

# Customer Perceptions and Behavior



## *Understanding how your customers think and make decisions*

SNAPSHOT  
The E-Myth Mastery Program  
Module 2:

E-Myth Marketing Fundamentals  
Business Development Process: MK-0030

*“Nothing is so powerful as an insight into human nature...what compulsions drive a man, what instincts dominate his actions...if you know these things about a man you can touch him at the core of his being.”*

– William Bernbach, Founder, Doyle Dane Bernbach Advertising Agency

### Overview

Effective marketing requires a thorough understanding of the way your customers' minds work – how they perceive themselves and the world, how they think, how they make purchase decisions.

You gain this understanding by studying the psychographics of your target markets, creating a Central Psychographic Model (CPM), and applying that knowledge to the Purchase Decision Chain in order to influence the buying behavior of your target market(s).

Psychographics are people's mental characteristics; specifically, their perceptions, their expectations, and their conscious and unconscious decision making.

A CPM is a written description of the key mental and emotional characteristics typical of the people in a market segment.

The Purchase Decision Chain identifies the key points in the decision process where you can influence the customer's decision for your mutual benefit.

### The Central Psychographic Model

Psychographic characteristics of a market segment:

**Self-perceptions:** How people see themselves, their personal image and their values.

**External perceptions:** How they see the world around them and what they expect from it.

**Drives:** What motivates them – their functional and emotional needs.

**Emotional associations:** The unconscious associations they make.

**Gratification mode:** The dominant way they get gratification in their lives.

**Purchase preference:** The dominant justification they use for their purchases.

### Key Points

Perception is reality. What the customer perceives, correctly or not, is real for that person.

People have, in effect, two minds: the conscious and the unconscious. The conscious mind is rational and logical. It is concerned with features and benefits – the way products and services perform, what they cost, what they do for you.

The unconscious mind is emotional and irrational. It seeks gratification. It is concerned with the way products and services make you feel.

Purchasing decisions are actually made by the unconscious mind. The conscious mind later provides the rational argument that justifies the purchase.

### The Purchase Decision Chain

Awareness

Purchase Motivation

Product Acceptance

Brand Preference

Purchase Transaction

Customer Satisfaction

Buying decisions are easy!



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### **It All Starts with the Mind**

The human mind is anything but simple.

But the mind is where marketing happens for you and your customers. So in order to do an effective job marketing your products and your company, you have to get an insightful understanding of the minds of your customers. The good news is that it's fascinating, and you'll enjoy the discoveries and insights you develop about your customers and yourself.

Where do you start?

You start by understanding the basics about how your customers' minds work, and how you can influence them for their benefit and yours. First, you'll develop the Central Psychographic Model, the CPM, for your primary target market and important flanker markets. Then you'll look at purchase decision making and something we call the Purchase Decision Chain, which will lead you to an understanding of customer needs and behavior and how best to communicate with customers.

The work you do in this business development process requires a great deal of in-depth thinking about some ideas that may be unfamiliar, possibly challenging, probably fun, and certainly valuable. You'll develop insights about your customers and target markets that will shape everything your company does. You'll put those insights to use immediately in the next three business development processes. You'll create your company's "sensory package" (the total impact of sight, sound, smell, touch, and taste your customers experience of your business and its products and services). You'll establish your "positioning" (the place you want your company to occupy in the minds of your customers). You'll select your "marketing mix" (the specific communications, sales, delivery, and customer service activities you will use to attract and retain customers). And finally, you'll combine these elements to develop your marketing strategy. The knowledge and insights you gain in this work will be essential later when you create your lead generation and lead conversion processes. Don't be in a hurry. Take the time you need to get to the core of your customers. It will pay off handsomely – for both you and them.

So let's get to it.

## Watch Out for the “Fatal Assumptions”

There are two “fatal assumptions” that can get in your way as you try to understand the minds of your target market customers – marketing to yourself and being too product-oriented. Marketing to yourself means thinking your customers think and act as *you* think and act. If you have ever said, “The way *I* would do it is...,” or “What *I* would want is...,” or “The way they *should* think is...,” then you have been guilty of marketing to yourself.

Being too product-oriented means thinking more about your products and their specifications, and less about what your customers need and how to communicate with them. It’s thinking backwards. The idea that, “I’ll create a product and then go out and sell it,” is the product-oriented approach, and it’s a poor one. The idea that, “I’ll learn what the market needs, then I’ll create the product to satisfy that need” is the customer-oriented approach, and it’s the more effective approach. Product-oriented thinking also means focusing your marketing and sales activities on the features of your product or service, rather than on the emotional gratification it provides your customers.

## Perception Is Reality

In marketing, there is no such thing as reality; only *perceived* reality. What the customer, or anyone else for that matter, perceives is what is *real* for that person. What the customer’s mind perceives, accurately or inaccurately, is the truth in the eye of that customer. What the customer’s mind doesn’t perceive, in effect, doesn’t exist. And perception rules all decision making, including of course, purchasing decisions. So much so that you could define marketing as “the art of managing customer perceptions.”

