** is the use of one brand to cover an entire range of products. An example of a family brand is Heinz, which markets soups, snacks and baby foods. Exhibit 4.3 shows two advertisements for well-known Heinz products. Another family brand is Cadbury, which has chocolates, ice cream, cake mixes and flavoured



milk. The idea behind family branding is that if we have a good experience with one product, it will result in a good feeling about other products of the same brand. For example, if a consumer likes Golden Circle fruit products, they are more likely to buy Golden Circle baby food when the need arises because it is classified in the same way as the other Golden Circle products.

Once a new object is placed in an existing category, it becomes the focus of the existing repertoire of behaviours which are appropriate to that overall category. This frees up time and effort associated with deciding how to relate to the new object. New produce marketers are acutely conscious of this fact and generally avoid positioning a new product where it defies classification.<sup>9</sup>

#### PERCEPTION OF OTHER PEOPLE

Asch presented findings of a study on how people quickly form impressions about others.<sup>10</sup> He divided a group of people into two groups and gave ther each a list of adjectives that describe a person. He then asked each group to give a description of the type of person that the words described



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Group one was given the following list:

- intelligent
- skilful
- industrious
- warm
- determined
- practical
- cautious.

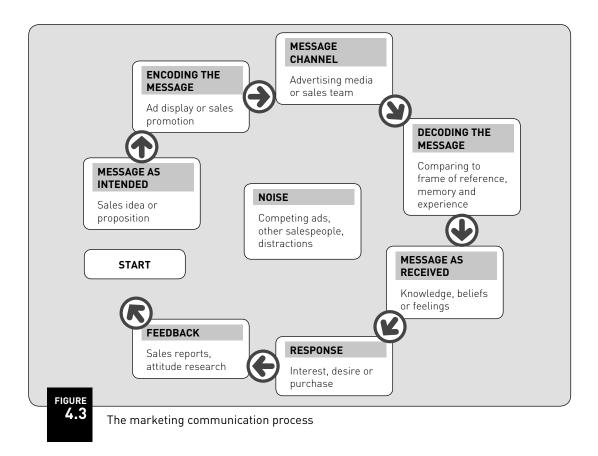
Group two was given the same list except the word 'warm' was replaced by 'cold'. Then he repeated the experiment using terms such as 'blunt' in one list and 'polite' in the other instead of warm/cold. He reported that the two groups came up with different descriptions of the person. The descriptive terms 'warm' and 'cold' defined how the experiment groups perceived the person being described.

## COMMUNICATION PROCESSES

The way a message is communicated influences the way it is perceived. This includes the source, message and media variables (see Fig. 4.3).

Instrumentated influences the way it is perceived. This includes the struct, message and media variables (see Fig. 4.3).
Non-verbal communication adds a great deal of information to a verbal message by filling e gaps between verbal communication and a message. Marketers must not only construct is said but also *how* it is said and *who* is speaking. Non-verbal emitted in the structure in the structure is supported and the support is support is supported and the s the gaps between verbal communication and a message. Marketers must not only correct what is said but also *how* it is said and *who* is speaking. Non-verbal aspects of a message convey attitudes and emotions, as well as supporting what is actually being said.





#### THE DAGMAR APPROACH

The DAGMAR model is used to measure the performance of marketing communications. DAGMAR stands for Defining Advertising Goals for Measured Advertising Results. 'An advertising objective involves a communication task, intended to create awareness, impart information, develop attitudes or induce action.'11 With the DAGMAR approach, the communication task is based on a specific model of the communication process, as shown in Figure 4.4.

This very simplified model suggests that the initial communication task of a marketing message is to stimulate audience awareness of the product or message. The message must then be interpreted and understood (comprehension). The third step is the development of

GESTALT THEORY Gestalt is about patterns or configurations. Gestaltists believe that we categorise incerting stimuli into meaningful patterns. It occurs at the interpretation stage of the information processing chain. For example, looking at a picture of a man, woman and 111 at a park, we perceive it as a family because we put of

'parents' from that advertisement were sitting on a rug together enjoying a glass of wine, we would perceive the setting as a romantic one.

Print message designs must be evaluated as a whole, rather than just a set of elements on a page. The purpose of design is to organise ideas into a format that will gain the audience's attention. In simple terms, gestalt is the idea that when a person looks at a picture or design they see it as a 'whole' rather than as a set of elements.

