



## Buyer Behaviour Notes

Buyer Behaviour (Royal Melbourne Institute of Technology)

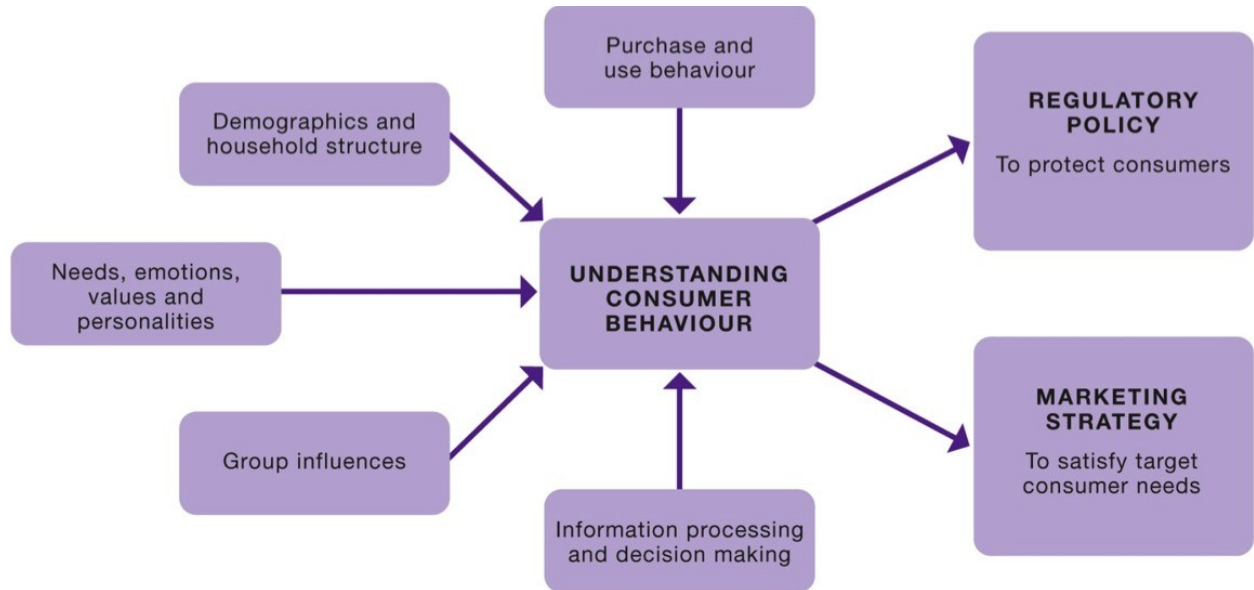


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# Buyer Behaviour Chapter 1

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- Understanding consumer behavior



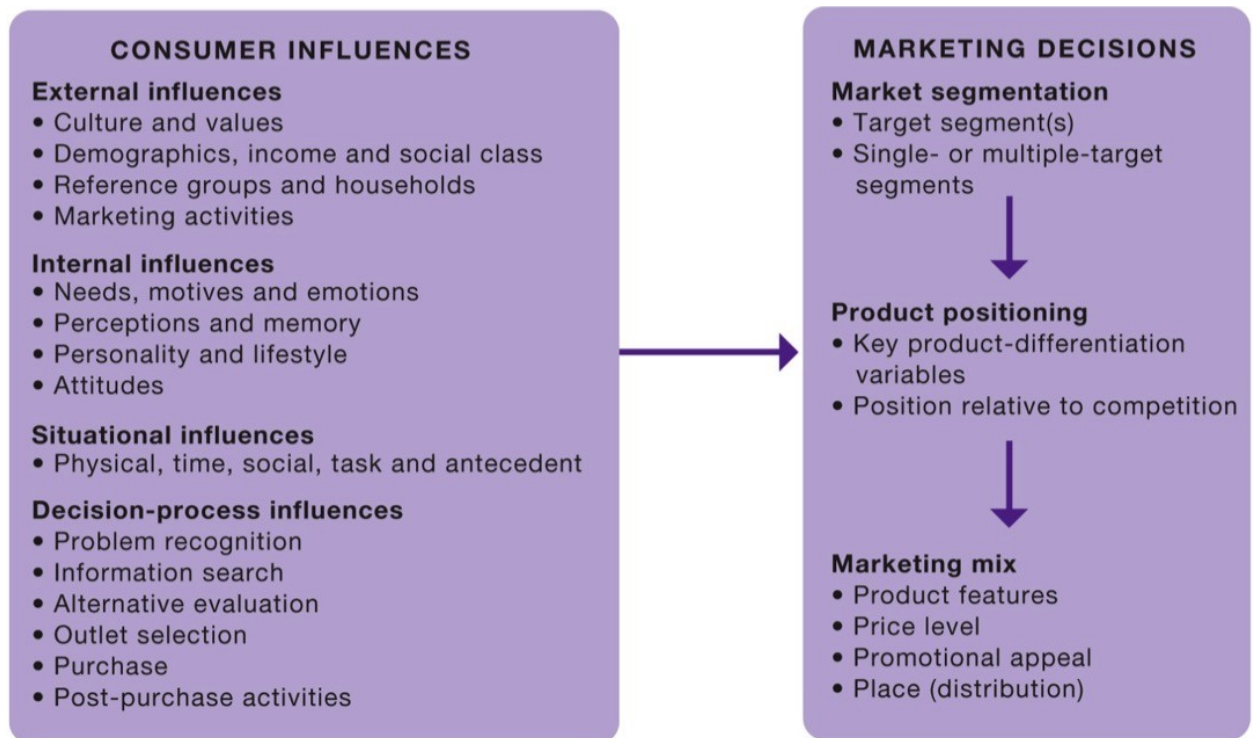
- How do they purchase and use the product?
  - Who are they?
  - Where are they situated?
- Consumer behaviour and marketing strategy (list out 5)
  - Market segmentation
  - Positioning strategy
  - New market applications
  - Global marketing
  - Marketing mix
  - Consumer behaviour audit
- Segmentation
  - Dividing larger groups into smaller, more easily targeting groups.

- Positioning
  - How your target segment thinks about your company/product
  - Mostly based on what you put out there

### Three major influences on Consumer Behaviour

1. Personal Characteristics
2. Product Characteristics
3. The consumption situation

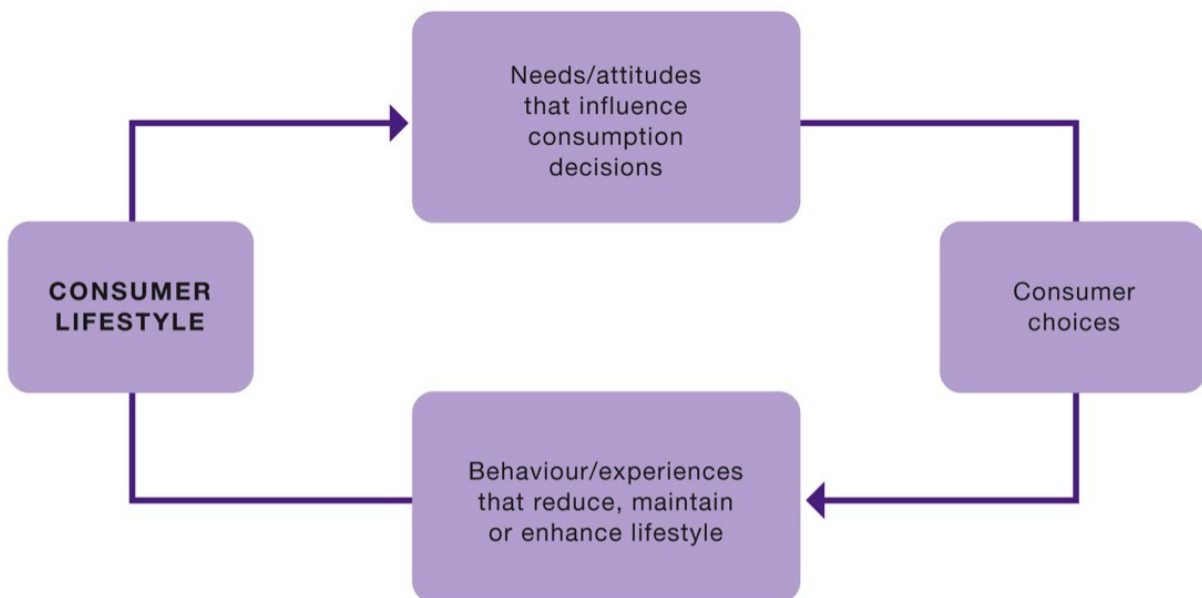
### How consumer influences drive marketing decisions



### Definitions of consumer behaviour

- A discipline dealing with how and why consumers purchase or don't purchase products and services.

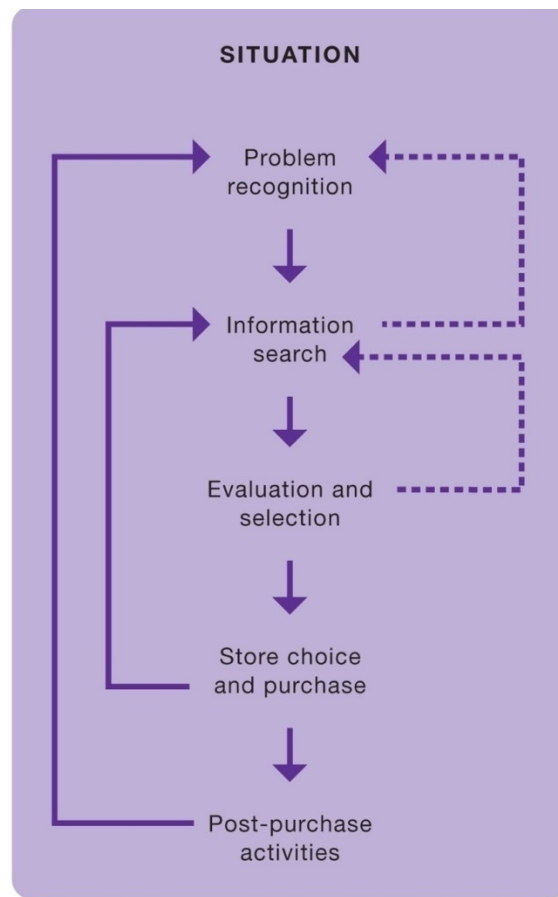
### Consumer lifestyle and consumer decisions



Consumers' needs/attitudes influence consumption decision. These are reflected in consumer choices. In turn, consumers respond in order to reduce, maintain or enhance their lifestyle.

Consumer lifestyle is a basis for understanding consumption.

## Consumer Behaviour Process

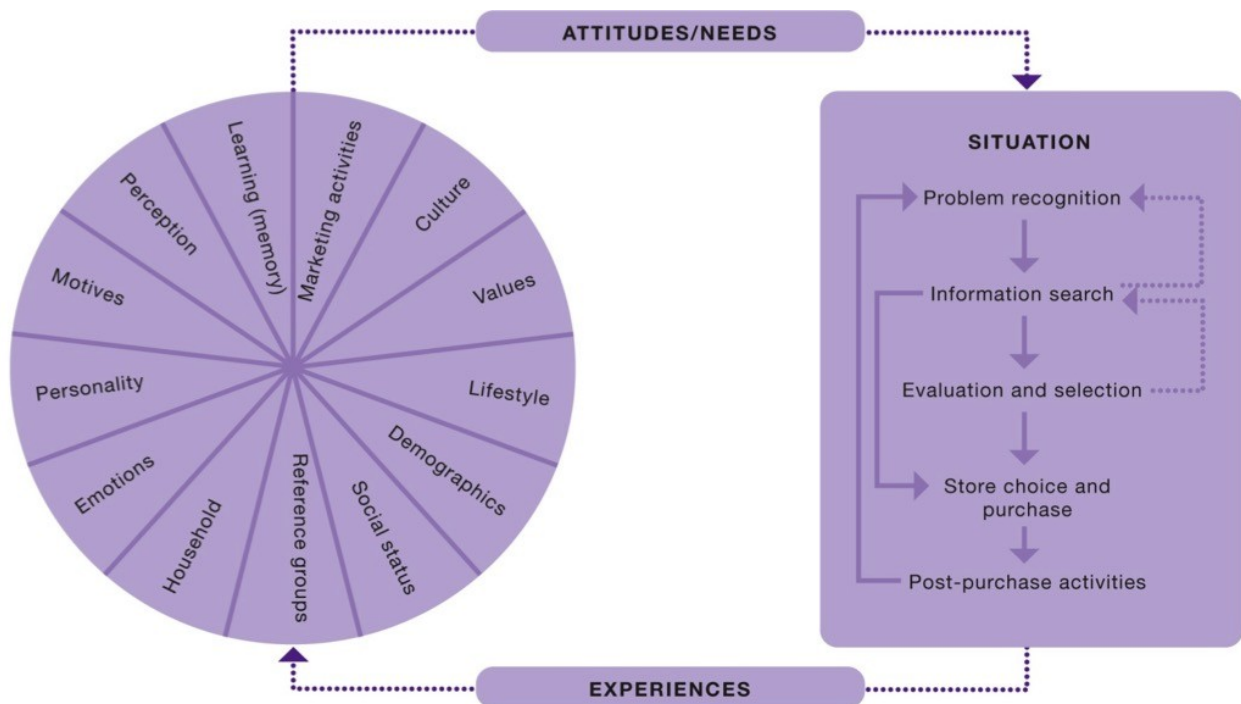


Certain situations that influence the consumer decision process. Once the consumer realizes that there is a difference between the actual and desired state, (**Problem recognition**) the consumer searches for information – either an internal (think about it) or external (asking someone). (**Information search**) They then evaluate this information, select the product (**Evaluation and selection**) and choose a location for the purchase (**Store choice and purchase**). This experience and product are evaluated and information is either stored in memory or acted upon, e.g 'Don't buy that product again because it's bad' (**Post-purchase activities**)

