

# Consumer Behavior

<https://www.youtube.com/watch?v=IrZEYnczH5Y>

# Introduction

- A purchase can occur in a momentary whim or it may take several days / months / years to materialize.
- Companies must understand and anticipate consumer behavior in order to serve / sell to their consumers in an effective manner.
  - Package goods industry = 30,000 products/year (70-90% withdrawn from shelves)
    - Why some fail and some succeed?

# Intro cont.

- We have seen before that consumers have different needs and wants
  - **Different decision-making process**
    - When, what, how they buy.
      - Understanding consumer behavior is key to ROI (modeling helps predict patterns).

# CONSUMER PURCHASE DECISION PROCESS

## PURCHASE DECISION

**Purchase decision: Buying value**



**Making the purchase decision:**

- 1. Decide from whom to buy.**
- 2. Decide when to buy.**



# Comparison of problem-solving variations: extended, limited, and routine.

Copyright © McGraw-Hill Education. Permission required for reproduction or display.

CHARACTERISTICS OF THE CONSUMER PURCHASE DECISION PROCESS	HIGH  CONSUMER INVOLVEMENT  LOW		
	EXTENDED PROBLEM SOLVING	LIMITED PROBLEM SOLVING	ROUTINE PROBLEM SOLVING
Number of brands examined	Many	Several	One
Number of sellers considered	Many	Several	Few
Number of product attributes evaluated	Many	Moderate	One
Number of external information sources used	Many	Few	None
Time spent searching	Considerable	Little	Minimal

[involving customers - co-creation](#)

[designing beer bottles](#)

# Implications for marketing

- High involvement
  - Easy return policy
  - Guarantees
  - Comparative ads: [see homepage](#)
  - Comparative pricing (Progressive – even when competitor is lower) [see homepage](#)
- Low involvement
  - Merchandising at checkout area (candy, magazines, gum)
  - [Suggesting products you may also like](#)

# Consumer decision-making process

## 1. Pre-purchase

### Trigger or need

*(buying a car) – repair cost, raise in salary, commute to new job*

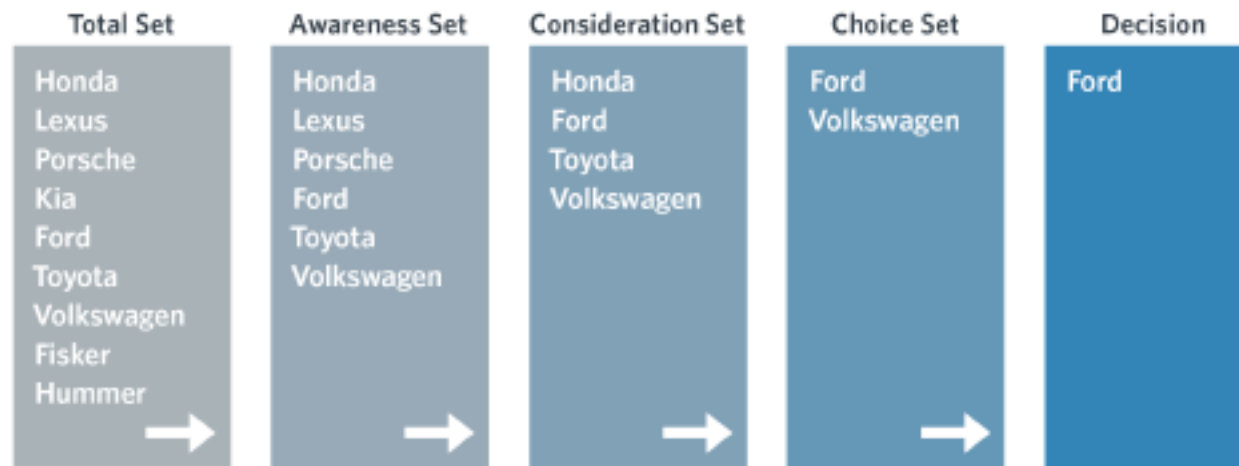
### Search and consideration process

appealing models,  
friends, net, ads, guides,  
dealerships  
(consideration + choice)

### Evaluation

1. Total set of alternatives – minivan that seats 8.
2. Awareness set (she knows)
3. Consideration set (feedback – meets initial criteria)

## Buying an Automobile: From Total Set to Decision





# Implications for marketing

- Marketers must **trigger** the recognition of a need
  - Ads
    - Change mattress every 10 years
    - Change oil every 10k
- Marketers must make consumers **aware** and make their products into the **consumer's consideration set**
  - Stocking product line (shampoos, conditioner, gel) in one location
    - [retail design](#)
- **Maximize importance of attributes** that you do well and minimize those you don't do so well.
  - [hyundai warranty](#);

# Information search

- Information can be obtained from:
  - **Personal Sources**
    - Family, friends, neighbors, and acquaintances
  - **Commercial Sources**
    - Advertising, salespeople, dealers, packaging, and displays
  - **Public Sources**
    - Restaurant reviews, editorials in the travel section, consumer-rating organizations
- Which one is more important? Why?

