Consumer (and business) buyer and market behaviour
Previewing concepts (1)

• Define the consumer market and construct a simple model of consumer buyer behaviour

• Demonstrate how culture, subculture and social class influence consumer buying behaviour

• Describe how consumers’ personal characteristics and primary psychological factors affect their buying decisions
Previewing concepts (2)

- List and understand the major types of buying decision behaviour and the stages in the buyer decision process

- Discuss how consumer decision making varies with the type of buying decision
• Define the business market and explain how business markets differ from consumer markets

• List and define the steps in the business buying decision process
Harley-Davidson Motorfietsen

Sinds September 2001 is O.I.T. Harley-Davidson ook officieel Buell dealer.

Bekijk de informatie over alle nieuwe Buell 2008 modellen.

BUILT FROM THE RIDER DOWN
2008 BUELL MOTOREN
The brand - Harley-Davidson

- Most products and personalities come and go but others, like the Harley-Davidson, achieve long-lasting cult status. Why do you think this occurs?
- Harley-Davidson makes motorcycles. What do Harley-Davidson owners buy?
- How do you think the buying process for buying a Harley-Davidson differs from buying other €20,000 products?
Harley-Davidson

- Harley has instilled a high degree of brand loyalty in its target market.

- The company researches its customer base to understand buyer behaviour.

- The research revealed seven core customer types: 1) adventure-loving traditionalists, 2) sensitive pragmatists, 3) stylish status-seekers, 4) laid-back campers, 5) classy capitalists, 6) cool-headed loners, and 7) cocky misfits.
Harley-Davidson

– The Harley-Davidson example shows that many factors affect consumer buying behaviour.

– Consumer buyer behaviour refers to the buying behaviour of final consumers—individuals and households who buy goods and services for personal consumption.
Analysing consumer behaviour: Kipling's six Q’s

- *What* do consumers buy?
- *Where* do they buy?
- *When* do they buy?
- *Why* do they buy?
- *How* do they buy?
- *Who* buys?
Key Question!

- How do consumers respond to various marketing efforts?
- The starting point for answering this question is the stimulus-response model of buyer behaviour shown in Figure 5.1.
Figure 5.1 Stimulus-response *Model* of buyer behaviour
Key Q - What is in the buyer’s ‘black box’?

• Marketing and other stimuli enter the consumer’s ‘black box’ and produce certain responses.
• Marketing stimuli consist of the 4 Ps: product, price, place, and promotion.
• Other stimuli include major forces and events in the buyer’s environment.
• The buyer’s characteristics influence how he or she perceives and reacts to the stimuli.
• The buyer’s decision process itself affects the buyer’s behaviour.
What is neuromarketing?

Researchers are using technology to ‘look inside the brain’

**Neuromarketing** is the use of neuro-technology to improve marketing decision making.
Factors Influencing Consumer Behaviour

- Cultural
  - Culture
  - Sub-culture
  - Social class

- Social
  - Reference groups
  - Family
  - Roles and status

- Personal
  - Age and life-cycle
  - Occupation
  - Economic situation
  - Lifestyle
  - Personality and self-concept

- Psychological
  - Motivation
  - Perception
  - Learning
  - Beliefs and attitudes

- Buyer
What is culture?

**Culture** is the set of basic values, perceptions, wants and behaviours learned by a member of society from family and other important institutions.
Cultural factors

• Culture is the most basic cause of a person’s wants and behaviour. Culture is the set of basic values, perceptions, wants and behaviours learned by a member of society from family and other important institutions.

• Each culture contains smaller subcultures, or groups of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups, and geographic regions.
Influences on Culture

- The individual
  - Family roles
  - Social role
  - Gender role
  - Work role
  - Language
  - Values
  - Beliefs

- Institutions
  - Political
  - Legal
  - Religious
  - Educational

- Societal environment
  - The media
  - Marketing and advertising
  - The arts
  - Fashion
  - Technology
  - Employment types/patterns
Subcultures

- Nationalities
- Religion
- Racial groups
- Geographic regions

HSBC is the first to offer Islamic financial products.
Cultural factors (con’t)

• Social classes are society’s relatively permanent and ordered divisions whose members share similar values, interests, and behaviours.