## Factors that determine and influence consumer lifestyle



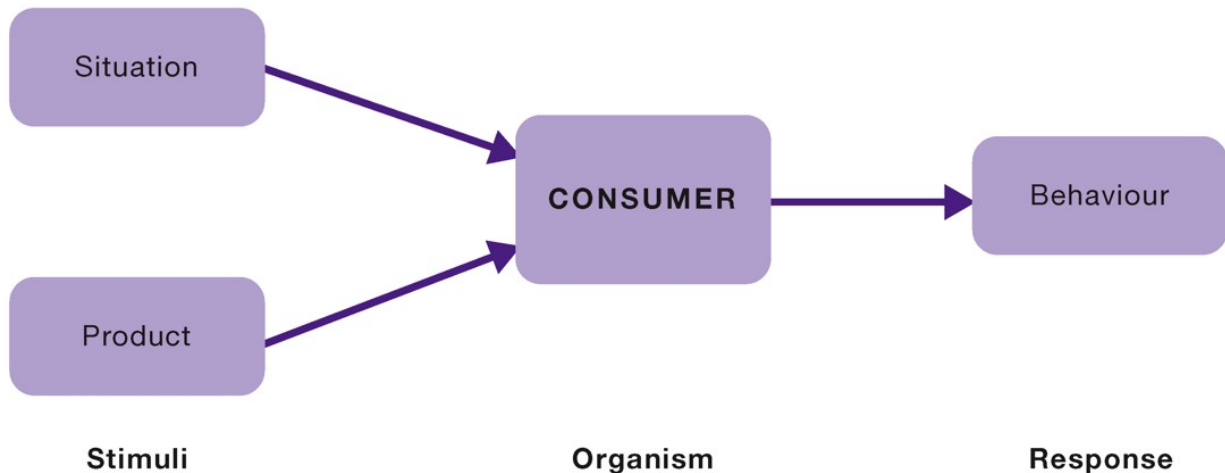
## Overall model of consumer behaviour



## Chapter 2

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### Role of situation in consumer behaviour



Situation is a set of factors apart from the consumer and the product. In some circumstances the consumer can be so brand loyal or distracted that the situational influences are ignored.

A marketer must understand 1) when a particular situation will affect consumer behaviour, 2) how strong the effect is likely to be, 3) the way in which the situation will influence behaviour.

### Keys to using situations in strategy

1. When a situation can influence consumer behaviour
2. Strength of the effect
3. In which way/s behaviour is affected.

## Situational influences

- Situations influence consumer behaviour
  - Four main types of situations:
    - Communication
    - Purchase
    - Usage
    - Disposal
  - Five dimensions within situations:
    - Physical
    - Social
    - Temporal
    - Task
    - Antecedent

Behaviour will not only vary between consumers but the same consumer will exhibit different behaviours from one situation to the next.

There are 4 type of situations in which the consumption can take place. Within each situation there are five dimensions of situational influences.

### Four situations

- Communication situation
  - Where? Alone or with others? Surrounding noise?
- Purchase Situation
  - Where? Alone or with others? In a hurry?
- Usage situation
  - With guest or alone? For pleasure or for work?
- Disposal situation
  - Before the next purchase? Trade-ins? (Eg, Car, Handphones)
  - After the purchase, e.g. packaging



The situation in which consumers receive information has an impact on their behaviour. If they are preoccupied then it's the marketer's challenge to attract their attention, e.g. maybe be in a group, travelling or not interested.

Shoppers in convenience stores, in a group, or in a hurry are less likely to be price sensitive or search and compare brands.

Marketers need to understand how the usage situation influences consumers' selection and use of products. Some brands are selected for guests, while others are selected for private use. Purchasing influences alter if the purchase is for business use or personal use.

Consumers frequently need to dispose of used goods and/or packaging and this can become a major influence on the purchase decision, e.g. trade-in of a car.

#### Five dimensions of situational influence

##### 1. Physical surrounding

- Store location, interior decor, Music, Smell/aromas, Temperature (air con/heating), Choice provided (by product category or across the categories)

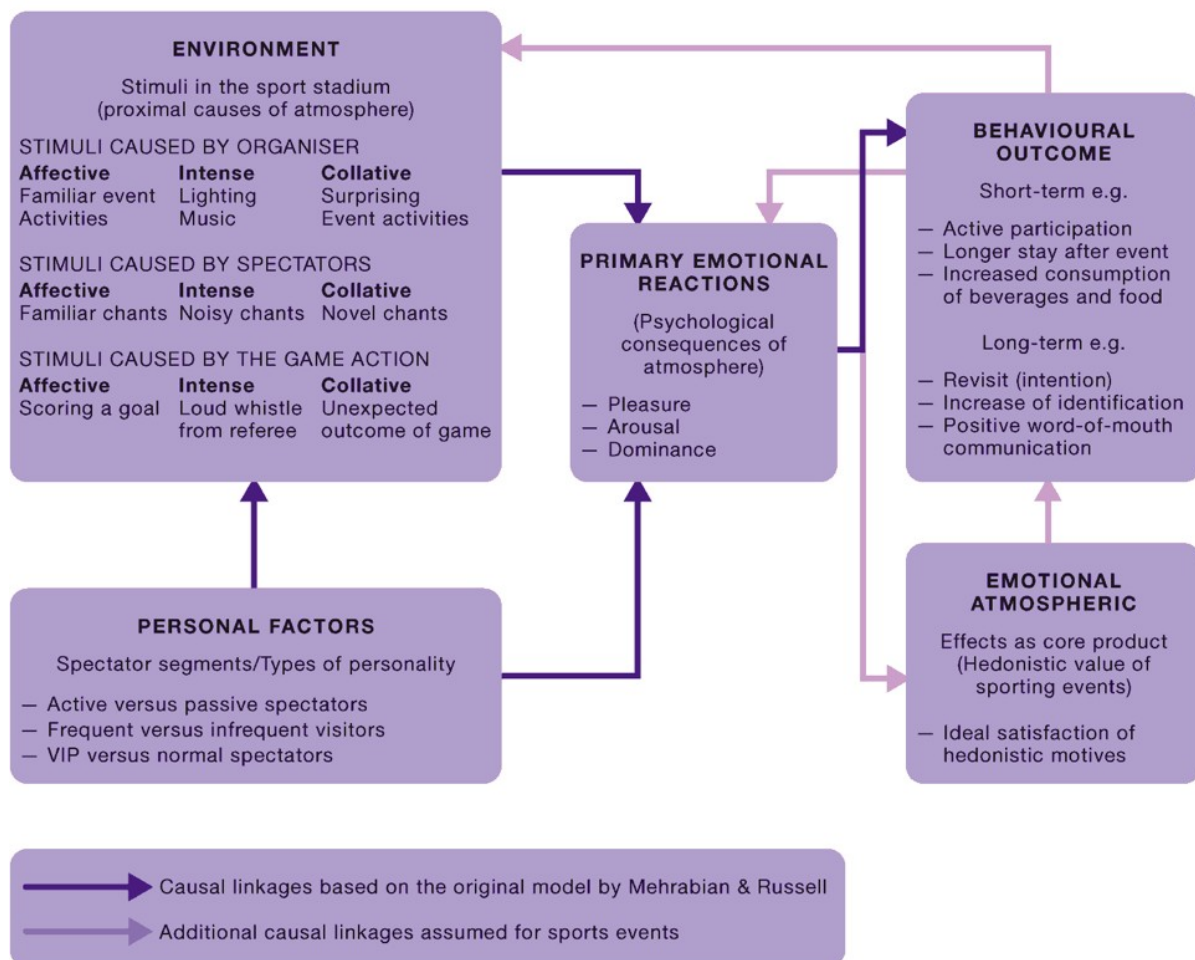
#### Typology of service environments.

The typology of service environments shows the emphasis and importance of the physical elements vary according to the type of service considered.

Time spent in facility	Consumption purpose		
	Utilitarian		Hedonic
Short (minutes)	Dry cleaner Bank	Fast food Hair salon	Facial Coffee at a cafe
Moderate (hours)	Medical appointment Legal consultation	Business dinner Evening class	Theatre Sporting event
Extended (day(s) or week(s))	Hospital Trade show	Conference hotel Training centre	Cruise Resort

The darker the shading, the more important the physical features of the servicescape.

### Impact of physical environment on sporting event



## 2. Social surrounding

- Types of customers in the store
- Queues and crowding
- Whether there are celebrities or high-profile people shopping at that store
- Whether the product will be consumed privately or in the presence of others.

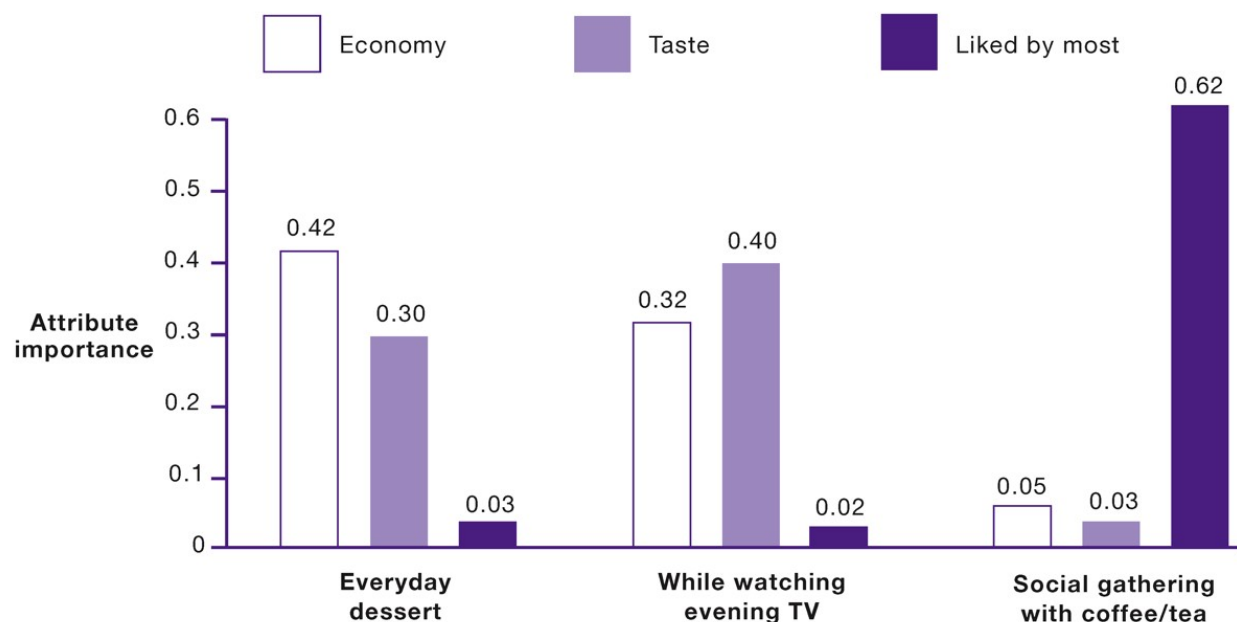
Social surroundings deal primarily with other persons present who could have an impact on the individual consumer's behaviour. This can be a positive or negative influence: e.g. Consumers shopping for golf equipment or motor bikes would be more comfortable when shopping with like-minded people.

Queues can be positive; e.g. night clubs, or negative; e.g. grocery shopping

Celebrities are given encouragement to visit certain stores and bars.

Some products need to be consumed privately, e.g. mouth wash. Hence, a new product, mouth freshener gum, has provided an opportunity for public mouth freshener use.

### Effect of social situation on desired dessert attributes



Economy and taste are critical for personal and family use, whereas general acceptance is important for a party situation.

### 3. Temporal perspectives

- Whether the product is seasonal
- Whether the product is urgently required
- Time available for shopping
  - o Limited/excess (the product may be an excuse for shopping)
- How long the previous product lasted or was expected to last

Temporal perspectives deal with the effect of time on consumer behaviour. This dimension of a situation may be specified in units from a day to a season of the year. Clothes and sporting goods are particularly affected.