The key to successful marketing is to provide the gratification the customer seeks. If this happens, it is a “win-win” situation. There is a different approach to marketing that should be discouraged because it benefits neither the customer nor the business serving the customer. It’s the view that one should manipulate customer perceptions in order to make a sale, using any method that works, without regard to the customer’s welfare. Ethical questions aside, it’s a counterproductive approach to business. Customers always come to realize what is happening and turn away from the selfishly manipulative marketer. In the end, ethical marketing is practical marketing. If customers’ perceived needs and preferences are served, the business wins. If not, it loses.

## A Tale of Two Minds

Imagine for a moment that you have a pair of tiny twins living inside your head. Their names are “Impulse” and “Reason.” They do all your thinking for you, all your feeling, all your perceiving. They are your mind, but there are two of them – and they couldn’t be more different from each other.

Impulse speaks no language, understands no words, has no ability to reason. She has no sense of right or wrong. She wants gratification; she avoids pain. She feels desire and fear. She is the ultimate amoral pleasure seeker as well as the ultimate avoider of anything unpleasant. She can be embarrassed, she has a sense of pride and shame, and when she’s done something wrong, she is remorseful. She is always completely honest, straightforward – there’s no deception in her. She is pure passion, emotion, and impulsive instinct. And she wants everything *now*.

Reason reads, writes, and does arithmetic. She is logical and rational. She seeks facts, information, knowledge, understanding. She is not passionless, but her passions are rational and follow her reasoning. She makes unemotional judgments about good and bad, right and wrong, ethical and unethical, moral and immoral, should do and shouldn’t do, can do and can’t do, valuable and valueless. But she can’t be embarrassed because she has no sense of shame, and she is never remorseful. She thinks, she reasons, she judges, but she doesn’t feel.

They’re an interesting pair, these little twins, but the most interesting thing is that Impulse is the decision maker of the two. Believe it or not, every decision you make is made by Impulse. That’s right, the little crazy person is making all your decisions. Unsettling isn’t it?

Well, it’s not really all that unsettling because Reason has a lot to say about it. The two of them work together in a very productive way. They both perceive through the senses – sight, sound, touch, smell, and taste. Reason takes whatever meaning is inherent in what it perceives and logically processes it, adding no emotion, drawing conclusions. The result is passed along to Impulse who interprets the result in terms of expected gratification or pain, and reacts emotionally. Impulse provides the emotional response to Reason’s rational conclusions and judgments. Meanwhile, Impulse is also using her sensory perceptions to make associations with past experience and bring forth the emotions they trigger. So Reason deals in information and judgment while Impulse deals in associations and emotions. The more information Reason can bring to her judgments, the

stronger her influence on a decision. The more associations and impressions Impulse can make, the stronger her influence.

## The Conscious Mind and the Unconscious Mind

The little twins are real. Of course they're not creatures inhabiting your skull; they are the two aspects of your mind. Reason is your conscious mind and Impulse is your unconscious mind. They exist in all of us. They are the key to the way we think, perceive, and make decisions. And they are the key to understanding and communicating with your customers and prospective customers.

If your marketing is to be successful, you have to communicate with *both* of them. And that's where most businesses fall short. They communicate mostly with Reason, and she's not the decision maker.

## Unconscious Associations

Associations are as important as they are mysterious and unpredictable. Your mind – anybody's mind – makes associations that rule your behavior and the way you perceive the world. Impulse is the twin responsible for associations. Associations can be triggered by the most trivial perceptions as well as by major events. For example, a middle-aged man doing yard work hears the rustle of fallen leaves. He perceives the sound and unconsciously associates it with the rustle of papers at an award ceremony at which he was the guest of honor. He doesn't consciously remember the award ceremony, but he smiles and momentarily feels good because the association triggered pleasant emotions. Here's another, more dramatic example. A young woman – an ice-cream lover – is walking home one evening eating an ice-cream cone. Suddenly she is attacked by a couple of dogs. To this day, more than 15 years later, she can't bring herself to eat ice cream. Her unconscious mind has created an indelible association between ice cream and brutality, pain, and fear. It's an extreme example to be sure, but it makes the point.

Marketers seek to create associations favorable to their products or take advantage of existing ones. Think, for instance, of the last time you saw a television commercial for perfume or beer or an automobile. Yes, the advertisement presented information, but the real thrust of the ad was to trigger an association in your unconscious mind linking the product with a pleasant experience or impression.

You never know exactly what associations your advertising, your product, or your sensory package are going to trigger with any specific individual – people, their experiences, and their perceptions

are much too varied. But you can tap into the common experiences and perceptions of *groups* of similar people and be confident that the associations will be pleasant or unpleasant for most of them. And that's what you do in your business communications and advertising. You understand your target markets in as much depth as you can, but at least to the extent that you know their major common experiences and the way they generally go about their lives. That tells you the kinds of things most likely to have positive associations. And that gives you insights into the kinds of messages and images your advertising should carry, the way you should interact with customers, and the kind of sensory experience your customers should have when they do business with your company.

