

CONSUMER BEHAVIOUR SUMMARY NOTES

Chapter 1: Understanding Consumer Behaviour

Defining consumer behavior

Consumer behavior → reflects the totality of consumers decisions with respect to the acquisition, consumption and disposition of goods, services, activities, experiences, people and ideas by (human) decision making units (over time)

Offering → a product, service, activity, experience, or idea offered by a marketing organization to consumers.

- More than just the way that a person buys tangible products
- Choices about consumption of time, a scarce resource. Eg) watching Netflix, reading a book, voting
- How we use time reflects who we are, what our lifestyles are like, and how we are both the same as and different from others.

CB involves more than buying

- **Acquiring an offering** → *the process why which a consumer comes to OWN and offering.*
 - o other ways of obtaining goods and services eg) rent, lease, trade, share
 - o time and money decisions
 - o interruptions,
 - o deadlines- eg) procrastinating redeeming coupon with far-future deadlines, but closer= quicker
 - o materialism, status, self-concept
- **Using an offering** → *the process by which a consumer USES an offering.*
 - o Whether we use/ why we use certain products symbolize who we are, what we value, and what we believe.
 - o Marketers to be sensitive when consumers are likely to use a product, whether they find it effective, whether they control their consumption of it, reaction after using it (positive or negative word of mouth)
- **Disposing of an offering** → *the process by which a consumer DISCARDS an offering.*
 - o Give away used possessions eg) eBay
 - o Environmental concerns eg) biodegradable, recyclable
 - o municipalities
 - o marketers see profit opportunities in addressing disposition concerns eg) TerraCycle
- **Managing money and making financial decisions**
 - o Decision about personal finances.
 - o How, and attitudes towards money and prices
 - o Budgets, plans, debt, underestimating spending out-of-the-ordinary purchases, spend more than anticipated on individual purchases. Eg) gas prices being salient

CB is a dynamic process

- Sequence of CB in dynamic order- hours, days, weeks, months, years
- Markets designed around lining one consumers disposition decision to the other consumers acquisition.
- Take into account consumers priorities, perceptions of brands, internal processes eg) environmental attitudes and actions

CB can involve many people

- Individuals, groups, co-workers, families
- Individuals take on one or more roles

CB involves many decisions

- Why, when, where, how, how much, how often, and or how long consumers will buy, use, or dispose of an offering
- Whether to acquire/ use/ dispose of an offering

- Save or spend money, influence of perceptions, personal goals, safety concerns, desire to reduce economic, social or psychological risk, environment
- Self control

- *What offering to acquire/ use/ dispose of*
 - Product or service category eg) food, music
 - Brands eg) iPhone or Samsung
 - New products, sizes, packages

- *Why acquire/ use/ dispose of an offering*
 - Meet needs, wants, values, goals
 - Self expression, fit into a group, express feelings
 - Attitudes towards money, materialism, status, emotions, self control
 - Conflict= difficult decisions eg) teenagers smoking to gain acceptance
 - May be unable to stop acquire/ use/ dispose- addictions

- *Why an offering is not acquired/ used/ disposed of*
 - Outdated, leave the market
 - Unavailable
 - Ethics and social responsibility
 - Transparency is increasingly of concern when consumers want to know what a brand or company stands for.

- *How to acquire/ use/ dispose of an offering*
 - Cash, cheque, debit card, credit card, electronic systems eg) PayPal, mobile wallet
 - May not acquire, but use services instead eg) Uber
 - Want proper use of offerings due to health and safety
 - What we use with the offering, store and organize
 - Find new use for it eg) jean-shorts, get rid of it temporarily eg) rent or lend, get rid of it permanently eg) Recycled or not, trading, giving, selling

- *When to acquire/ use/ dispose of an offering*
 - Perceptions and attitudes of time itself
 - Time of day
 - Planned, spontaneous
 - Seasons/ weather
 - Need or want/ desire
 - Need for variety
 - Transitions throughout life
 - When others might or might not be using it
 - Sales
 - Repurchase of product already owned- sentimental value

- *Where to acquire/ use/ dispose of an offering*
 - In store, online
 - Privacy, public
 - Recycle or trash
 - Store or give away

- *How much, How often, How long to acquire/ use/ dispose of an offering*
 - Reduce wastage, consider if buying more than they will use
 - Vary from person to person, culture to culture
 - Willingness to spend
 - > Sales- use large amounts of products, use product frequently, use for longer periods of time
 - incentives/ consumer bonus eg) loyalty cards
 - problems- over buy

- control consumption behaviours/ temptations

CB involves emotions and coping

- positive and negative emotions affect think, feeling, choices, remembrance, enjoy experiences
- specific feelings- loneliness, hope, fear, regret, guilt, embarrassment, general moods
- brands, possessions, experiences
- difficult choices, market segments, coping with difficult personal situations and how to deal with it

What affects consumer behavior?

1. The psychological core: internal consumer processes

- Motivation, ability and opportunity
- Exposure, attention, perception, comprehension
- Memory and knowledge
- Forming and changing attitudes.

2. The process of making decisions

- Problem recognition and the search for information
 - Regarding behaviour, attitudes or values.
 - Unfulfilled need, financial situation
- Making judgements and decisions
 - Effort level and relation to time, mental and emotional memory
- Making post decision evaluations
 - Judge if decisions was correct, and whether to repeat purchase

3. The consumers culture: external processes]

- **Culture:** typical or expected behaviours, norms, and ideas that characterize a group of people
- **Reference group:** a group of people consumers compare themselves with for information
- Diversity- regional, ethnic, religious groups
- Household and social class influences
 - Low, middle, high class
- Values, personality, and lifestyle
 - Beliefs, activities, interests, opinions

4. Consumer behavior outcomes and issues.

- CB symbolize who we are
 - **Symbols:** external signs that consumers use to express their identity.
- CB diffused through a market eg) communicated information
- CB, ethics, and social responsibility.
 - Balance immediate outcome against long term outcome, balance own interest against interest of others. Eg) stealing ST, risky LT
 - Product produced ethicalt
 - Conflicting priorities

Who benefits from tube study of consumer behaviour?