Events such as Mother's Day are used as reasons around which major campaigns are stages in shopping malls.

Snacks, such as pie at the football, are examples of time-related influences. Convenience stores and stores at service stations are other example.

### Temporal perspective of purchase decisions



Products specifically positioned for seasonal use.

#### 4. Task definition

- Whether the product is utilitarian or used as a status symbol
- Whether it is a gift or for personal use
- Whether the product must be long-lasting/tough or decorative
- Whether the product is intended for several uses (e.g. a family computer for study and internet access)

Task definition reflects the purpose or reason for engaging in the consumption behaviour. The task may reflect the different user roles anticipated by the individual. E.g. someone shopping for glassware for a wedding present is in a different situation than if they were shopping for the same product for personal use.

#### 5. Antecedent states

- Moods
  - Feeling sad triggers buying sweets or seeing a funny movie
  - Feeling rejected triggers buying games' software
- Momentary conditions
  - Can't eat ice-cream because teeth hurt
  - Can't buy a book because the credit card was left at home
  - Buy more groceries because you are feeling hungry before shopping.

Antecedent states are features of the individual that are not lasting or relatively enduring characteristics. They are momentary moods or conditions. Moods can be states of high excitement or depression. They can trigger desires for certain food or entertainment and marketers can harness this and encourage certain products to become associated with these moods.

## Situation determines whether to eat out and where to eat

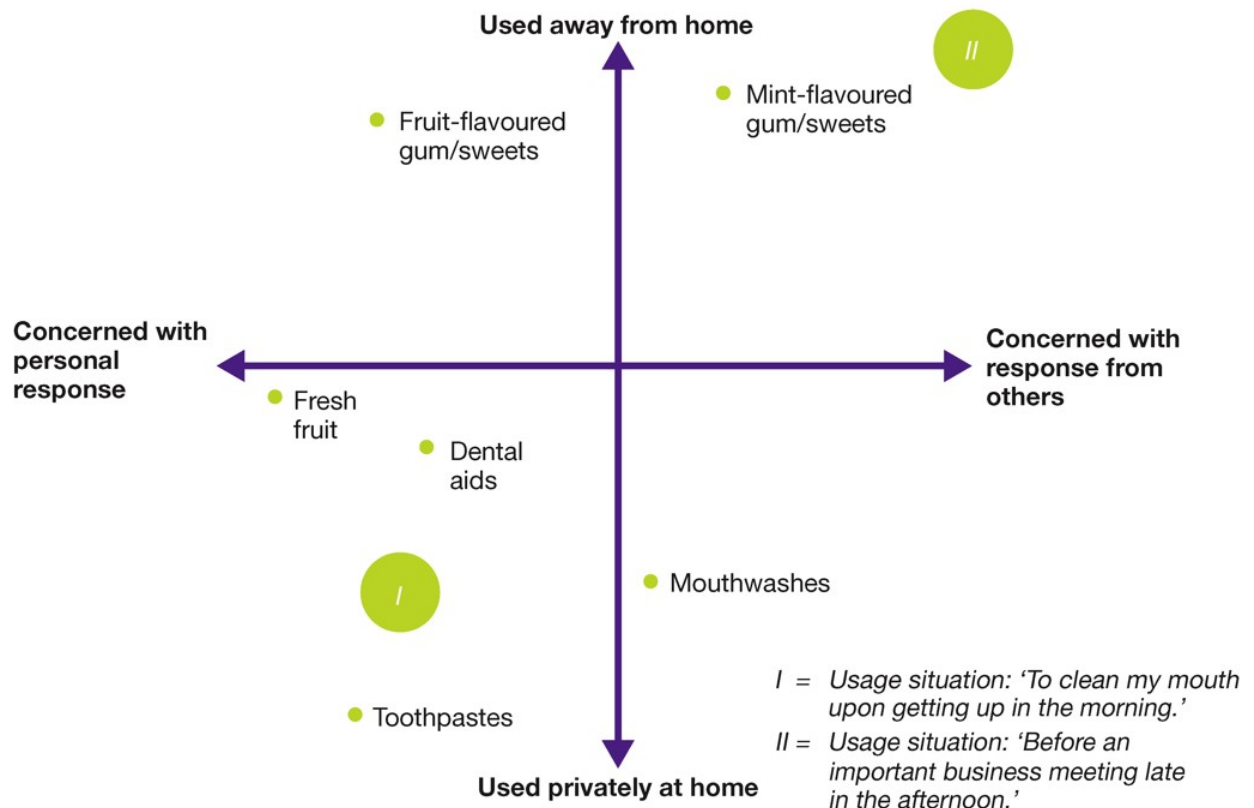
Situational influence	Description	Type of restaurant chosen
1 Physical	It's very hot and your air conditioning isn't working	Full/limited service
2 Physical	You're in the city for your Christmas shopping and the shops and streets are very crowded	Full service
3 Social	Your fiancée's parents are going to take you out for dinner and have asked you to choose the restaurant	Full service
4 Social	Your neighbour comes over to visit, you are having a pleasant chat and you discover it is time for lunch	Fast food
5 Temporal	You plan to go to a show at 7.30 pm; it's now 6.30 pm	Fast food
6 Temporal	You want to have an evening meal with the family when not rushed for time	Limited service
7 Task	It's your parents' 25th wedding anniversary and you want to take them out for dinner	Full service
8 Task	Your partner won't be home for dinner and you're wondering what to have for dinner	Fast food
9 Antecedent	You're too tired to cook dinner because you've had a very tiring day at the office	Limited/full service
10 Antecedent	You've just finished a tough semester and you're in the mood to really reward yourself	Full service

## Situational influences and marketing strategy

- Developing a situational influence matrix

	Physical surroundings	Social surroundings	Time	Task	Antecedent states
Communication					
Purchase					
Usage					
Disposal					

- Positioning the product based on situation



It can be seen, for example, that toothpaste is perceived as the product for morning use and mint-flavoured gum is perceived as being the product for afternoon use. This position can be used when creating an appropriate marketing strategy.

- Segmenting the market based on usage situation
  - Alone
  - In combination with other segmentation variable
  - Person/situation segmentation

Many situational influences are known to marketers and they use this information as a basis of market segmentation and in the targeting of advertisement. Position strategies can be used to associate certain situations; thus the situation can recall a given product – Such as Coke when at the beach and having fun.

### **Summary**

There are four type of situational influence.

The nature of situational influence

Dimensions of situation:

1. Physical
2. Social
3. Temporal (time)
4. Task
5. Antecedent

Situational influences and marketing strategy:

- Marketers use situational influences as a basis for market segmentation and targeting products.



## Chapter 3 (Problem recognition)

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### Problem recognition

- What happens during problem recognition
- Can this problem recognition be activated?
- What are the influences on it?
- Does problem recognition depend on the person?
- What are the implications for marketing strategy?

### Consumers are problem solvers

- Problem solving involves resolving a difference between the situation consumers are in and would like to be in. (e.g. being hungry to being full)
- Actual versus desired state
- Think of consumers as buying satisfaction to problems as opposed to particular products.

### Types of consumer decisions

- Purchase involvement
  - Influenced by the interaction of individual, product and situational characteristics
  - What is involved for me might be habitual to you.
- Forms of involvement and outcomes
  - Habitual (repeat or brand loyalty)
  - Limited decision making
  - Extended decision making

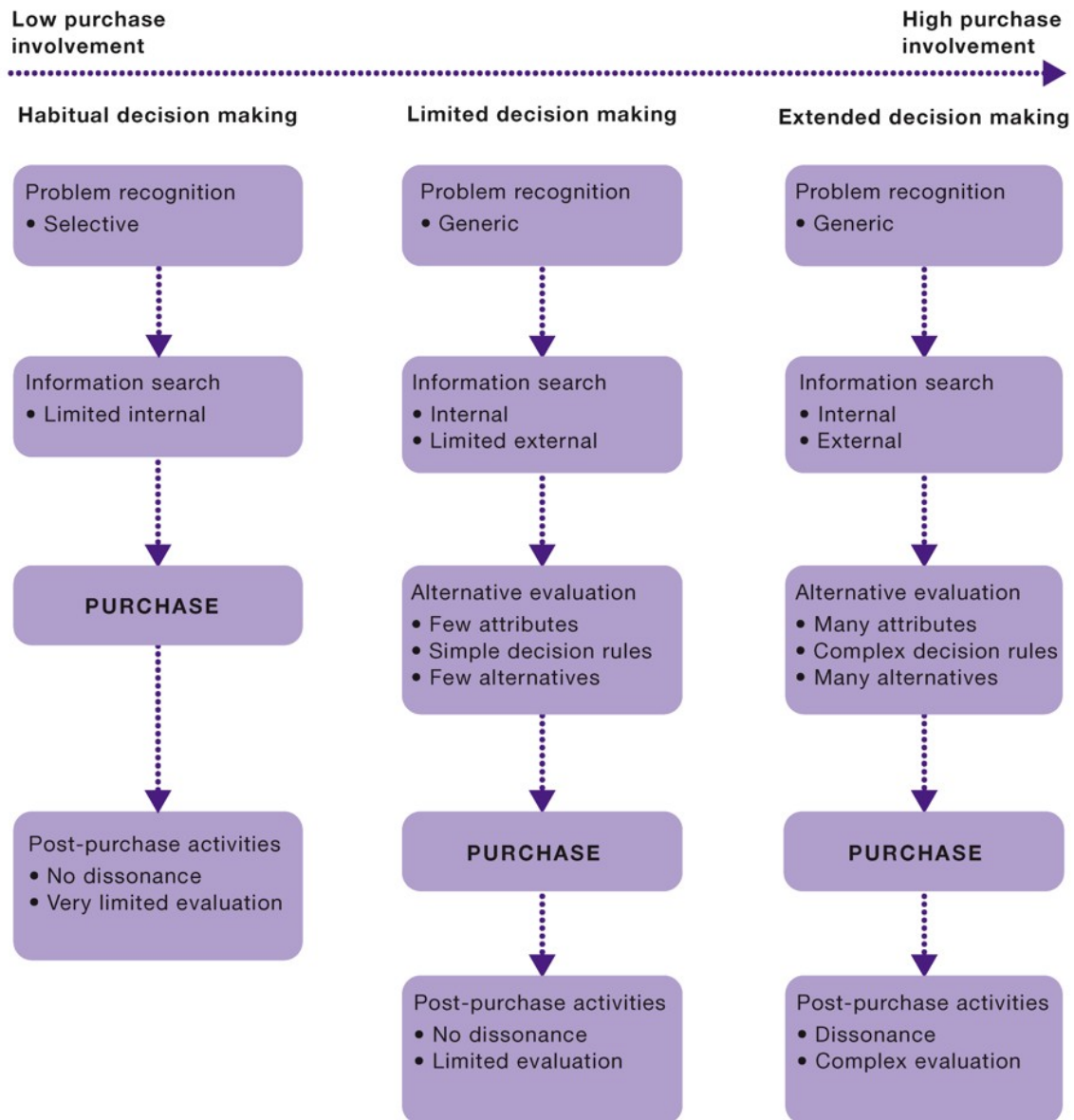
When involvement is low, such as habitual decision making is being used, there is very little actual decision making. Brand-loyal consumers

are habitual decision makers. There is a single preferred decision to the problem.

Limited decision making covers the middle-ground between habitual and extended decision making. Sometimes one aspect only is considered; for example. A search for the lowest-priced brand.

Extensive decision making usually involves both an internal and external search for information and the decision making can be very complex. Products like holidays, cars, homes and computers usually involve high involvement decision making.

### Purchase involvement and types of decision making



Purchase involvement is the level of concern for, or interest in, the purchase process, once the purchase process has been triggered by the need to consider a particular product.

As the consumer moves from a very low level of purchase involvement to a high-level purchase involvement, the decision making becomes increasingly complex.

