

Understanding consumer behaviour

“There is only one boss – the customer. And he can fire everyone from the Chairman down”

Sam Walton, Founder, WalMart Stores

What is consumer behaviour?

- Consumer behavior: the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires (*Solomon, 2006*)



What is consumer behaviour?

- “The decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services”

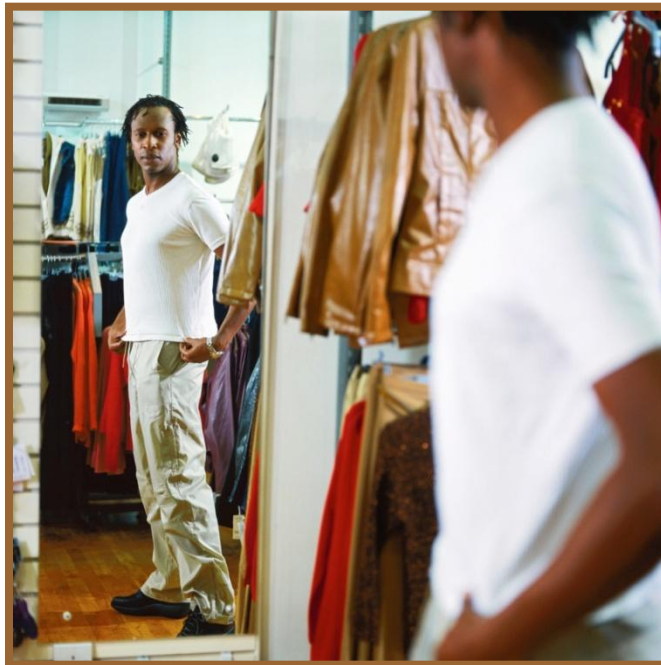
Loudon and Della Bitta

- “Those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts”

