



# Customer Relationship Management Analytics and Intelligence

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## Topic 2 Consumer Behaviors

# Consumer Behavior



- Consumer behavior encompasses mental and physical activities that consumers engage in when searching for, evaluating, purchasing, and using products and services.
- Example of long-term care insurance

Key Questions	Details
Characteristics of consumers who buy it	Income, Age, Lifestyle
Where they buy it	Agent, Telesales, Online
When they buy it	After a critical event, after seeing an ad
How they buy it	Comparing many policies, select the same one that a friend has
Why they buy it	Fear of depleting life savings, desire for excellent care in old age
What happens after they buy it	Satisfaction with the decision and the company

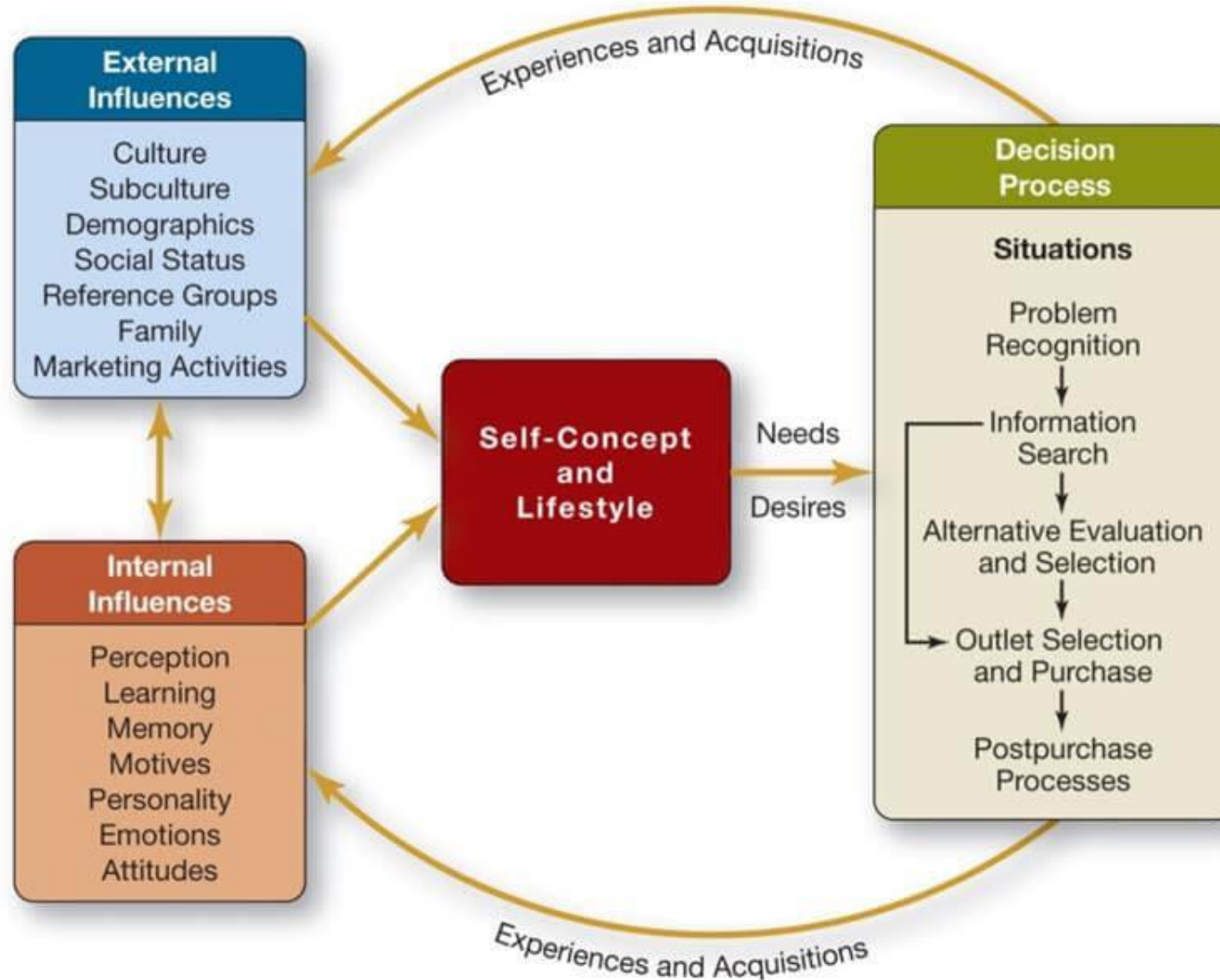
# Consumer Behavior Exercise



Product:

Key Questions	Details
Characteristics of consumers who buy it	
Where they buy it	
When they buy it	
How they buy it	
Why they buy it	
What happens after they buy it	

# Consumer Decision Making Process



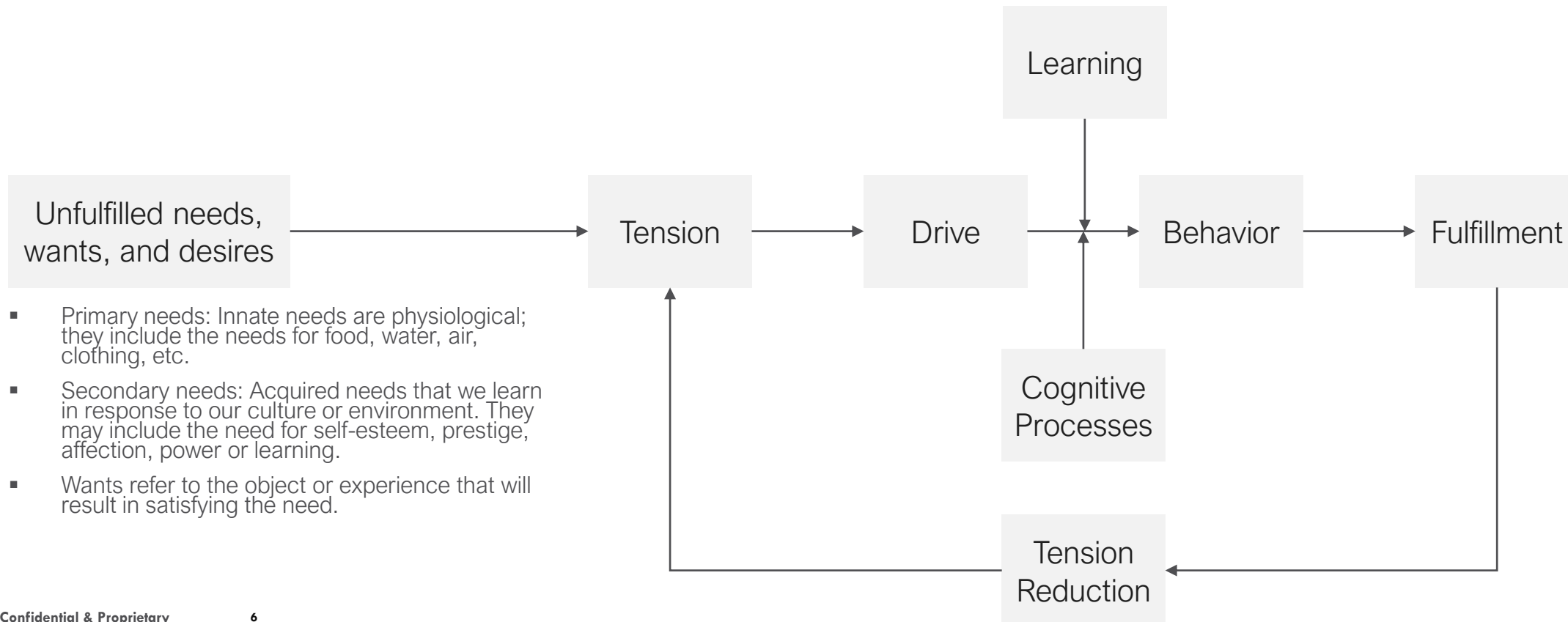


Consumer as  
an individual

# Motivation



- The driving force within individuals that impels them to action
- It is produced by a state of tension, which exists as the result of an unfulfilled needs





## Two types of motivation



- **Negative Motivation** — Choosing a course of action or behavior based on an undesirable experience that may follow that particular action. “I don’t want bad things to happen to me.”
- **Positive Motivation** — Choosing a course of action or behavior based on a desirable experience that may follow that particular action. “I want good things to happen to me.”

# Needs vs. Wants



## ■ Needs

- Human needs are the basic requirements and include food, clothing and shelter. **Without these humans cannot survive.** An extended part of needs today has become education and healthcare. Generally, the products which fall under the needs category of products do not require a push.
- Instead the customer buys it themselves. But in today's tough and competitive world, so many brands have come up with the same offering satisfying the needs of the customer, that even the “needs category product” has to be pushed in the customer's mind.

## ■ Wants

- Wants are a step ahead of needs and are largely dependent on the needs of humans themselves. For example, you need to take a bath. But you take baths with the best soaps. Thus, **Wants are not mandatory part of life.** You DON'T need a good smelling soap. But you will definitely use it because it is your want.