#### FIGURE AND GROUND PERCEPTION

**Figure and ground perception** is about the way we distinguish between a figure and its background. A product or service being advertised is often shown in the context of a wider scene. For example, a handbag, a prestige watch or other piece of jewellery may be shown on a glamorous model who just happens to be on a luxury cruise.

#### GROUPING

According to Gestalt theory, individuals 'group' incoming stimuli in order to make sense of messages. For example, if you say your phone number you will probably do it by saying three or four numbers at a time in a group. Some types of 'grouping' are similarity, closure and proximity.

#### SIMILARITY

We tend to group similar information together. Marketers often use similar brand names to existing products or family branding so that consumers 'group' the products together in their mind. Golden Circle

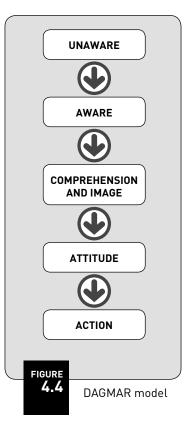
is a well-known canned food and beverage producer. The company has a well-established reputation as a quality brand. Notice that the advertisement shows the product and that the

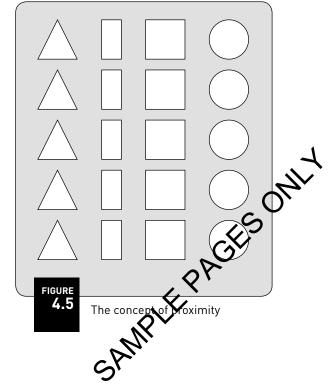
Golden Circle brand is emphasised. The brand's existing good image should help consumers evaluate products and brands in highly competitive markets.

#### PROXIMITY

Items that appear the same are grouped together. **Proximity** involves to the way the brain processes visual stimuli by organising the shapes into patterns in order to make sense of the incoming information. Figure 4.5 shows various shapes. When you look at the figure, you will see columns of similar shapes.

Some advertisers develop creative executions that use combinations of pictures in a pattern to communicate a message. For example, on Valentine's Day, the use of a red heart is a very common device. Imagine an advertiser of chocolates who creates a 'picture' of a heart using boxes of chocolates. This creates an association between the heart and emotion of Valentine's Day and the chocolates.





#### CLOSURE

**Closure** occurs where we take existing information from our memory and relate it to new information to make sense of an incomplete message.

When you hear the slogan 'Oh what a *feeling*!' most people automatically think of Toyota. However, if you had never experienced any Toyota advertising, the phrase would be meaningless. Likewise, when you hear the well-known slogan 'Which bank'?, you know it is an advertisement for the Commonwealth Bank. The advertisement in Exhibit 4.4 replaces a word with a picture to complete a phrase.

Radio advertisements often use music and sound effects to create an idea or image in the listener's mind. The listener often 'completes the story' based on the audio stimuli. The sounds of a waterfall and singing birds during an advertisement for a relaxing holiday resort may help listeners to visualise the resort as very relaxing and peaceful.

Have a look at the two boxes in Figure 4.6. If you look at the top box first and then the bottom box, you will probably see three numbers and three letters. However, what happens if you cover up the top box and just look at the bottom box? Do you see A, B, C, or A, 13, C?

#### SEMIOTICS

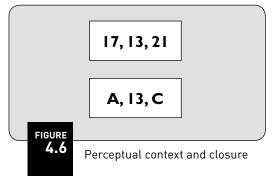
Semiotics refers to the use of symbols or signs to establish an image and convey a message.

This can involve particular images or words. Refer back to Exhibit 4.2, which shows some examples of common brand logos. These logos can be used to identify brands without any other words whatsoever.



## PERCEIVED VALUE

'Value' is very subjective. One person may evaluate something as being of a



**Source:** Adapted from a concept from Max Sutherland, *Advertising and the Mind of the Consumer: What Works, What Doesn't, and Why,* rev. 3rd inter. edn, Allen & Unwin, Australia, 2008 p. 258, 265.



very high value, while others view it as not so great. There are three main types of consumer value:

- intrinsic versus extrinsic
- self-oriented versus others-oriented •
- active versus reactive value.<sup>12</sup>

**Extrinsic value** relates to the situation where consumption occurs to satisfy some further goal. For example, a mobile phone might be purchased for the purpose of allowing the person to be contacted and to make contact with others. The value consumers get from the phone is based on its role in helping people communicate, rather than from the phone itself. Intrinsic value, on the other hand, is measured by the ability of the consumption process to satisfy for its own sake. For example, listening to a CD of your favourite band creates value that is appreciated as an end in itself.

