

Consumer Behaviour

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SESSION: Marketing and Marketing Process

What is marketing?

The science and art of exploring, creating and delivering value to satisfy the **needs** of a target market at a profit.

The Marketing Process

1. Identify Market opportunities with regard to what the customers want and need.
 - a. What the company is good at doing?
 - b. What are the core competencies of the company?
 - c. What is the competition doing?
2. Set strategy (STP)
 - a. Segmentation
 - b. Targeting
 - c. Positioning the brand
3. Formulating marketing program (4 Ps)
 - a. The Product per se
 - b. The Product's Pricing
 - c. The Place where the product is going to be delivered
 - d. Promotion Strategy

Difference between Customer and Consumer

Customer	Consumer
People who purchase a product	The end users of the product
Not necessarily the end users	May or may not have purchased the product
e.g., Baby food - Parent is customer	e.g., Baby food - the child is consumer

Needs, Wants and Demands

Needs	Wants	Demands
Innate (inborn, natural)	A Need directed towards a specific product which can satisfy the need.	A want backed by the ability and willingness to pay.

Cannot be influenced	e.g., need for food → Want for pizza	
e.g., Food, Transportation	e.g., need for transport → Want for car	

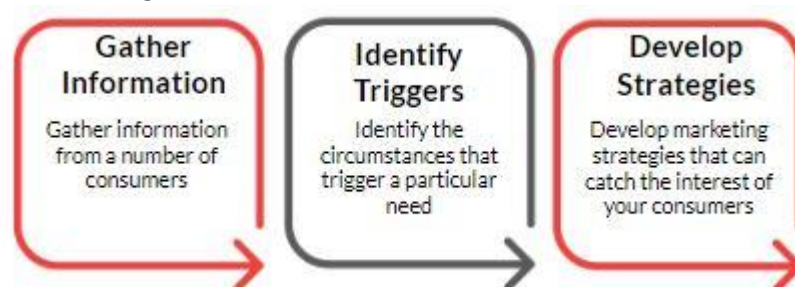
So, while marketers cannot really influence the needs for the most part, they can influence the want or rather they can convert the need into a want which can then be directed towards a demand for their product or the service

SESSION – The Consumer Decision Making Process

The Consumer Decision Making Process

Six stage decision making process

1. Need recognition:
 - a. You identified a problem or recognised a need.
 - b. Need Recognition Triggers:
 - i. **External Triggers:** A new product you saw in adv etc
 - ii. **Internal Triggers:** Innate need or desire
 - c. Real magic happens when a consumer who has experienced an internal need and internal trigger is then exposed to an external trigger immediately afterwards.
 - d. So, at this stage:



2. Information search:
 - a. Information sources can be:
 - i. **Internal:** Relies on consumer's own memory or recollection
 - ii. **External:** Actively searching for information from the people around us - colleagues, family, even the brand product itself.
 - iii. External search at one point of time can convert to Internal search at a later point in time. Note here that this will be subject to the information moving from your Short-Term Memory, or STM, to Long-Term Memory, or LTM.
3. Evaluation of alternatives:
 - a. Based on information search data, all the alternatives are divided into three groups or sets:
 - i. **Evoked Set:** The option that the consumer is actively looking at.
 - ii. **Inert Set:** Options that fulfil the criterion regarding attributes but lack in information or awareness. These form back-up options in case the consumer is not able to find the right product.

- iii. **Inept Set:** Already rejected by the consumer, based on information gathered due to lack of attributes.
 - b. As a marketer, your aim at this stage is to be a part of Evoked Set.
 - c. As a marketer, if your brand falls in inert category, you need to identify the attributes that can move it into the evoked set.
- 4. Selection and trial:
- 5. Purchase Decision
- 6. Post-purchase behaviour

Not all the products do not undergo the rigorous decision-making process; for certain products we spend a little more time taking decisions but for some others we don't. So, **the factors which really drive the consumer decision making process are:**