# Information search

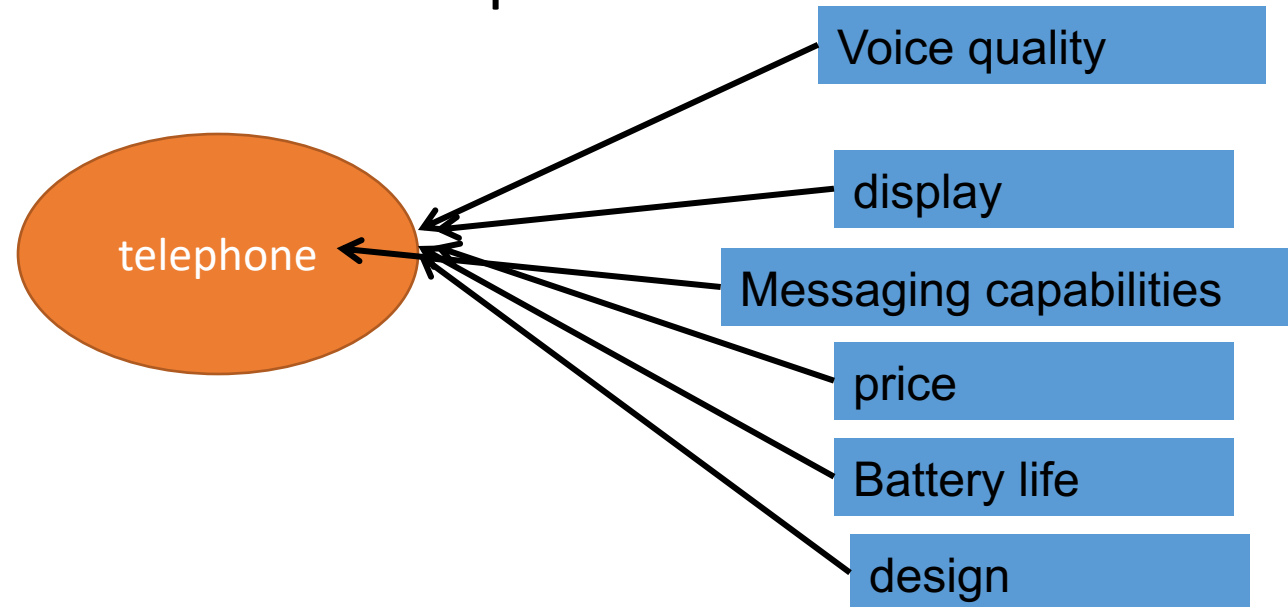
- How consumers reduce the risk of purchasing a service or product?
  - Seek personal sources
  - Rely on good reputation
  - Examining tangible cues (remember intangibility)
  - Internet to compare sources
  - Looking for guarantees
  - Seals of approval

# Information search

- Implications for marketers?
  - Design marketing mix to make prospects aware of and knowledgeable about the features and benefits of your product
- Must marketers be knowledgeable about competition?
  - “How did you hear about us”?

# Evaluation of alternatives

- Products are seen as bundles of product attributes sam apple google



- Degrees of importance to each attribute - Ranking

# Evaluation of alternatives

- The consumer is likely to develop a set of beliefs about the brand
  - Brand image
- What's your choice?????



