

CHAPTER 5: ANALYZING CONSUMER MARKETS

Consumer behaviour is the study of how individuals, groups and organizations select, buy, use and disposal of goods, services, ideas, etc in order to fulfil their needs and wants.

Factors influencing purchase decision

1) Internal factors (Psychological factors)

Motivations, perception, learning, memory, prior experience, emotions, self-esteem, safety, mental satisfaction, etc.

2) External factors

- a) Cultural factors – Beliefs, food habits, clothes, subcultures, values, etc
- b) Personal factors – Age and stage in life cycle, occupation and economic circumstances, personality and self-concept
- c) Social factors –
 - Roles and status
 - Reference groups and membership groups
 - Primary groups – Family, friends, neighbours, coworkers, etc
 - Secondary groups – Religious groups, professional groups, clubs, etc
 - Aspirational groups – Group to which person does not belong but wish to join.
 - Disassociative reference groups – A group which has negative image
- d) Economic factors – Personal income, family income, income expectations, savings, debt, etc

KEY PSYCHOLOGICAL PROCESSES

Four key psychological process- Motivation, perception, learning and memory

1) MOTIVATION

Motivation can be defined as willingness to exert efforts towards the accomplishment of a goal or a need

Freud's theory of motivation

This theory posits that unconscious psychological forces, such as hidden desires and motives, shape an individual's behavior, like their purchasing patterns and that person cannot fully understand his or her motivation

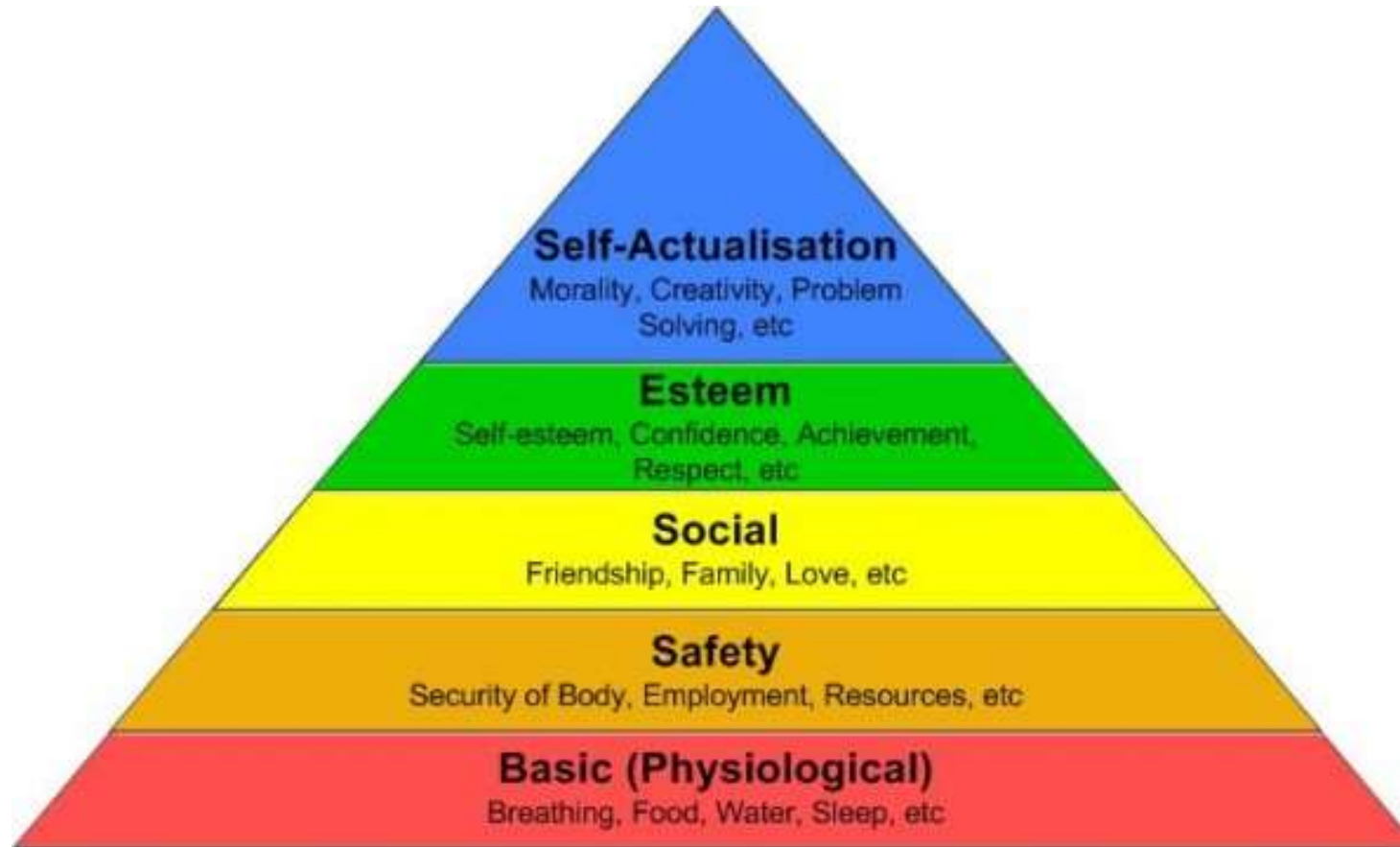
Marketers may utilize a number of such as role-playing, picture interpretation, sentence completion, or word association, among others. Such exercises can help researchers learn about how consumers react to products and how to best market them as a result.