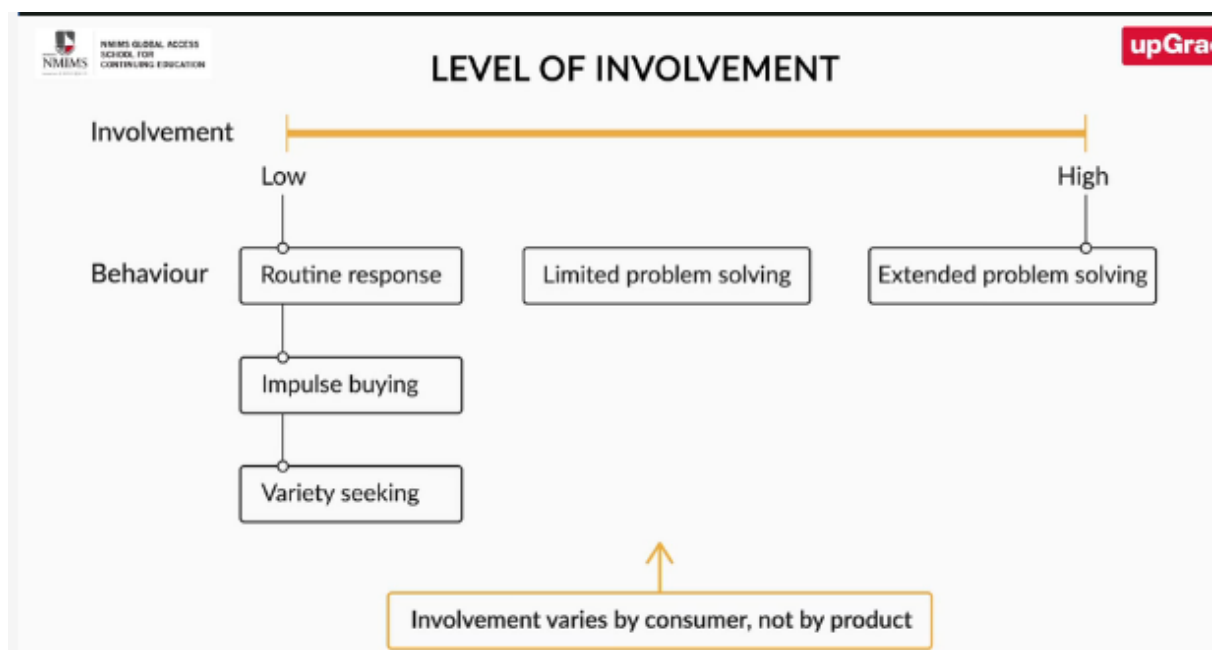
Risk of purchase failure.

- Can be product itself. e.g., medicines
- Social perception on the product. e.g., cigarette,
- Monetary aspect of the product purchase. e.g., products which are extremely expensive – house, car.

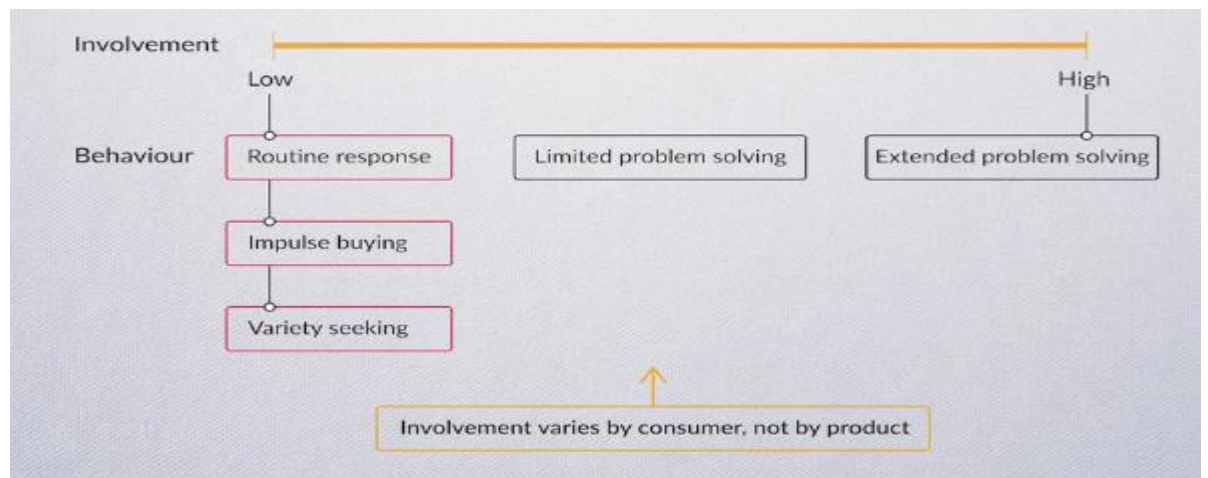
Degree of involvement with the product category.