# Motivational Direction



- Needs Versus Wants:

*Want:* The particular form of consumption used to satisfy a need.

- Types of Needs

*Biogenic needs:* Needs necessary to maintain life

*Psychogenic needs:* Culture-related needs (e.g. need for status, power, affiliation, etc.)

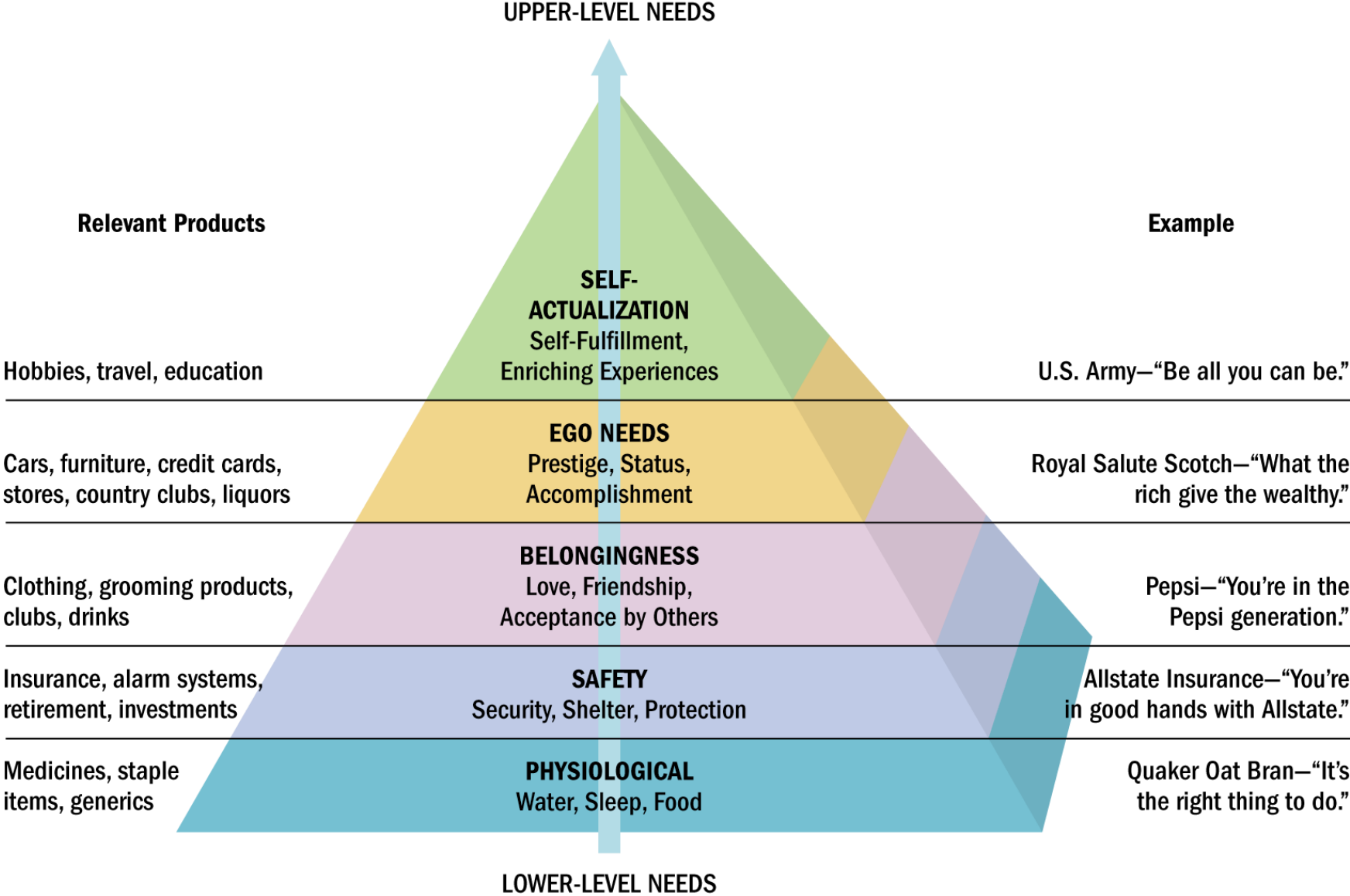
*Utilitarian needs:* Implies that consumers will emphasize the objective, tangible aspects of products

*Hedonic needs:* Subjective and experiential needs (e.g. excitement, self-confidence, fantasy, etc.)