• Social class is not determined by a single factor, such as income, but is measured as a combination of occupation, income, education, wealth, and other variables.
## Social classes

<table>
<thead>
<tr>
<th></th>
<th>Higher managerial and professional occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employers and managers in large organisations (senior private and public sector employees)</td>
</tr>
<tr>
<td>1.1</td>
<td>Higher professionals (partners in law firms, etc.)</td>
</tr>
<tr>
<td>1.2</td>
<td>Lower managerial and professional occupations (middle managers and professionally qualified people)</td>
</tr>
<tr>
<td>2</td>
<td>Intermediate occupations (secretaries, policemen, etc.)</td>
</tr>
<tr>
<td>3</td>
<td>Small employers and sole traders</td>
</tr>
<tr>
<td>4</td>
<td>Lower supervisory, craft and related occupations (skilled manual workers)</td>
</tr>
<tr>
<td>5</td>
<td>Semi-routine occupations (shop assistants, etc.)</td>
</tr>
<tr>
<td>6</td>
<td>Routine occupations (semi-skilled or unskilled manual workers)</td>
</tr>
</tbody>
</table>
Social factors

Social factors can also affect consumer behaviour.

- Reference groups
- Family
- Roles and status
Think-Pair-Share

• Consider an item you bought which is typical of what your peers (a key reference group) buy, such as a compact disc, a mountain bike or a brand of trainer.

• Were you conscious that your friends owned something similar when you made the purchase? Did this make you want the item more or less? Why or why not?
What is an opinion leader?

• **Opinion leaders** are people within a reference group who, because of special skills, knowledge, personality, or other characteristics, exert influence on others.

• Manufacturers of products and brands subjected to strong group influence must figure out how to reach opinion.
Figure 5.3 Extent of group influence on product and brand choice

Group influence on brand choice

<table>
<thead>
<tr>
<th>Strong</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Luxuries</td>
<td>Private Luxuries</td>
</tr>
<tr>
<td>Golf clubs</td>
<td>TV video games</td>
</tr>
<tr>
<td>Snow skis</td>
<td>Waste disposal</td>
</tr>
<tr>
<td>Yachts</td>
<td>Icemakers</td>
</tr>
<tr>
<td>Public Necessities</td>
<td>Private Necessities</td>
</tr>
<tr>
<td>Wristwatches</td>
<td>Mattresses</td>
</tr>
<tr>
<td>Cars</td>
<td>Floor lamps</td>
</tr>
<tr>
<td>Dress clothes</td>
<td>Refrigerators</td>
</tr>
</tbody>
</table>
Blogs and social networking sites

- Social networking, social interaction carried out over Internet media, illustrates the importance of social influence on consumer behaviour.

- MySpace.com; Facebook.com
VW’s Helga relied on social networking for branding
Family members can strongly influence

- The buyer’s parents make up the family of orientation.

- The family of procreation (the buyer’s spouse and children) has a more direct influence on everyday buying behaviour.
  
  » Husband-wife involvement varies widely by product category and by stage in the buying process

  » Children may also have a strong influence on family buying decisions in the form of “pester power.”
Think-Pair-Share

• Now, think of brands that you currently use which your parents also use. Examples may include soap, tea, or butter/milk.

• Did you think through these purchases as carefully as those influenced by your peers or were these purchases simply the result of following old habits?
Figure 3.4 Family Life Cycle
Consumers’ buying roles

- Initiator
- Influencer
- Decider
- Buyer
- User
Decision-making unit (DMU)

» The initiator is the person who first suggests or thinks of the idea of buying a particular product or service.

» The influencer is the person whose view or advice influences buying decision.

» The decider is the person who ultimately makes the buying decision or any part of it.

» The buyer is the person who makes the actual purchase.
Role and Status

- A person’s position within each group can be determined in terms of role and status.

- A role consists of the activities that people are expected to perform according to the persons around them.

- Status is the general esteem given to a role by society.
Personal factors

- Buyer’s age
- Lifecycle stage
- Occupation
- Economic situation
- Lifestyle
- Personality
- Self-concept
Personal Factors Affecting Consumer Behaviour:

Personal Influences:
- Age and Life Cycle Stage
- Economic Situation
- Occupation
- Personality & Self-Concept

Lifestyle Identification:
- Activities
- Opinions
- Interests
Family life-cycle stages

Young
- Single
- Married without children
- Married with children
- Divorced with children

Middle-aged
- Single
- Married without children
- Married with children
- Married without dependent children
- Divorced without children
- Divorced with children
- Divorced without dependent children

Older
- Older married
- Older unmarried
Think-Pair-Share

How should a marketer of bedroom furniture consider life-cycle stage in his/her strategy?