Level of involvement reflects how interested you are or how knowledgeable you are or how experienced you are in consuming a product and how much information you need to make the final purchase decision. The level of involvement in buying decisions may be considered a continuous scale ranging from decisions that are fairly routine to decisions that require extensive research and a high level of involvement.

Involvement varies by consumer and not by the product itself.



On the basis of the level of involvement, the consumer could display any of the following 5 behaviours:



Behavior	Level of involvement	Characteristics	Actionables for a marketer
Routine Response	Low	Consumer does not think too much and simply purchases the same brand that they have been purchasing	Focus on ensuring that the product is there, that it is available. Your focus will be on having a strong distribution channel
Variety Seeking	Low	Consumer looks for different flavors, variants and even brands: simply because the associated risk is low	Focus would be on extending the number of product lines under the brand, introducing different variants for your product so that the consumers do not think about switching to another brand, even for one purchase
Impulse Buying	Low	Consumers display this behaviour when the risk as well as the monetary investment is low enough to warrant an unplanned purchase	Focus would be on product visibility in a retail or modern trade store. The reason being that these products trigger need recognition by simply being there! By simply being visible
Limited Problem Solving	Medium	The risk associated is not that high, but selecting one of the many alternatives requires at least some amount of research or problem-solving on the part of consumers	Ensure that information about your product and the category as a whole is readily available. Your focus would be on Promotions if a major chunk of your target audience exhibits this behavior. You may also need to train the sales force, the retailers so that they can provide the required information to the consumers whenever required
Extended Problem Solving	High	If a category has high risk and high monetary investment associated with it, that is, it is a high-involvement category, the consumers will always exhibit extended problem solving	The consumers go all out looking for information and would require a lot of "Hand-holding" from the associated sales people. As a marketer, your focus in such cases would be on making the information readily available and training the consumer facing staff adequately

The different decision rules that consumers generally tend to use for evaluating different options and selecting one or more among them for the final purchase:

- Compensatory Decision Rule

- Non-compensatory decision Rule
- Affect Referral Decision Rule

Compensatory	Non-Compensatory	Affect Referral
<ul style="list-style-type: none"> • Consumers evaluate all product attributes and balance the pros and cons of each attribute • The negative scores get balanced with the positive scores 	<ul style="list-style-type: none"> • Consumers do not balance the pros and cons, they are treated separately <p>Conjunctive rule:</p> <ul style="list-style-type: none"> • Consumers establish minimum cutoff points for each attribute and brands/products that end up falling below the cutoff for even one attribute are not considered <p>Disjunctive rule:</p> <ul style="list-style-type: none"> • Consumers establish cutoff points only for the attributes that are important to him/her <p>Lexicographic rule:</p> <ul style="list-style-type: none"> • Consumers rank the product attributes in the order of importance and then compare them 	<ul style="list-style-type: none"> • More of a qualitative measure • Decision is made on the basis of past experience of the consumers- on the basis of ratings and reviews of the product/brand



Customer Relationship Management

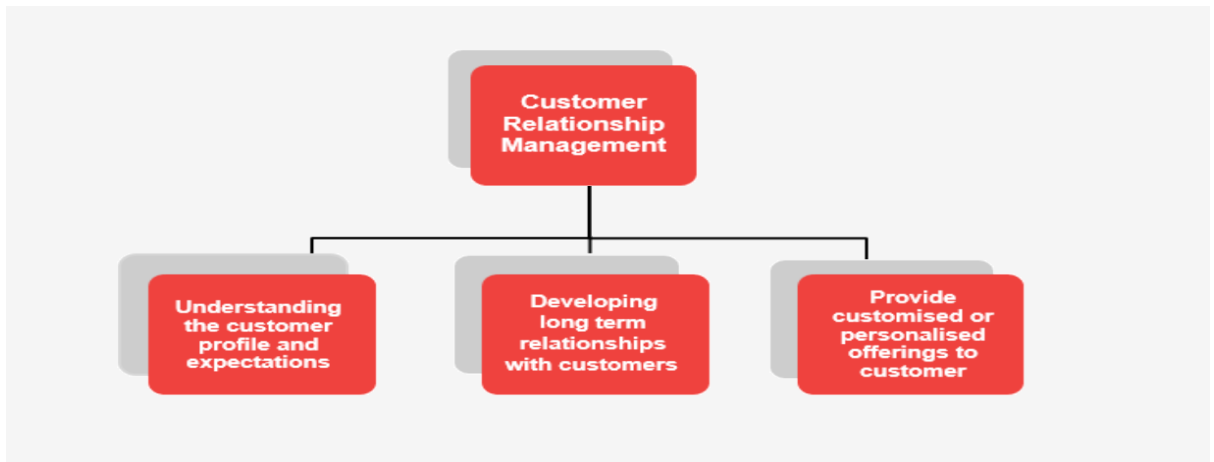
What is CRM?