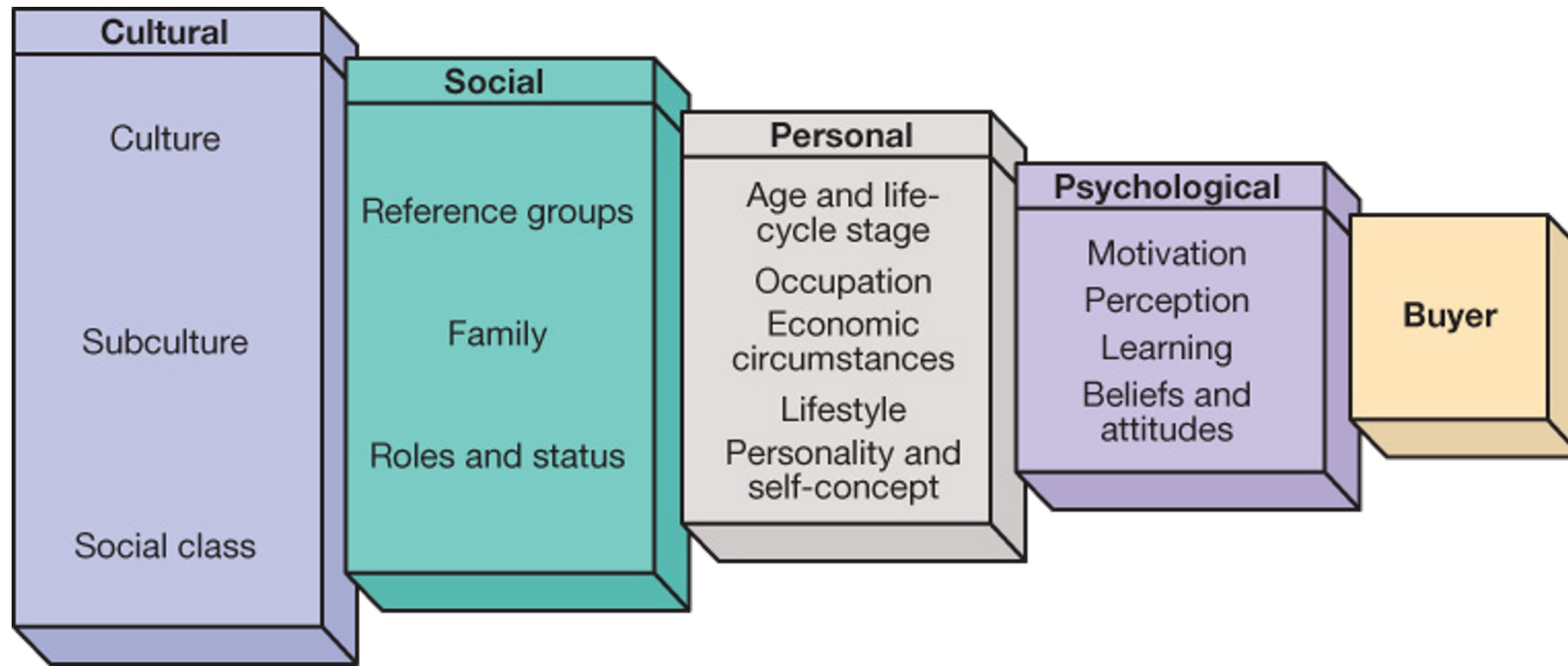
## 2. Purchase

- Making choices about which brand to buy
- From whom to buy it (big box vs online)
- How many to buy
- When to buy

### **Implications**

- Anticipate barriers
  - Consumer education is key
    - Brochures
    - Trained sales people