# Classifying Consumer Needs



## Maslow's Hierarchy of Needs



# The Six Human Needs



- **CERTAINTY:** The need to feel safe, comfortable, secure, stable, protected, and have predictability in our lives.
- **SIGNIFICANCE:** The need to feel important, achievement, respect, special, needed, wanted and unique in our lives.
- **VARIETY / UNCERTAINTY:** The need to feel different, challenged, risk, change, excitement, surprise and entertained in our lives.
- **CONNECTION / LOVE:** The need to feel togetherness, passion, unity, warmth, desire and love in our lives.
- **GROWTH:** The need to feel like we are developing, learning, strengthening, expanding, and cultivating ourselves.
- **CONTRIBUTION:** The need to feel like we are giving, donating, leaving our mark, serving, offering and contributing to others.

## Jobs to be done



Clayton Christensen, the late author of *The Innovator's Dilemma* and former Harvard Business School professor, made the case that **to understand what motivates people to act, you first must understand what it is they need to get done.**

"When people find themselves needing to get a job done, **they essentially hire products to do that job for them** ...If a [businessperson] can understand the job, design a product and associated experiences in purchase and use to do that job, and deliver it in a way that reinforces its intended use, then *when customers find themselves needing to get that job done they will hire that product.*"

# Clayton Christensen's milkshake mystery



<https://www.youtube.com/watch?t=41s&v=sfGtw2C95Ms&feature=youtu.be>



- Standard market research was conducted
  - They brought in customers who fit the profile of the quintessential milkshake consumer. They'd give them samples and ask, "Could you tell us how we could improve our milkshakes so you'd buy more of them? Do you want it chocolate-ier, cheaper, chunkier, or chewier?"
  - They'd get very clear feedback and they'd improve the milkshake on those dimensions and it had no impact on sales or profits whatsoever.

## Clayton Christensen's milkshake mystery

<https://www.youtube.com/watch?t=41s&v=sfGtw2C95Ms&feature=youtu.be>

- So one of our colleagues went in with a different question on his mind. And that was, “I wonder what job arises in people’s lives that cause them to come to this restaurant to hire a milkshake?”
- The team stood in a restaurant for 18 hours one day and just took very careful data. What time did they buy these milkshakes? What were they wearing? Were they alone? Did they buy other food with it? Did they eat it in the restaurant or drive off with it?
- It turned out that nearly half of the milkshakes were sold before 8 o’clock in the morning. The people who bought them were always alone. It was the only thing they bought and they all got in the car and drove off with it.



## Clayton Christensen's milkshake mystery

<https://www.youtube.com/watch?t=41s&v=sfGtw2C95Ms&feature=youtu.be>

- To figure out what job they were trying to hire it to do, we came back the next day and stood outside the restaurant so we could confront these folks as they left milkshake-in-hand. And in language that they could understand we essentially asked, “Excuse me please but I gotta sort this puzzle out. What job were you trying to do for yourself that caused you to come here and hire that milkshake?”
- They’d struggle to answer so we then helped them by asking other questions like, “Well, think about the last time you were in the same situation needing to get the same job done but you didn’t come here to hire a milkshake. What did you hire?”
- And then as we put all their answers together it became clear that they all had the same job to be done in the morning. That is that they had a long and boring drive to work and they just needed something to do while they drove to keep the commute interesting. One hand had to be on the wheel but someone had given them another hand and there wasn’t anything in it. And they just needed something to do when they drove. They weren’t hungry yet but they knew they would be hungry by 10 o’clock so they also wanted something that would just plunk down there and stay for their morning.

## Clayton Christensen's milkshake mystery

<https://www.youtube.com/watch?t=41s&v=sfGtw2C95Ms&feature=youtu.be>

- “Well, think about the last time you were in the same situation needing to get the same job done but you didn’t come here to hire a milkshake. What did you hire?”
- “Good question. What do I hire when I do this job? You know, I’ve never framed the question that way before, but last Friday I hired a banana to do the job. Take my word for it. Never hire bananas. They’re gone in three minutes—you’re hungry by 7:30am. If you promise not to tell my wife I probably hire donuts twice a week, but they don’t do it well either. They’re gone fast. They crumb all over my clothes. They get my fingers gooey. Sometimes I hire bagels but as you know they’re so dry and tasteless. Then I have to steer the car with my knees while I’m putting jam on it and if the phone rings we got a crisis. I remember I hired a Snickers bar once but I felt so guilty I’ve never hired Snickers again. Let me tell you when I hire this milkshake it is so viscous that it easily takes me 20 minutes to suck it up through that thin little straw. Who cares what the ingredients are—I don’t. All I know is I’m full all morning and it fits right here in my cupholder.”