The idea, of course, is that if you have an in-depth understanding of your customers and how they make their purchasing decisions, you can influence their decisions for your mutual benefit. So, let's take all this background information and put it into a framework that will help you understand customer decision making and enable you to establish the psychological profile – the Central Psychographic Model (CPM) – for each of your target markets.

## Attraction and Avoidance – the Essence of Purchase Decisions

A purchase decision, or any decision for that matter, is simply the emotional response to all the rational and not-so-rational activities in the conscious and unconscious mind. Yes, decisions are made emotionally by the unconscious mind, but with full attention to both conscious and unconscious perceptions, associations, logic, and judgments.

It's all a matter of attraction and avoidance. The conscious mind is drawn to purchases that make sense, are rational, and have objectively desirable results. It is repelled by purchases that are irrational and have objectively undesirable results. The unconscious mind is drawn to purchases that result in emotional gratification. It is attracted by pleasant associations, pleasant sensory perceptions, and the promise of good results based on the conscious mind's conclusions and judgments. It avoids anything unpleasant.

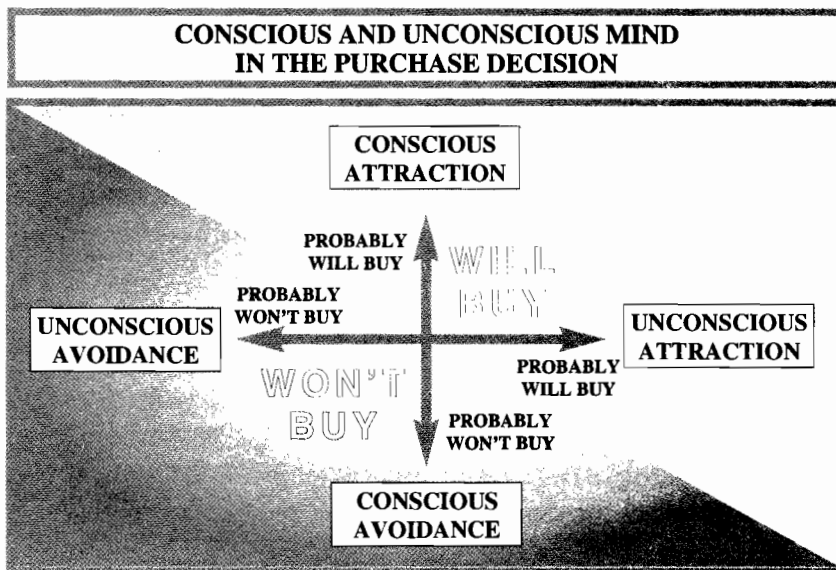
**CONSCIOUS MIND**  
**Responds to facts, logic, price, capability, qualifications**  
**Attracted to the rational; avoids the irrational**

<b>AVOIDANCE</b> Costs too much, poor value Quality is poor Judged to be "bad" (illegal, immoral, unethical) Doesn't have the features I want Doesn't function as it should I don't have the ability to use it Purchase transaction is difficult	<b>NEUTRAL</b> No information  Not relevant to me	<b>ATTRACTION</b> Good price, good value Quality is good Judged to be "good" (legal, moral, ethical) Has the features I want Functions the way I want it to function I have the necessary expertise or aptitude Purchase transaction is easy
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**UNCONSCIOUS MIND**  
**Responds to sensory stimuli, impressions, associations**  
**Attracted to gratification/pleasure; avoids pain/stress**

<b>AVOIDANCE</b> Any unpleasant emotion Distress or fear of any kind Sense of insecurity, inadequacy Ridicule, embarrassment Physical discomforts Association with past unpleasantness Ugliness, boredom, confusion, isolation	<b>NEUTRAL</b> Indifferent, who cares? No past associations No sensory or emotional impact	<b>ATTRACTION</b> Anything that makes you feel good physically or emotionally without regard to right or wrong Beauty, excitement, accomplishment, clarity, belonging, admiration, power, victory Relief from fear, stress, guilt, sense of obligation Association with past pleasures and positive experiences
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The next diagram is a good way to understand the interplay of unconscious/conscious mind and the push-pull of attraction/avoidance in the decision-making process. It's pretty simple. First you draw a blank diagram with one axis for "conscious" and another axis for "unconscious." Label each axis "attraction" at one end and "avoidance" at the other.