**Self-oriented value** refers to value obtained from the consumption process that is somewhat selfish in nature, whereas others-oriented value is obtained from consumption that we perceive will benefit others. For example, a person who buys a particular laundry detergent because it makes their clothes look nicer is expressing self-oriented value. A person who chooses a laundry brand because it is environmentally friendly is expressing othersoriented value because their consumption benefits someone else—in this case, society.

Active value refers to value that comes from consumers doing something with a product or manipulating it in some way, such as driving a car or eating a meal. **Reactive value** comes from doing something or responding to something as part of the consumption process, such as the pleasure obtained by visiting an art gallery.

### PERCEIVED RISK

Why are we afraid of the dark? It is the same environment as during the day. The reason for the fear is the perception of a risk. Many consumers perceive risks when making purchase decisions. **Perceived risk** is the fear that the purchase of products or services may result in disappointment or unpleasant consequences. Keep in mind that we are referring to 'perceived' risk. For example, someone may think of changing their hairstyle from very long to quite short. They may be somewhat afraid of what they will look like and what their friends might think. Another person may consider buying a trampoline for the kids for Christmas. However, that person may be concerned about the potential for the children to hurt themselves if they fall off. These examples highlight exactly what perceived risk is all about.

SAMPLE PACES ONL Many researchers have found that services have a greater degree of perceived risk by consumers.<sup>13</sup> This is primarily because it is difficult to demonstrate the benefits of a service to the target audience due to the intangible nature of services. It is difficult for consumers to evaluate services prior to their purchase and delivery<sup>14</sup>—they cannot be inspected prior to purchase, like a television set or packet of biscuits can be.

Advertising can fulfil four roles to overcome this:

- 1. Make the intangible aspects tangible.
- 2. Demonstrate the service transaction.



- 3. Encourage word-of-mouth communication about the service.
- 4. Aim for brand building.<sup>15</sup>

Services are evaluated by consumers according to how well they are delivered, word of mouth, prior experience or information given by the seller. Consumers also typically evaluate services in terms of the expected quality and the actual quality delivered. Consequently, in this type of transaction, personal interaction and communication is critical. The quality of the interaction between the service provider's representative (employee) and the consumer is the key to a good relationship. Interestingly, however, more and more organisations are centralising and computerising customer service transactions in an effort to maximise efficiencies and minimise costs.

### TYPES OF RISK

Types of risk including the following:

- Financial. This is the risk that the consumer will experience some sort of monetary or economic loss. For example, a consumer may be hesitant to invest in shares as they feel they may lose money.
- **Physical/Utility**. This is the risk of the consumer being physically harmed in some way or the product not performing as it is expected to. The earlier example about parents considering buying a trampoline is appropriate here.
- **Social**. This is the risk that the consumer will suffer a terrible social embarrassment. For example, when your friends get dressed up for a special event and you turn up in jeans and a T-shirt.
- **Ego**. This is the risk that the decision may not be in line with a person's sense of self and their values. For example, a very conservative person may not be interested in body piercing or tight and revealing

clothing.



• **Opportunity risk**. This is the risk that by purchasing a particular product and foregoing another you might not be making the best decision. It results in a feeling of doubt. An example may be where a person purchases a formal dress or suit but then worries about whether they made the right choice.

### **RISK REDUCTION STRATEGIES**

There are a number of tactics used by marketers to reduce the level of risk perceived by consumers. These include:

- giving consumers the opportunity to try before they buy, such as a car test drive or supermarket taste test
- providing an extended warranty or money back guarantee, in case anything goes wrong
- building a strong brand image to reinforce the dependability of the product. For example, a person looking to buy a new refrigerator may choose Fisher & Paykel because they have confidence in the brand.
- extensive advertising and promotion using respected spokespeople. For example, Nestle targets Australian mums using former Australian Netball Captain Liz Ellis and the deodorant brand Rexona is promoted by Australian cricketer Ricky Ponting.
- providing rewards or reinforcement for purchase, such as bonus FlyBuys points or free car servicing
- providing backup customer service and technical advice, such as advice on computer installation and operations.

### POSITIONING



Positioning is not what you do to a product. Positioning is what you do to the mind of the prospect.<sup>16</sup>

**Positioning** is best defined as how your product is perceived in the minds of consumers and customers. It involves determining a set of attributes for the product and communicating these to consumers. Consumers naturally 'position' products in their minds. It is the job of the marketer to position their product in the minds of consumers as more favourable in relation to those of competitors.