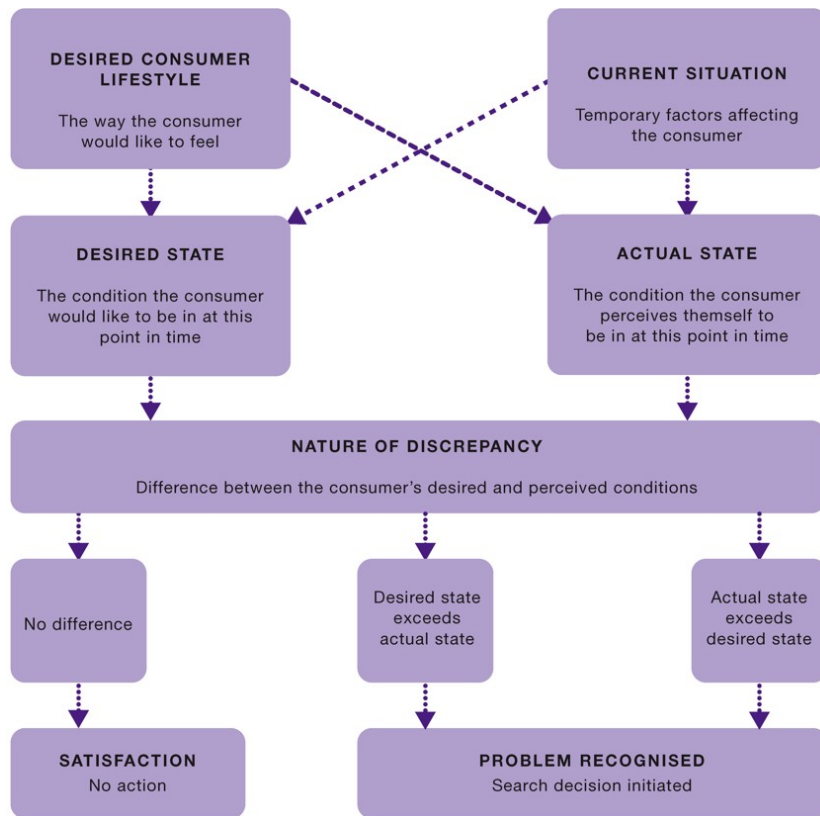
### Marketing strategy and types of consumer decisions

- The process of problem recognition

- The nature of problem recognition
  - Desired state
  - Actual state
- Desired states can be deficits or opportunities.

Problem recognition involves recognizing the **existence of a discrepancy between the consumer's desired state** (what the consumer would like) **and the actual state** (what the consumer perceives as already existing). Both the desired state and the actual state are influenced by the consumer's lifestyle and current situation. If the discrepancy between these two states is sufficiently large and important, the consumer will begin to search for a solution to the problem.

### Process of problem recognition



## Desire to resolve recognized problems

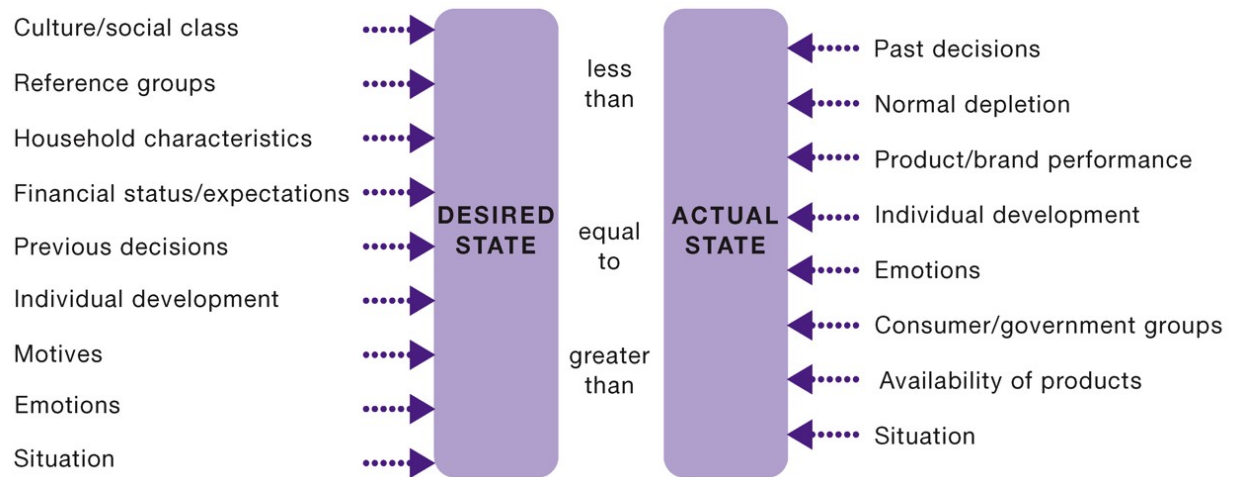
### 2 factors

1. The magnitude of the discrepancy between the desired state and actual state
2. The relative importance of the problem.

## Types of consumer problems

- Active problem
  - A problem the consumer is aware of, or will become aware of, in the normal course of events
- Inactive problem
  - A problem of which the consumer is not yet aware

## Non-marketing factors affecting problem recognition



## Product/brand performance

Many products need to perform on two levels:

1. Instrumental performance
  - a. Does it do the job you need still?
2. Symbolic performance
  - a. Does it match your self concept?

Market strategy and problem recognition

- Measuring problem recognition
  - Activity analysis (e.g. study of meal preparation)
  - Product analysis (e.g. problems using it)
  - Problem analysis (e.g. product/brand solutions)
  - Human factors research (e.g. suit users)
  - Emotion research (e.g. how people feel about it)

## Responding to consumer problems

- Activating problem recognition
- Generic problem e.g. dairy or banana
  - When the problem is latent or of low importance
- Selective problems e.g. one brand solution
  - The recognition that only one brand in the category will solve the problem

## Marking approaches

- Influence desired state
  - The foundation of the health-food market
    - Be healthier, live longer, etc
- Influence perceptions of actual state
  - Highlight deficiencies (or create them)

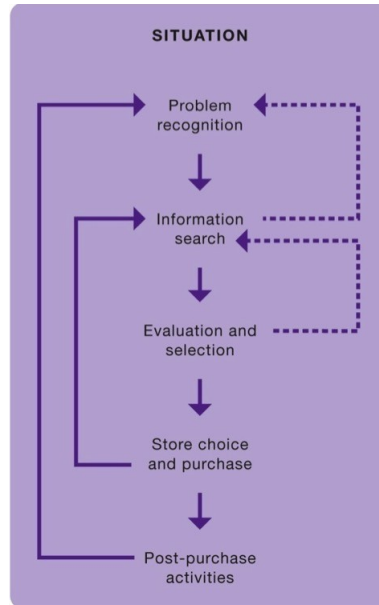
## Responding to consumer problems

- Timing problem recognition
  - Flu shot advertising starts well before flu season
  - “Back to School” sales start before school does.
- Suppressing problem recognition
  - Avoid upsetting habitual buyers
  - Anticipate and counteract negatives

## Chapter 4 (Information search)

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### Second stage of consumer decision-making process



### Internal vs external search

- Internal search
  - First step in information gathering
  - Memory and personal experiences
- External search
  - Pre-purchase research (if internal search fails to solve the problem)
    - Example: other people, advertisements, reviews, brochures, retailers, internet
    - Focus is on external stimuli relevant to solving the problem.

### Types of information sources

- Internal sources are used most often (habitual decision making).



- Information from past searches or personal experience are stored in memory.
- External sources include:
  - Personal e.g. friends, family
  - Independent e.g. consumer groups
  - Marketing e.g. advertising, websites, staff
  - Experiential e.g. trial and inspection (by trying the product)

Internal information is the primary source used by majority of consumers most of the time. This is for habitual and limited decision making. Some of this information may have been acquired through past searches and personal experience.

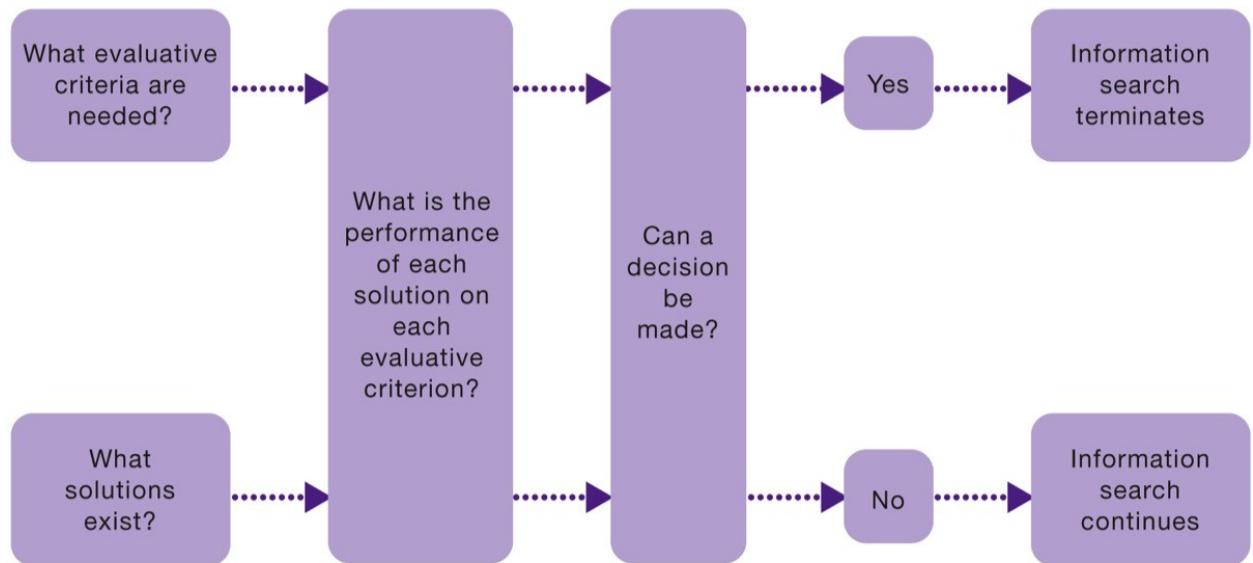
External information can be obtained through independent groups, such as consumer groups, personal contact, marketing sources and experimentally)

### Ongoing (exploratory) search

- Searching without specific problem
- Example: a fashion-conscious consumer might:
  - Browse local fashion precincts
  - Signup for online fashion newsletter
  - Follow designer twitter accounts
  - Read fashion magazines
- This is all done for enjoyment but also results in information gathering and retention.

Ongoing search or exploratory research may include window shopping, browsing on the internet or through retailer brochures.

## Information search in consumer decisions



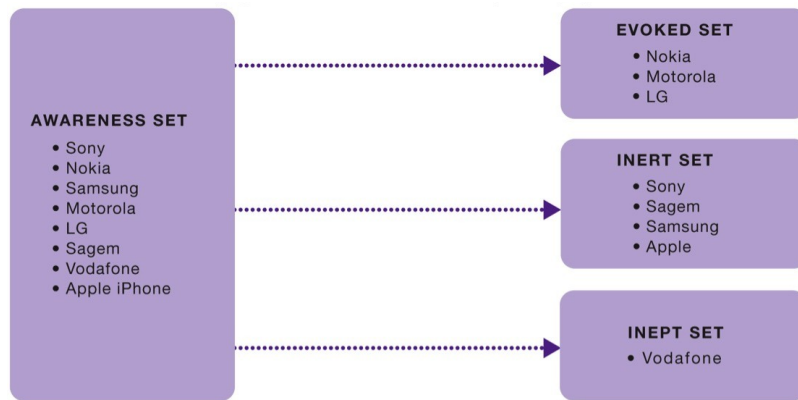
### 1. Evaluative criteria

- What characteristics are important enough to drive the choice?
- Brands try and inform the consumer of criteria that suit their strengths.

### 2. Appropriate alternatives

- The brands you are aware of form the awareness set.
  - Evoked (consideration)
    - Brands you seriously consider
    - External search may add brands to this set
  - Inept (negative) and inert (indifferent)

Example:



### 3. Characteristics of alternatives

- External search is directed towards the consideration brands and the evaluative criteria.

#### Information search online

- Online sources have increased dramatically:
  - Brand websites
  - Social media
  - Blogs
  - Advertising
  - Review sites
  - Local mobile sources
- Need to understand mobile users: especially in-store

#### Marketing strategy and online search

Companies need to ask:

- Should we have a website?
  - What is the purpose of the site?
    - Information only
    - Company and product/service information
    - Actively attract customers
    - A shopping site
    - Create a brand community

Companies need to ask:

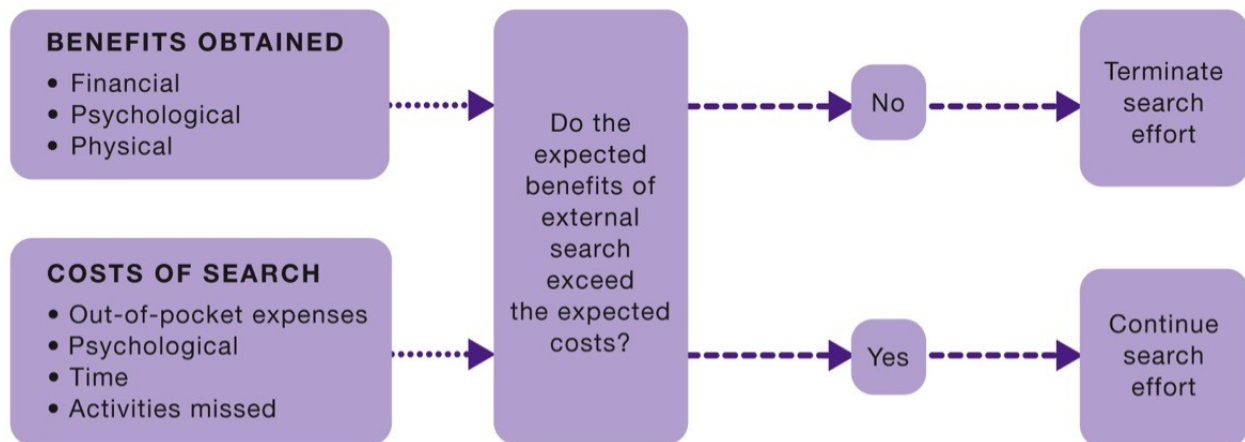
- Should we have a social media presence?