Herzberg's theory of motivation

A two factor theory that distinguishes between satisfiers and dissatisfiers. The absence of dissatisfiers is not enough to motivate a purchase. However satisfiers must be present.

Example, A computer with no warranty is a dissatisfier. However having warranty need not be a primary reason for purchase. The presence of various satisfiers like product specifications, brand name, price, etc is.

Maslow's Theory of Motivation



2) Perception

Perception is the process by which we select, organize and interpret information inputs to create a meaningful picture of the world.

- Selective attention
- Selective distortion
- Selective retention
- Subliminal perception – Occurs when stimulus is below the level of the consumer's awareness.



3) Learning

Learning induces changes in our behaviours arising from experience.

Drive is a strong internal stimuli impelling action.

Cues are minor stimuli that determine when, where and how a person responds.

Discrimination means we have learned to recognize differences in set of similar stimuli and can adjust our responses accordingly.

Learning theory teaches marketers that they can build demand for a product by associating it with strong drives, using motivation cues and providing positive reinforcement.

Hedonic bias – occurs when people attribute success to themselves and failure to external causes.

4) Memory

- Short term memory (STM) and Long term memory (LTM)
- Associative network memory model

Views LTM as a set of nodes and links. Nodes are stored information connected by links that vary in strength. The information stored can be verbal, visual, etc. A node becomes active when we encode an external information or retrieve internal information from LTM. Other nodes will also get activated if they are linked with that node.

- Memory encoding
- Memory retrieval

The buying decision process: The Five-Stage Model

The Five-Stage Model



1) Problem recognition

Buying process starts when the buyer recognises a problem or need triggered by internal or external stimuli.

2) Information search

Two levels of engagement in search

Level 1: Heightened attention – Milder search state

Level 2: Active information search

Information sources

Personal sources: Family friends, etc.

Commercial sources: Advertisements, salespersons, websites, etc.

Public sources: Mass media, consumer-rating organisations

Experiential sources: handling examining, using the product

3) Evaluation of alternatives

Consumers evaluate alternatives on the basis of factors like product features, brand perception, etc.

The alternatives can be similar products offered by different brands/companies and even different kind of products offered by a same brand/company.

