

The background of the book cover is a dark, textured blue and purple landscape. A winding, light-colored path leads from the bottom left towards a small, glowing city or town on a hill in the distance. The sky above the city is a bright, fiery orange and yellow, suggesting a sunrise or sunset. The overall style is painterly and evocative.

# The Psychology of Marketing

Cross-Cultural Perspectives

Gerhard Raab  
G. Jason Goddard  
Riad A. Ajami  
Alexander Unger

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Published by  
Gower Publishing Limited  
Wey Court East  
Union Road  
Farnham  
Surrey, GU9 7PT  
England

Gower Publishing Company  
Suite 420  
101 Cherry Street  
Burlington,  
VT 05401-4405  
USA

[www.gowerpublishing.com](http://www.gowerpublishing.com)

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### **British Library Cataloguing in Publication Data**

The psychology of marketing : cross-cultural perspectives.

1. Marketing—Psychological aspects. 2. Consumer behavior. 3. Consumer behavior—Cross-cultural studies.

I. Raab, Gerhard.  
658.8'0019—dc22

ISBN 9780566089039 (hbk)  
ISBN 9780566089046 (ebk)

### **Library of Congress Cataloging-in-Publication Data**

The psychology of marketing : cross-cultural perspectives / by Gerhard Raab ... [et al.].

p. cm.

Includes index.

ISBN 978-0-566-08903-9 (hardback : alk. paper)—ISBN 978-0-566-08904-6 (ebook)

1. Marketing—Psychological aspects. 2. Consumer behavior—Psychological aspects.  
3. Consumer's preferences—Cross-cultural studies. I. Raab, Gerhard.

HF5415.P734 2010  
658.8001'9—dc22

2010010152



**Mixed Sources**

Product group from well-managed  
forests and other controlled sources  
[www.fsc.org](http://www.fsc.org) Cert no. SA-COC-1565  
© 1996 Forest Stewardship Council

Printed and bound in Great Britain by  
MPG Books Group, UK

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# Preface

The following textbook is oriented toward all students interested in gaining an overview of those psychological theories that may be considered relevant within market psychology. Each theory is presented in its key propositions. Subsequently possible applications are given. At the beginning there is an introductory chapter dealing with market psychology and its theoretical, scientific classification. Then we start in with an examination of cognition-oriented theories. Cognitions are all elements of thought that a person can experience of himself or of his environment: opinions, insights, hopes, expectations, memory contents. All of these cognitive theories have something in common: they show how people deal with information (that is, with possible new cognitions) and how they change in the process of doing so. People do not experience the world the way it really is, but do so rather in a distorted manner. They proceed according to existing assumptions, look for comparisons that correspond with their worldviews, adapt information to their expectations, experience many items of information as constricting of freedom and as threatening, explain the world, process information more or less intensively, and make use of prefabricated concepts in information processing. For all of these statements there is a cognitive theory, or several cognitive theories, dealt with in Chapters 2 to 9.

The next section (Chapters 10 to 13) deals with a person's development, with the ensuing personality, capacity to learn, perception, and cognition, and the resultant memory contents and structures.

This is followed by emotion and motivation theories (Chapters 14 and 15), which in many ways can be seen as complementary to cognitive theories. It is said that in psychology there is a cognitive school on the one hand, and an emotional/motivational school on the other hand. We do not subscribe to this. We tend more to see overlaps and supplementations.

The theories of "power, control, and exchange" are particularly relevant for a market psychology. These are the topics of Chapters 16 to 18. Power is any potential a person or authority has to influence the behavior of other people. In markets, influence is exercised over the behavior of other market participants to a significant degree. On the other hand everyone seeks to have control over him or herself; they seek to avoid external influence. The relevance of exchange theories in turn arises directly out of the essence of markets. Markets are oriented toward exchange. Thus markets can be explained via power structures.

Chapter 19 is of particular interest for prospective managers. Everyone who is trusted with marketing or other leadership tasks in the management of all manner of organizations will attempt to exercise influence over others. In this regard they have developed assumptions concerning the possibilities of exercising influence. They also have hypotheses regarding the psychology of the people to be influenced. However, these are largely lay hypotheses. In the psychological sense these managers engage in a lay search for insight into the psychology of the other market participants. They are "amateur psychologists". It is exactly this that is the subject matter of lay psychology. Here, so to speak, the mirror is held up to management.

Chapter 20 provides a valuable link with biological psychology, and ends the chapter portion of the text on a particularly medically-oriented note. This fascinating chapter provides the reader with the biological basis of much of what the majority of the book has described in a more business-oriented context.