- What is the purpose?
- What do we have to say that consumers will care about?
- A lot of companies have twitter and Facebook but no strategy.

### Amount of external information search

- Measures used:
  - Number of stores visited
  - Number of alternatives considered
  - Number of personal sources used
  - Overall or combination measures.
- Consumers can be:
  - Non-searchers
  - Limited information searchers
  - Extended information searchers

### Costs versus benefits of external search



### How much search occurs?

- The extent of the search depends on:
  - The market characteristics
  - The product itself
  - The consumer as an individual
  - The situation or context.

## 1. Market characteristics

- Number of alternatives
  - More choice, more search
- Price range
  - Lots of price variance causes uncertainty
- Store distribution
  - Cost vs benefit of travel time
- Information availability
  - External sources from earlier searches

## 2. Product characteristics

- Price – The greater the investment, the more search undertaken
- Differentiation – Search increases when the differentiation between brands is large and/or visible. E.g. cars
- Positive product – We search more for things we like buying.

## 3. Consumer characteristics

- Learning and experience (more experience tend to shorten the search)
- Shopping orientation
- Social status (Social status and perceived risk tend to increase the search effort)
- Demographics

- Product involvement
- Perceived risk

#### 4. Situational characteristics

- Time
- Recipient
- Physical surrounding
- Social surroundings
- Physical/mental energy

Situational influences affect the consumer's external search behaviour. Time availability, surroundings and the inherent energy of consumers all tend to increase the amount of searching. Individuals tend to search less for products intended for themselves as opposed to a gift. The social surroundings can have a mixed effect, depending on whether they are a distraction or whether there are benefits from extending the search, e.g. they may impress friends by their thoroughness.

#### Marketing strategies based on information-search patterns

	Target market decision-making pattern		
Brand position	Habitual decision making (no search)	Limited decision making (limited search)	Habitual decision making (extensive search)
Brand in evoked set	Maintenance strategy	Capture strategy	Preference strategy
Brand not in evoked set	Disrupt strategy	Intercept strategy	Acceptance strategy

Maintenance (in evoked set)

- Maintenance strategy
  - Defend against disruptive tactics
  - Constant activity + interest

Capture (in evoked set)

- Capture strategy
  - Constant supply + quality
  - Continue limited search

Preference (in evoked set)

- Preference strategy
  - Search locations must be anticipated
  - POP + sales assistance
  - Know where they search

Disrupt (not in evoked set)

- Disrupt strategy
  - Attention-seeking ads
  - Free samples or bonus encouraging trial

Intercept (not in evoked set)

- Intercept strategy
  - Must attract attention
  - POP display
  - Product improvements, etc

Acceptance (not in evoked set)

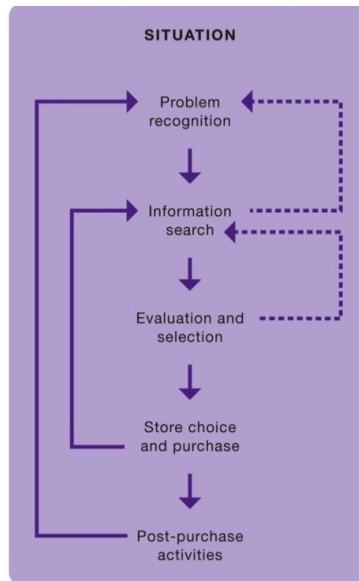
- Acceptance strategy
  - Advertise but don't 'sell' the brand
  - Encourage consumer to seek information

## Chapter 5

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Third stage of consumer decision-making process (Evaluating and selecting alternatives)

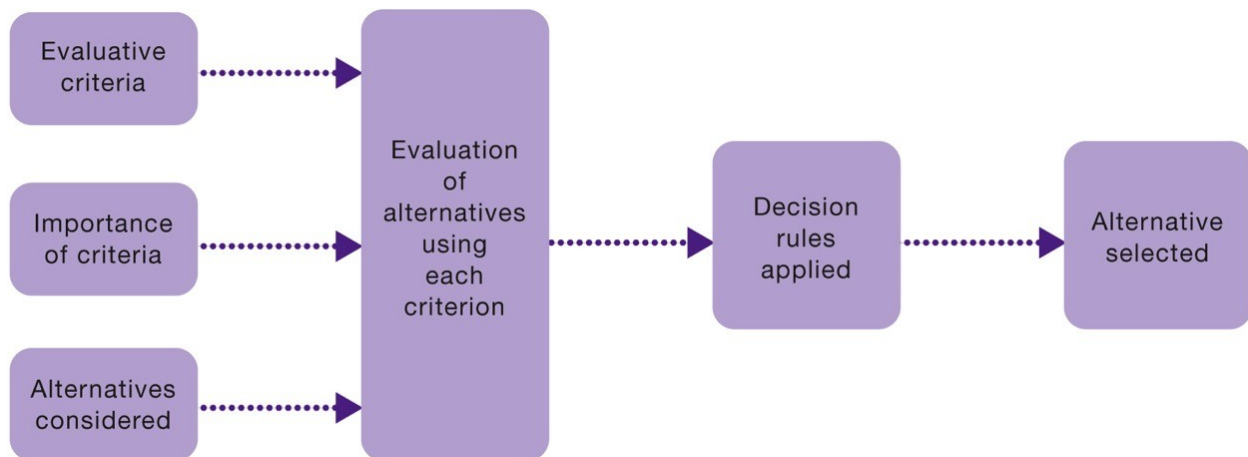




### Consumer process of evaluating alternatives

1. Identify evaluative criteria
2. Determine relative importance of criteria
3. Determine relative value of criteria per option
4. Choose and apply a decision rule
5. Make decision

### Alternative evaluation and selection process



### Identify evaluation criteria

- Example: Price, brand name, country of origin
- May differ in type, number and importance
- Usually more involved = more criteria

- Milk is an example of a product with less involved criteria:
  - Fat content
  - Brand
  - Additives

Price, brand name and country of origin are some of the main criteria that can be used, although this is dependent on the product category. A consumer may choose a particular brand and then compare stores on the price for that product.

### Importance of criteria

- Marketers need to know what criteria are crucially important and what are less so.
  - Focus promotional material on criteria important to the target market.

Evaluative criteria	Buyer A	Buyer B	Buyer C
Price	1	4	3
Size	3	3	1
Warranty	4	2	2
Digital camera quality	5	1	5
Compatibility with email system	2	5	4

### The measurement of evaluative criteria

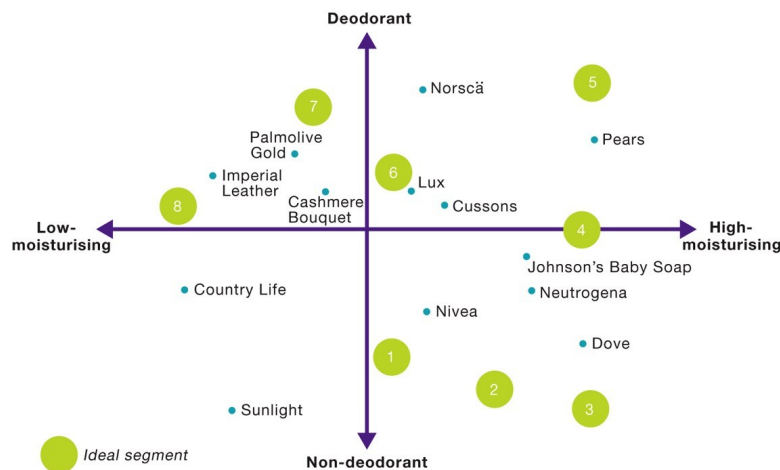
- To enable the marketing manager to develop a sound strategy they must determine:
  - Which evaluative criteria are used by the consumer
  - How the consumer perceives alternative product in terms of each criterion
  - The relative importance of each criterion

### Determining evaluative criteria to use

- Direct methods

- Asking consumers
- Focus groups
- Observation
- Indirect methods
  - Projective techniques
  - Perceptual mapping

### Example of perceptual mapping



With this information, marketers can evaluate how different brands are positioned according to evaluative criteria.

### Uses of perceptual mapping

- Perceptual mapping is used to help understand consumers' perceptions of the evaluative criteria they use.
- We can use this information to determine:
  - How different brands are positioned according to evaluative criteria
  - How the positions of brands change in response to marketing efforts
  - How to position new products using evaluative criteria

### Determining performance of brand on criteria

- Rank-ordering scales
- Semantic-differential scales
- Likert scales

- Best-worst scales

## Determining the relative importance of evaluative criteria

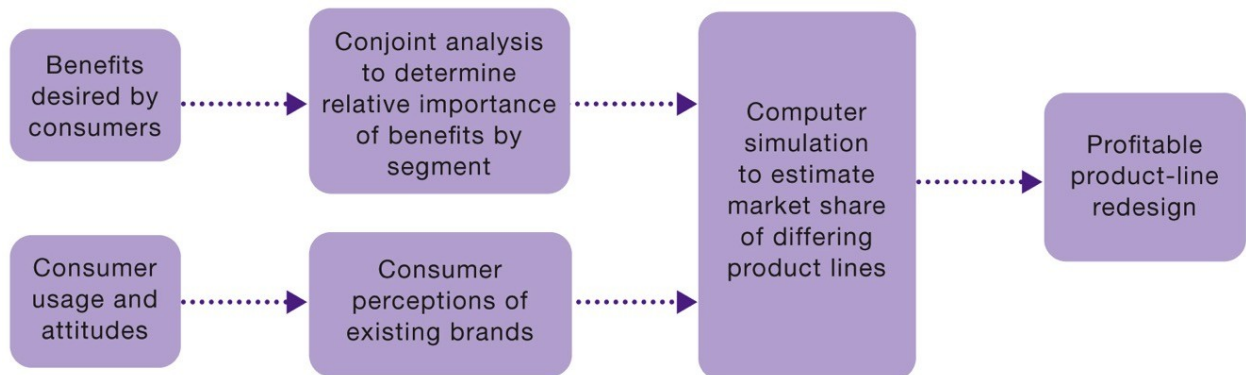
### Constant-sum scale

Evaluative criteria	Importance (in points)
Price	20
Size	15
Warranty	15
Quality of digital camera	5
Compatibility with email system	10
Ease of use	<u>35</u>
<b>Total</b>	<b>100</b>

### Indirect methods

- Conjoint analysis: a technique that provides data on the structure of consumers' preferences for product features and their willingness to trade one feature for more of another

### One possible application of conjoint analysis



## Use of surrogate indicators

- Consumers frequently use an observable attribute of a product to indicate the performance of the product on a less observable attribute.
- Reliance depends on:
  - Predictive value

- Confidence value

## Individual judgement and evaluative criteria

- The accuracy of individual judgement
  - Use of a surrogate indicator
  - Sensory discrimination
  - Just-noticeable difference (JND)

## Use of surrogate indicators

- Price
  - Used to judge the perceived quality of a large range of goods
  - Also used as a surrogate of value
- Brand
  - Often used as a surrogate indicator of quality
- Country of origin
  - Authenticity and perceptions of quality e.g. Made in China vs Made in Germany
- Celebrity endorsement

## Decision rules used by consumers

- Conjunctive
  - Buyer select all brands (or the first brand) that surpasses a minimum level on each relevant evaluation criterion
- Disjunctive
  - A buyer would select all brands (or the first brand) that surpasses a satisfactory level on any relevant evaluation criterion
- Elimination-by-aspect
  - Brands ranked on evaluative criteria, eliminated if don't reach a minimum standard. Highest ranking brands are selected until only one is left.
- Lexicographic

- Brands ranked on evaluative criteria importance. Brand highest on most important criteria is selected. (e.g. Sony is best on price, therefore Sony is chosen.)
- Compensatory
  - Brand with highest score over all the relevant evaluative criteria is selected.

### Example

Criteria	Weight	Sony	Nokia	Samsung	Motorola	LG	Apple
Price	30	150	90	90	120	60	30
Size	25	75	100	125	100	75	100
Warranty	15	75	60	75	30	75	75
Camera	10	10	30	10	30	10	50
Email	10	30	30	40	30	50	30
		340	310	340	310	270	285

It is a tie between Sony and Samsung. Sony winds with the price being better.

