

[The Psychology of the American Consumer!](#)

Understanding what motivates consumers and their decisions to purchase the product or service you sell has never been more important to American businesses. In fact, in order to move this teetering economy forward, understanding the true nature of the consumer is the first step to renewed economic growth. Recent history provides a clear picture.

In early 2000, many NASDAQ stocks traded to astronomical highs. Average consumers, many of whom had never before invested, bought speculative stocks on the advice of family members, work associates or even strangers. Everyone had the “hot tip” and most were investing in companies they had never heard of prior to their investment. It didn’t turn well for most investors but the bigger lesson of the decade was yet to come.

In mid-2000, with low interest rates as a catalyst and the feeling this asset class could never lose value, housing prices exploded to never before seen highs. In less than 4 years my home in Arizona had risen nearly 100%. Friends and neighbors were buying multiple properties and those that weren’t were using their homes as giant ATM’s to purchase boats, cars and trips. Today, where I live in Maricopa country, 1 in 42 homes are in foreclosure. The devastation to families and communities is enormous.

Many would call this calamity the price you pay for “ego and greed” running rampant in the marketplace. And while this may be partly correct, it doesn’t explain the true, underlying motivation of smart, rationale people who end up making choices that later make little sense to even to them. Consider this simple story.

A few years ago I was watching an Arizona Cardinals game at a Phoenix bar with a few friends. It was a Sunday afternoon and the bar was crowded. Across the bar from me sat a young, very rough looking couple who were clearly not enjoying each others company. By the start of the third quarter they had become so enraged at each other, I was sure a Manager would ask them to leave. But before anyone intervened, the young man suddenly swung his arm high and backhanded the woman with such force, she nearly fell off her chair.

For a moment, everyone in that bar sat in a stunned silence. Did he have a gun? Could he go to his car and get a gun? Even though this man was outnumbered 100 to 1, not a single person broke from the herd to come to the aid of this woman or even dial 911. Imagine what would have happened if someone had attempted to restrain the young man? Likely, most would have followed and a different outcome would have occurred.

Fear, not greed, is the overwhelming emotion that drives people to make decisions; right or wrong. But is the collective fear of the group that often causes people to make highly irrational decisions that later make absolutely no sense, even to them.

This collective thinking is called the “herd mentality.”

In nature, animals travel in herds to protect themselves from lone predators. When a member of the herd becomes weak or breaks away, a certain danger lies ahead. Likely,

they will be eaten. In civilized society, human beings often exhibit the same kind behavior but instead of staying safe within the herd, they often find themselves face to face with a predator.

Bernie Madoff provides one of the best examples in recent history of the power of the “herd mentality.” Imagine the investor who watched his friends being accepted into this exclusive fund while they remained on the outside. You see, this fear isn’t simply about making decisions. People inherently “need” to be apart of the herd. And if they are not, they become afraid others will get ahead, while they remain behind. Or, afraid their status will be diminished by being an outsider looking in. And in the case of Madoff, some of the wealthiest men and women in this country allowed the collective thinking, once inside, to overlook one very big, obvious fact. It was impossible to achieve the kind of consistent returns he made for his clients, year in and year out. The power of the herd can be mind numbing.

Understanding that it’s impossible to change society and how it works, the first step to successful revenue growth in this economy or in any economy is to create a herd of your own. Today consumers are jaded and creating a herd where information is accessible to the masses and opinions are easily shared is the only way for it to be successful. In order to create your own herd with genuine intention, social medial leads the way.

1. Facebook, Twitter and Linked in- These resources provide a direct way to connect to people and build a following based on trust and information. The more information you provide, the easier it becomes for others to honestly and faithfully follow you and buy from you. In this new economy, people are looking to buy from people they trust.
2. Testimonials – The more testimonials you can garner from your clients, the stronger your brand becomes. When you can do more than show written testimonials, the better. Today it’s important to videotape happy customers and show them prominently on your website, your sales presentations or in your office.
3. Referrals – So many businesses never ask their customers for referrals. In this economy, consumers want to do business with people they trust and the recommendation of a trusted friend is more important than a rich advertising budget. Your mission should be to get 5 referrals from every client you do business with.