Can you think of a furniture retailer that places emphasis on a particular life-cycle stage?
Individual exercise

• Take the VALS survey. Read and consider the profiles that result from your survey. What things do you agree with? Disagree with?
• What four products have high indexes for your type? Do you buy these products?
• Do you think that an instrument such as this has any value to marketers?
Think-Pair-Share

In designing adverts for a soft drink, which would you find more helpful: information about demographics or lifestyles? Give examples.
What is personality?

**Personality** is a person’s distinguishing psychological characteristics that lead to relatively consistent and lasting responses to his or her own environment.
Personality

Personality can play a role in consumer behaviour, particularly with high involvement products (e.g., choice of holiday)

Source: © Hayes & Jarvis (Travel) Ltd http://www.hayesandjarvis.co.uk
Brands have personalities too

- Sincerity
- Sophistication
- Ruggedness
- Excitement
- Competence
Personality and Self-Concept

- Related to personality is a person’s self-concept. The basic self-concept premise is that people’s possessions contribute to and reflect their identities.

- “We are what we have”
  - Visit somebody’s home/apartment?
Factors Affecting Consumer Behaviour: Psychological

Psychological Factors

- Motivation
- Perception
- Learning
- Beliefs and Attitudes
What is suggested by Freud’s theory of motivation?

Freud suggested that a person’s buying decisions are affected by subconscious motives that even the buyer may not understand.
Figure 5.4
Maslow’s hierarchy of needs

1. Physiological need (hunger, thirst)
2. Safety need (security, protection)
3. Social needs (sense of belonging, love)
4. Esteem needs (self-esteem, recognition, status)
5. Cognitive needs (comprehension, understanding)
6. Aesthetic needs (order, beauty)
7. Self-actualisation need (self-development and realisation)
Exercise

• Study Maslow’s hierarchy of needs

• Cut out print ads that appear to be focused on appealing to the different needs of this hierarchy. Find one ad for each level of needs.
Perception

Perception is the process by which people select, organise and interpret information to form a meaningful picture of the world.
Perceptions

Selective attention

Selective perception

Selective retention
What is the difference between attitudes and beliefs?

A **belief** is a descriptive thought a person has about something.

An **attitude** describes a person’s favourable or unfavourable evaluations, feelings, and tendencies towards an object or idea.
Skoda Responded to Negative Attitudes
PEER GROUP EFFECTS

• How do you get young people to change their attitudes about Clarks shoes from “Shoes their parents would wear” to “Cool and modern”? 
Consumer decision process

**Consumer choice** results from a complex interplay of cultural, social, personal, and psychological factors.
Figure 5.5 Four types of buying behaviour

- Significant differences between brands:
  - High involvement: Complex buying behaviour
  - Few differences between brands: Dissonance-reducing buying behaviour

- Low involvement:
  - Variety-seeking buying behaviour
  - Habitual buying behaviour
Buying decision behaviour

- **Habitual buying behaviour**
  - Characterised by low consumer involvement and few significant perceived brand differences

- **Variety seeking buying behaviour**
  - Low consumer involvement but significant perceived brand differences
Endorsements from celebrities increase sales
What is dissonance-reducing buying behaviour?

Dissonance-reducing buying behaviour is consumer behaviour in situations characterised by high involvement but few perceived differences among brands.
Dissonance-reducing buying behaviour

- Dissonance-reducing buying behaviour occurs when consumers are highly involved with an expensive, infrequent, or risky purchase, but see little difference among brands.