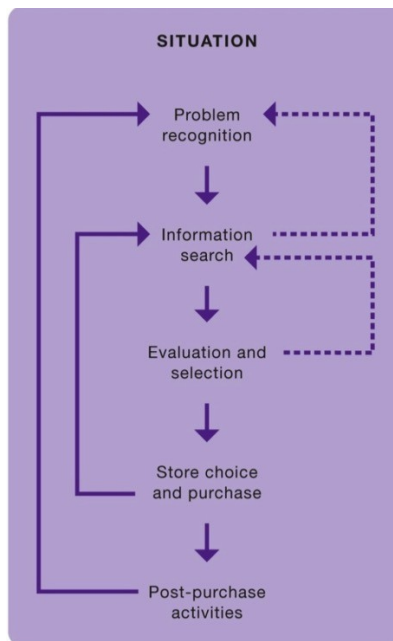
### Marketing implications

- Marketers need to know what criteria are important and to whom
- Advertising can be used to increase the perceptions of attribute importance.
- Minimum vs Satisfaction levels

## Chapter 6

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Fourth stage of consumer decision-making process (Outlet selection and Product purchase)



### Consumer outlet selection and product purchase

- Where will consumers shop?
- How do they choose a retail outlet?
  - Consumer characteristics
  - Store characteristic
- In-store decision alternations
- The purchase process
- Alternative to store selection
- Implications for strategy

### Outlet choice vs brand (or product) choice

- Brand first, retail outlet second
  - Example: marketing around product features, image, etc
- Retail outlet first, brand second

- Example: store sale catalogue, sales-staff incentives, point-of-purchase promotions
- Brand and retail outlet simultaneously

### Marketing strategy based on the consumer decision sequence

Decision sequence	Level in the channel	
	Retailer	Manufacturer
Brand first, outlet second	Appropriate pricing Many brands and/or key brands Cooperative advertisements featuring brands	More exclusive distribution Brand-availability advertising Brand-image management
Outlet first, brand second	Image advertising Margin management on shelf space, displays Location analysis	Distribution in key outlets Point-of-purchase, shelf space, position Programs to strengthen existing outlets
Simultaneous	Price specials on brands Margin training for sales staff Multiple brands/key brands High-service or low-price structure	Programs targeted at retail sales staff Distribution in key outlets Cooperative advertising

Advertising to create **brand demand** and **direct consumers to outlet**.  
(e.g. limited ed advertise adidas shoes exclusive to them)

Manufactures and retailers often engage in combined advertising to strengthen both brands simultaneously.

### The retail scene

- In retail stores or online (bricks versus clicks)
  - Also other outlets, non-store outlets markets, direct sales, etc
- Major issue is bricks versus clicks
  - What do video, music and book stores have in common?
- What product don't translate as well into online retailing?

### Multi-channel strategies

- Consumers blur boundaries between bricks and clicks
  - Example: search online then buy in store (or vice versa)
  - Buy somethings in stores, others online



- Increasingly including mobile sources as well

### Attributes affected retail outlet selection

- Retail format
  - Low involvement, e.g. mass merchandisers, vending machine (Can make decision quickly)
  - High involvement, e.g. specialty stores (Takes a long time to make decision)
- Outlet image
  - A consumer's or a target market's perception of all the attributes associated with a retail outlet

### Dimensions and components of store image

<b>Dimension</b>	<b>Component(s)</b>
♦ Merchandise	♦ Quality, selection, price, style
♦ Service	♦ Sales assistant, return, credit
♦ Clientele	♦ Customers
♦ Physical features	♦ Clean, layout, etc.
♦ Convenience	♦ Location, parking
♦ Promotion	♦ Advertising
♦ Store atmosphere	♦ Fun, excitement, comfort
♦ Institutional	♦ Store reputation
♦ Post-transaction	♦ Satisfaction

The target market's perception of all the attributes associated with a store or retail outlet is generally referred to as the outlet's image. This table shows the dimensions and components that make up this image.

### Attributes affecting retail outlet selection

- Store brands
  - Exclusive brands, e.g. Tiffany & Co
  - Home brands, (common household goods brand)
- Retail advertising
  - Especially price advertising
    - Size of discount
    - Reference/comparisons may be used
    - Words accompanying the price information

## Consumer characteristics and outlet choice

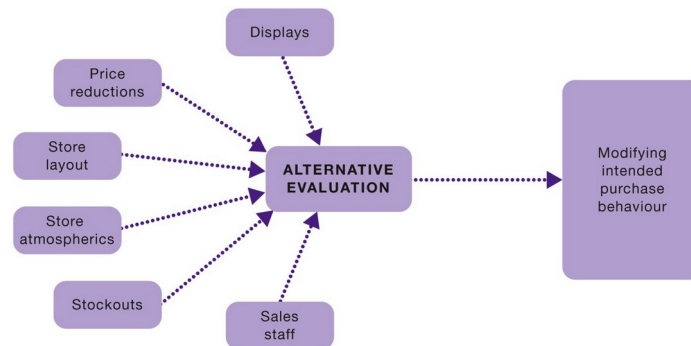
- Shopping orientation
- Perceived risk
  - Financial risk
    - Online has risk because you can't see or touch the actual merchandise before buying.
    - In-store extended warranties: useful or expensive pieces of useless paper?
  - Social risk
    - Self-concept related, e.g. clothing – a salesperson can compliment you.

## Financial and social risk for various types of products

		Financial risk	
		Low	High
Social risk	Low	Socks Kitchen supplies Pens/pencils Petrol	Lawnmowers Washing machines Insurance Doctor/solicitor services
	High	Fashion accessories Haircuts Gifts Gym clothes	Business suits Living-room furniture Mountain bikes Ski outfits

Some products are more closely associated with high-risk situations for the purchaser. A contrasting example is wine—for home use it has low financial and low social risk: if it is not satisfactory, the consumer is less likely to suffer from a high-cost outlay and the embarrassment of choosing an inferior wine. In contrast, a wine shared with guests is likely to have a higher cost if found not satisfactory.

## In-store influences that affect evaluation of alternatives and purchase



## In-store influences that affect evaluation of alternatives and purchase

- The nature of unplanned purchases
  - Reminder purchases (birthday)
  - Impulse purchases (food/beverages by smell)
- Purchasing decisions in supermarkets
  - Specifically planned decisions (Grocery list)
  - Generally planned decisions (Replenish rice)
  - Substitute decisions (OOS for certain brand therefore changing brand)
  - Unplanned decisions (Food tasting at supermarket promotions)
  - In-store decisions

### Point-of-purchase (POP) displays

- In-store promotional device
  - Often elaborate or attention grabbing
- Designed to quickly communicate to get unplanned sales
  - Special features
  - Price discounts

### Atmospherics

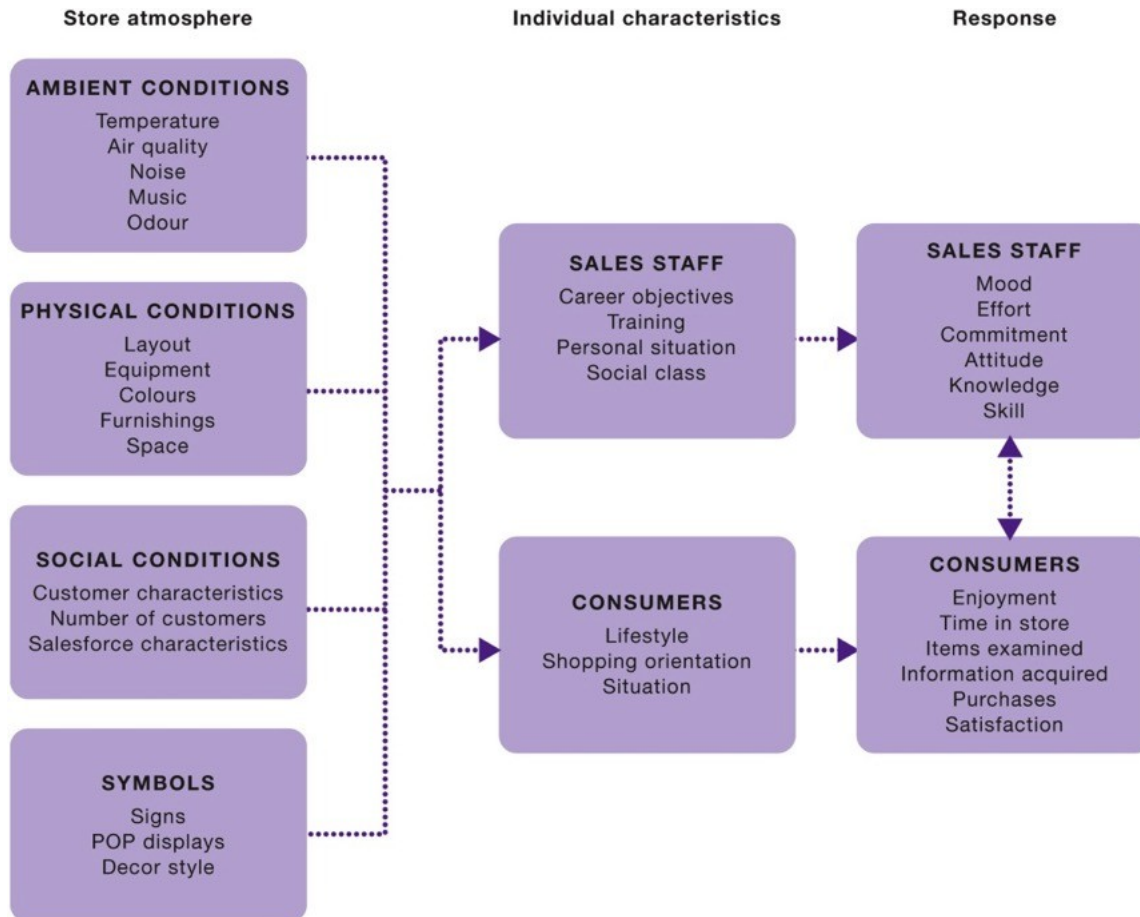
#### Hedonic (Aesthetic) Versus Utilitarian (Practicality)

### Impact of stockout situation

- Can negate loyalty and habit
  - Lost sale or substitute sale
  - Example: What if you can't buy your regular toothpaste? What will you do?

- Negative consequences for the brand and retail outlet
  - Attitudes
  - Word

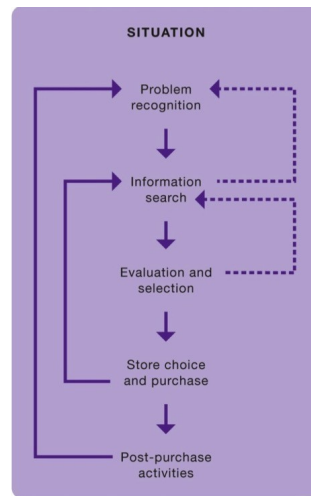
### Store atmosphere and shopper behaviour



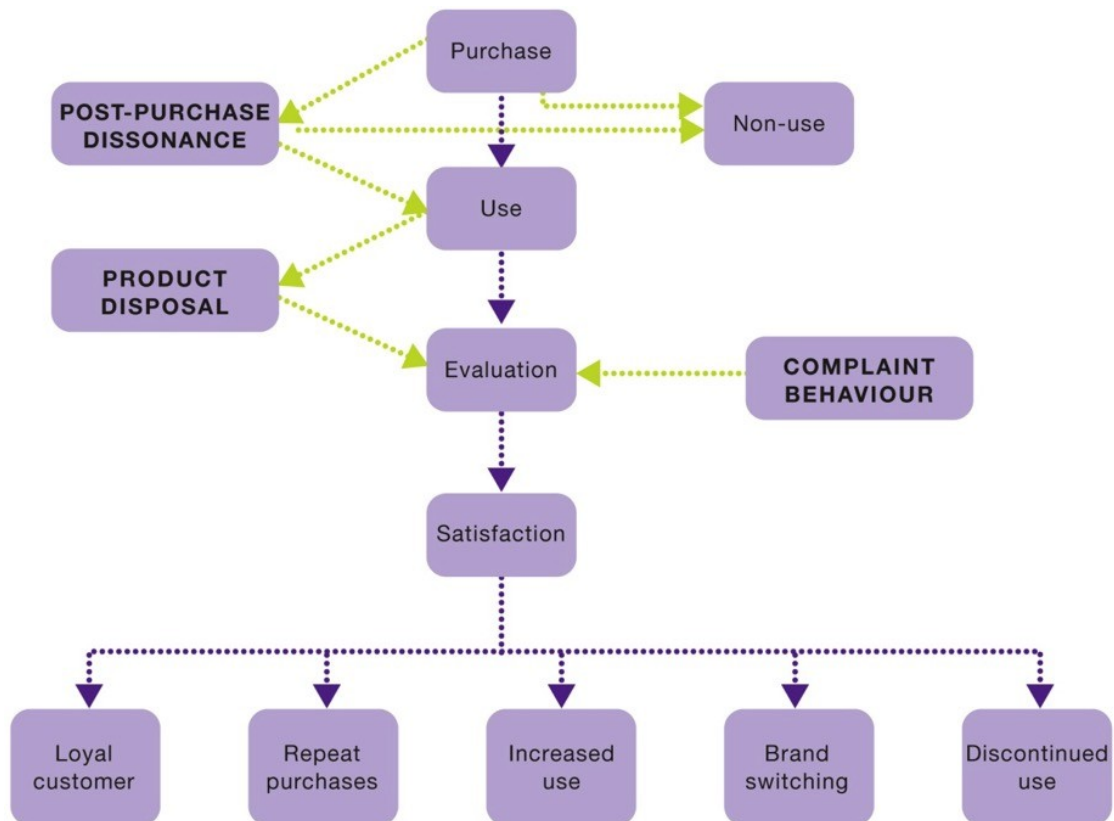
## Chapter 7

Post-purchase processes, customer satisfaction and consumer loyalty

Final stage of consumer decision-making process



Post-purchase consumer behaviour



### Post-purchase dissonance

- Post-purchase dissonance is doubt or regret about a purchase (buyer remorse).
- Probability and magnitude of dissonance is a function of the:
  - Degree of commitment and/or whether the decision can be revoked
  - Importance of the decision to the consumer
  - Difficulty of choosing among the alternatives
  - Individual's tendency to experience anxiety

Post-purchase dissonance if not resolved, it can result in a returned product or a negative evaluation of the purchase.

