Understanding consumer behaviour

“There is only one boss – the customer. And he can fire everyone from the Chairman down”

Sam Walton, Founder, WalMart Stores
What is consumer behaviour?

- Consumer behavior: the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires (Solomon, 2006)
What is consumer behaviour?

• “The decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services”

  Loudon and Della Bitta

• “Those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts”

  JF Engel
Definition of consumer

- A consumer is a person who identifies a need or desire, makes a purchase, and then disposes of the product (Solomon, 2006)
Studying consumer behaviour

Consumer Influences
- Culture
- Personality
- Life-stage
- Income
- Attitudes
- Motivations
- Feelings
- Knowledge
- Ethnicity
- Family
- Values
- Available resources
- Opinions
- Past experiences
- Peer groups

Organizational Influences
- Brand
- Advertising
- Promotions
- Price
- Service
- Convenience
- Packaging
- Product features
- Word of mouth
- Retail displays
- Quality
- Store ambiance
- Loyalty programs
- Product availability

Obtaining
- How you decide you want to buy
- Other products you consider buying
- Where you buy
- How you pay for product
- How you transport product home

Consuming
- How you use the product
- How you store the product in your home
- Who uses the product
- How much you consume
- How product compares with expectations

Disposing
- How you get rid of remaining product
- How much you throw away after use
- If you resell items yourself or through a consignment store
- How you recycle some products

Blackwell 2006
Comprehensive models of consumer behaviour
(Blackwell 2005)
### Marketers response to decision making stages

<table>
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<tr>
<th>Stage in decision process</th>
<th>Marketing strategy</th>
<th>Example</th>
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<tbody>
<tr>
<td><strong>Problem recognition</strong></td>
<td>Encourage consumers to see that existing does not match desired</td>
<td>Create TV commercial showing excitement of owning new car</td>
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</tbody>
</table>
| **Information search**    | Provide information when and where consumers are likely to search | Advertising slots with high target market viewership  
New car brochures for dealers  
Exciting easy to navigate websites |
| **Alternative evaluation**| Understand how consumers compare brands and communicate own brand superiority | Research most important choice criteria  
Create advertising to communicate superiority on key choice criteria |
| **Product choice/purchase** | Understand how consumers choose (choice heuristics) and provide communications that encourage brand decision | “Swiss made”, “Vorsprung durch technik“ (Country of origin)  
Long history of the brand  
Recommended by experts |
| **Post purchase evaluation** | Create consumer expectations | Provide “scientific evidence” |

*Based on Solomon 2010*
Common features of consumer behaviour models

- Consumer behaviour as a decision process
- Behaviour is rational and can be explained
- Behaviour is purposive involving search, evaluation and storing of data
- Preferences develop based on more limited use of information
- Outcomes from purchase decisions, whether satisfaction or dissonance shape future purchase decisions
Who is the consumer?

<table>
<thead>
<tr>
<th>ROLE</th>
<th>DESCRIPTION</th>
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<tr>
<td>Initiator</td>
<td>Individual who determines that some need or want is not being met and initiates purchase behaviour to rectify the situation</td>
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<tr>
<td>Influencer</td>
<td>A person who intentionally, or unintentionally influences the purchase decision, the actual purchase and/or the use of the product or service</td>
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<tr>
<td>Buyer</td>
<td>The individual who makes the purchase transaction</td>
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<tr>
<td>User</td>
<td>The person most directly involved in the consumption of the purchase</td>
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Why study consumer behaviour

• “Marketing management rests upon some conception or other of how customers behave and of the consequences their reactions to product, price, promotion and distribution strategies are likely to have for the attainment of corporate objectives. In affluent competitive economies successful marketing depends above all on matching the marketing mix which results from the integration of these strategies to the willingness of consumers to buy and in doing so more effectively than one’s rivals”

(Gordon Foxhall)
How do consumers approach retail purchases?

• “Generally speaking human beings are usually quite rational and make systematic use of the information available to them. We do not subscribe to the view that human social behaviour is controlled by unconscious motives or overpowering desires, rather people consider the implications of their actions before they decide to engage or not engage in a given behaviour”

Ajzen and Fishbein (1980)
The information processing consumer and rational shopping behaviour

CONSUMER

RECEIVING - perceptions

INTERPRETING – experiences, goals, aspirations, status

SEARCHING – clarification of aroused need/want

EVALUATING – alternative options for need satisfaction

DEVELOPING – beliefs, attitudes, opinions re purchase intention

ACTING – translate to behavioural intention

RE-EVALUATING – extent of satisfaction

STORE – outputs, attitudes for future reference
One more time – how do consumers approach retail purchases?

• “A true understanding of shoppers’ decision making processes is the key to retail success. Psychologists have identified that we have two main shopping modes: alpha and beta. In the alpha state, attention is fully engaged and the decision process is conscious. But 80% of our shopping is carried out in beta mode..(when)…all decision making, orientation and interaction is subconsciously controlled.”

Types of buying situation in consumer markets

- **EXTENDED PROBLEM SOLVING**
  - Lengthy information search and close examination of alternatives
  - Reduced search and evaluation based on prior knowledge of product/market
  - Repeat purchase with little or no evaluation

- **LIMITED PROBLEM SOLVING**

- **HABITUAL PROBLEM SOLVING**
Marketing mix determination and consumer behaviour

- **PRODUCT**
  - Size, shape, features, design, packaging, service, warranties

- **PRICE**
  - Price awareness, brand/price sensitivity, price elasticity of demand, incentive to encourage adoption

- **PLACE**
  - Distribution channels, retail outlet, retail image

- **PROMOTION**
  - How to promote, gain attention, communicate message, encourage trial, encourage repurchase, build loyalty, purchase influences
Satisfaction and dissatisfaction

• Critical concept in marketing
• Satisfaction more likely to lead to repeat purchase/loyalty and positive WOM
• Dissatisfaction more likely to lead to brand switching, complaints and negative WOM
• Expectancy disconfirmation with performance approach (Oliver 1997) and the Balancing Paradigm (Fournier and Mick 1999) are two current theories of consumer satisfaction
The Expectancy Disconfirmation model
(from Peter and Olson based on Oliver 1997)

+ve disconfirmation : PPP>PPE = satisfaction
-ve disconfirmation: PPE>PPP = dissatisfaction
Consumer value equation

- Perceived value (PV) = \frac{\text{Perceived benefits (PB)}}{\text{Perceived costs (PC)}}

\textbf{Benefits} = \text{attributes of core product/service and supporting services, perceived quality and price}

\textbf{Costs} = \text{customer costs involved in purchasing, such as time, travel, repairing faulty work, etc. – NOT just price}
Summary: how marketers can use consumer insight

- Focus on factors that determine consumer perception of value (maximise perception of benefits/minimise perception of costs/minimise perception of risk)
- Consumers make purchase decisions to solve problems and reduce dissonance (store choice and product choice). Marketing activities should aid consumer decision making.
- Purchase behaviour is driven by multiple motives and the marketing offer should deliver multiple sources of satisfaction
## Week 1: Key terms

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<td>Information search</td>
<td>Evaluation of alternatives</td>
<td>Post purchase evaluation</td>
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<td>Extended problem solving</td>
<td>Limited problem solving</td>
<td>Habitual problem solving</td>
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<td>Buyer</td>
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