## Clayton Christensen's milkshake mystery



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Well it turns out that the milkshake does the job better than any of the competitors, which in the customer's minds are not Burger King milkshakes but bananas, donuts, bagels, Snickers bars, coffee, and so on.

## Jobs to be done



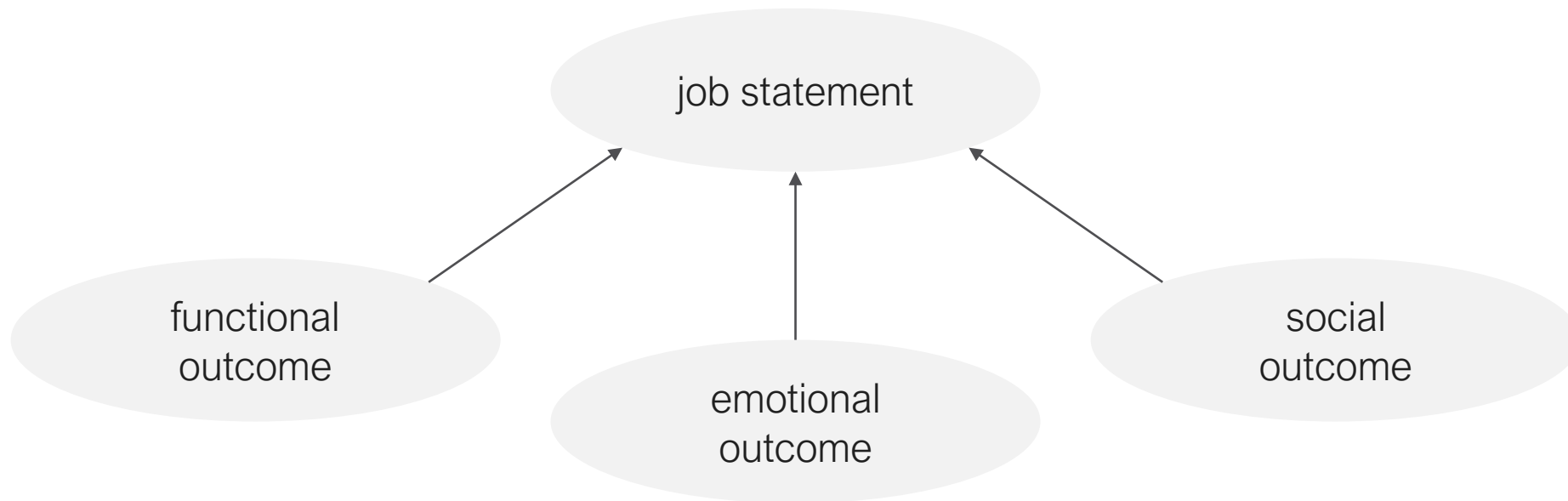
- Jobs to be Done is a theory of consumer action. It describes the mechanisms that cause a consumer to adopt an innovation.
- The theory states that markets grow, evolve, and renew whenever customers have a Job to be Done, and then buy a product to complete it (get the Job Done). This makes a Job to be Done a process: it starts, it runs, and it ends. The key difference, however, is that a JTBD describes how a customer changes or wishes to change.

A Job to be Done is the process a consumer goes through whenever she aims to change her existing life-situation into a preferred one, but cannot because there are constraints that stop her.

## So, What is jobs to be done?



- Jobs to be Done is about a customer making progress towards a desired future.



# Example of Job Statements



VERB	OBJECT OF CONTROL	CONTEXT
Transport	me and my belongings	between different cities
Teach	programming	to children aged 5 to 7
Generate	a work schedule	for my high-turnover small business
Listen	to music	in my home
Find	authentic experiences	when I travel to new places
Cut	wood	in a straight line
Find	information	on the internet
Spot	wildfires	before they are uncontrollable