### Reducing dissonance

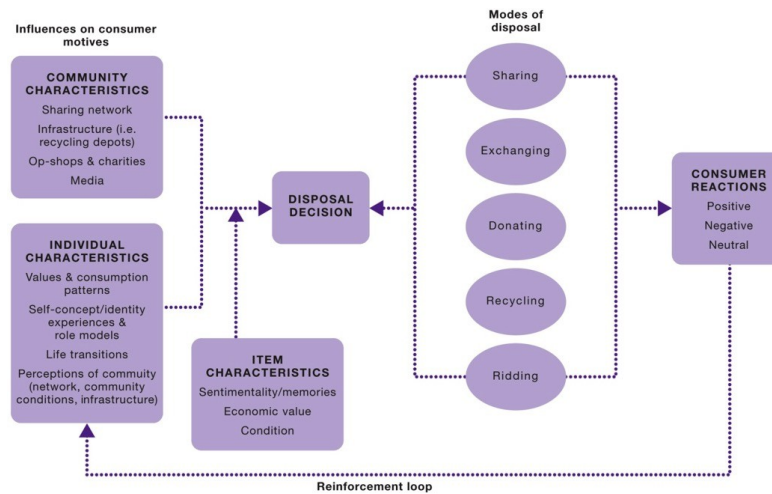
- Internal re-evaluation
- Post-purchase information search
  - To confirm decision
  - Salesperson follow-ups help (e.g. insurance)
  - Warranties and guarantees
  - Advertising

### Product use and non-use

- Product use
  - Use innovativeness
  - Multiple uses, multiple products
  - Regional Variations
- Packaging
- Defective products
  - Product recalls

Marketing managers are interested in product use for a variety of reasons. The main reason is that consumers use a product to fulfil certain needs. If the product does not fulfil these needs, a negative evaluation may result. Therefore, managers must be aware of how products perform in use.

## Product-disposal alternatives



## Product disposal and marketing strategy

- Consumption
- Recycling
  - Product
  - Package
- Trade-ins/exchanging
  - To motivate replacement
- Second-hand markets
  - Example: textbook, clothes
  - 'Cash converters'

Understanding disposal behaviour has become increasingly important to marketing managers because of the ecological concerns of many consumers, the costs and scarcity of raw materials, and the changing laws. The ease of recycling or reusing a product's container is an important product attribute for many consumers. These consumers, sometimes referred to as 'socially-conscious' consumers, are an important market segment not only because of their purchases but also because of their social and political influence.

## Disposal and the environment

- Eco-friendly disposal options are increasingly important:
  - Both for consumers and the finances of companies.
- Brands use this as a point of difference.
- Pro-environmental organization do too

## Satisfaction

- Evaluation of a purchase is defined by *perceived* performance relative to expectation.
  - Satisfaction if expectations are exceeded
  - Dissatisfaction if expectations are not met
- Expectation are often set by brand communications.
  - Marketers need to be aware of consumer expectations

Basically, consumers develop certain expectations about the ability of the product to fulfil instrumental and symbolic needs. To the extent that the product meets these needs, satisfaction is likely to result. When expectations are not met, dissatisfaction is the likely result.

- ◆ Satisfaction is a result of comparing perceptions of product performance and expectations

## Dimensions of performance

- Customers switch 'away' from service providers rather than 'to' providers.
- Reasons like core service failure, service encounter failures, inconvenience, response to service failures, attraction to competitors

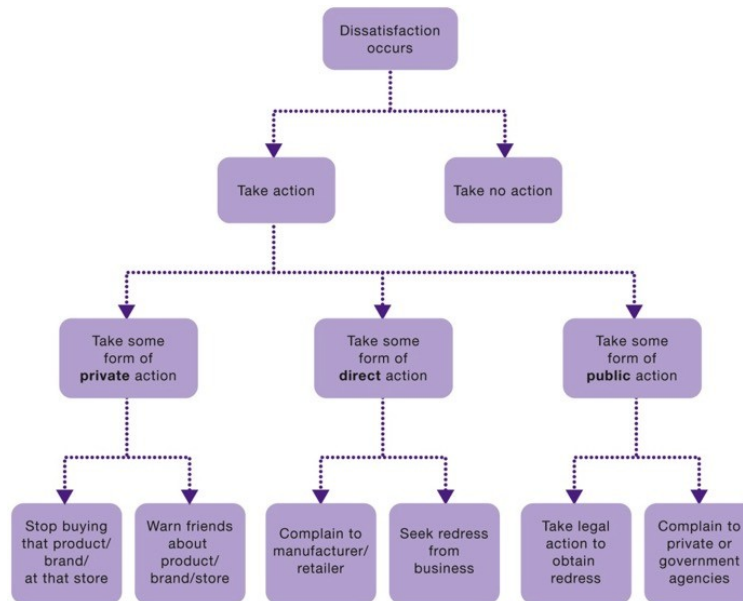
## Types of performance

- Instrumental
  - Does the product actually achieve it's required purpose?
- Symbolic
  - Does it enhance the consumers self-concept in the desired way?



- E.g. Ipad's were symbolic of innovation but now grandparents have them, therefore they don't enhance self-concept
- Affective
  - Did the product make you feel good?

#### Actions taken by consumers in response to product dissatisfaction



Taking no action, switching brands, products or stores and warning friends are all common reactions to a negative purchase evaluation. Marketing managers should encourage dissatisfied consumers to complain directly to the firm. This will alert the firm to problems and provide it with an opportunity to make amends.

#### Four types of response style associated with dissatisfaction

- Passives (14%)
  - Seldom take action, don't see a benefit from complaining
- Voices (37%)
  - Usually complain directly to the firm, believe they are providing a social benefit
- Irrates (21%)
  - Takes above average levels of private response and average levels of direct action, but low levels of public action
- Activists (28%)

- Likely to get involved in private, direct and public action, believe they are providing social benefits by complaining.

### Marketing strategy and dissatisfied consumers

- Marketers need to satisfy consumer expectations by:
  - Creating reasonable expectations through promotional efforts
  - Maintaining consistent quality so that these reasonable expectations are fulfilled
  - Offering a way for consumers to voice complaints directly to the brand (avoid public voicing)

Marketers should avoid creating dissatisfied customers, and this can be managed by anticipating their reactions. Communicating with present and potential customers is one strategy. Maintaining consistent quality standards will also ensure that customers' expectation are satisfied.

### Repeat purchase behaviour

Note the difference between:

- Brand loyalty
  - Implies a psychological commitment to the brand.

And

- Repeat purchase behaviour
  - Simply involves the frequent repurchase of the brand

After the evaluation process and, where applicable, the complaint process, consumers have some degree of repurchase motivation. There may be a strong motive to avoid the brand, a willingness to repurchase it some of the time, a willingness to repurchase it all of the time or some level of brand loyalty (a willingness to repurchase coupled with a psychological commitment to the brand).

### Brand loyalty

Brand loyalty is: (Psychological)

- Biased
- A behavioural response
- Expressed over time
- A consumer selects a brand over alternative brands
- A function of psychological processes.

Repeat purchase behaviour simply involves the frequent repurchase of the brand.

### Value of customer loyalty

- Increased purchases of the existing product
- Cross-purchases of your other products
- Price premium
- Reduced operating cost because of familiarity with your service system
- Positive word of mouth that refers other customers to the firm

Despite loyal customers may be expensive to attract and retain, there are benefits to the firm. They are more likely to purchase from the firm, are less price-sensitive, are less expensive to service as they know 'how things work' and more likely to recommend to their friends.

### Relationship marketing

Five key elements:

1. Developing a core product/service on which to build
2. Customizing the relationship to the individual customer
3. Augmenting the core product/service with extra benefits
4. Pricing in a manner that encourages loyalty
5. Marketing to employees so that they perform well for customers

### Using technology

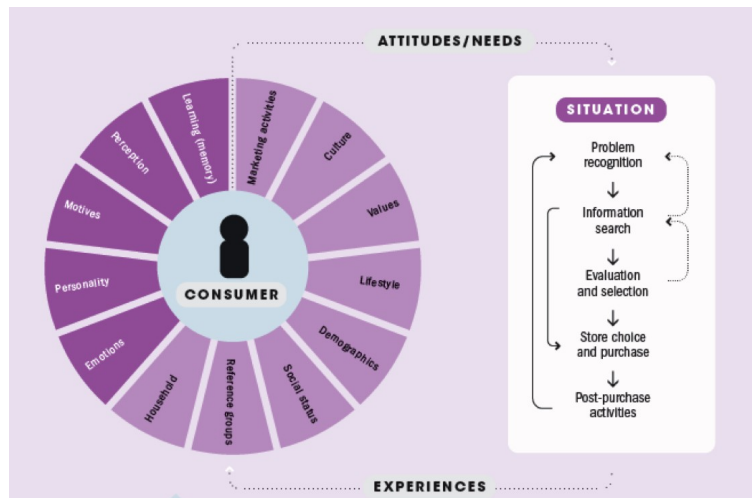
- Form close 'customised' relationships that add customer-perceived value to the product/service
  - Example: preferred seats on an airline, type of hotel suite, car servicing details

Technology such as computer tracking of customers now makes it possible customise and personalise service in many businesses.

## Chapter 8

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### Perception (Internal influences)



### The Nature of perception

Perception consists of those activities by which an individual acquires and assigns meaning to stimuli. There are four steps, or stages, namely exposure, attention, interpretation and memorising, prior to purchase and consumption decisions being made.

- Exposure
- Attention
- Interpretation
- Memory
  - Long term
  - Short term

### Exposure

- When a stimulus comes within range of our sensory receptor nerves
  - Must be detectable by senses
- Deliberate exposure to stimuli
  - Consumer seek information that will help achieve certain goals.
    - Immediate, e.g. find out info to get lunch
    - Long-range, e.g. study for exams
- Random exposure to stimuli (e.g. billboard or newspaper advertising)

### Attention

- When perceived stimulus goes to the brain for processing
- Determined by:
  - Stimulus factors
  - Individual factors
  - Situation factors
- How many brands have you seen today?

Attention occurs when the stimulus activates one or more of the sensory receptors and the resulting sensations go into the brain for processing. Because of the number of stimuli consumers are exposed to, they selectively

attend to those stimuli that physically attract them (stimulus factors) or personally interest them (individual factors).

### Stimulus factors

- Size and intensity (physical characteristics)
- Colour and movement (physical characteristics)
- ) Position (placement of an object in a person's visual field, e.g. position of a product in-store)
- Isolation (advertisement viewed in isolation can often provide greater stimulus for the viewer)
- Format (fussy and complicated ads can be misinterpreted or ignored)
- Contrast
- Compressed messages (young adolescents pay more attention to certain types of messages, such as compressed messages)
- Information quantity – Information overload

### Attention: changes in stimuli

- Consumers become accustomed to, and can filter out, expected stimuli.
  - E.g. driving past the same billboard for a week, you will stop noticing it
- Differential thresholds:
  - JND (Just-noticeable-difference) is the minimum change in stimulus required for consumer to notice.
  - Weber's law: the larger the initial stimulus, the bigger the JND

### Attention: individual factors

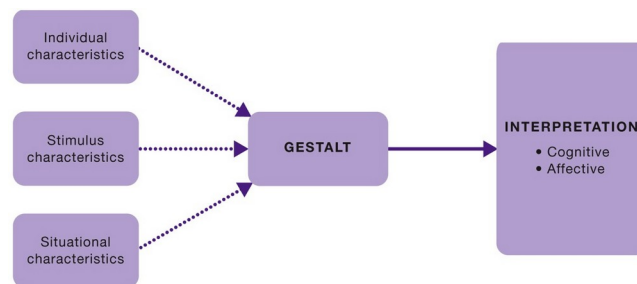
- Interests and motivations influence our perceptual vigilance for stimuli.
  - Interest: golfers will notice a billboard for a gold club more than non-golfers
  - Motivation: you more likely to notice fast-food ads if you are hungry.

