Consumer Behavior Notes

Week 1 – Chapter 1 Introduction to Consumer Behavior & Marketing Strategy

- The key to a successful marketing strategy is through an understanding of consumer behavior – an understanding of how and why consumers purchase goods and services.
- Consumer behavior includes observable factors such as the amount purchased and when, by whom and with whom, and how the purchase is consumed. It also includes non-observable variables such as consumers' values, personal needs and perceptions, what information consumers have in their memories and how they obtain/process information.

Consumer Behavior and Marketing Strategy

- Marketing researchers talk to consumers to find out:
  - What consumers think of a company's products and those of competitors
  - What they think of possible improvements in these products
  - How they use these products
  - What attitudes they have about these products and related advertising
  - What they feel about their 'roles' in the family and society
  - What their hopes and dreams are for themselves and their families
- Companies must provide consumers with more value than its competitors do – *customer value* is the difference between all the benefits derived from the total product and all the costs of acquiring these benefits.
- Consumer behavior tends to be person, product, and situation specific. In other words, purchase and consumption behavior may vary from one product to another, or even from one use to another for the same example.
- The emergence of new information sources used by consumers (e.g. Internet) suggests three important aspects of our current knowledge of consumer behavior.
  - First, if a company is to make successful marketing decisions, they require extensive information on current consumer behavior.
  - Second, there is a need for information about the specific types of consumers involved in the marketing decision at hand.
  - Finally, consumer behavior is a complex, multidimensional process. For example, despite consumers' stated demand for more products to be available online, their perceptions of the risk involved may still require investment in retail space.

Aspects of Marketing Strategy

- **Market segmentation:** Involves developing specific marketing programs targeted at consumer groups with unique needs and/or purchasing processes. Changes in technology have encouraged researchers to try identify new segments. Benefit segmentation involves a focus on the particular outcome consumers seek from using a product, and is often a strong foundation for positioning.

- **Positioning strategy:** It is important to know how your product is positioned in the minds of your target market. Positioning can be based on real or perceived product advantages.

New Market Applications

- Successful products can find continuing success when new target markets are found. E.g. the fridge; they're a mature product with a long replacement cycle, however, several Japanese firms have redesigned the product to a compact size, repositioning it as convenient for the office, bedroom or deck.

Global Marketing

- A standardized global marketing strategy is the easiest approach, because it requires neither changes in the elements of the marketing mix nor changes in the nature of the population segment to whom the product is marketed.
- A standardized approach may fail when a theme does not have universal appeal. Therefore, international marketing largely depends on the marketer's understanding of the similarities and differences between domestic and international consumers.

Consumer Behavior Audit

- This is a systematic review of all important aspects of consumer behavior.
- In the audit, the marketer creates a list of key questions as a guide to developing a marketing strategy from a consumer behavior perspective. It is no more than a checklist aimed at minimizing the chance of overlooking a critical behavioral dimension.
- It is organized around the key decisions that marketing managers have to make. The first key decision is *the selection of the target market(s) to be served.* This is followed by the *determination of a viable product position for each target market.* Finally, *the marketing mix elements must be structured in a manner consistent with the desired product position*.
- Table 1.1, page 14 provides a list of key questions that guide the development of a marketing strategy.

Consumerism, Ethics, Non-Profit Marketing and Consumer Behavior

- Efforts to protect consumers' interest require as thorough an understanding of consumer behavior as does marketing to the consumer.
- Unfortunately, not everyone who tries to influence consumer behavior is ethical. In response to this, a consumerism movement has emerged.
- *Consumerism* can be defined as the set of activities by individuals, independent organizations, government agencies and businesses designed to protect consumers from unethical market conduct.

Overview of Consumer Behavior

Nature of Consumption

- The marketing manager can view the consumer as a decision-making unit that takes in information, processes it in the light of the existing situation and takes action to achieve satisfaction and enhance lifestyle.

Consumer Decision Process

- *Situation:*
    - *Problem recognition:* consumer decision process begins with recognizing a problem exists. *Habitual decision making* is when a consumer purchases a good/service without evaluation. Problems

that require thorough information searches and evaluation of several alternatives are *extended decision making*.
    - *Information search:* once the problem has been recognized, an information search is undertaken to isolate an effective solution. The information search may be brief, extensive, or in between.
    - *Evaluation of alternatives:* once information has been gathered, allowing the consumer to determine and compare the relevant and feasible alternatives, the decision an be made.
    - *Store choice and purchase*
    - *Post purchase activities:* use, evaluation, disposal and repurchase behavior.

<u>Internal Influences</u>

- *Perception:* critical to the decision process and is an internal phenomenon that is highly influenced by other internal phenomena. Perception is the initial activity in information processing, and includes exposure, attention and interpretation. All of this is driven by individual, stimulus and situational factors.
- *Learning and memory:* wants, tastes and preferences are all learned, as are consumer's perceptions of price-quality relationships. It is important for the marketer to understand how people learn and what can be done to affect this. For instance, if positive feelings can be acquired through exposure, it follows that the marketer can exert some direct influence on taste preferences through the amount and timing of promotional efforts.
- *Motives, personality and emotion:* motives may be either physiologically or psychologically based. Personality relates to characteristic patterns of behavior. Emotions are the feelings or affective responses to situations, products, advertisements etc. They affect information processing and preferences.
- *Attitudes:* an individual's basic orientation for or against some object, be it a good, a service or a retail outlet. They are formed out of the interrelationships between personal experience and lifestyle and the external factors that help shape lifestyle. Attitudes are made up of three components – cognitive (beliefs), affective (feelings), and behavioral (response tendencies).

<u>External Influences</u>

- *Demographics and societies:*
- *Household:* primary purchasing unit for most consumer goods. It is important for the marketing manager to be fully aware of who is influencing the decision making within the household so that an effective information campaign can be constructed, positioned and directed appropriately.
- *Reference groups:* a group serves as both a reference point for the individual and a source of specific information.
- *Social class:* individuals are generally ranked on a number of observable characteristics that represent underlying values that their culture holds to be worthwhile.
- *Culture:* consumer behavior is often the product of a particular culture.