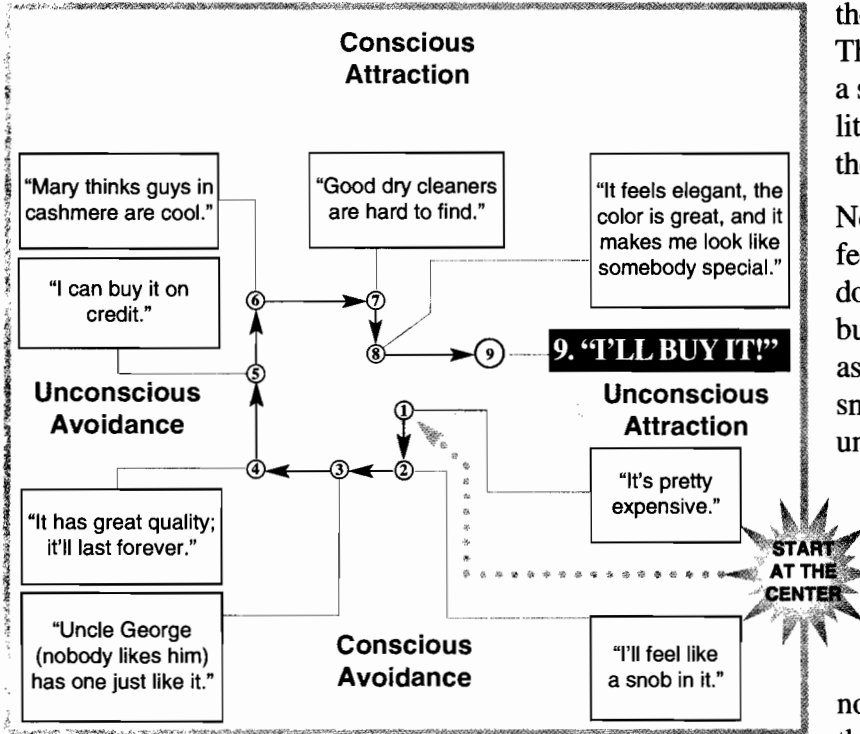


If all reactions of the conscious mind and the unconscious mind make the purchase attractive, the decision will be to purchase. Similarly, if reactions of both minds are avoidance, the decision will be not to purchase. Most of the time, however, there is a complex interplay of reactions, with the purchase decision depending on the balance between attraction and avoidance.

It's best understood by following an example. Think of a man, call him Jack, deciding whether or not to buy a cashmere sweater that's more expensive than is usual for him. Jack's internal thought process won't be as neat and orderly as our diagram suggests, and much of it won't be conscious or in any particular sequence, but the perceptions that influence him are captured in a way that lets you see the interplay of conscious-unconscious and attraction-avoidance.

**EXAMPLE: DECIDING TO BUY AN EXPENSIVE CASHMERE SWEATER**

Start at the center and see how the attractions and avoidances of the conscious and unconscious mind play against each other.



Starting at the neutral point in the center, follow the arrows and their “thought bubbles” to get a feeling for Jack’s train of conscious and unconscious thoughts. Jack’s first thought is “Hmm, pretty expensive.” That’s a conscious avoidance, but not a strong one, so you make a dot a little ways down the conscious axis in the direction of avoidance.

Next, Jack has a couple of negative feelings about the sweater. He doesn’t consciously think about them, but unconsciously he registers an association of cashmere with snobbery; another with his extremely unpleasant uncle, George. The snobbery impression is a minor one, hence a short line in the direction of unconscious avoidance. Jack really dislikes uncle George, so a longer line for that impression. He consciously notes the brand and workmanship of the sweater, and concludes that it is of

very high quality and will probably last a long time. He also sees that he can buy it on his credit card, thus easing his financial concerns – two more lines along the conscious axis in the direction of attraction.

Jack briefly pictures himself wearing the sweater in the company of his girlfriend, Mary, and the mental image sets off another association having to do with Mary’s view of guys in cashmere. Jack smiles and is strongly influenced in favor of the sweater – a longish line in the direction of unconscious attraction. He has a passing thought about the need to find a good dry cleaner – a conscious avoidance. Jack tries on the sweater, and it makes him feel great and (in his own mind) look great – another long line for unconscious attraction. The end result, the balance of all those conscious and unconscious attractions and avoidances, is that Jack buys the sweater, with only minor misgivings.

So, what does Jack’s decision have to do with *your* marketing? More than you might think.

If, instead of Jack the individual, you think in terms of your primary target market, and if, instead of Jack’s perceptions and

associations, you think in terms of the collective perceptions and associations of your target market CDM, you now have a model for the purchase decisions of your customers.

## Psychographics and the Central Psychographic Model

Remember the three-legged stool that forms the foundation of your marketing strategy? You have looked at “who buys” (demographics) and “where they buy” (trading area) of your markets. Now it’s time to build the third leg of the stool – “why they buy” (psychographics).

Psychographics refers to the psychological characteristics of populations, or in this case, of market segments. *Webster’s Dictionary* says that psychology is the science of mental processes and behavior, or the emotional and behavioral characteristics of an individual or group. Let’s take this definition a step further and define it in a way that is useful for marketing purposes.

Psychographics are the mental characteristics that typify the people in markets and market segments; specifically, their self-perceptions, their drives, their perceptions and expectations of the world around them, and their emotional associations.

Just as each market segment has a Central Demographic Model, or CDM, each segment also has a Central *Psychographic* Model, or CPM. The CPM of a market segment is a profile of the psychographic characteristics typical of people in the segment. There are six types of psychographic characteristics you should know to better understand your customers:

- Self-perceptions
- External perceptions
- Drives
- Emotional associations
- Gratification mode
- Purchase preference

The CPM characteristics are explained below, and there is a Central Psychographic Model worksheet at the end of this booklet to help you develop CPMs for your target market segments.