- Perceptual defence filters out stimuli that don't match our interests and/or needs.

### Attention: Situational factors

- Involvement
- Non-focused attention
  - Hemispheric lateralisation
  - 'Subliminal' messages
    - Largely ineffectual
    - Illegal

### Determinants of interpretation



### Interpretation

- Cognitive interpretation
  - Process of adding meaning from existing knowledge
    - Semantic meaning (Cars take you from A to B)
    - Psychological meaning (Rather have a Toyota than a proton. Makes you feel better)
- Affective interpretation
  - Process and adding meaning by feeling

Cognitive interpretation is the process whereby stimuli are placed in existing categories of meaning.

Affective interpretation is processing and adding meaning by feeling. Essentially the emotional response triggered by the stimuli.

### Interpretation

- Individual characteristics
  - Learning
  - Expectations
- Situational characteristics
  - Example: hunger, moods, temperature
  - Proximity
- Stimulus' characteristics
  - Semiotics
- Misinterpretation of marketing message

### Semiotics in the supermarket

- Signs convey meaning.
- Visual imagery has strong effects on meaning interpretation.
  - What does the use of flowers in the laundry powder context symbolise.

### Perception and marketing strategy

- Retail strategy
- Brand name and logo development
- Media strategy
- Advertisement and package design
- Warning label and package designs

### Retail strategy

- Store layout
  - Cold and hot zones
  - Traffic and islands
- Lighting and fit-out
- Placement of products on shelves
  - Eye levels (for adults and for children)
  - Number of facing to maximise visual impact



## Brand name and logo development

- Development of brand name and logo are important for consumer and industrial products
- Creating a brand is a long and expensive process
- Brand names and logo require constant management and rejuvenation
- It is important to take into account where the brand name/logo will be used.
  - Is it easily transferable to a range of media?

## Media strategy

- Random approach
  - To reach where the target market may be
- Selective approach
  - To reach where the target market is
  - Focused media (trade journal)
- Advertisements
  - Utilise stimulus characteristic (tie the message in with an aspect that appeals to the target e.g. sports car)
- Package design
  - Package design can provide stimulus, e.g. shape and colour.

## Advertising evaluation

- Exposure
  - Physically reach target market
- Attention
  - Attended to by the consumer
- Interpretation
  - Properly interpreted
- Memory
  - Stored, so it is retrieved under the proper circumstances

## Regulation of advertisements and packaging

- Ethical concerns about using endorsements by independent bodies

- Ethical concerns about advertising to children
  - Recognition of selling intent

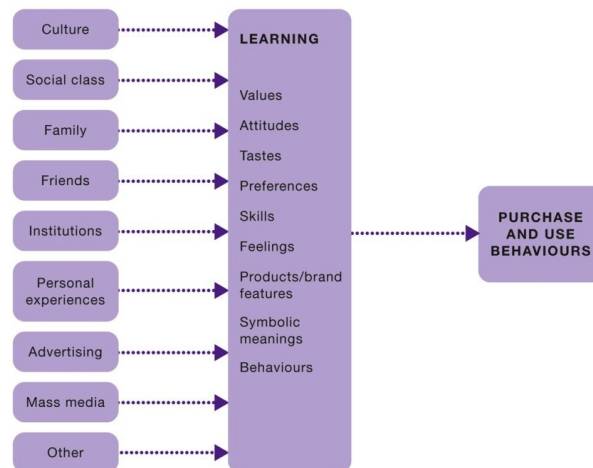
## Chapter 9 (Learning & Memory)

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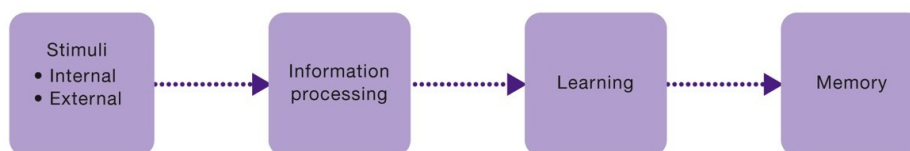
### Learning

- Any change in the content or organisation of long-term memory
- Result of information processing
- Consumer behaviour is largely learned behaviour.

### Learning as a key to consumer behaviour



### Learning results from information processing, causing memory changes



### Involvement and learning

- High-involvement conditions
  - High motivation to learn
  - Seeking out the information
- Low-involvement conditions
  - Incidental exposure to information
  - Most consumer learning is in a low-involvement context.

## Facilitating high involvement

- Literally 'involving' consumers in the advertising can increase involvement.
- Creating apps and using social media can increase involvement.

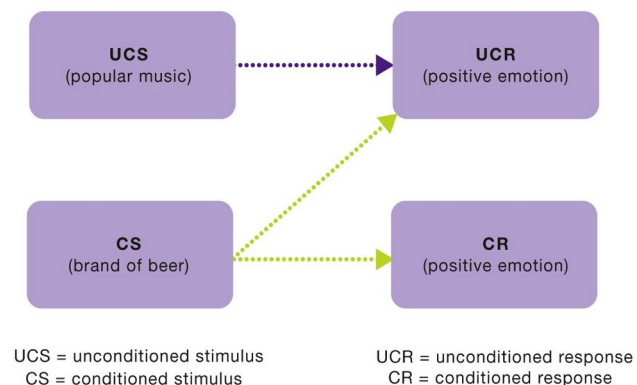
## Types of learning

- Conditioning
  - Association of a stimulus (information) with a response (behaviour or feeling)
    - Classical conditioning
    - Operant conditioning
- Cognitive learning
  - Iconic rote learning (forming associations between unconditioned stimuli without rewards)
  - Vicarious learning/modelling (learning from observing others)
  - Reasoning

## Classical conditioning

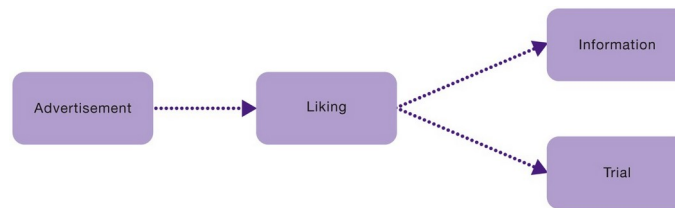
- Classical conditioning: establishing a relationship between stimulus and response to bring about the learning of the same response to a different stimulus
- It is most common in low-involvement situations
- Learning is more often a feeling or emotion than information

## Consumer learning through classical conditioning



Hearing popular music (unconditioned stimulus) elicits a positive emotion (unconditioned response) in many individuals. If this music is constantly paired with a particular brand of beer, or another product, the brand itself will come to elicit the same positive emotion (conditioned response).

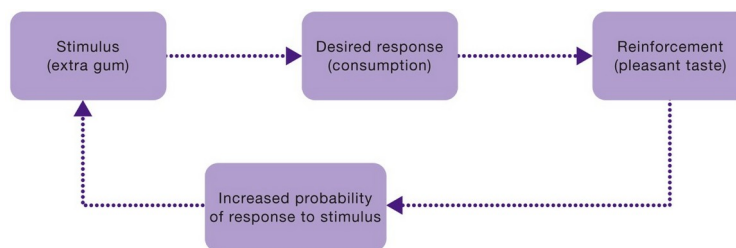
## How affective response leads to learning



Affective response to the Qantas campaign 'I Still Call Australia Home' is an example of classical conditioning, as the learning is not informational but emotive.

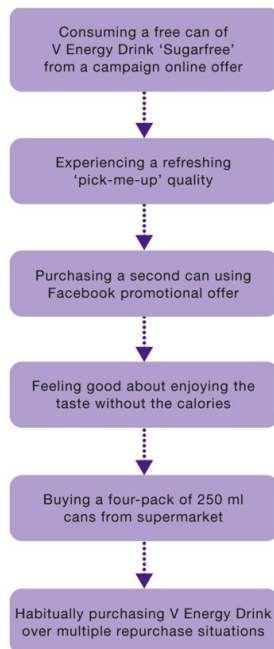
## Operant conditioning

- Trial precedes liking
  - Reverse is often true for classical conditioning.
  - Product sampling is an example of this type of learning.
  - This is the basis for free trials, scratch-and-sniff ads, etc



Trial is to induce liking. Reinforcement plays a much larger role in operant conditioning than it does in classical conditioning. No automatic stimulus-response relationship is involved so the subject must first be induced to engage in the desired behaviour and then this behaviour must be reinforced.

## The process of shaping in purchase behaviour



- Social media commonly used to induce trial
  - Example: 'Like us on Facebook' to get a free sample

## Reinforcement of conditioning

- Rewards and good things can reinforce the purchasing behaviour
- Example:
  - Frequent flyer reward points
  - Birthday vouchers from restaurants
  - Random discount offers via email
  - Special invite-only sales, e.g. Gucci

## Cognitive learning

- Iconic rote learning: association between two or more concepts in the absence of conditioning
  - Substantial amount of low-involvement learning involves iconic rote learning
  - Achieved by repeated advertising messages
- Vicarious learning/modelling: observing others' behaviour and adjusting one's own accordingly

- Common in both high- and low-involvement learning
- Advertising often demonstrates product use resulting in vicarious learning

With vicarious learning, or modelling, the individual learns by observing others' behaviour and adjusting their own accordingly

- Reasoning: Most complex form of cognitive learning
  - Most high-involvement decisions generate some reasoning

Reasoning is the most complex type and more commonly associated with high-involvement buying decisions, such as buying a car or house. Ads using this approach usually provide the information necessary to allow the learning to take place. Thus, individuals use thinking to restructure and recombine existing and new information to form new concepts by reasoning.

### General characteristics of learning

#### **1. Strength of learning** is influenced by:

- Importance and relevance (refers to the value that the consumer places on the information to be learned – the greater the importance, the greater the learning)
- Involvement (refers to the extent to which the consumer is involved with the message)
- Mood (refers to the extent to which the consumer is involved with the message)
- Reinforcement (or punishment) (This refers to anything that increases the likelihood that a response will be repeated in the future – the greater the reinforcement, the greater the learning)
- Stimulus repetitions (refers to the number of times that consumers are exposed to the information, or the number of times they practice a behaviour. Repetition increases the strength and speed of learning)
- Imagery (the degree to which concepts evoked well-defined mental images. High-image concepts are easier to learn.)

#### **2. Extinction**

- Forgetting occurs when reinforcement for learning is withdrawn.

#### **3. Stimulus generalisation**

- Brand equity and/or leverage
- Often used by cheap brands to mimic prestige brands (hence trademarks)

#### 4. Stimulus discrimination

- Why a brand is different

Stimulus discrimination is the process of learning to respond to similar but distinct stimuli. In the case where many brands appear to be similar to consumers, a marketer must encourage consumers to learn to differentiate among similar brands by emphasising real or imaginary brand differences.

#### 5. The response environment

- Strength of original learning affects ability to retrieve relevant information.
- Similarity of the original learning and the type of learning is important.
- Marketers aim to replicate these situations.

### Memory

1. Short-term memory
  - a. Working memory
  - b. Role of image, sight, sound, smell, taste and tactile situations
2. Long-term memory
  - a. Unlimited permanent storage
  - b. Schematic memory
    - i. Linking to 'chunks' of information

### Short-term memory

Two kinds of information processing:

- Elaborative activities
  - Use of previously stored experiences, values, attitudes, beliefs and feelings to interpret and evaluate information in the working memory



- Maintenance rehearsal
  - Continual repetition of a piece of information in order to hold it in working memory to solve problems

### Long-term memory

- Semantic memory
  - Basic understanding of an object
- Episodic memory
  - Memory of a sequence of events
    - Example: first car, summer time
  - Ads can evoke this through narrative advertising

### Schematic memory and brands

- Association of concepts and episodes with others, forming patterns
- Brand image refers to the associations (episodic, imagery, etc) that consumers have with a brand.
  - Example: all the associations with solo form the brand image
- Marketers want to influence these associations.

### Product positioning strategy

- Strategy to achieve a specific brand image
  - In relation to competing brands in the market
  - Often included comparative statements
- Perceptual maps help to visualise the relative images of brands.
- Repositioning involves altering long-term perceptions of consumers.

If the product's position is not at the point desired by the firm, then marketing strategies, using the marketing mix, are required to deliberately change the mind of the consumer, thus repositioning the brand image to the desired position.

### Brand equity and leverage

- Value consumers assign to a brand
  - Reputation and willingness to pay
- Leverage is based on stimulus generalisation

- Use existing brand image to launch/support a new product
- Need a logical connection for consumers to make the association

### Brand leverage dimensions

- Complement
  - Product used together
- Substitute
  - Replace the original
- Transfer
  - Same skills used to make both products
- Image
  - Shared image component