There is an old saying which states that when discussing market positioning: *mean something* to someone or risk meaning nothing to everyone.

A brand's positioning is based on a complex group of perceptions, impressions and feelings that consumers have towards the brand. A 'position' represents the way that consumers feel about a particular brand in relation to competing brands. Consumers base their perceptions on important salient attributes. Remember that not all attributes are physical. For example, in the case of headache medication such as paracetamol, all the major brands are scientifically the same. However, consumers have very different perceptions about the different brands, such as Herron, Panadol, Nyal and generic brands.

Product characteristics and marketing communications influence positioning, however the actual positioning of a product is based on a complex set of factors'.<sup>17</sup> Positioning is reflected in the way consumers talk about products, the emotional responses they elicit and their attitudes.

Marketers can represent the positioning of their brand as a statement, or in a positioning map.

Some examples of the product positioning of well-known brands include:

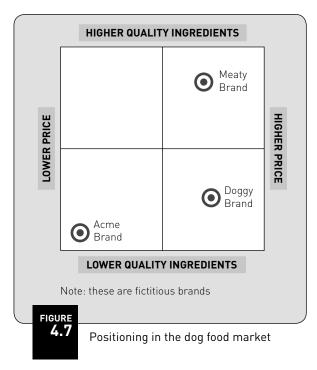
- McCain Healthy Choice meals offer busy, health-conscious individuals a convenient and • tasty meal alternative to take away foods. It's also low in fat and nutritious!
- Rexona deodorant offers active men and women long-lasting performance that won't let you down!
- Huggies nappies offer mums and dads peace of mind knowing baby is comfortable and happy because they keep baby drier.

Note that in each of these cases the main benefit of the product is described. In the case of nappies, parents want their baby to be happy and comfortable, a benefit that Huggies states it offers. In the above Rexona example, we have taken a line from their advertising ('won't let you down') to illustrate how a product's position can be conveyed.

#### POSITIONING MAPS

A **positioning map** is a graphical representation of market positioning according to consumer perceptions. The most important attributes are plotted on the two-dimensional axes. A positioning map allows marketers to more easily see how consumers perceive their product in relation to competitors' products. A positioning map also enable marketers to identify gaps in the market, or opportunities to reposition an existing brand.

Positioning is more commonly represented on a positioning map. An example of a fictitious positioning map for dog food is shown in Figure 4.7. It represents how consumers perceive the various brands on the basis of value for money and quality. These are not the only axes that a marketer might use. So how do marketers decide which axes to use when developing



a positioning map? The simple answer is research. The only way marketers can determine what attributes are important to consumers is through research. One of the limitations of the positioning map is that it only has the two axes so only two attributes can be measured when there may be other important attributes.

#### POSITIONING STRATEGIES

'Positioning can apply to an organisation and its SONI entire product range, as well as to an individual product.'18 There are a number of different ways to develop a market position.

٠ Positioning in relation to competitors. This means taking an approach that compares your brand's benefits against competitors. example, a garden products company Nylex is positioned as having the strongest and best quality products on the market.



- Perception on the basis of product attributes and benefits. Products can be perceived by consumers as particularly strong in one area. For example, Volvo is perceived by most as a safe car; a certain brand of vacuum cleaner may be positioned as a heavy duty machine capable of removing all traces of pet hair.
- **Positioning on the basis of the usage occasion.** Some products have a clear position as suitable for particular situations. For example, some brands of wine and champagne are promoted for special occasions. Within the Arnott's range, there are biscuits promoted for special occasions as distinct from their everyday ranges.

Exhibit 4.7 shows as advertisement for Weet-Bix, a well-known brand with a strongly established position in the marketplace. This advertisement was placed at a time of economic downturn, when consumers were looking for value for money and good nutrition. Petrol prices were also at an all-time high, hence the play on the words, 'cheap fuel'.

#### **REPOSITIONING BRANDS**

Marketers carefully develop their marketing mixes to create a particular position in the minds of consumers. However, a marketing-focused organisation must constantly monitor and adapt to the environment. Sometimes this means changing their position, or repositioning.