## 2. Other factors impacting decision making process

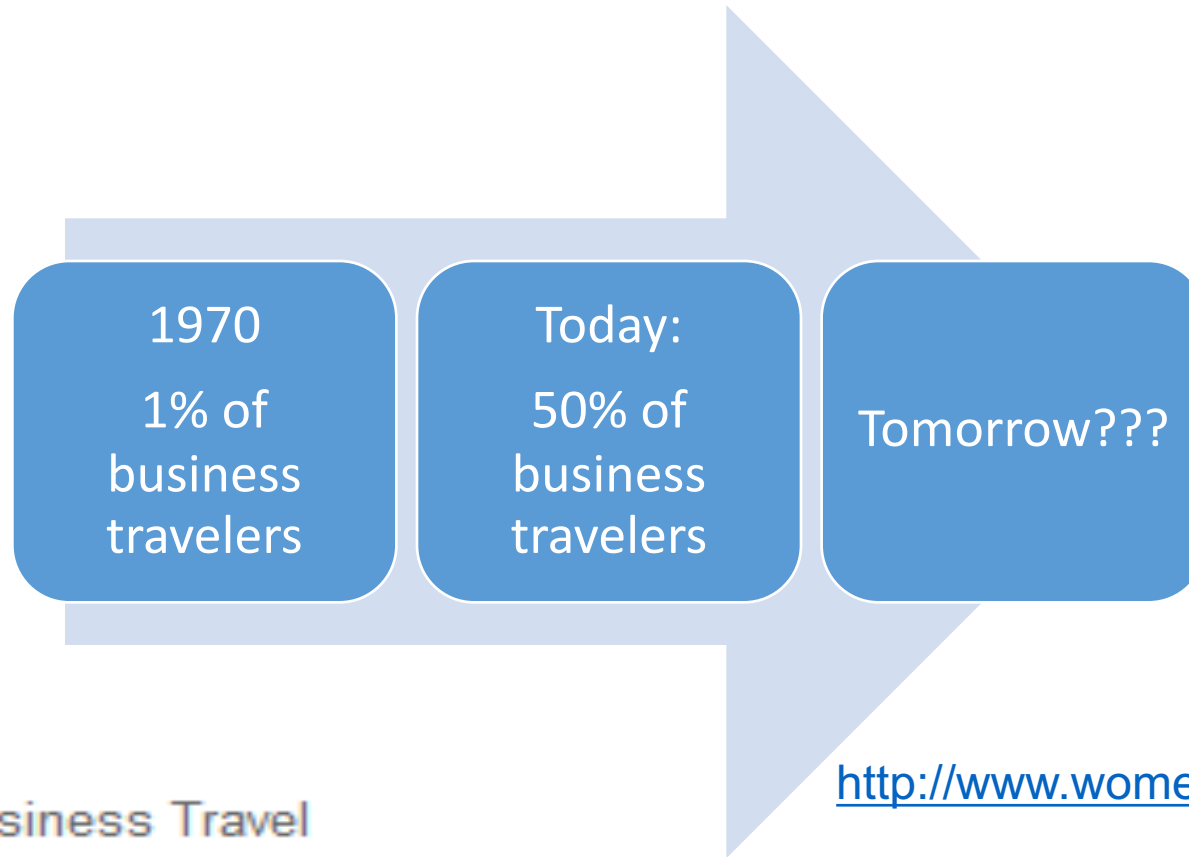




# Cultural factors

- **Culture** is the most basic determinant of a person's wants and behavior
  - Expressed through tangible items such as food, clothing, architecture
    - Determines what we buy, where we buy, how we buy and when and how much we buy
  - What's in for marketers?
    - Cultural shifts
      - E.g. healthier ([hotel](#)), fitness, lighted color home furnishings and restaurants

# Cultural Shifts



<http://www.womenontheirway.com/>

Business Travel

## **Women-Only Hotels Heat Up**

Kiri Blakeley, 02.05.09, 10:00 AM EST

**Increasingly, hotels and getaways are all about the x factor**

# Cultural factors

- Consumer behavior across international cultures:
  - Failing to understand such differences can result in a disaster.
  - E.g. Walmart in Germany (loss of 3 billion in 2 years)



# Cultural factors cont.

- What is in it for marketers?
  - Adapting message to local community
  - Adapting products to local taste
  - Adapt seller-customer interaction behavior to local market.

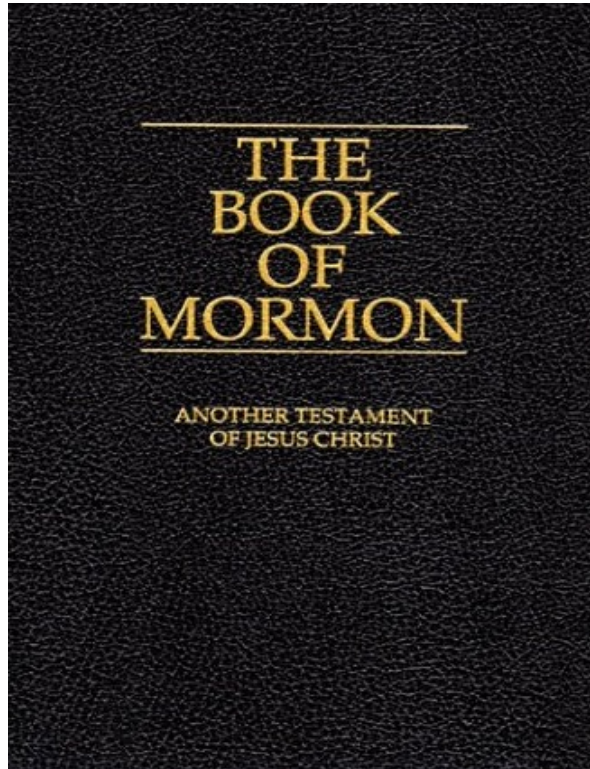
# Social factors

- Consumer behavior is influenced by:
  - Consumers' groups
  - Family
  - Social roles
  - Status