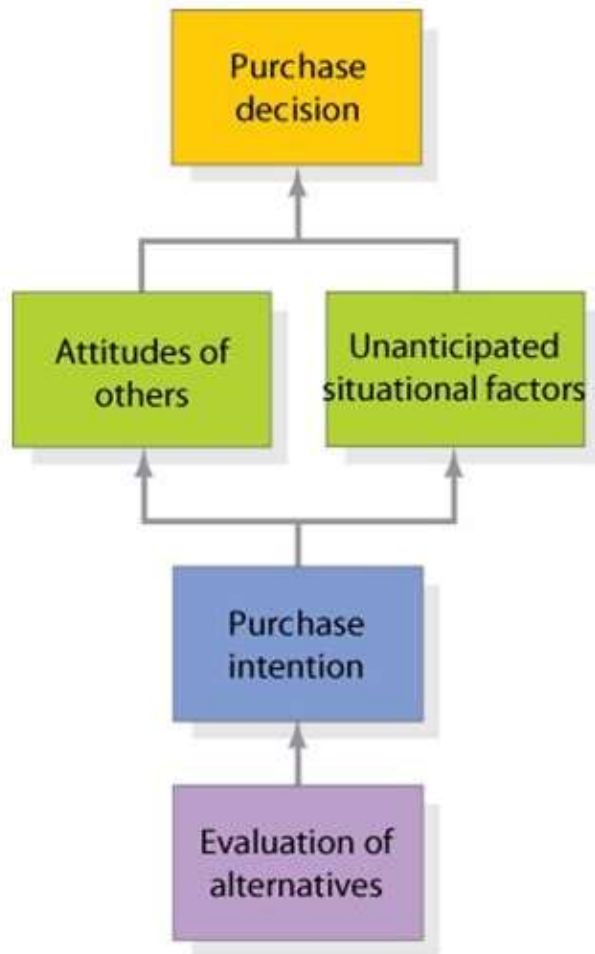
Consumer's attitude and beliefs do play an integral role at this stage.

4) Purchase decision

At this stage the consumer chooses the product which can resolve their needs. This is the stage purchase takes place.

In executing purchase decisions the consumers can take following:

Product choice, brand choice, dealer choice, purchase amount, purchase timing and regarding the payment method.



Intervening factors

There are two factors that can intervene between the purchase intention and purchase decisions.

1) Attitude of others - Influence of other's attitude depends on

- Intensity of others negative attitude toward our preferred alternative
- Our motivation to comply with other's wishes

2) Unanticipated situational factors

Like misbehaviour by the staff, sudden job loss, sudden urgency to buy other products, etc

A consumer's decision to modify, postpone or avoid a purchase decision is influenced by one or more types of perceived risk

- 1) Functional risk - The product does not perform to expectations.
- 2) Physical risk – The product can be a threat to physical well-being or health of the user or others.
- 3) Financial risk – The product is not worth the price paid.
- 4) Social risk – The product results in embarrassment in front of others.
- 5) Psychological risk – The product affects the mental well-being of the user.
- 6) Time risk – The failure of product leads to an opportunity cost of finding another satisfactory alternative

5) Post-purchase Behaviour

Marketers must study post-purchase satisfaction, post-purchase actions and post-purchase product uses and disposal

Post-purchase satisfaction

Satisfaction is a function of the closeness between expectations and the product's perceived performance.