## Example of Desired Outcomes

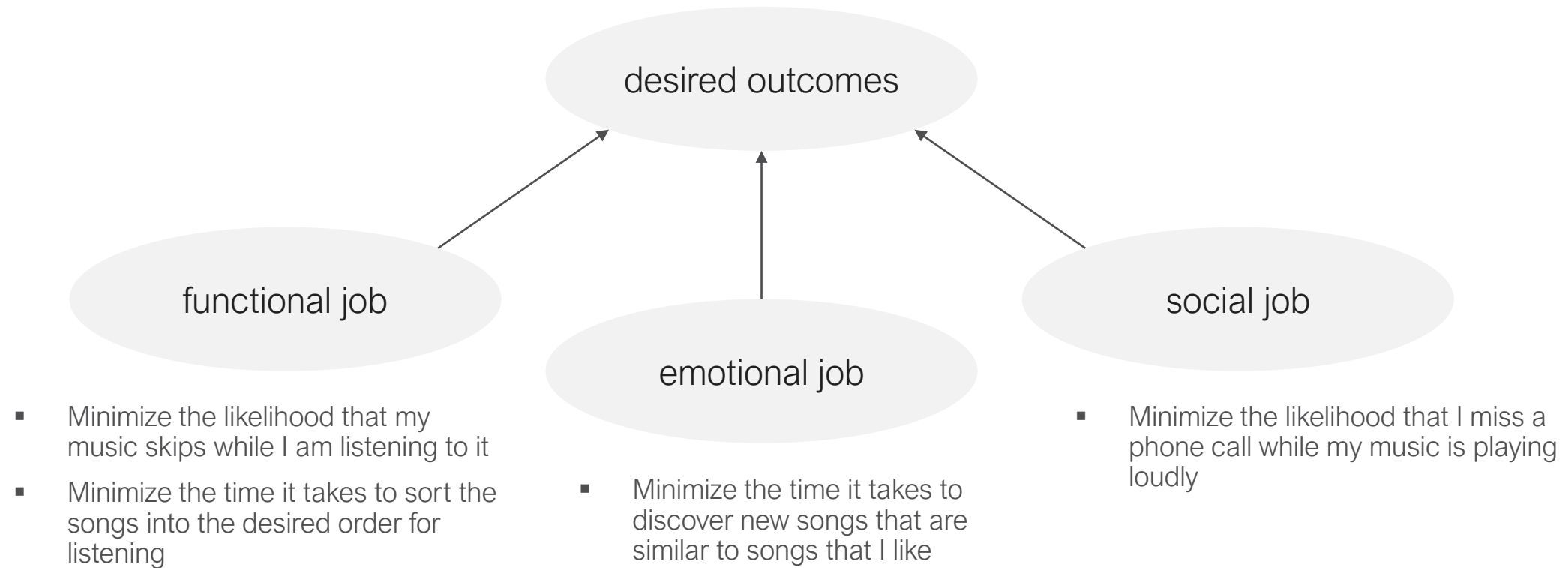


IMPROVEMENT	OBJECT OF CONTROL	CONTEXT
Minimize the likelihood	that my music skips	while I am listening to it
Minimize the time it takes	to sort the songs	into the desired order for listening
Minimize the time it takes	to discover new songs	that are similar to songs that I like
Minimize the time it takes	to remove songs I don't like	from my playlist
Minimize the likelihood	that I miss a phone call	while my music is playing loudly
Minimize the time it takes	to change the volume	while the music is playing
Minimize the likelihood	that I hear the same song twice	within 30 minutes
Minimize the likelihood	that I find a song distracting	when I listen to music while studying