# Social factors

- Groups: have direct influence on people
  - Primary groups vs secondary groups
    - Primary?
      - F&F, coworkers, neighbors
    - Secondary?
      - Reference groups....
        - Membership groups
        - Aspirational groups

# Membership groups



- What's in it for marketers?
  1. Expose the person to new behavior and lifestyle
  2. Influence the person's attitudes and self-concept
  3. Create pressure on persons and this may affect their product choices



# Groups and Opinion leaders

- Are people within a group who, because of their special skills, knowledge, personality or other characteristics, exert influence over others “influentials”
- What’s in it for marketers?
  - Identify the opinion leaders out in the community and invite them to important events
    - Grand openings, anniversary, product launch etc...

# Social factors

- **Family:** Most important consumer buying organization in many societies
  - What's in it for marketers?
    - Understand the roles and influences of the husband, wife and children on the purchase of different services
      - Wife = food + household + clothing \*\*\*Changing!!!!
      - Women 80% of car buying decision making
        - [Mazda](#); [women insurance](#)
      - Men = 40% food shopping.
      - Children exerts influence where family dines
        - Food industry & \$ 14 billion in ads for children
        - MC and its ads (Saturday morning between cartoons)

## **Personal**

Age and life-  
cycle stage

Occupation

Economic  
circumstances

Lifestyle

Personality and  
self-concept

# Personal factors

- **Age:** Types of goods and services people buy change during their lifetimes
  - What's in it for marketers?
    - Segmented targeted publications.

# Personal factors

- **Family life cycle:**

- What are the characteristics of:
  - Young and unmarried persons?
    - Low income – entertainment spending
  - Married couples without children?
    - High discretionary income – dine out frequently (65% more expenditure than couples with children)
  - Married couples with children?
    - Eat out less – tighter income – more delivery

\*\*\*Marketers may define their target markets in life-cycle terms and develop appropriate products and marketing plans.

# Personal factors

- **Economic situation:** what is the inflation effects on your company?
- What's in it for marketers?
  - Watch trends in personal income, savings, and interest rates
  - Reposition, re-design and pricing