**Self-perceptions.** People’s self-perceptions have to do with their personal image and values. If they are satisfied with their self-perceptions, marketing messages that reinforce satisfaction are likely to hold the promise of emotional gratification and create attraction for your products and your business. If they are not

and incompetent? Do they expect products and services to function as advertised, or do they expect shoddy products and shabby treatment?

- Motivational. Do they perceive others as “out to get them” or interested in their welfare? Do they expect salespeople to be after their money versus just being helpful? Are businesses caring and ethical or cold and greedy?

**Drives.** What is it that compels a person to take action? Physical and emotional needs? Desires? Obligations? Fears? Whatever it is, it’s a drive. Drives can be positive (attraction) or negative (avoidance), but not neutral. Neutral has no emotional charge, leads nowhere, and prompts no action. And if a customer’s drive has anything to do with purchasing, it’s of enormous interest to you and your business.

Drives are either functional (the need or desire for something tangible) or emotional, and even functional drives are emotional at their most basic level. Take the functional drive of hunger, for example. Hunger is the need for food, of course, but at the more fundamental level, hunger is a desire for the pleasure of a good meal, or the need to relieve the unpleasant empty feeling in your belly, or in the extreme, the need to eliminate the fear of death – all emotional gratifications. So, acknowledge functional needs and make sure your products and services satisfy them, but more importantly, understand the more fundamental emotional needs, and be doubly sure to satisfy them.

- Functional needs are what the conscious mind understands. They are satisfied by the tangible aspects of your products and services. What must your products *do* for your customers? What functions must they perform? What physical features must be present? How must they work?
- Emotional/internal needs drive the unconscious mind. They are the impulse for emotional gratification (and buying!). More powerful than functional needs, emotional needs underlie every functional need.

**Emotional associations.** What emotional associations are likely within this market segment, and what is likely to trigger them? You can’t read minds and you can’t know precisely what associations are true for your target markets, but you can learn about their typical histories and behaviors, inferring what communications and sensory impressions are *likely* to trigger emotional associations. And you can focus on what is likely to provide emotional gratification, avoiding what might trigger its opposite – emotional discomfort.

content with their self-perceptions, messages that promise improvement are likely to generate a sense of emotional gratification and create attraction. There are two categories of people's self-perceptions:

- Personal image includes perceptions of your role in life, social status, economic class, special abilities (or inabilities), and distinguishing characteristics. People have either healthy personal images (nowadays they are said to have “high self-esteem”) or unhealthy personal images (low self-esteem). Marketing messages should reinforce healthy personal images and promise improvement of unhealthy personal images. Personal image is the answer to the question, “What kind of person are you?”
- Personal values are an important part of personal image, but they also include the element of interaction with others and preferences for the way the world interacts with you. Values include personal characteristics such as integrity, honesty, thrift, sense of responsibility, loyalty, generosity, and love. Values also include the importance you place on things such as family, friendships, career, material possessions, physical and emotional well-being, community, faith, and the environment. Marketing messages and any interactions with your business should be consistent with the dominant values of the market. Values are the answers to the question, “What’s important to you in life?”

**External perceptions.** People perceive the world around them in different ways. Some see it as a warm, friendly place while others see it as threatening, ready to do them harm at every turn. For instance, some customers view a salesperson as someone out to take advantage, someone who will sell them anything to earn a commission. Others see salespeople as helpful sources of information and guidance. Knowing customer perceptions, both good and bad, tells you a lot about their expectations. This helps you position your business in their minds and develop the most effective communications and ways of interacting with customers and prospects. Three categories of external perceptions are:

- Environmental. Is the world a safe place? Do they expect the best or the worst? Do good things or bad things tend to happen to them?
- Behavioral. Do they expect people to treat them well, with respect, in a friendly, helpful way? Do they view business people as helpful, friendly, and useful versus cold, unfriendly,

- Positive associations are those that trigger emotional gratification. Communications and sensory impressions that remind people of joyful events in their lives, or of wonderful sensory experiences (food, music, sex, athletics, luxurious comfort, etc.), or of achieving cherished fantasies.
- Negative associations are those that trigger emotional discomfort. If you are not attentive to communications and sensory impressions, you run the risk of inadvertently triggering negative emotional responses, creating avoidance rather than attraction for your products and your business.

Be careful. Sometimes what is joyful for one market segment is unpleasant for another. Shopping for clothing is a happy, stimulating activity for some, an unpleasant labor for others. Running a marathon is a joy for some, unthinkable torture for others. Holding a newborn baby is deeply satisfying for some, uncomfortable for others. Attending an opera or symphony – entertaining for some, boring for others.

**Gratification mode.** There are three ways that people get gratifications in their lives:

- Interpersonal. Their gratifications come primarily through interactions with other people.
- Objective. Their gratifications come primarily through interacting with inanimate objects or data.
- Introverted. Their gratifications come primarily from interacting with ideas in a solitary fashion.