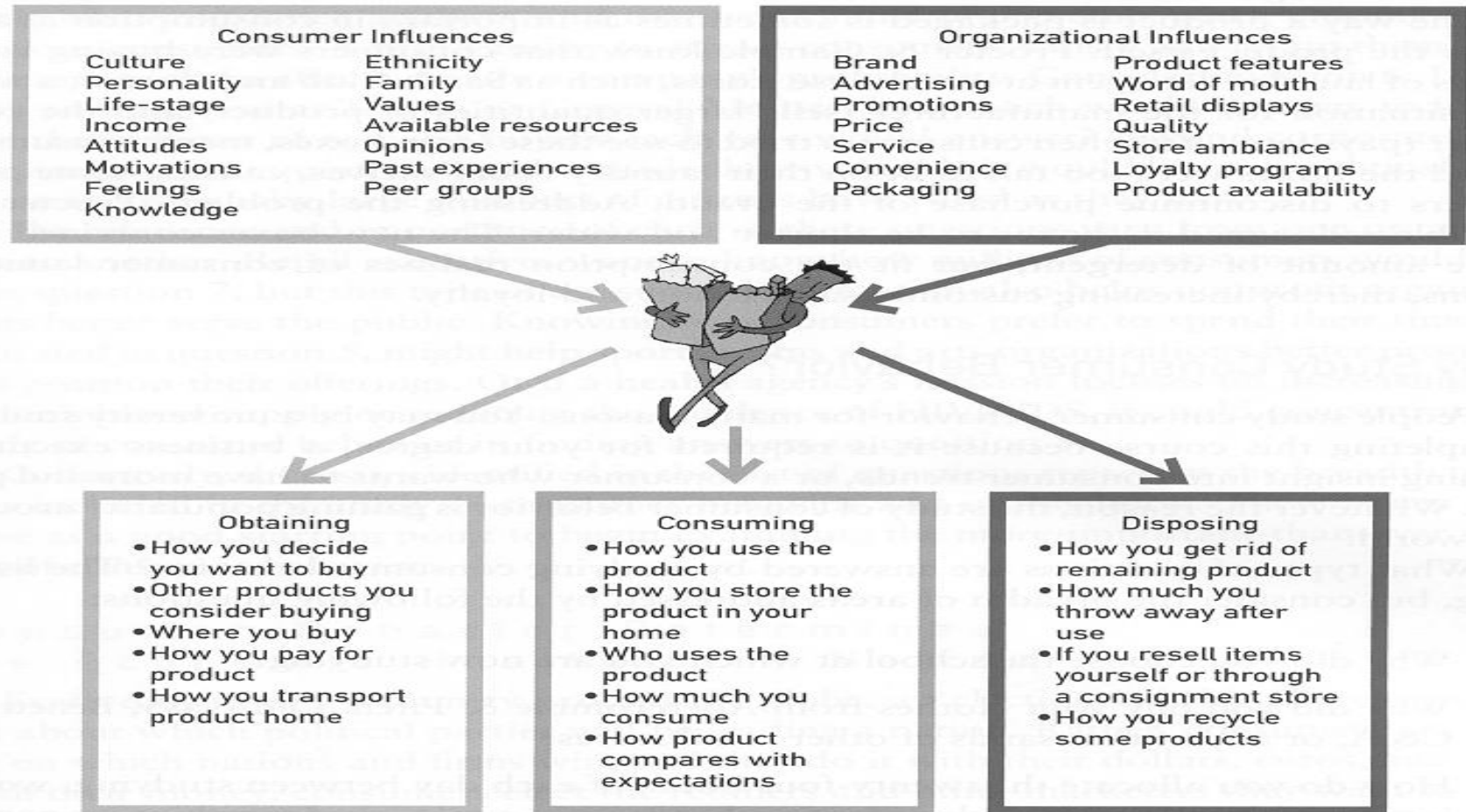
JF Engel

Definition of consumer

- *A consumer is a person who identifies a need or desire, makes a purchase, and then disposes of the product (Solomon, 2006)*