Many brands lose their way over time, with consumers becoming confused about what the brand stands for. For example, Coles Supermarkets have performed poorly over the past



decade in comparison to Woolworths. In 2009, the chief executive of Coles commissioned market research and found that the brand needed an update. He immediately implemented an overhaul of the Coles operation. This included everything from updating equipment in stores to revamping the Coles home brand product range.

In contrast to Coles, Woolworths Supermarkets is an excellent example of a business that has strengthened its market position by repositioning and keeping an eye on customer trends. In 2008, Woolworths launched a new logo and look to its stores. Already the market leader, Woolworths wanted to strengthen its 'fresh food people' reputation and it has worked successfully. Likewise, McDonald's is a well-established brand with a strong reputation (see Exhibit 4.8). It has changed with the times in recent years by updating its menu items and redecorating its restaurants to attract a wider range of customers.

### BRANDS

A **brand** is a mix of tangible and intangible elements that make up an identifying name, mark or symbol. Early work on the concept of branding suggested that brands are chosen by consumers on the basis of how well they match consumers' emotional and rational needs. Consumers evaluate brands based on clusters of values they perceive a brand to represent.<sup>19</sup> When a brand makes an emotional connection with customers, it creates a relationship between the two. Marketers attempt to build this type of relationship and create loyalty.

Brands are becoming increasingly important ways of differentiating products that are essentially the same, for example, Herron and Panadol, or Streets and Peter's Ice Cream. Aaker describes brands in terms of their relationships with customers.<sup>20</sup> He also discusses the importance of brand personality and suggests that consumers perceive brands as a person. Building a positive relationship between a brand and consumers relies on trust and clear communication.<sup>21</sup>

To be very successful, brands must be customer-focused and they must offer value. This can only be achieved by investment in innovation, consumer understanding and having a truly customer-focused organisation and approach to marketing.<sup>22</sup> Consistency in communication is vital to building and maintaining a strong brand image.

It is important to maintain consistency in brand communications. This means ensuring that all aspects of your communications give the same message to consumers. The practical application of this is making sure that your advertising message is supported by in-store merchandising, and packaging.

A brand is often related to a person. When individuals make friends, the relationship is based on values such as honesty, reliability, integrity and trust. Brand–consumer relationships should also be based on these values. The basis of a good relationship between a brand and consumers lies in good communication.<sup>23</sup>

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A brand is a way in which an organisation identifies and differentiates its products, but it is also a lot more. A brand has also been described as a link between an organisation's marketing activities and consumers' perceptions. This implies a relationship between consumers and brands.<sup>24</sup> By building customer–brand bonds, marketers are able to enhance brand baue.<sup>25</sup> Brands assist consumers in their attempts to reduced perceived purchase risks by reassuring them of quality and performance.

When a consumer forms a relationship with a 'service' brand, it is more likely based on the experience with employees who represent the brand, rather than the brand itself. Therefore a positive experience with service staff will result in a positive brand image. Marketers of services should focus on this as well as advertising the actual brand.

### **BRAND EQUITY AND BRANDING**

Brand equity is the measure of a brand's worth. It can be defined as:

a set of assets and liabilities linked to a brand's name, and symbol that add or subtract from the value provided by a product or service to a firm and/or that firm's customers.<sup>26</sup>

Brand equity is the value that customers attribute to a product based on the brand itself rather than the actual product. For example, brands such as Harley Davidson, McDonald's and Sony have very high brand equity as the brand is highly regarded.

Brand equity is influenced by other elements of the marketing mix. For example, investment in brand advertising, efficient distribution and price stability can help to build brand equity.<sup>27</sup> On the other hand, constant discounting can de-value a brand.

Brands are often linked with lifestyles in order to make a connection with consumers, for example, Colorado and Country Road. The attributes of the brand often create value,

enabling a higher price to be charged. This 'value' is then measured as brand equity.

Consumers are more demanding and market competition is tougher. The spending power of many groups, such as young adults, has also increased. The result is that consumers are much more critical of brand claims. The implication is that brands must deliver on their promises. It is important for marketers not to become complacent with their brands. These days, consumers are wary of organisations that make promises that they cannot deliver. Banks are a good example. The major Australian bank brands spent the 1980s telling consumers how great they were using slogans and sponsorships while service levels declined. Consumers are now turning to bank alternatives, like non-bank lenders and other financial institutions such as ING Direct.

#### **BRAND NAMES**

Brands are evaluated by consumers as either functional and feature-oriented or abstract-oriented, which is based on intangible image aspects.<sup>28</sup> Brand extensions are evaluated by consumers based on how they perceive the brand.