## Psychological

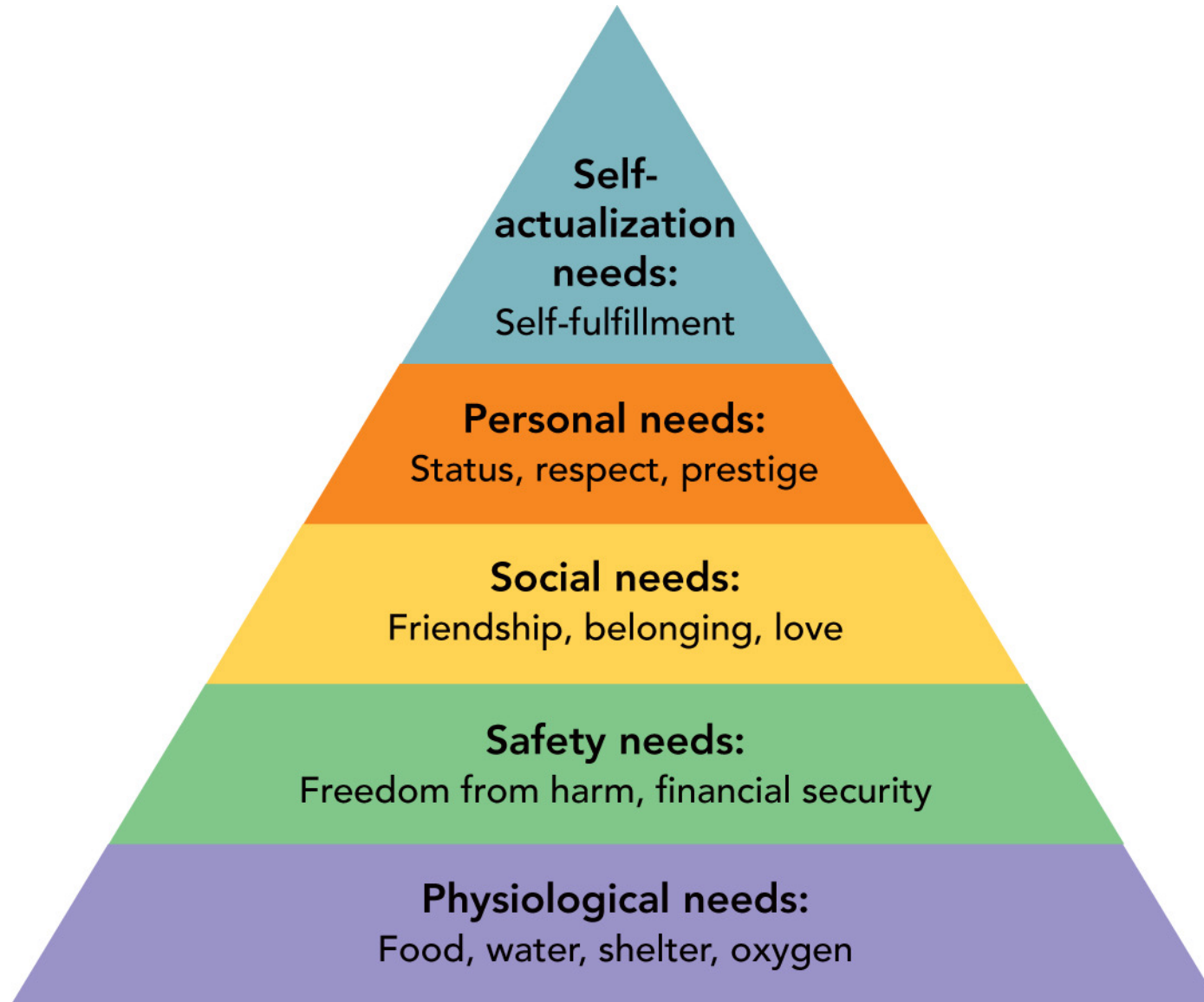
Motivation

Perception

Learning

Beliefs and  
attitudes

# Motivation





# Perception

- What is the definition of perception?
  - For the consumers, perception is reality
- Why do people have different perceptions of the same situation? Can we link this back to the variability from the customer?
- The key with perception is that it is based on the *individual*.

# Perception

- **Selective Attention**

- Consumers are constantly bombarded with information (1,500 ads) and will screen out stimuli
  - Current need; anticipation; deviations that are larger than the normal size of the stimuli ([getting noticed](#))

- **Selective Distortion**

- Messages do not always come across in the same way the sender intended.
  - Humans tend to twist the message into personal meanings

- **Selective Retention**

- People will forget much that they learn but will tend to retain information that supports their attitudes and beliefs
  - Drama & Repetitions in sending messages
  - <http://www.youtube.com/watch?v=wgB25WBeBxA>



# Learning

- **Learning** describes changes in an individual's behavior arising from experience
  - What's in it for marketing?
    - Helping guests learn about your products
    - Tours in hotels
    - Cross-selling
    - Direct marketing (regular guests – update on new services)
  - What is the benefit of teaching customers?

# Beliefs

- A **belief** is a descriptive thought that a person holds about something
  - People act on belief
    - Based on real knowledge
    - Faith
    - Opinions
  - Beliefs reinforce products and brand image
  - Marketers must change negative beliefs that people have about their products

# Attitudes

- An **attitude** describes a person's relatively feelings, and tendencies toward an object or an idea
  - Attitudes developed in childhood often influence purchases in the adult life.
    - E.g. vegetables, types of food
    - What is in it for marketers?
      - Whenever possible we must develop lifelong consumer positive attitudes, e.g?
        - MC

# Consider situational factors too!!!

- **The purchase task**
  - Is it for you or a gift?
- **Social surroundings?**
  - Other people present in the store
  - Accompanied by children?
- **Physical surroundings**
  - Cleanliness, décor, music, smell
- **Temporal effects**
  - Time available
- **Antecedent states**
  - Mood, cash on hand

# Post-purchase behavior

- What determines post-purchase satisfaction or dissatisfaction?
- Cognitive dissonance = discomfort caused by post-purchase conflict.
- What can marketers do to reduce cognitive dissonance?



# Post-Purchase

- Cognitive dissonance



- Most satisfaction evaluation comes after the purchase phase.
  - Return policy
  - Lengthy warranty periods
  - Repair policy
  - [when things go wrong](#)
  - [listening to customers](#)