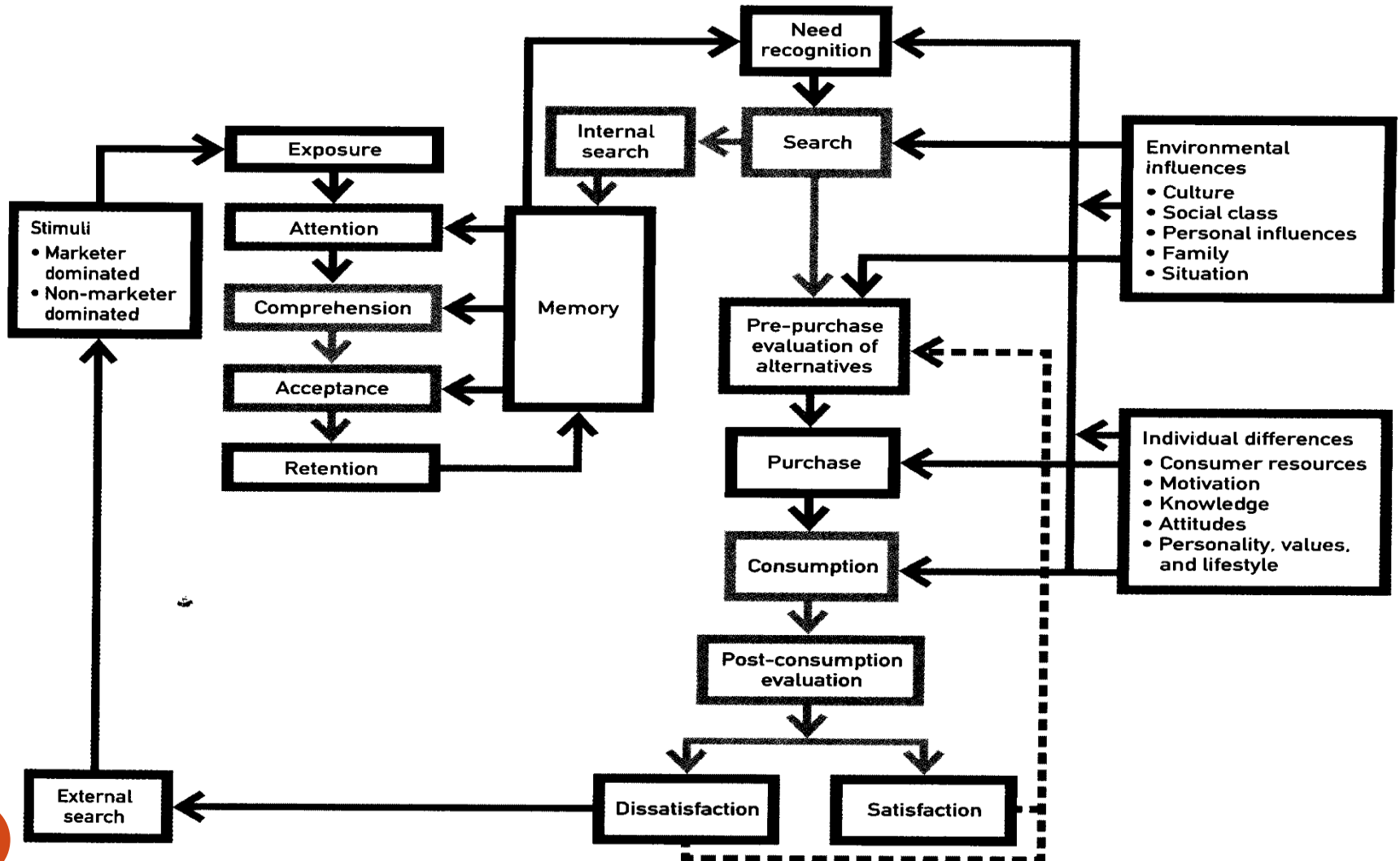


Studying consumer behaviour



Comprehensive models of consumer behaviour

(Blackwell 2005)



Marketers response to decision making stages

Stage in decision process	Marketing strategy	Example
Problem recognition	Encourage consumers to see that existing does not match desired	Create TV commercial showing excitement of owning new car
Information search	Provide information when and where consumers are likely to search	Advertising slots with high target market viewership New car brochures for dealers Exciting easy to navigate websites
Alternative evaluation	Understand how consumers compare brands and communicate own brand superiority	Research most important choice criteria Create advertising to communicate superiority on key choice criteria
Product choice/purchase	Understand how consumers choose (choice heuristics) and provide communications that encourage brand decision	“Swiss made” , “Vorsprung durch technik “ (Country of origin) Long history of the brand Recommended by experts
Post purchase evaluation	Create consumer expectations	Provide “scientific evidence”

Based on Solomon 2010

Common features of consumer behaviour models

- Consumer behaviour as a decision process
- Behaviour is rational and can be explained
- Behaviour is purposive involving search, evaluation and storing of data
- Preferences develop based on more limited use of information
- Outcomes from purchase decisions, whether satisfaction or dissonance shape future purchase decisions

Who is the consumer?

ROLE	DESCRIPTION
Initiator	Individual who determines that some need or want is not being met and initiates purchase behaviour to rectify the situation
Influencer	A person who intentionally, or unintentionally influences the purchase decision , the actual purchase and/or the use of the product or service
Buyer	The individual who makes the purchase transaction
User	The person most directly involved in the consumption of the purchase

Why study consumer behaviour

- “Marketing management rests upon some conception or other of how customers behave and of the consequences their reactions to product, price, promotion and distribution strategies are likely to have for the attainment of corporate objectives. In affluent competitive economies successful marketing depends above all on matching the marketing mix which results from the integration of these strategies to the willingness of consumers to buy and in doing so more effectively than one’s rivals”
(Gordon Foxhall)

How do consumers approach retail purchases?

- “Generally speaking human beings are usually quite rational and make systematic use of the information available to them. We do not subscribe to the view that human social behaviour is controlled by unconscious motives or overpowering desires, rather people consider the implications of their actions before they decide to engage or not engage in a given behaviour”

Ajzen and Fishbein (1980)

The information processing consumer and rational shopping behaviour



One more time – how do consumers approach retail purchases?

- “A true understanding of shoppers’ decision making processes is the key to retail success. Psychologists have identified that we have two main shopping modes: alpha and beta. In the alpha state, attention is fully engaged and the decision process is conscious. But 80% of our shopping is carried out in beta mode..(when)..all decision making, orientation and interaction is **subconsciously controlled.**”

Siemon Scamell-Katz (2002)

Types of buying situation in consumer markets

- EXTENDED PROBLEM SOLVING
 - Lengthy information search and close examination of alternatives
 - Reduced search and evaluation based on prior knowledge of product/market
 - Repeat purchase with little or no evaluation
- LIMITED PROBLEM SOLVING
- HABITUAL PROBLEM SOLVING

Marketing mix determination and consumer behaviour

- PRODUCT
 - Size, shape, features, design, packaging, service, warranties
 - Price awareness, brand/price sensitivity, price elasticity of demand, incentive to encourage adoption
 - Distribution channels, retail outlet, retail image
- PRICE
- PLACE
- PROMOTION
 - How to promote, gain attention, communicate message, encourage trial, encourage repurchase, build loyalty, purchase influences