Everyone gets gratification in all three ways, but usually one gratification mode dominates for any individual. For instance, even the most strongly Interpersonal types occasionally take time to be alone with their thoughts or do something by themselves.

Individually, it's easy to observe which mode dominates a person by observing how they spend their time. But how can you determine the dominant mode for different market segments? The best way is through market research done by professional researchers. The next best way is to do your own research and observation. Another way, not quite as reliable as doing research but fairly quick, is to look at the mix of occupations in the market segment.

People with different modes of gratification tend to settle into occupations that provide opportunities for their preferred type of gratification. You can use occupation as a fairly reliable indicator until you are able to complete the necessary market research. If you recall your earlier work on “your most probable customer,” occupation was one of the demographic characteristics in your

CDM for each target market segment. With that information in hand, it's a simple matter to look at your demographic data, see which occupations are prevalent in your target markets, and determine from that which is the dominant gratification mode. Remember each mode highlights where these buyers get their emotional gratifications. Here's a listing of the occupations that tend to correlate with each of the gratification modes:

<b>INTERPERSONAL</b>	<b>OBJECTIVE</b>	<b>INTROVERTED</b>
<b>Actors, performers</b>	<b>Accountants</b>	<b>Artists</b>
<b>Athletes in team sports</b>	<b>Bankers</b>	<b>Athletes in individual sports</b>
<b>Attorneys who litigate</b>	<b>Career military officers</b>	<b>Dedicated hobbyists</b>
<b>Consultants</b>	<b>Corporate attorneys</b>	<b>Designers (non-engineering)</b>
<b>Homemakers</b>	<b>Data processors</b>	<b>Elected politicians</b>
<b>Marketing executives</b>	<b>Engineers</b>	<b>Entrepreneurs</b> *
<b>Physicians with people contact</b>	<b>Insurance executives</b>	<b>Inventors</b>
<b>Salespeople</b>	<b>Investment and stock brokerage personnel</b>	<b>Police officers</b>
<b>Secretaries</b>	<b>Manual laborers</b>	*
<b>Teachers</b>	<b>Middle managers</b>	
	<b>Physicians with little or no people contact</b>	
	<b>Researchers</b>	
	<b>Senior managers in large companies</b>	

**Purchase preference.** There are also three general reasons customers use to rationally justify the purchases they make. Remember that customers make purchase decisions based on unconscious-mind expectations of emotional gratification, but they explain those decisions, to themselves and others, in conscious-mind, rational terms. Here are the three general purchase preferences that indicate why customers buy:

- **Experimental.** These customers want products and services that are new, revolutionary, innovative. This purchase preference is most commonly associated with Interpersonal buyers.
- **Performance.** These customers want something reliable, dependable, of proven quality. This purchase preference is usually associated with Objective buyers.
- **Value.** These customers want something “worth the money.” They either want the best price or the best sense of value in their purchases. This purchase preference is most often associated with Introverted buyers.

As with the gratification modes, everyone is concerned with all three preferences to some degree, but one preference dominates. And again, the best way to discover the prevailing purchase preference for any market segment is through market research. As it happens, occupation is also a fairly good indicator of purchase preference, and you can do the same kind of occupational analysis of your target market segments for purchase preference as you did for gratification mode. Here is the listing of occupations that tend to correlate with each of the purchase preferences:

EXPERIMENTAL	PERFORMANCE	VALUE	
Actors, performers	Attorneys	Accountants	
Artists	Bankers	Entrepreneurs	*
Athletes	Career military officers	Homemakers (low income)	
Consultants	Data processors	Manual laborers	*
Dedicated hobbyists	Engineers	Police officers	
Designers (non-engineering)	Insurance executives		
Elected politicians	Investment and stock brokerage personnel		
Homemakers (middle and high income)	Middle managers		
Inventors	Physicians		
Marketing executives	Researchers		
Salespeople	Senior managers in large companies		
Secretaries	Teachers		

It's important to keep in mind that the type of product or service can have a significant influence on the purchase preference. For example, Interpersonal buyers are usually Experimental buyers. But what if you're selling veterinary care? Pet owners are generally most interested in maintaining the health of their pet. They want assurance that the veterinarian is dependable, reliable, and well qualified. In other words, they are most interested in Performance. This holds true no matter how Experimental they might be with other products and services.

## **How Do You Know for Sure What Goes on in the Minds of Your Customers?**

You don't. You never know for certain what is going on in the minds of people and how their inner selves truly work. Most people don't even know that about themselves. The best you can do is observe what your customers do, listen to what they say, and use your own common sense and knowledge of human nature to develop the insights you need. You do this all the time with all the people you know. The challenge here is to extend your existing talent to consider larger groups of people – your target markets.

You can also do formal market research, but be careful. Normally, professional market research is the best way to get reliable information about markets. But when it comes to the subtleties of the mind, it's not clear that market researchers are any more insightful than business people. The problem is that most research consists of asking conscious-level questions to learn about unconscious-level psychographics. It's a moot question for most small business owners anyway because this kind of research tends to be difficult and more expensive than they can, or wish to, conduct.