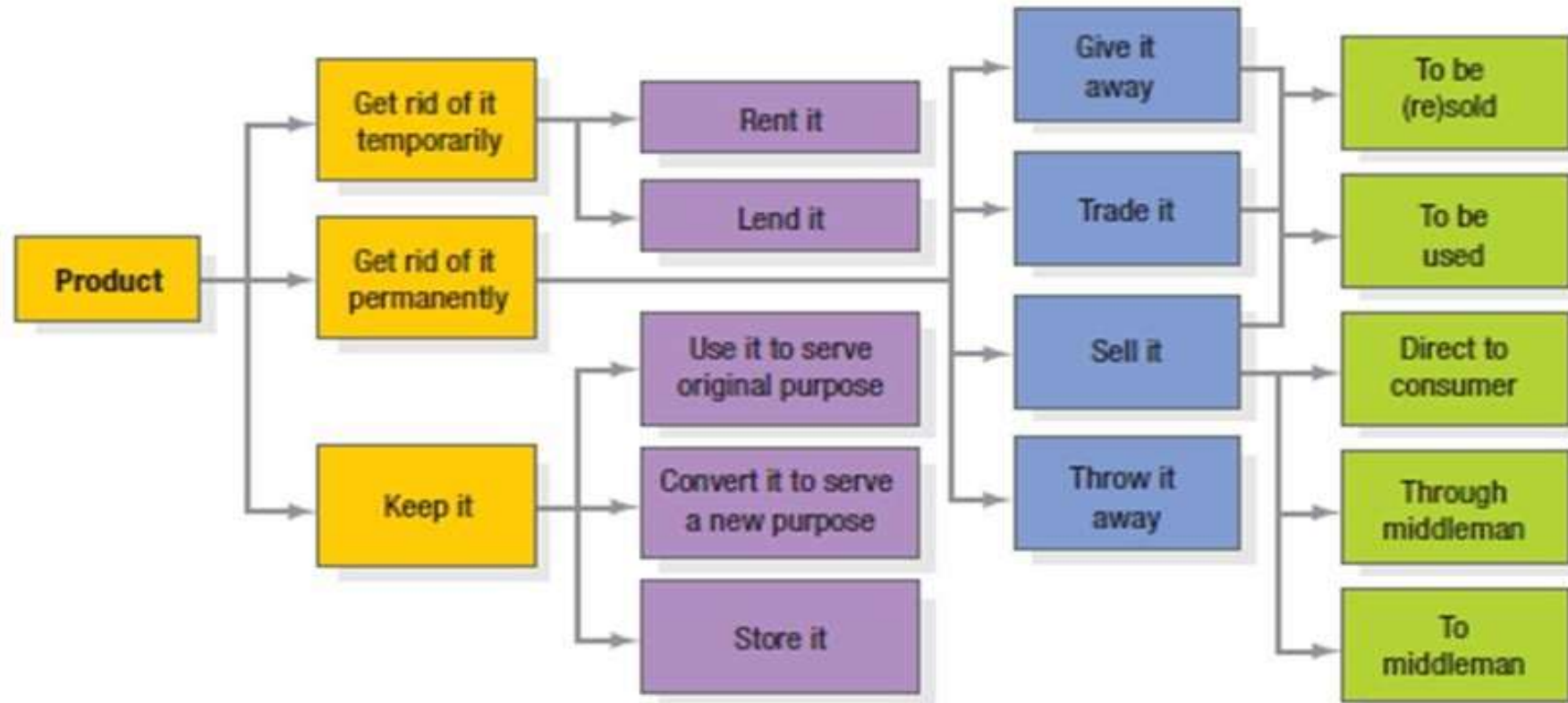
If performance falls short of expectations then customer will get disappointed. If it meets expectations the customer is satisfied. If it exceeds expectations then the customer is delighted.

Post-purchase actions

A satisfied/delighted customer is more likely to purchase the product again or its upgrades and even the brand/company's future products. They can even say good things to others.

Dissatisfied customers would not like to purchase again and sometimes they may even abandon or return the product. They can take public action like complaining to the company, going to lawyer or complaining to business/private/government agencies. Private actions include deciding to stop buying (exit option) or warning friends (voice option).

Post-purchase uses and disposal



CONSUMER BUYING ROLES

- 1) Initiator
- 2) Influencer
- 3) Decider
- 4) Buyer
- 5) User

Decision heuristics

A heuristic is a mental shortcut that allows people to solve problems and make judgments quickly and efficiently.

- 1) Availability heuristics - The availability heuristic is when you make a judgment about something based on how *available* examples are in your mind.
- 2) Representative heuristics - Representative heuristics is when we judge the probability that a product belongs to a class by looking at the degree to that product resembles that class
- 3) The anchoring and adjustment heuristic - This heuristic is when consumers arrive at an initial judgement and adjust it based on additional information

Decision framing

Decision framing is the manner in which choices are presented to and seen by a decision maker. Decisions may be framed to influence decision makers or they may be framed to improve a decision making process.

For example, A Rs.50000 laptop may not seem that expensive in the context of a set of Rs.80000 laptops. But may seem very expensive in front of Rs.20000 laptops.

Mental accounting

Mental accounting refers to the way consumers code, categorise and evaluate financial outcome of choices. It involves behavioural bias where people tend to view the same amount of money differently based on source, need, uses, etc.

THANK YOU