CRM is the process of carefully managing detailed information about individual customers and all customer touchpoints to maximise customer loyalty.

What is the main aim of CRM?

Customer relationship management focuses on multiple aspects of the relationship between a customer and a brand/company. It relies heavily on individual account data or a customer

database, both of which can be generated by capturing the data from various touchpoints between a customer and a company.



You have already been introduced to the six-stage decision-making process, which ends with post-purchase behaviour. Steps 4, 5 and 6 basically start overlapping with the customer development process, wherein they get converted from a potential buyer to a consumer.

Customer Development Process

After going through various processes that influence decision-making, a potential customer finally decides and makes a purchase, which is the start of the customer development process.

Once a customer has been acquired, a customer journey begins, which ends in the customer becoming a loyal customer and a partner for the brand.



Each step in the process one by one:

- Identifying Potentials: This is basically the pool of people who can buy your product and is typically the largest pool, which you will eventually narrow down and build your own customer pool.
- Identifying Prospects: Now, moving a step further, this pool identifies those people from the potentials who have the motivation, the ability and the opportunity to buy your product.
- First-Time Consumers: From the prospects, these are the people who actually go on to buy your product or try your service for the first time.

- **Repeat Customers:** As you can see, from a consumer, you've now reached the customer stage. Based on the experience a consumer has during their first interaction with your product, they become a repeat customer if the experience was positive.
- **Clients:** Repeat customers eventually get converted into clients, after their positive experiences are reinforced over a longer time duration. At this stage, the customers are also looking for special or preferential treatment over first-time consumers.
- **Members:** These are clients who have opted in for special programs offered by the company, such as rewards or benefits or loyalty programs, and are actively using them.
- **Advocates/Partners:** These are people who now believe in the brand and become advocates for it by bringing on new customers or promote the brand or product voluntarily.

Why CRM/Benefits of CRM

Using CRM, companies can ensure that they provide a higher customer perceived value.

Benefit 1: Higher Customer Perceived value

What is the customer perceived value? It is essentially the customer's evaluation of the difference in all the benefits and costs associated with an offering. Some of the different costs and benefits for a consumer can be of the following types:

Customer Value/Benefits	Customer Costs
Benefits that a customer associates with an offering	Bundle of costs that a customer expects to incur in evaluating, obtaining, using and disposing of the product or service
Monetary benefits	Monetary cost
Economic benefits	Time cost
Functional benefits	Energy cost
Psychological benefits	Psychological cost

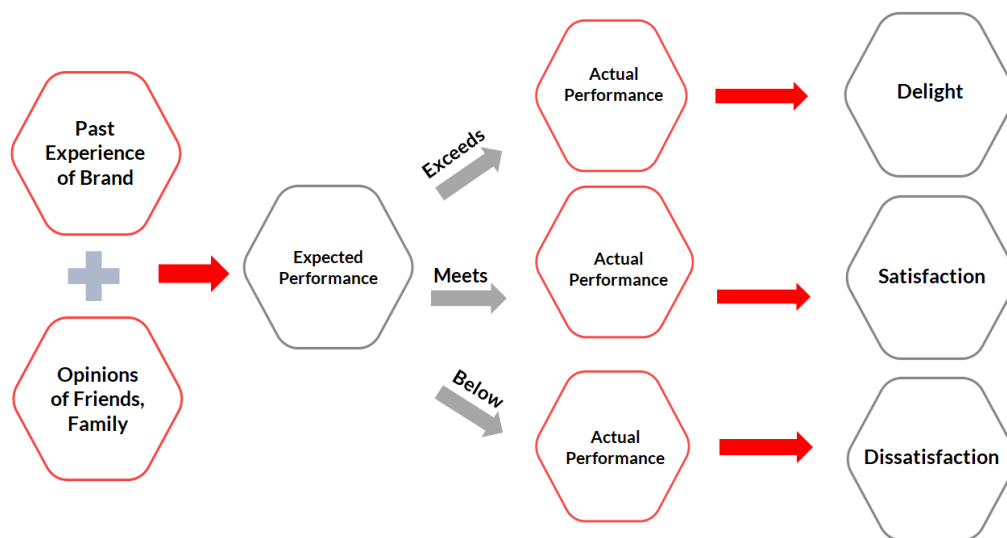
By providing a higher customer perceived value (at a lower customer cost), companies can ensure higher satisfaction levels for customers, leading to long-term, loyal customers.