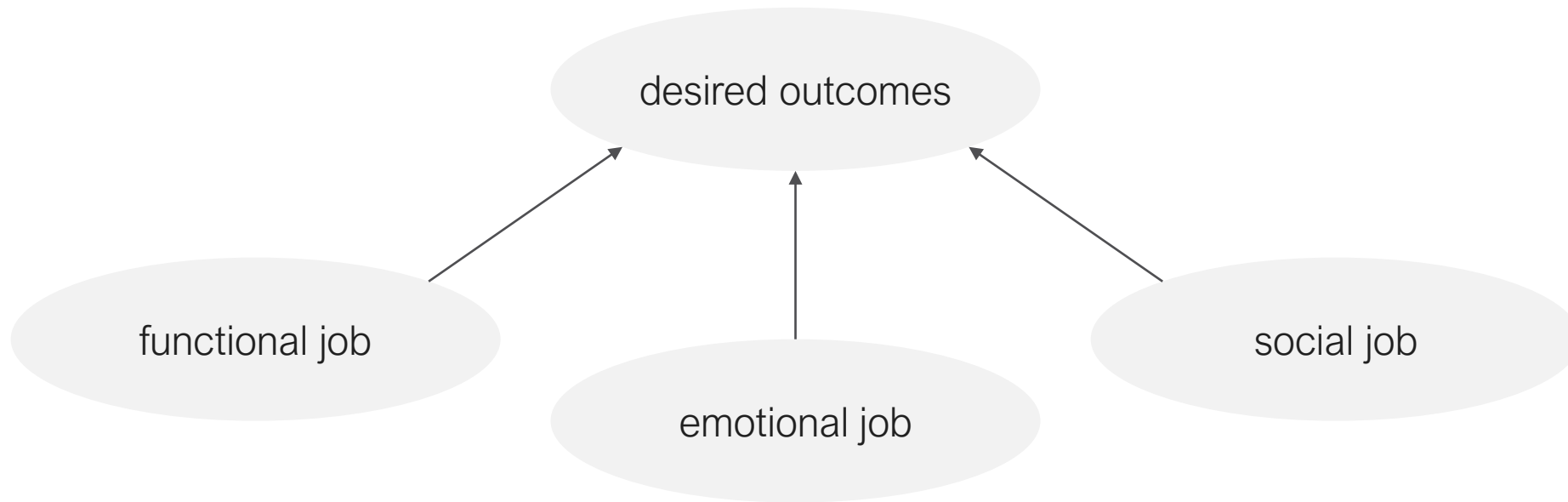
# Example



Listen to music at home



# Exercise





# Consumers in their social and cultural settings

# Reference Group



- Any person or group that serves as a point of comparison for an individual in forming either general or specific values, attitudes or behavior.
- Normative reference groups – influencing general values or behaviors
  - Ex. Family – which foods to select, appropriate ways to dress, how and where to shop
- Comparative reference groups – serving as benchmarks for specific or narrowly defined attitudes or behavior.
  - Ex. Neighbor family – the way they maintain their home, their choice of home furnishings and cars, where they take holidays

## Classification of reference groups



	Regular face-to-face contact (membership)	Non-regular face-to-face contact (non-membership)
Positive influence (Adopting attitudes and behavior)	<b>Contactual Group</b>	<b>Aspirational Group</b>
Negative influence (Adopting opposite attitudes and behavior)	<b>Disclaimant Group</b>	<b>Avoidance Group</b>



## Selected Consumer-Relevant Reference Groups



- Friendship groups
  - Consumers are more likely to seek information from the friends they believe have values or outlooks similar to their own
- Shopping groups
  - They are often offshoots of family or friendship groups. Shopping with others also provides an element of social fun and reduce the risk that a purchase decision will be socially unacceptable.
- Work groups
  - Consumers spend the sheer amount of time at their jobs providing opportunity to influence on the consumption behavior
- Virtual groups or communities
  - A new norm of social interaction provides great opportunity of influence.

## Roles in the family decision-making process



- Influencers – providing information
- Gatekeepers – control the flow of information
- Deciders – with the power to make choices
- Buyers – make actual purchase
- Preparers – transform the product into a form suitable for consumption
- Users – use or consume
- Maintainers – service or repair
- Disposers – dispose or discontinue

# Social Class



- Two-category
  - Blue collar, white collar
  - Lower, upper
- Three-category
  - Blue collar, grey collar, white collar
  - Lower, middle, upper
- Four-category
  - Lower, lower-middle, upper-middle, upper
- Five-category
  - Lower, lower-middle, middle, upper-middle, upper
- Six-category
  - Lower-lower, upper-lower, lower-middle, upper-middle, lower-upper, upper-upper

# Social class profiles



- Upper-upper: country club establishment
  - Belong to best country clubs
  - Accustomed to wealth, so do not spend money conspicuously
- Lower-upper: new wealth
  - Represent 'new money'
  - Conspicuous users of their new wealth
- Upper-middle: achieving professionals
  - Career-oriented and active in professional, community, and social activities
  - Consumption is often conspicuous
- Lower-middle: faithful followers
  - Want to achieve respectability and be accepted as good citizens
  - Do-it-yourself lifestyle
- Upper-lower: security-minded majority
  - Strive for security
  - View work as a means to buy enjoyment
- Lower-lower: rock bottom
  - Live day-to-day existence
  - Unskilled labors

# Influence of Culture



- Certain cultures are more youth-oriented than others hence are more liberal and individualistic, and are more likely to work harder and spend more.
- Many Islamic cultures and some Catholic cultures are much more religiously oriented as compared to Chinese culture where religion plays a very small role. This implies that in Islamic and some Catholic cultures people are more inclined to buy and consume religious artifacts and related material.
- Mexico adolescents are more likely to seek parental advice or respond positively to ads with parental figures in the purchase of items ranging from candy to movies to fashion clothing than United States.
- Japan and China people tend to consume products and avail services that everyone else is consuming, where as in United Kingdom and Unites States people are more inclined to make their own individual decisions bases on personal preferences and tastes.