Finally, the last section consists of short case studies which help to elucidate primary theories and ideas described in the body of the text. The authors will present case studies to help the reader more fully to understand the concepts explored in this book. These cases will be from varying cultural viewpoints, aiding the theme of the sub-title "cross-cultural perspectives".

We feel that the best target audience for this book would be higher level undergraduate and masters level courses in Marketing Psychology, Consumer Behavior, Industrial Psychology, and other such courses. We feel that the book would be broadly targeted to doctoral candidates in the field of marketing and psychology, as well as to marketing executives and managers in both large and small organizations.

The authors would like to thank Marion Werner for researching various sources of literature, Regina Kalteis for editorial work, and Georg Emunds and Karin Zettler for many stylistic improvements. Edward Clarke and Leila Goddard provided additional valuable insights after reviewing portions of the manuscript. Finally, the authors thank Susan Resko for the cover art design, which can now be enjoyed by a wide audience.

Gerhard Raab, G. Jason Goddard, Riad A. Ajami and Alexander Unger

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# *Market Psychology in the Context of Systematics*

*Many psychologists working today in an applied field are keenly aware of the need for close cooperation between theoretical and applied psychology. This can be accomplished in psychology, as it has been accomplished in physics, if the theorist does not look toward applied problems with high eyebrow aversion or with a fear of social problems, and if the applied psychologist realizes that there is nothing so practical as a good theory"*

(Lewin, 1944)

## **The Subject of Market Psychology**

As a science, market psychology explains and predicts human behavior with regard to markets. We can speak of a market whenever something of worth to someone is being exchanged for something else.

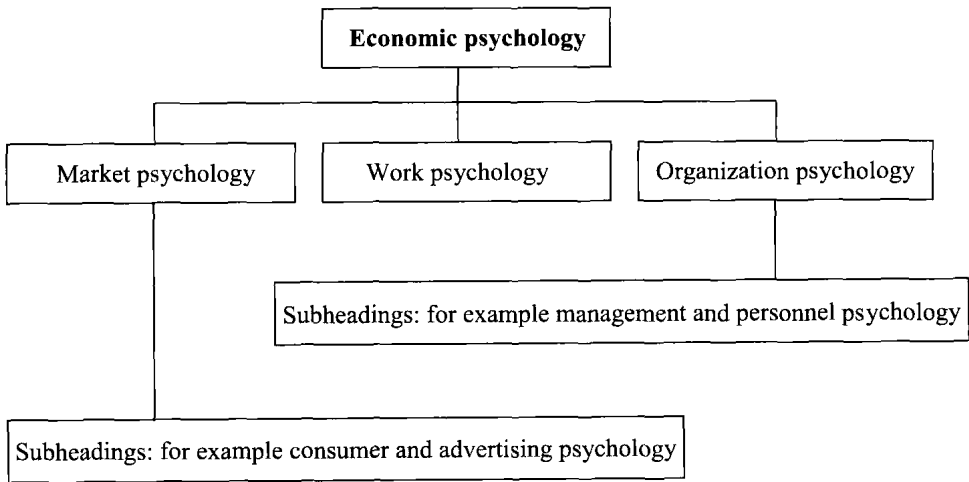
The most popular market is the goods market, within which goods of a material or immaterial kind are exchanged for money. In these markets the striving toward financial profit is a definitive determinant of supplier behavior. Buyers are looking for utility (buyers of productive goods) or for satisfaction of desires or needs (buyers of consumable goods). Regular exchange also occurs in cases where striving for profit is not the essential goal. If a governmental department starts a communications campaign against drink driving, then it is offering something (safety, health), and receives as a return the curtailing of alcohol consumption. That is an example of non-profit marketing and at the same time of social marketing. The situation of parties working against each other for votes in an election is also a market, in that trust in the election platform is being exchanged for votes. Another example of a market is the financial market, including the stock market. All of these examples are indisputably relevant within any discipline that calls itself "market psychology".

Wiswede's (1995, pp. 14–18) treatment of economic psychology is considerably more extensive. This subject includes, according to Wiswede (1995, p. 17) "special economic psychology" topics like work and organizational psychology, especially with regard to the related discipline of management psychology. For Wiswede savings behavior, perception and reaction in relation to inflation, also belong to economic psychology. Certainly it is self evident that in these areas exchange processes can also be postulated: In the area of management behavior a particular type of work performance is exchanged for incentives (of a material or immaterial kind); the same goes for human resources management or for organizational psychology.