Benefit 2: Customer Satisfaction

Another factor that CRM aims to address is customer satisfaction, which is defined as a customer's feeling of pleasure or discontent resulting from comparing a product or service's expected

performance with the actual outcome. But how is a customer's expectation from a product/service's performance shaped?

Expected performance is a function of past experience with the brand and opinions of friends, family and influencers. For example, when you purchase a packet of Maggi noodles or a bottle of Nescafe coffee, you expect the same taste, the same experience as your last interaction with the brand. Similarly, when you visit a PVR theatre in a new city, you expect the same PVR experience as your past visits to a PVR theatre. Also, in case a customer has not interacted with a product or service before, this expectation is shaped by feedback from friends, families and other influencers. Now, based on the difference between the actual delivered performance and the expected performance, there can be 3 outcomes: delight, satisfaction and dissatisfaction.



- When the actual **performance exceeds the expected** performance, it will result in customer **delight**.
- When the actual **performance meets the expected** performance, it will result in customer **satisfaction**.
- When the actual **performance is below the expected** performance, it will result in customer **dissatisfaction**.

Post – Purchase behaviour and Loyalty

Getting the consumers to purchase your product or brand just once would not do you much good in the long run. Did you know that:

The cost of serving a new customer is 10X the cost of serving an existing customer!

A consumer's post-purchase experience is the key factor in deciding whether the consumer comes back for the brand a second time, or not. We talked about CRM and why it is essential in the last segment.

The real importance of a loyalty club or card program is to capture the right data.

Customer Gratification

SESSION – INDIVIDUAL DETERMINANTS

As marketers you would want to influence the consumers at each and every stage of decision making process. There are multiple factors, internal and external as well that impact and influence the decision making process of consumer.

All these factors are:

- Internal Factors
 - Needs, Goals and Motivation
 - Consumer Perception
 - Attitudes and Learning
- External Factors (Covered in next session)
 - Culture and subculture
 - Socio-economic classes
 - Reference Groups and Family

Needs, Goals and Motivations

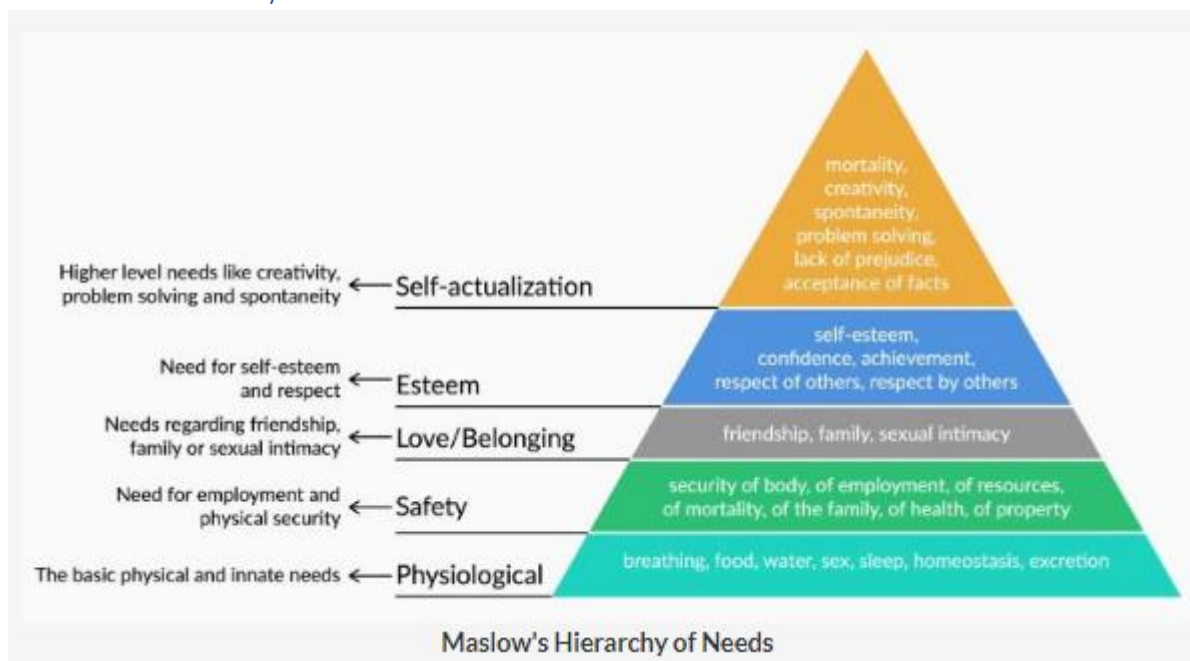
Suppose that the need for transportation transforms into a want for car for a consumer. And that want transforms into a desire of owning, say a BMW. Also, note that the willingness to pay is present but the ability to pay is not.