# Hofstede's Cultural Dimensions



0 ←----- HOFSTEDE'S CULTURAL DIMENSIONS -----> 100

LOW POWER DISTANCE	PDI	HIGH POWER DISTANCE
COLLECTIVISTIC	INV	INDIVIDUALISTIC
FEMININE	MAS	MASCULINE
LOW UNCERTAINTY AVOIDANCE	UAI	HIGH UNCERTAINTY AVOIDANCE
SHORT TERM ORIENTATION	LTO	LONG TERM ORIENTATION
RESTRAINT	IND	INDULGENCE

This dimension deals with the fact that all individuals in societies are not equal

It has to do with whether people's self-image is defined in terms of "I" or "We".

A high score (Masculine) indicates that the society will be driven by competition and success

The way that a society deals with the fact that the future can never be known

how every society dealing with the challenges of the present and future

the degree to which small children are socialized



# Thailand

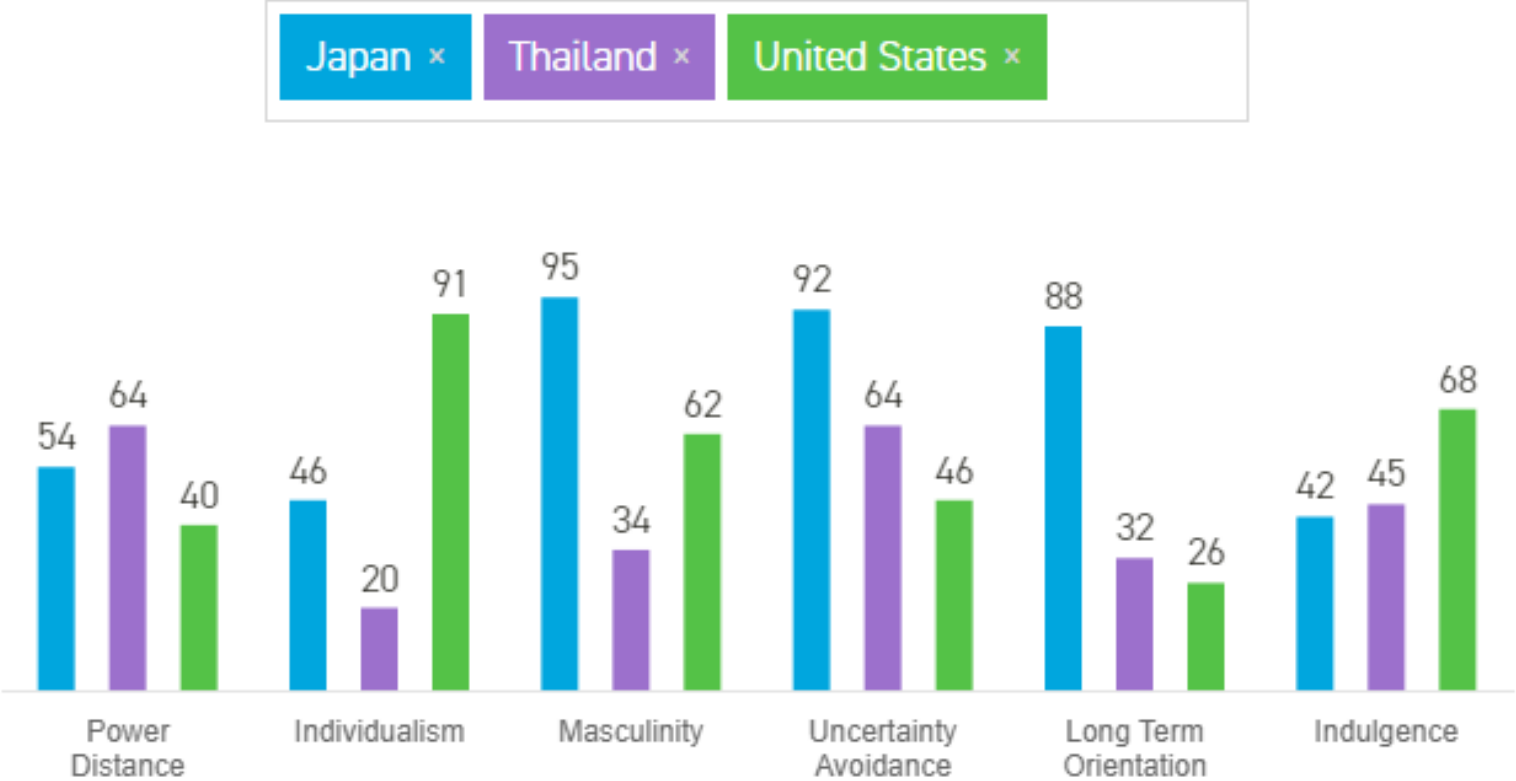


Thailand ×



\* estimated

# Thailand – Japan - USA



\* estimated