It is often suggested that a 'good' brand says something about a product. Many well-known brand names become





part of everyday usage to become generic descriptions. Many people would say they are going to 'Hoover' the floor, when they mean they intend to vacuum the floor.

When the Sony Corporation first developed the Walkman, they brainstormed to come up with a brand name that would appeal to a Western (mainly North American) audience. They thought about the purpose of the product: it was designed to allow people to walk around while listening to music. The development team originally thought about 'Walking Man' and then they shortened it to 'Walkman'. Although 'Walkman' is a registered trademark, today it is used as a generic term.

#### LINE AND BRAND EXTENSIONS

A **line extension** is the launch of a variation on an existing brand into the same product category.<sup>29</sup> For example, Fanta soft drink was relaunched in Australia a few years ago and it was made available in a range of flavours. Toothpaste brands are constantly offering new line extensions to boost and maintain share of a saturated market. You can buy whitening varieties, tartar control, gels, pump packs, kids varieties—the list is endless!

A **brand extension** is the launch of an existing brand into a new category.<sup>30</sup> By using a recognised cue (the brand) to assist in acceptance, this approach transfers the positive attitudes from the existing product to the new one. Less risky than launching a new brand, a brand extension can also generate consumer trial and sales faster, as consumers are already familiar with the brand. This quick uptake is unlikely to have occurred if the company launched a product under an unknown brand name. Extending a brand into new product categories may actually enhance the overall brand image and equity in the market.

In 2004, the long established Australian Women's Weekly (AWW) magazine brand was extended to its own range of homewares, including cookware and electrical appliances. AWW already marketed a range of cookbooks and sponsored the television cooking show Fresh. The publisher of AWW, the Australian Consolidated Press, publishes Dolly and Cosmopolitan magazines, both of which also launched licensed product ranges. All three titles are aimed at women; however each magazine targets a different audience, so the brand licensing extensions include very different products. Dolly launched a range of sleepwear, whereas Cosmopolitan markets body care products like creams and bath gels. The ranges are obvious matches to the main demographic characteristics of the target audience for each magazine.



### THE MEANS-END CHAIN THEORY

A consumer evaluates a brand in terms of its overall value. This perception of value is based on how the product performs on various attributes that the consumer deems important. Some attributes are more important than others. The **means-end chain theory** is a way of determining consumer behaviour based on the perception of brand attributes, benefits and consumer values. In order to position products and brands at a higher level, we need the understand and measure the meanings that products have for consumers. The means-and chain establishes a link between tangible attributes of a product and the individual and social needs of consumers, such as benefits and values.<sup>31</sup>

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Sometimes, simply positioning a brand based on its concrete attributes may not be

appropriate. In undifferentiated or mass markets, which include the majority of fast-moving consumer goods, many products are difficult to distinguish. For example, most brands of tomato sauce, margarine and paracetamol-based pain relief medication are basically the same. However, different brands have different meanings, based on the benefits they offer consumers in intangible terms. For example, Herron paracetamol brand is positioned not on the basis of what it does but rather the fact that is made in Australia by an Australian-owned company.

Communication strategies based solely on the performance of product attributes are not likely to be successful. Marketers know this. In car advertisements, for example, one can encounter higher-level constructs such as 'excitement,' 'performance,' 'spacious,' 'luxurious,' and 'economical'. In car advertisements it is not uncommon to refer to more personal values such as fun and enjoyment ('the ultimate driving machine') and achievement ('arriving ahead of schedule'), which in this case refers to arriving at a social status position ahead of when one would expect you to arrive at that position.<sup>32</sup>

Attributes gain their relevance because they allow the consumer to achieve certain benefits. For example, a particular model of car may offer cost savings, whereas a brand of moisturiser may promise soft, smooth skin). Subsequently, a benefit increases in importance as the consumer has a higher need for the benefit. These are often related to the higher-order needs such as belonging, achievement, self-esteem and self-actualisation. These needs and motivations will be discussed in detail in later chapters.

A product has different perceptual meanings depending on the motivations and needs of the consumer. For example, 'a computer can be a necessity for a person who values a "sense of accomplishment", a status symbol for a person who values "self-respect", and a toy for a person who values "fun and enjoyment".<sup>33</sup> Marketers conduct quantitative and qualitative research to determine what attributes consumers see as important in products, but also to determine their underlying values. You can see from the previous example that consumer values can be just as important for marketers to understand as the actual benefits and attributes that consumers seek.