Don't be afraid to trust your own judgment. Be careful not to "project" your own way of thinking so that you believe your customers think the same way you do. Be objective. Base your conclusions on what you see, hear, and read. Use this process booklet as a guide to focus what you already know about your customers and your product or service to identify what your customers most want from your business. Your experience with people, your growing knowledge, your logic, and your intuition will keep you close to the mark.

## The Purchase Decision Chain – How It All Comes Together

### The Purchase Decision Chain



You've done a lot of in-depth thinking and research into the minds of the people in your target markets, and it may not yet be clear how it all comes together, let alone how this will be of practical use in your business. Part of that question will be answered in a moment as you look at the Purchase Decision Chain. The rest will become clear as you put what you have learned to use in the next three business development processes.

A purchase decision is actually a series of interim decisions leading, if all goes well, to the actual payment for your product or service. The links of the Purchase Decision Chain are diagrammed to the left. Let's first review the links in the chain. As we do, we'll see what happens in the customer's conscious and unconscious minds, and your role in shaping the sequence of events.

**Awareness.** People want to be generally aware of what's available to them in the marketplace. They don't want much information – just a few facts such as the company's name, product names, some general impressions of what the product does, rough ideas about its quality and price, and some feeling of whether or not the product is appropriate for them. The name and a few general impressions are all they need.

Awareness is more important than it seems. While customers are consciously satisfied with minimal information to keep them “aware,” their unconscious minds are at work balancing attraction and avoidance, creating powerful expectations of gratification or discomfort. Often the purchase decision is made at this early stage, but the conscious mind doesn’t know it yet. When that happens, the rest of the decision chain is spent confirming and reinforcing the decision and coming up with the rational argument the conscious mind needs to justify it.

A quick word about first impressions and “selective perception.” Selective perception refers to the fact that people, once they form a good or bad impression about something or someone, are more alert to information that supports the initial impression. If prospective customers form favorable early impressions, their selective perceptions will tend to reinforce and confirm their views. That means favorable awareness greatly improves the likelihood of a sale, and of course, unfavorable awareness makes the sale a longshot.

That’s why you *must* think carefully about your lead generation activities – your advertising, public relations, the external appearance of your facilities, business cards, Yellow Pages listings, signage – all the things you do to create awareness in your market. You’re doing much more than creating awareness, in many cases you’re actually making the sale at the unconscious mind level, and you often have minutes or less to make a favorable first impression. That alone tells you how important it is to develop an insightful understanding of the psychographics of your target markets. The importance redoubles as you move through the remaining links of the Purchase Decision Chain.

**Purchase motivation.** At some point prospective customers are motivated to purchase, or at least consider purchasing a product or service. Something triggers their drives – their functional and emotional needs – and they experience “I need,” “I want,” “I should,” “I have to.” These drives can be triggered by events in their lives, they can evolve slowly, or they can be stimulated by your lead generation activities. You can’t *create* motivation, but you can often stimulate it and intensify it with effective lead generation.

Here’s an example. Our friend Jack, happy with his new cashmere sweater, is about to purchase a new home. He’s excited about it, but a little worried too, because it’s in a beautiful, upscale neighborhood that has become a hunting ground for burglars in recent months. He is developing a functional need for some kind of protection, and a cluster of emotional needs centered around fear and possibilities of loss. So his growing sense of need is beginning to generate the motivation to “do something.”

Before he decides on his own to look into insurance, which he eventually would have done, he receives a mail solicitation from Rock Insurance Company offering property insurance. The mailer does two things: It increases his sense of need, thus intensifying his motivation to “do something,” and it provides direction by focusing his attention on a product (property insurance) and a brand (Rock Insurance Company).

Jack is already aware of property insurance and has a perception that it provides the kind of protection that would be useful to him, and he unconsciously experiences some mild, but positive, emotions having to do with security and being taken care of. He knows about Rock Insurance Company, having seen its advertising (although he hasn’t paid much attention to it), and having heard occasional favorable comments about it. In short, Jack has a general awareness of property insurance and Rock Insurance Company; he has a need he hasn’t yet filled; and his motivation to buy has been triggered and directed by the lead generation activity (the mailer) from Rock Insurance Company.

The point is that nothing happens unless the customer’s motivation is stimulated, but when it is, you want your name to be the first one in the customer’s mind, and you want it to be favorably perceived.