Satisfaction and dissatisfaction

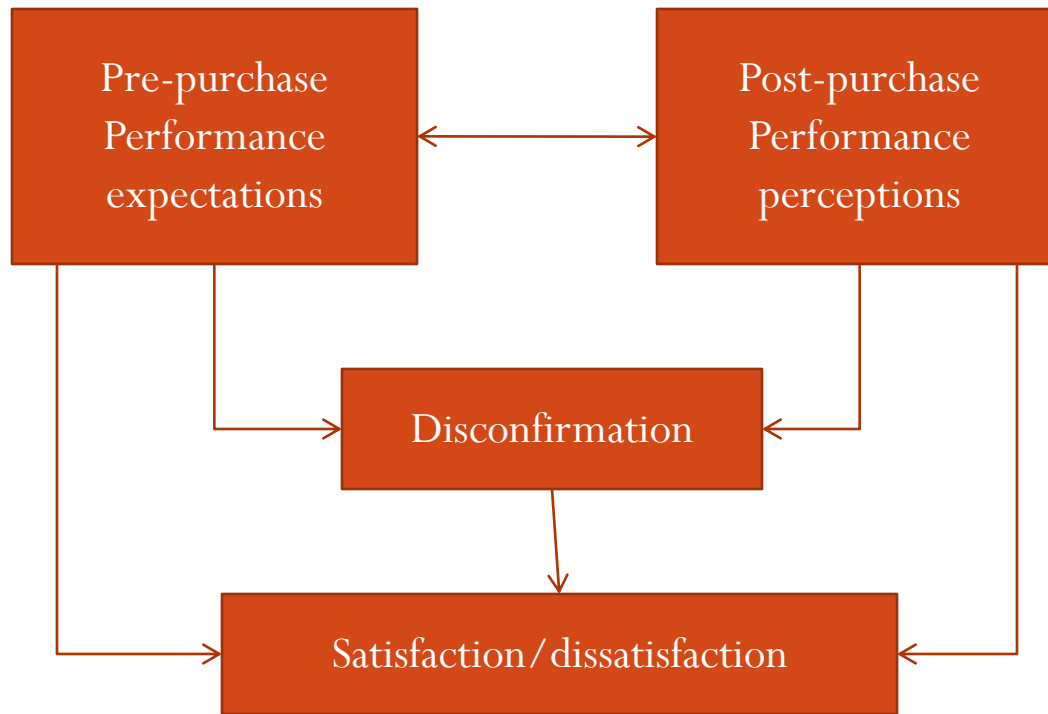
- Critical concept in marketing
- Satisfaction more likely to lead to repeat purchase/loyalty and positive WOM
- Dissatisfaction more likely to lead to brand switching, complaints and negative WOM
- Expectancy disconfirmation with performance approach (Oliver 1997) and the Balancing Paradigm (Fournier and Mick 1999) are two current theories of consumer satisfaction

The Expectancy Disconfirmation model

(from Peter and Olson based on Oliver 1997)

+ve disconfirmation : $PPP > PPE = \text{satisfaction}$

-ve disconfirmation: $PPE > PPP = \text{dissatisfaction}$



Consumer value equation

- Perceived value (PV) = $\frac{\text{Perceived benefits (PB)}}{\text{Perceived costs (PC)}}$

Benefits = attributes of core product/service and supporting services, perceived quality and price

Costs = customer costs involved in purchasing, such as time, travel, repairing faulty work, etc. – NOT just price

Summary: how marketers can use consumer insight

- Focus on factors that determine consumer perception of value (maximise perception of benefits/minimise perception of costs/minimise perception of risk)
- Consumers make purchase decisions to solve problems and reduce dissonance (store choice and product choice).
Marketing activities should aid consumer decision making.
- Purchase behaviour is driven by multiple motives and the marketing offer should deliver multiple sources of satisfaction

Week 1: Key terms

Consumer behaviour	Consumer centric marketing	Problem/need recognition
Information search	Evaluation of alternatives	Post purchase evaluation
Extended problem solving	Limited problem solving	Habitual problem solving
Consumer insight	Initiator	Influencer
Buyer	Rational purchase decision	Satisfaction, dissatisfaction