'The more closely a product or brand is linked to the various elements in consumers' means-end structures, the more likely it has personal relevance, and the more likely it will be preferred and chosen.'<sup>34</sup> The implication here is that marketing research about consumer needs should go beyond simply identifying important product or brand attributes, but it should also link the attributes sought by particular clusters of consumers with their values. Qualitative research is particularly useful as it allows the interviewer to probe for more information. This allows them to find out more about consumer's underlying motivations for purchase.

Let's consider an example of how a means-end chain works. Think about a product such as 'Logicol', a low cholesterol margarine-type spread. Research might reveal that consumers perceive this brand as a low-fat product that promotes a healthy body. A consumer may link health with their desire for enjoyment of life. The underlying value in this case is enjoyment of life. Initially you might wonder how enjoyment of life relates to margarine. However, if armed with this knowledge, marketers can develop effective marketing communication strategies that appeal to these consumer values. This creates a very strong position in the minds of consumers. Not only does the brand offer sought benefit but it also makes a direct connection with the consumer's core values, thus increasing the likelihood of purchase.

### CHAPTER SUMMARY

Perception is the first step in the information-processing process for consumers. It is an internal influence on decision making and has many aspects to consider.

Perception begins with exposure, followed by attention and interpretation. Useful information is then transferred to the consumer's memory store. Marketers should understand the implications of each of these stages of perceptual processing in order to design effective communication and marketing strategies.

Consumers filter out any unwanted information, so marketers must ensure that their message is relevant to the targeted consumer's needs. Consumers use a range of strategies, such as selective attention and exposure to achieve this. Consumers also use inbuilt mechanisms such as the tendency towards interpreting and grouping information in line with other information that has already been stored in the memory.

Brand building and positioning are key aspects of marketing that must be considered in line with the way consumers process information. The very focus of positioning is the establishment of an image in the mind of the consumer. In the following chapter we will build on the concept of perception and information processing by introducing the concept of consumer learning.

### **KEY TERMS**

- absolute threshold adaption active value affective interpretation attention brand brand extension closure cognitive interpretation eqo exposure extrinsic value family branding
- figure and ground p. 69 p. 69 perception financial risk p. 77 gestalt p. 68 interpretation p. 67 intrinsic value p. 82 just noticeable p. 84 difference p. 76 line extension means-end chain p. 68 theory p. 78 opportunity risk p. 67 others-oriented value p. 77 p. 77 perception
  - p. 72 perceived risk

- p. 72 personal construct p. 78 p. 74 physical/utility p. 79 p. 78 positioning p. 74 p. 80 positioning map p. 68 proximity p. 75 p. 77
- p. 77 reactive value salience p. 68
- p. 69 selective attention p. 70
- p. 84 selective exposure p. 70
  - selective retention p. 70
- p. 77 p. 84 self-oriented value p. 76
- p. 79 semiotics
  - sensation
- SAMPLEPAGESONIT p. 66 sensory distortion
- p. 77 social

### **REVIEW QUESTIONS**

1. What is the difference between a sensation and perception?

2. What is information processing?

- 3. What is perception?
- 4. What is the role of perception in information processing?
- 5. What factors influence perception?
- 6. What is selective perception? Give an example.
- 7. How does cognitive interpretation differ from affective interpretation?
- 8. Describe the various physiological measures of perception and explain how they might be used by marketers.
- 9. What is Gestalt theory and why is it important to understanding perception?
- 10. What is meant by 'just noticeable difference' and why is it important?
- 11. Why do consumers tend to group information together?
- **12.** What is positioning?

### TOPICS FOR FURTHER DISCUSSION

- 1. Nike boss Phil Knight once described a brand as standing for something. He said it creates emotion in a person's mind.
  - (a) How has Nike done this with its brand?
  - (b) What image does the Nike brand evoke?
  - (c) Do criticisms that Nike lacks social responsibility harm the perception of the brand?
- 2. Select examples of advertisements that use the concepts discussed in this chapter. You might specifically look for:
  - attention-catching advertisements
  - the use of spokespeople to target a particular audience
  - the use of colour to convey meaning.
- 3. Think about the types of general merchandise/department stores in your city or state. Develop a perceptual map, indicating the relative positions of each store. How did you determine what criteria are most important?
- 4. Consider the concept of perceived risk. Can you think of any specific examples of risk reduction strategies used by marketers?

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