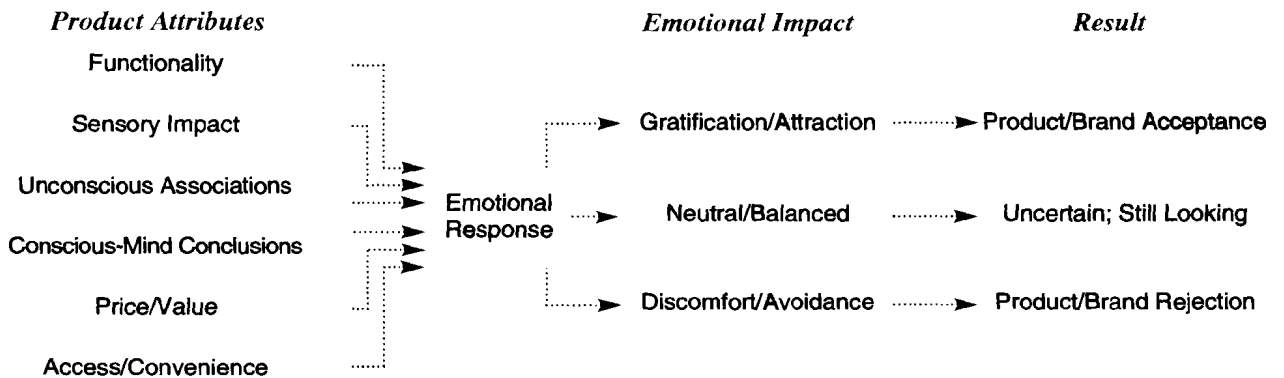
**Product acceptance.** Before customers will buy your *brand*, they have to decide on the *product* they want. Keep in mind the difference between *product* and *brand*. Product is generic, brand is specific. An automobile is a product, a Ford Taurus is a brand. Potato chips are a product, Lay’s potato chips are a brand. The product/brand idea includes businesses. A restaurant is a product, Chez Panisse is a brand. An airline is a product, United Airlines is a brand. Customers first decide on the product, then the brand.

Keep this idea of product acceptance in mind. It provides you with some important ways to shape your marketing strategy, and you’ll see it again later in this module. For the moment, it’s sufficient to understand the types of product attributes you can shape to best serve your customers, and to remember that at their core, purchase decisions are always driven by expectations of emotional gratification.

The diagram on the next page outlines six general types of product attributes – incidentally, these attributes also apply to your business as a whole. Notice that these are attributes *in the mind of the customer*, not innate properties of the product itself. Perception is reality. These perceived product attributes are the

*only* product attributes that mean anything to the customer, therefore they are the only attributes that mean anything to your marketing strategy.

**PRODUCT/BRAND ACCEPTANCE AND REJECTION**



Our friend Jack was also approached by companies selling alternative products – a fireproofing service, a security patrolling service, and a security alarm service. The alternatives weren’t exact substitutes for each other, but they all focused on some aspect of Jack’s functional and emotional needs. In Jack’s case, he quickly determined that property insurance was the product he needed.

**Brand preference.** Brand preference is determined by the customer’s perceptions of which competing products are more appealing – which one promises the greatest emotional gratification.

Selecting from competing brands was tougher for Jack. All property insurance policies are pretty much alike, and they’re hard to understand. He tried to compare six or seven of them, but he just got confused. He finally bought the Rock Insurance Company policy. When asked why, he said, “I just felt better about Rock. I don’t know why.”

From a marketing point of view, there is a difference between creating product acceptance and brand preference. Both can be illustrated with an example. Some years ago, Campbell’s Soup launched a major advertising campaign with the slogan, “Soup is good food.” They wanted people to think of soup as a main dish at mealtime, rather than something you occasionally have before a meal. The “Soup is good food” slogan plus advertisements that emphasized the hearty, mealtime nature of soup were an attempt to get customers to accept the *product*, soup, in a different way. Their

advertising naturally focused on the Campbell's Soup name as well, in order to maintain awareness and foster brand preference.

**Purchase transaction.** For some businesses, the purchase transaction itself is an important link in the chain. Insurance, especially medical and life insurance, is an extreme example. Forms, medical checkups, laboratory tests, long waiting times, more forms, and finally, a complicated policy document, all serve as a strong deterrent. Who wants to go through all that? It's only because the "attraction" aspects of medical coverage (functional and emotional needs) are so strong that the "avoidance" aspects do not overwhelm the decision.

**Customer satisfaction.** The customer's experience with the product or service takes place *after* the purchase, so why is it part of the Purchase Decision Chain? For two reasons. Satisfaction with one purchase leads to another. It's no secret that your best prospects are your existing customers. Unless you have no need for repeat business, you'd better make triple sure your customers are satisfied – *no, delighted!* – with your products and your customer service. Also, your customers' experience with your products and your business is part of the awareness of their friends and acquaintances. People talk, and they talk especially about the unusual – the unusually good and the unusually bad. Word-of-mouth from your customers to your prospective customers is the single most persuasive and credible kind of information available to most people about the things they buy and the companies they buy from.

Take time to study the Purchase Decision Chain Dynamics chart on the next page. It shows how you and your marketing activities interact with your customers' conscious and unconscious minds to move smoothly through the links of the Purchase Decision Chain.

## **Your Best Friend – Impulse**

Of all the things to remember about the psychographics of your target markets, first and foremost, don't forget the little twins in their heads. There's no problem with Reason – she's an old friend. You know her well, and you're comfortable with her. She thinks like you do. But get to know that rascal, Impulse. She's elusive, a bit crazy, and she doesn't communicate very well. But she's worth the trouble to know. And when it comes to understanding your markets, she's your best friend – she'll show you the secret of attracting customers in droves.

# Purchase Decision Chain Dynamics