Saving means nothing more than momentary renunciation of consumption in exchange for a reward (interest). If it in fact has to do with reaction to price changes,

reaction to inflation is included within the scope of the goods market described initially. Taxation is also nothing other than a fee in return for service. It lacks the element of free will however. Seen in that light, the element of taxation certainly does not belong within market psychology.

To us it seems a bit arbitrary, starting from the point of view of a field of market psychology on the one hand, and from a field of work and organization psychology on the other hand, to exclude certain exchange processes from the field of market psychology, and then, aside from market psychology, to assign these elements within an overarching field of economic psychology. Kieser and Kubicek (1992, p. 10) clearly perceive the possibility of understanding customers or clients of organizations as also being members of those organizations, so that these members then influence the organization's decisions. As an outgrowth of this viewpoint Irle comes to a conclusion whereby consumer psychology is understood as "a special offshoot of organization psychology". According to Wiswede economic psychology can be presented as in Figure 1.1 below:



**Figure 1.1    Subheadings of economic psychology (from Wiswede, 1995, p. 17)**

Since we are starting from a comprehensive market concept, we can also proceed according to a comprehensive market psychology that can be divided at will into many different subheadings. Which subheadings result from this and how they are ordered depend, among other things, on the individual researcher. The meaning of whatever classification is chosen will prove itself, as a hypothesis, during the course of the research process.

In market psychology we have that science which explains behavior within all markets: consumer psychology, work psychology, organization psychology, management psychology, communication psychology, media psychology, and the psychology of decision making, are all special disciplines which certainly can overlap. Where there is a market for health products and for behavioral advice relevant to health, even parts of health psychology can be considered to be aspects of market psychology.

## Market Psychology as an Applied Science

We can differentiate between three levels of research: The level of fundamental research, that of applied research, and the level of evaluation of scientific findings in practice.

Fundamental research is theory oriented. It seeks insights in order to advance itself. It is a continuous, never-ending search for ever-better explanations for all manner of phenomena. It would be misguided to measure fundamental research on the basis of its future “utility” (however that may be understood). On the way to discovering new insights it can never be said to what use they will be put. Having said that, practitioners seeking insight need an arsenal of proven theoretical findings, just as practitioners of applied research do. In general it is not economical to begin by searching for new solutions to problems with the advent of every problem. The worth of scientific insight lies in already available, generically valid theoretical statements, which can be applied to any number of problem areas, or which simply further the process of gathering insights. Examples of fundamental research areas are: psychology, social psychology, sociology, pure economics, biology, chemistry, and physics. All of these areas have one procedure in common: Insights are sought on the basis of specific theoretical concepts. The field of application could then be anything.

Applied research on the other hand is oriented toward problem areas of human existence that need to be explained. Some examples are: pedagogy, interaction psychology, market psychology, marketing, medicine, and research into well-being. The problem area is given, and then solutions can be sought and brought to bear on the existing problem from any number of fundamental research areas. Admittedly there then arises the danger of arbitrariness. Since the arsenal of theoretical statements from the area of fundamental research has become extremely large, the possibility can certainly be seen of arbitrarily construing a theory within the applied science, and then to convincingly support this theory via equally arbitrarily selected areas of fundamental research. From the point of view of scientific theory however, this is entirely unproblematic. Through the inductive transfer of theoretical and completely proven scientific pronouncements, no new insight is culled concerning new areas. Obtainment of scientific insight is only possible through the empirical testing of theories. The construction of theories in applied science, through the creative use of proven theories from fundamental science research, is to be seen as a phase of hypothesis formulation. There is no “restraint to method” here at all. Here, but truly only here, can we follow Feyerabend’s plea against restraint to method (Feyerabend, 1993). Otherwise we are proceeding according to a strict, scientific, deductive approach, which amounts to formulating provable hypotheses, rather than exposing their flaws toward the end of testing them for truth content. The deduction phase follows: a critical examination according to empirical method. It does not make any difference how systematic or arbitrary, plausible or implausible the constructed hypotheses are; if they prove themselves now we can keep them, and if they fail the test we can go back to the drawing board, check over the reasons for their flaws, correct them, bring them back into play, and test them again. Or we reject them for the time being (just as there is no conclusive proof as to the final verity of a hypothesis, it is similarly the case as to the definitive failure of a hypothesis). The analysis of market events is an example of applied science. When we speak of market psychology, it is thereby being indicated that we want to elucidate market events by using psychological theories.