A want directed towards a particular brand and product along with the willingness but without the ability to pay would transform into a **Goal**. Now, as a marketer, it is your prerogative to then **motivate** the consumer to achieve that goal.

Types of needs – Innate and Acquired.



Maslow's Hierarchy of Needs



Using Maslow's theory, you can try to understand what level of needs a person is at the moment. Using that you can then market accordingly.

Motivations behind purchase

Desire to gain

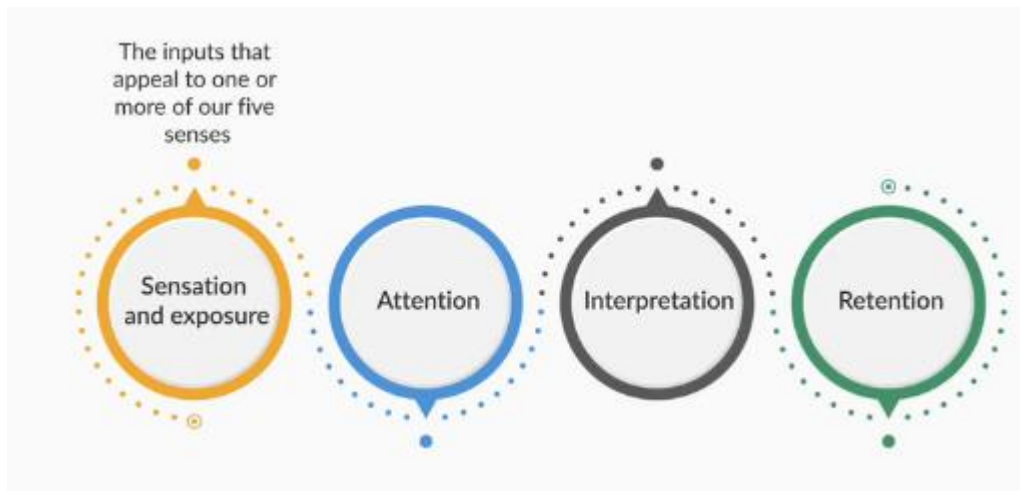
Aversion to loss

Consumer Perceptions: All that matters

Perception is the way in which something is understood or interpreted.

Formed partially by past experience and partially by current experience.

4 stages of formation of perception



Selective Attention

Selective attention basically refers to the **innate tendency** of consumers to pay heed to information that **interests** them and **ignore** the stimulus or information that is irrelevant or **contrary** to their beliefs



Retention

Retention Takeaways



JND, or Just-Noticeable-Difference:

JND	Importance	Application 1	Application 2
<p>What is it?</p> <ul style="list-style-type: none"> • There is a threshold of change below which no changes are noticed or perceived by any consumers whatsoever • The smallest increment or decrement in the intensity of a stimulus that can be detected by the consumers 	<ul style="list-style-type: none"> • JND is something that you need to keep in mind while making changes to say your promotional messages or even your brand altogether • Ensure that the changes in your stimulus are near the JND for your consumers can help in reducing the fatigue that they are likely to experience due to repeated exposures at the same time, not being so different that it ends up creating dissonance about the brand's identity 	<ul style="list-style-type: none"> • Consumers like the sense of security that familiarity brings. • So, while making changes to a brand, ensure that the changes are not too drastic 	<ul style="list-style-type: none"> • Pricing and packaging decisions. • Whenever firms want to make changes to the pricing or packaging of the products, they keep the concept of J and D in mind. • According to Weber's law, the difference should be at least eight to 10% in order for the consumers to notice it

Consumer Perception Theory

Consumer Perception Theory aims to understand the different factors that influence the positivity or negativity of the perception being formed.