- After the purchase, consumers might experience postpurchase dissonance (after-sale discomfort) when they notice certain disadvantages of the purchased brand or hear favorable things about brands not purchased.
UNDERSTANDING BUYING PROCESSES IS CRUCIAL

• Months of marketing planning can be dismissed in the few moments that a buyer makes a purchase decision
Figure 5.6
The buyer decision process

Need recognition

Information search

Evaluation of alternatives

Purchase decision

Postpurchase behaviour
Figure 3.2 Buying – decision processes
The Buyer Decision Process
Step 1. Need Recognition

Need Recognition
Buyer Recognizes a Problem or Need

Internal Stimuli
- Hunger
- Thirst
- A person’s normal needs

External Stimuli
- TV advertising
- Magazine advert
- Radio slogan
- Stimuli in the environment
The Buyer Decision Process
Step 2. Information Search

- **Personal Sources**
  - Family, friends, neighbours
  - Most effective source of information

- **Commercial Sources**
  - Advertising, salespeople
  - Receives most information from these sources

- **Public Sources**
  - Mass Media
  - Consumer-rating groups

- **Experiential Sources**
  - Handling the product
  - Examining the product
  - Using the product
Information Search

• What kind of purchase will address problem?
• How can the product be obtained?
• What information is needed?

Source: C&G [http://www.cheltglos.co.uk](http://www.cheltglos.co.uk)
What do consumers do during the alternative evaluation stage of the buying process?

• Look for certain benefits that can be acquired by buying a product
• Attach degrees of importance to each attribute
• Develop brand beliefs about each brand
• Use a utility function for each attribute
• Arrive at attitudes toward each brand through an evaluation procedure
<table>
<thead>
<tr>
<th>Type of criteria</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical</td>
<td>Reliability, Durability, Performance, Style/looks, Comfort, Delivery, Convenience, Taste</td>
</tr>
<tr>
<td>Economic</td>
<td>Price, Value for money, Running costs, Residual value, Life cycle costs</td>
</tr>
<tr>
<td>Social</td>
<td>Status, Social belonging, Convention, Fashion</td>
</tr>
<tr>
<td>Personal</td>
<td>Self-image, Risk reduction, Morals, Emotions</td>
</tr>
</tbody>
</table>
Interactive Decision Aids

http://www.igodigital.com - BestBuy.com - MP3 Player Shopping Assistant - Microsoft Internet Explorer

Best Buy Shopping Assistant

ANSWER THE 3 QUESTIONS BELOW TO FIND THE PERFECT MP3 PLAYER FOR YOU.

1. Storage Capacity: Learn More
   - Up to 1GB, for up to 16 hours (22 items)
   - 1.5GB to 6GB, for up to 80 hours (12 items)
   - 8GB to 20GB, for up to 333 hours (2 items)
   - More than 20GB (6 items)
   - No preference (42 items)

2. Brand
   - Apple (12 items)
   - Creative Labs (2 items)
   - iRiver (3 items)
   - MP3D (1 item)
   - Napster (2 items)
   - Olympus (1 item)
   - Philips (2 items)
   - Samsung (9 items)

MP3 Players Shopping Assistant

Use the filter feature on the left. Indicate your preferences in each category or just one. Then hit find and we'll show you all the MP3 players that are right for you.

More options:
- See all MP3 players
- Learn more about MP3 players
- See other Shopping Assistants
Stages in adopting a new product

- Awareness
- Interest
- Evaluation
- Trial
- Adoption
The Buyer Decision Process
Step 5. Postpurchase Behaviour

Consumer’s Expectations of Product’s Performance

Product’s Perceived Performance

Satisfied Customer!

Dissatisfied Customer

Cognitive Dissonance
Post-Purchase Evaluation

- Affects likelihood of repeat purchase
- May evoke cognitive dissonance
Post-purchase evaluation

Has the purchase lived up to its expectations?

Marketers can help reduce cognitive dissonance by:

- Ensuring that customers’ needs and wants have been carefully researched.
- Tailoring the marketing mix to suit the audience.
- Painting a realistic picture of the product/service in all advertising literature.
- Making sure consumers’ expectations are rooted in reality - for example letting the consumer test the product/service before purchase.
- Good after sales care.
POST-PURCHASE EVALUATION

• Did our purchase live up to expectations?
• If not, we could:
  – Return the product
  – Tell others
  – Rationalise our thoughts to overcome "cognitive dissonance"
Impact of Dissatisfied Customers

“Dissatisfied customers can tell up to eleven other people about their bad experiences, which is two to three times more people than a satisfied customer will talk to.”

Smith, 1993
Review of the Decision-Making Process

I’m hungry

What’s available?

Cakes or chocolate?

Snickers!

I should’ve had cake.

Problem recognition

Information search

Information evaluation

Decision

Post-purchase evaluation