- *Marketing managers*
 - **Marketing:** the activity, set of institutions and processes for creating, communication, delivering and exchanging offerings with value for individuals, groups, and society.
 - To understand what consumers and clients value; only then they can develop, communicate and deliver appropriate goods and services.
- *Ethicists and Advocacy groups*
 - Questions
 - Advocacy groups to create public awareness of inappropriate practices
 - Influence other consumers as well as the targeted companies through strategies eg) media statement, boycotts
 - The Federal Trade commission and Federal Communications Commission on privacy issues, and possible regulatory action

- *Public policy makers and regulators*
 - Legislators, regulators, government agencies in developing policies, and rules to protect consumers from unfair, unsafe or inappropriate marketing practices
 - Marketers decision affected by these public polocu actions eg) limits on tobacco marketing
 - Understanding how consumers comprehend and categorise information important for recognising and guarding against misleading advertising
 - Product usage instructions, ethics, labels, warnings
 - Improve consumer welfare

- *Academics*
 - Disseminate knowledge about CB when they teach courses on the subject
 - Generate knowledge when they conduct research focusing on how consumers act, think, feel

- *Consumers and society*
 - Enables marketers and other organisations to provide tools for more informed decision making
 - Programs that benefit society.
 - Protect children from inappropriate advertising
 - Guard against invasion of privacy

Making business decisions based on the marketing implications of consumer behaviour

- *Developing and implementing customer-oriented strategy*
 - Marketing designed to provide value to customers

 - How is the market segmented?
 - What one consumer values in a product may not be the same as what another consumer values.
 - How profitable is each segment?
 - Identify consumers with needs that are not being met and can reveal the size and profitability
 - What are the Characteristics of consumers in each segment?
 - Demographics: Age, education, lifestyle
 - Are customers satisfied with existing offerings?
 - Surveys, feedback, observations, sales

- *Selecting the target market*
 - Which consumer groups are appropriate targets for marketing tactics and how heavy users of a product differ from light users.
 - Who is likely involved in acquisition/ usage/ disposition decisions

- *Developing products*
 - What ideas do consumers have for new products?
 - Collaboration with marketers/ with other consumers on development of innovative new offerings
 - What attributes can be added to or changed in an existing offer
 - When and how to modify or tailor a product to need the news of new or existing consumers
 - Who should the offering be branded?
 - Choosing a brand and differentiating it from competing brands in the company's product portfolio.
 - What should the package and logo look like?

- *Positioning*
 - How are competitive offerings positioned?
 - Perceptual map
 - Distinctive differences, similarities, sustainability
 - How should our offerings be positioned?

- One is more superior over the other/ or in more or more attributes valued by the target market
 - Should our offerings be repositioned?
- *Making promotion and marketing communication decisions*
 - Promotional/ marketing communication tools, including advertising, sales promotions, personal selling, public relations
 - Social media
 - Use of techniques to measure consumers psychological and neurological responses to stimuli
 - Word of mouth
 - What are our communication objectives?
 - What should our marketing communications look like?
 - Balance of text and images, interesting, unusual and relevant visuals
 - Online advertising
 - Where should advertising be placed?
 - Demographics, lifestyle and media usage useful.
 - When should we advertise?
 - Seasonal variations, discretionary money consumers, holidays
 - Has our advertising been affective?
 - Copy testing or pretesting: testing an ad's effectiveness before it appears in public
 - Achieved objectives overtime?
 - Sales promotion objectives and tactics
 - Social media, viral videos
 - Has sales promotions been effective?
 - Compare sales before, during and after promotion to determine changes in sales.
 - Sales persons best serve customers
 - Store patronage at different times of the day, can determine appropriate number of store personnel needed to best serve customers at those times.
- *Making pricing decisions*
 - What price should be charged?
 - .99- appear cheaper
 - too low a price- suspect quality
 - too high a price- ripped off
 - discounts (better in percentage)
 - prices in relation to competitors, or price they have previously paid.
 - Prices of other products (related or unrelated)
 - Product worth- different perceptions depending on buyer or seller
 - Tend to overestimate
 - Avoid endowment effect- not get a higher price than buyers are willing to pay.
 - How sensitive are consumers to price and price changes?
 - *Price sensitive*- Small change in price have large effect on consumers willingness to purchase the product
 - *Price insensitive*- buy product regardless of its price
 - When should certain price tactics be used?
 - Trends- online and store retailers mount price promotions in the weeks leading up to events eg) super bowl
- *Making distribution decisions*
 - Where and when are target consumers likely to shop?
 - Place on time and convenience
 - Distribution channels that allow consumers to acquire or use offerings whenever and wherever it is most convenient for them.

- 24 hr stores, online virtual stores, online ordering systems to allow flexibility in the timing of their acquisition, usage and disposition decisions.
- What do customers want to see in stores?
 - Retailers to carry an assortment of merchandise best suited to consumers who shop in their stores.
- How should stores be designed?
 - Similar or complementary items stocked near one another
 - Music, colours, aromas, ability to touch product, displays, store organisation affect consumer in store behaviours and choices.
 - Shopping for fun, quickly accomplish task
 - Aesthetically pleasing
 - Smartphone website designs