Attitudes and Learning

3 steps of attitude formation

- Stimulus: Cue for the consumer to learn, or recall information related to your product or brand.
- Response: How consumers react to it.
- Reinforcement: Happens through a mix of Stimulus and Response. Whether positive or negative will majorly depend on response.

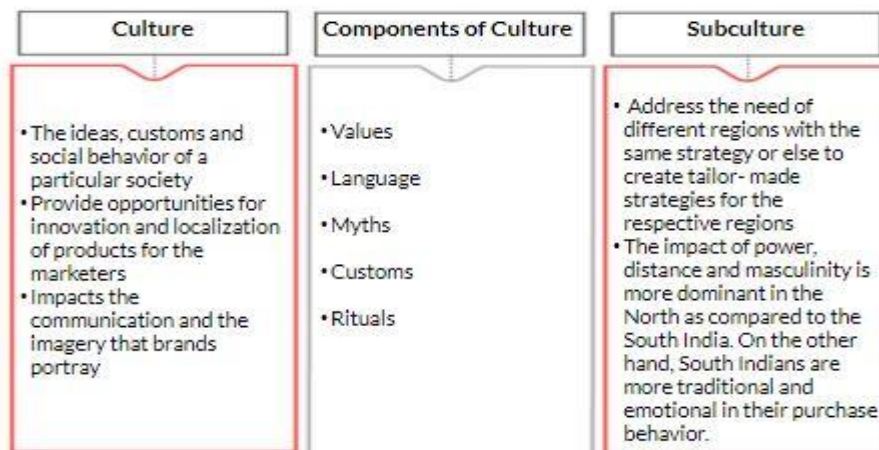
Short term memory to Long Term Memory

e.g., any information repeatedly exposed shifts it to Long Term Memory.

SESSION – External Influences

- External Factors
 - Culture and subculture
 - Socio-economic classes
 - Reference Groups

Culture and Subculture



Socio-Economic Classes

Social Class	Lifestyle Orientation	Purchasing Tendencies
Upper class	<ul style="list-style-type: none"> • Good taste • Graceful living • Individual expressions • Interest in art and culture 	<ul style="list-style-type: none"> • Prefer quality merchandise • Expensive hobbies and recreation activities • Art • Books • Travelling
Middle class	<ul style="list-style-type: none"> • Respectability • Conformity • Social esteem 	<ul style="list-style-type: none"> • Items in fashion and self presentation • Good clothing • House items for kids
Working class	<ul style="list-style-type: none"> • Fun oriented • Unsophisticated taste • Focus on possession and not ideas 	<ul style="list-style-type: none"> • Newest appliances
Lower class	<ul style="list-style-type: none"> • Neighbourhood oriented • Want immediate gratification 	<ul style="list-style-type: none"> • Products enhancing self-esteem and status symbol in neighbourhood

Reference Groups and Family

4 types of Reference groups

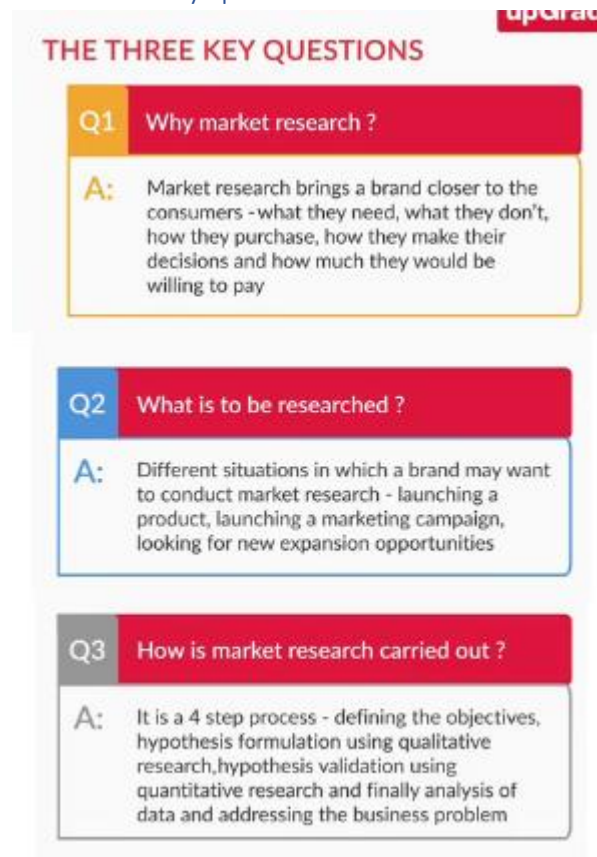


Family

Family highly influence or sometimes families make decision together.

SESSION – Understanding Consumer Behaviour

The three key questions of Market Research



THE THREE KEY QUESTIONS

Q1 Why market research ?

A: Market research brings a brand closer to the consumers - what they need, what they don't, how they purchase, how they make their decisions and how much they would be willing to pay

Q2 What is to be researched ?

A: Different situations in which a brand may want to conduct market research - launching a product, launching a marketing campaign, looking for new expansion opportunities

Q3 How is market research carried out ?

A: It is a 4 step process - defining the objectives, hypothesis formulation using qualitative research, hypothesis validation using quantitative research and finally analysis of data and addressing the business problem

Why Market Research?

So far, in this module, we've seen some of the factors that affect consumer behaviour - attitude, perception, social groups etc. But how do you, as a marketer, understand these factors of influence for your brand? How do you understand what your consumer thinks about your product? What does she think about your competitor's product? What is her attitude for the category in general? How does your consumer make the purchase decision? How does she interact with the category?

You understand these aspects of consumer behaviour - 'by talking to and observing them.'

What is Market Research?

MARKET RESEARCH

Market research is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company



4 steps of Market Research Process



1.Design – Defining the Research Objectives

Market Research brief answers the business problem or research objectives:

Market Research brief addresses 3 questions:

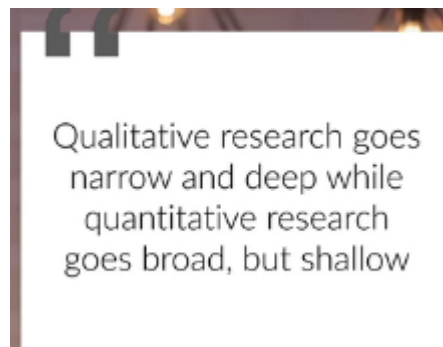
The 'Why', 'What' and 'How' of the research.

- Why is the research being conducted?
- What is to be researched?
- How is the research expected to be carried out?

These are the **key sections in a market research brief**:

- The first section of the market research brief talks about the brand - the product or the service. It also mentions a few details about some of the brand's past marketing campaigns
- The second section talks about the background of the problem. This establishes the 'WHY' of the research problem.
- The third section talks about the research objectives.
- The fourth section offers details on the markets and audience for the research.
- The final section addresses how the research will be carried out. Here, the brand manager suggests the research methodology and specifies the budget and time constraints.

2. Qualitative Research:



Qualitative Research – Methodologies



Some of the major reasons why brands use qualitative research methods are as follows:

- To test a new idea/product/service
- To capture reactions of consumers towards a particular product
- To observe the body language, change in voice, behavioural changes while viewing an advertisement
- To find out if a consumer can associate a jingle/packaging/taste to the accurate product
- To understand the entire decision-making process of a consumer when confronted with multiple brands of the same product

Generally, researchers use qualitative research as a prerequisite for quantitative research methods. However, qualitative research can be used before and after quantitative research.

- At the beginning of product development, qualitative market research can be used to generate ideas, evaluate potential product concepts, test marketing communication materials, etc.
- On completion of quantitative research, which deals largely with numbers, you can use qualitative research to explain why these numbers are the way they are.

Some insights from qualitative market research to strengthen your brand include:

- **Unique branding position:** There are plenty of brands in the market. You need to stand out from the rest to excel. Find out what people identify as the most valuable proposition of your brand, using qualitative market research, and check how strong that makes you, as compared to your competitors.
- **Fostering happiness:** If a consumer expresses discontent, then dig deeper to find out what caused it. It could be anything, from bad customer service to high prices. Asking the 'why' will help you chalk your strategy accordingly to solve the crisis.
- **Address weaknesses:** Much like the user experience mentioned above, it is important that the product itself is of superior quality. If you are into the food industry, conduct a taste exercise and ask why the respondent liked/disliked it. If yours is a mobile phone, do a product testing and find out why the consumer prefers a competitor. Use the insight to develop your product and strengthen the brand.
- **Transition from 'good' to 'excellent':** You might have consumers who have no complaints about your product. It doesn't mean that you should ignore them and focus only on the unhappy ones. Observe and decide what could give them extra satisfaction while using your product/service. If implemented well, these people become living-walking-talking promoters of your brand.

3. Quantitative Research

Conducting a Survey is a 5 stage process:

