

PRINCIPLES OF MARKETING / 06

IBMS /
University of Applied Sciences

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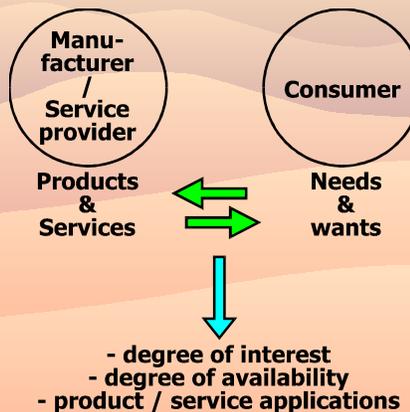
Based on Ph. Kotler's Principles of marketing / international edition, and miscellaneous designer's lecturing materials



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CONSUMER BEHAVIOUR

Aspects



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CONSUMER BEHAVIOUR

Aspects

Consumer buying behaviour

■ All the activities that involve **obtaining, using and discarding** products, including the **information processing** involved, and the **buying decision process**.

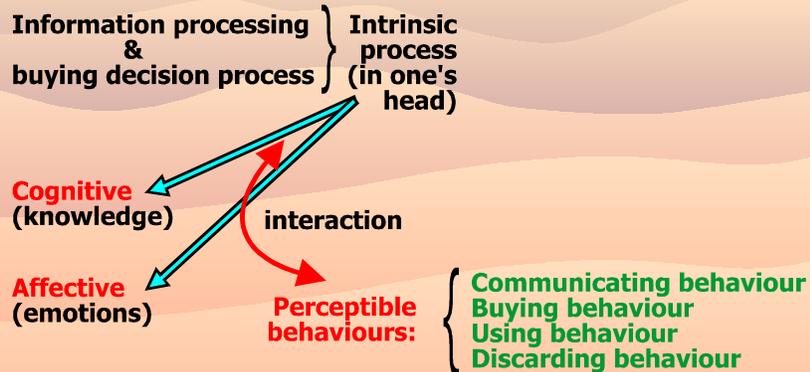
■ = **the buying behaviour of final consumers:** the individuals and households who buy goods and services for personal consumption

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CONSUMER BEHAVIOUR

Aspects



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CONSUMER BEHAVIOUR

Aspects

Interesting angles of approach for marketing:

- **Economical** angle of approach;
- **Sociological** angle of approach;
- **Psychological** angle of approach



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Aspects

Economical angles of approach:

- The use (benefit, profit) of a certain purchase is connected with the **willingness** (*the will*) and the **ability** to buy (*the buying power*) by the consumer.

- In this context **Ernst Engel's Laws** should be considered:
"As one's (family) income rises, the percentage of the income spent on necessary goods (such as food) declines"

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Aspects

Economical angles of approach:

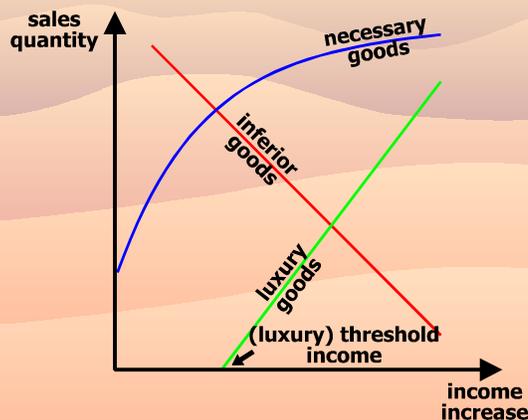
- As mentioned before, the following laws can be applied to **consumer's spending patterns** and their buying behaviour:
 - **As one's (family) income rises:**
 - the % spent on food *declines*;
 - the % spent on housing and household equipment, *remains constant*, and
 - the % spent on clothing, transportation, recreation, health care and education *increase*.

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CONSUMER BEHAVIOUR

Engel's laws / Engel's diagram



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Aspects

Sociological angles of approach:

- **Sociology:** involves the behaviour study of individuals in group situations.
- **Sociology** takes place at 3 levels:
 - **macro-level** (society)
 - **meso-level** (organizations, companies)
 - **micro-level** (family, circle of friends)
- **Marketers** are especially interested in the **interaction processes** that take place (directly or indirectly (through media)) and the **associated roles and positions** of individuals.

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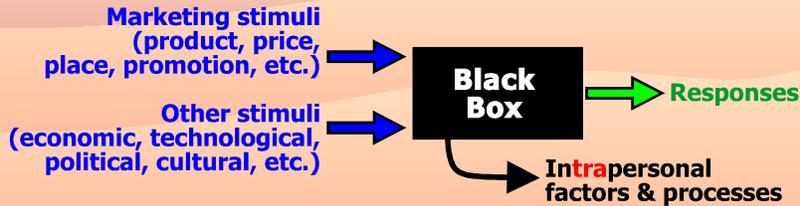
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CONSUMER BEHAVIOUR

Aspects

Psychological angles of approach:

- **Psychology:** involves the **behaviour study of individuals.**
- **Marketers** are especially interested in the so-called **Black-box model:**



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CONSUMER BEHAVIOUR

Interpersonal aspects

Culture:

- The complex totality of knowledge, beliefs, arts, norms and values, traditions, laws and all other competencies which can be specifically attributed to the members of a certain community
(anthropologist E.B. Tyler 1891)

Nb: 'antropo' = man; anthropology: science of man and mankind

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CONSUMER BEHAVIOUR

Interpersonal aspects

Culture:

- **Characteristics concerning culture:**
 - generally speaking, **3 characteristics** can be attributed to 'culture':
 - culture is something that is taught, and 'transmitted' through generations;
 - a strong interdependence exists among various cultural elements, such as religion, art, language, traditions, norms, etc.;
 - culture is something that belongs to a certain group and is shared by its members, distinguishing that group from others.

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CONSUMER BEHAVIOUR

Interpersonal aspects

Subculture:

- A group of people -being part of a culture- with shared value systems based on common life experiences and situations, which usually differ from those within the total culture.
- Usually involves a distinction based on **demo-graphic** and **geographic** variables, such as:
 - age, nationality
 - ethnic origin, religion
 - geographic location
 - etc.

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Interpersonal aspects

Subcultures and marketing consequences:

- **Market segmentation / location**
- **Product differentiation / -development**
- **Promotion, PR, advertising**
- **Distribution, means of distribution**
- **Pricing / pricing strategies**

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CONSUMER BEHAVIOUR

Interpersonal aspects

Social class:

- **Social stratification:** relatively permanent and usually hierarchically ordered divisions in a society, often according to income, education and occupation.
- Differences in social classes often mean differences in consumer behaviour:
 - **needs & buying motives** (comfort vs. style)
 - **media consumption** (area's of interest)
 - **degree of self-confidence** (money, new products)
 - **shopping behaviour** (according to social class?)

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Interpersonal aspects

Reference groups:

- **Reference group:** a group of individuals that has considerable influence on the attitudes and especially on the buying behaviour of individuals who associate with such groups.
- Reference groups bring on:
 - **socialization of the individual** (up bringing)
 - **development of his/her self-concept**
 - **adaptation to group norms.**

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Interpersonal aspects

Reference groups:

- In view of consumers behaviour, this socialization process determines what an individual **will or will not buy**, and how he/she **will use it**.
- Based on the relationships an individual can have with various groups, the following reference groups can be distinguished:
 - **primary** (family) and **secondary** (work) groups
 - **formal** (church) and **informal** (friends) group
 - **associative** (Rotary) and **dis-associative** (motor cycle gangs) groups.

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Interpersonal aspects

Reference groups:

- A consumer's choice of certain products and brands, is strongly affected by **reference groups or -persons**, and the **normative pressure from the direct environment** (*'..being a match for the group members..'; '..wanting to belong to the group'..;* etc.)
- **Marketing opportunities** with reference groups:
 - actions focused on the group's opinion leader
 - formation of '*clubs*' and '*user groups*'
 - demonstrations or role-modeling by an idol or in other ways accepted or popular person.

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Interpersonal aspects

The family: a special reference group:

- **Family life cycles:** may go through various stages, varying from bachelor phase, through marriage / living together with or without children, to widow / widower phase.
- Each phase can actually be considered as a **market segment**, of which the size and demographic development can roughly be determined.
- Needs, buying motives, buying experiences and **buying habits** vary per phase.

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Intrapersonal aspects

Motivation:

- **Various theories:**
 - based on **drifts** (hunger, instincts, etc.)
 - based on **balance** (of wishes, needs, fears, etc.)
 - based on '**thrive for lust / avoidance of unpleasantness**' (*Pavlov; behaviorism*)
 - based on '**costs & profits**' (acting upon expected outcome)
 - more recent theories based on '**cognitive experiences**': preferences, beliefs, value systems, etc.

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Intrapersonal aspects

Motivation:

- **Motive:** in general a need that is sufficiently pressing to direct a person to seek satisfaction of the need.
- **Need:** the situation in which a person experiences a certain lack, and in which he/she will try to fill this gap (whereby a lack ≠ a product or a specific brand!).
- Individuals may be **aware** (*manifest*) of certain needs or **unaware** (*latent*) of them; the nature of these needs can either be **rational** (*purposeful*) or **emotional**.

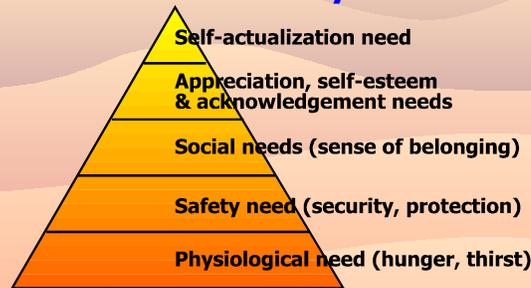
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Intrapersonal aspects

Abraham Maslow's hierarchy of needs:



- According to Maslow, a higher need becomes apparent, once lower needs have been fulfilled.

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Intrapersonal aspects

Perception:

- Perception (*perceptio*: to perceive, to take in): the mental activity focused on the **selection**, the **process** and the **interpretation of sensory information**.
- The process of perception can either be **selective** (focused on qualities and quantities) or it can be **subjective** (affected by wishes and preferences).
- The process of perception has three stages:
 - 1/ **exposure**
 - 2/ **attention**
 - 3/ **comprehension** (understanding).

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Intrapersonal aspects

Process of perception:

- **Exposure**: the contact or confrontation of senses (sight, hearing, smell, touch and taste) with stimuli in an **active** (initial) or **passive** (involuntary) manner.
- **Attention**: the amount of attention stimuli receive, depends on **stimulus factors** (attracting attention) and **personal factors** (personal motives, motivation).
- **Comprehension**: **identifying and recognizing perceptual structures**, and **giving meaning to them** (establishing an opinion or a misunderstanding).

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Intrapersonal aspects

Learning / learning theories:

- Learning: the changes in an individual's behaviour arising from experience. Learning can occur **incidentally** or **intentionally**.
- Important learning theories for marketing:
 - **associative learning theories:**
 - classical conditioning
 - instrumental conditioning
 - **information processing theory:**
 - cognitive learning

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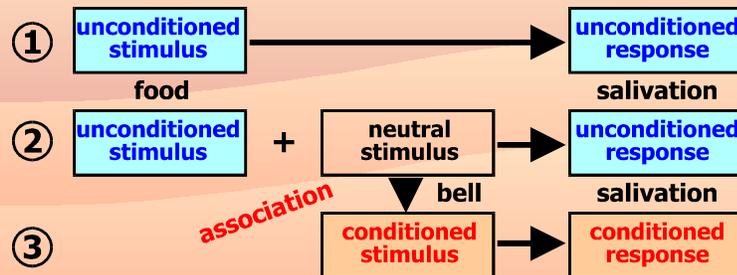
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Intrapersonal aspects

Classic conditioning:

- This theory looks into present (passive) **stimulus / response connections** (Ivan Pavlov):



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Intrapersonal aspects

Instrumental conditioning:

- This theory takes '**experimental behaviour**' as starting point: the active attitude of an individual in his/her environment.
- In this learning theory positive behaviour is being encouraged by '**positive reinforcement**' (rewards); negative behaviour is being turned back by '**negative reinforcement**' (sanctions).
- Marketing aspects in this respect: brand loyalty, customer satisfaction, incentives, product introduction discounts, consumer benefits.

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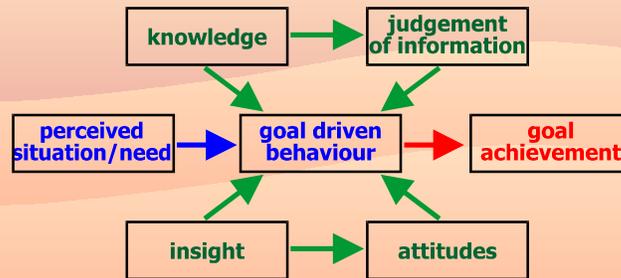
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Intrapersonal aspects

Cognitive learning:

- This theory takes the 'active obtainment of knowledge and insight' as starting point:



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Intrapersonal aspects

Memory and retention:

- The **memory** plays an important role in the process of learning, and is a determining factor for the capacity of remembrance: **retention**.
- **Retention**: phase whereby information is transferred from the short-term memory to the long-term memory to be stored there for a longer period.
- **Selective retention**: the tendency of people to retain (remember) only part of the information to which they are exposed, usually information that supports their attitudes and beliefs.

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Intrapersonal aspects

Personality, self-image and lifestyle:

- **Personality**: a person's distinguishing psychological characteristics that lead to relatively consistent and lasting responses to his/her own environment: the set of characteristics that makes someone a 'person'.
- Personality has been a subject often described in the many **typologies** that have been developed in the course of years. A **typology** involves the classification of people in various types (personalities), and the description of those types.

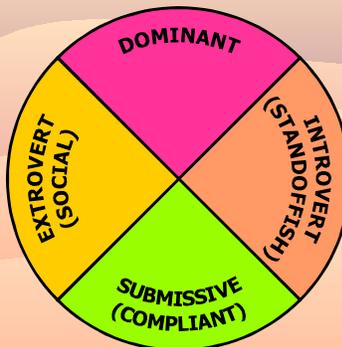
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Intrapersonal aspects

Typology, example:



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Intrapersonal aspects

Personality, self-image and lifestyle:

■ **Self-image:** involves an individual's self-concepts:

- how the consumer sees him/her self (*realistic*)
- how the consumer would like to see him/her self (*idealistic*)
- how the consumer thinks he/she is seen by others (*social*).

■ Clearly, consumers will usually buy those products that *match their self-concepts* and that *confirm their self-image*.

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Intrapersonal aspects

Personality, self-image and lifestyle:

■ **Lifestyle:** a person's pattern of living as expressed in his or her activities, interests and opinions (*AIO*), involving:

- the way he or she spends his/her time and money (*activities*)
- what he or she thinks is important in his/her environment (*interests*), and
- what he or she thinks about him/her self (*opinions*)

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Intrapersonal aspects

Attitude:

- Attitude: a person's consistently favourable or unfavourable evaluations, feelings and tendencies towards an object or idea (the so-called **attitude-objects**).
- In general, attitudes are based upon **personal interests**, and are strongly influenced by a person's **social environment**.

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Intrapersonal aspects

Attitude:

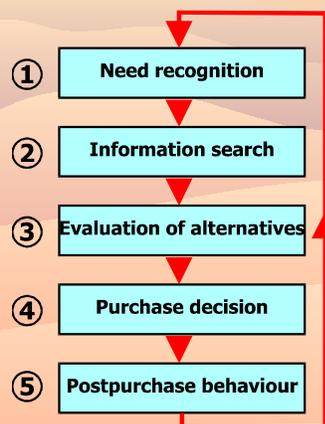
- It is generally assumed that attitudes consist of 3 components:
 - a **cognitive component**, the totality of knowledge regarding a certain attitude-object;
 - an **affective component**, the totality of emotions and feelings of a person towards an attitude-object (can be positive or negative, to a greater or lesser degree);
 - a **conative component**, involving the tendency to take an action based on a certain attitude.

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CONSUMER BEHAVIOUR

Buying decision process



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Buying decision process

Need recognition:

- A '**need**' occurs when an individual establishes a difference between a desired / ideal situation (or circumstance) and the present / actual situation he or she is experiencing.
- Possible '**triggers**' which may cause these needs could either be internal factors (such as being hungry) or external factors (such as referrals, commercials, etc.).

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Buying decision process

Information search process:

- After recognizing the 'need', an individual (consumer) will start searching for possible 'solutions' to his or her need or problem. In this respect distinction is made between:
 - **internal search**: self-consultation; will usually happen when considering low-involvement purchases;
 - **external search**: consultation of others, or other sources; will usually occur when considering high-involvement purchases.

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Buying decision process

Information search process:

- The consumer can obtain information from various external sources:
 - **personal sources**: family, friends, neighbours, colleagues, acquaintances, etc.
 - **commercial sources**: advertising, sales people, the Internet, packaging, displays, etc.
 - **public services**: mass media, consumers' associations, etc.
 - **experiential sources**: handling, examining, using the product.

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Buying decision process

Information search process:

- Whilst consulting external sources, a consumer will take well-considered decisions, based on 'cost/benefit'-evaluations, a situation referred to as '**perceived risk**'.

A consumer's decision to modify, postpone or avoid a purchase decision is in fact heavily influenced by this perceived risk.

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Buying decision process

Information search process:

- Perceived risk commonly involves aspects, such as:
 - **financial**: loss of money, maintenance, repairs, etc.;
 - **physical / health**, could be unhealthy or unsafe;
 - **functional**, it won't work or operate as expected;
 - **social, psychological**, it won't match one's self-image or the way one wants to be seen;
 - **time-related factors**, takes up too much time.

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Buying decision process

Information search process:

- The amount of **perceived risk** varies with the amount of money at stake, the amount of uncertainty concerning a product's attributes (features), and the amount of consumer self-confidence.



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Buying decision process

Information search process:

- In order **to reduce perceived risk**, a consumer will usually:
 - choose the same familiar brand: **brand loyalty**
 - shop in the same familiar shop: **shop loyalty**
 - buy **well-known brands**
 - buy **neutrally recommended brands**
 - buy **"not satisfied?: get your money back"** products and brands
 - buy **expensive brands** (= quality purchase?).

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Buying decision process

Evaluation of alternatives:

- **Assessment criteria:**
 - **instrumental** (functional) **characteristics:** regarding issues such as price, quality, service;
 - **emotional** (expressive) **characteristics:** regarding psycho-social aspects, such as modernness, sportiveness, status-providing.
- Evaluation of acceptable brands (**evoked set**: example: most German cars) >> considered brands (**consideration set**: Audi, BMW, Opel and VW) >> selected brands (**choice set**: Opel Vectra or VW Passat).

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Buying decision process

Purchase decisions:

- Involves changing the intention to buy into the act of purchasing.
- This is also a moment in which **perceived risk** is observed.
- Therefore this is also a moment in which a purchase decision will often be **postponed** or **even rejected!**

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Buying decision process

Post-purchase behaviour:

- Being **satisfied**, a consumer's attitude towards the purchase involved, will usually be **justified** and **reinforced**. However, when **dissatisfied**, the consumer's attitude towards the purchase will be opposite.
- The level of satisfaction particularly depends on:
 - **the level of expectations**: too high / too low
 - **the understanding of alternatives**: choices
 - **cognitive dissonance**: unpleasant feeling
 - **attributions**: attributing (\approx *blaming*) the fault to....

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Buying decision process

Post-purchase behaviour:

- **Cognitive dissonance**: the situation that may occur when certain **cognitions** (what someone thinks he knows) or impressions are seemingly not in accordance with each other (they are 'dissonant'), resulting in an **unpleasant feeling**.



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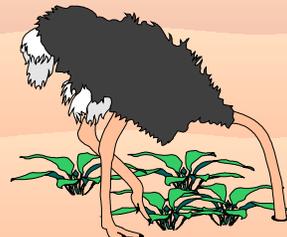
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Buying decision process

Post-purchase behaviour:

- **Cognitive dissonance** will usually occur when a consumer receives information that is **contradictory to the original perception** of a product or a service.
- Consumers usually try to minimize this feeling, particularly by **rationalizing** it (>false explanations:).



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Buying decision process

Post-purchase behaviour:

- **Cognitive dissonance:** in order to help consumers **reduce** their possible cognitive dissonance, companies should, for instance:
 - provide **well-thought-of manuals** that also emphasize on the consumer's benefits
 - provide **clear folder material**
 - render **good service, customer friendliness**
 - provide **decent guarantees**
 - publish **testimonials** referring to the product or the service.

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Buying decision process

Post-purchase behaviour:

- **Attribution:** often situations may occur in which an individual (consumer) tends to attribute (\approx assign, blame) a certain event (for example: a bad purchase) to a certain cause.
- **Internal attribution:** the consumer blames himself (for instance, for improper use of a product).
- **External attribution:** the consumer looks for other causes (persons, circumstances), in which case the attribution can be **unstable** (the consumer is not yet sure) or **stable** (he knows exactly who or what to blame!).

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CONSUMER BEHAVIOUR

Buying decision process for new products

Stages in the adoption process:

- **Adoption:** an individual's decision to become a regular user of a (new) product.
A new product (or innovation) is a good, a service or an idea that is perceived by some potential consumers as new.
The **characteristics of a new product** (such as relative advantage, compatibility, initial and ongoing costs, risks and uncertainties) affect its **rate of adoption**. Some products catch on almost immediately (**RedBull**), while others take a long time to gain general acceptance (digital TV).

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Buying decision process for new products

Stages in the adoption process:

■ **Diffusion process:** the extent to which a new product is dispersed (spread) and accepted within a certain target market. Consumers will usually follow **5 stages** in the process of adopting a new product:

- **awareness**, of product, but lacking information
- **interest**, and seeking further information
- **evaluation**, of the product's capabilities
- **trial**, of the product on a small scale
- **adoption**, and becoming a regular user.

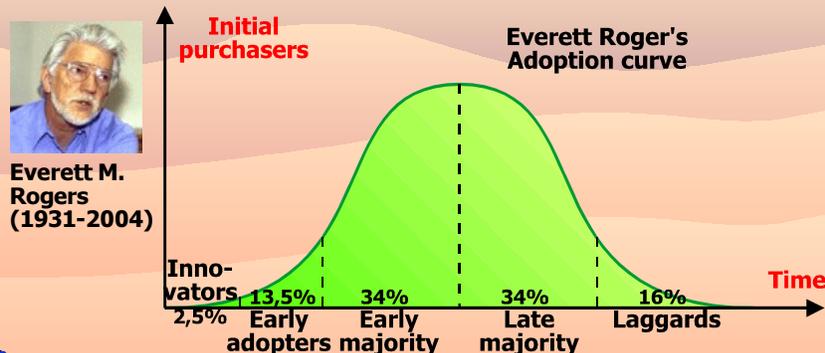
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Buying decision process for new products

Adopter categorization:



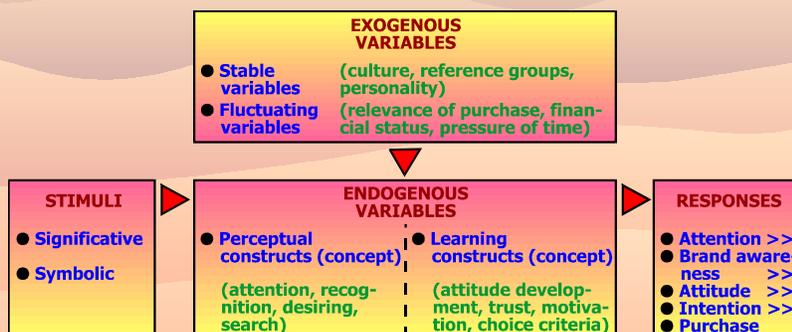
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CONSUMER BEHAVIOUR

Theory of consumer behaviour

Black box model by John Howard & Jagdish Sheth:



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Theory of consumer behaviour

Buying behaviour situations:

- Based on their research concerning consumer behaviour, marketing professors **John Howard** and **Jagdish Sheth** developed their theory about **3 buying behaviour situations**:
- **Extended problem solving**: the consumer is about to make an important, initial purchasing decision, but does not have enough information at his disposal to decide immediately.

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CONSUMER BEHAVIOUR

Theory of consumer behaviour

Buying behaviour situations:

- **Limited problem solving**: the consumer knows what to look for, but is not (fully) acquainted with the brand, and will need some additional information in order to start purchasing.
- **Routine buying behaviour**: the consumer is well-informed about the product or brand, and has such positive experiences with it, that he will purchase the product or brand whenever desirable or necessary.

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CONSUMER BEHAVIOUR

Theory of consumer behaviour

Buying behaviour situations (Assael):

| | High involvement | Low involvement |
|--|---|--|
| Significant differences between brands | <i>cars</i> Complex buying behavior (~EPS) | Variety seeking buying behavior <i>biscuits</i> |
| Few differences between brands | Dissonance reducing buying behavior <i>carpets</i> | Habitual buying behavior <i>salt sugar</i> |



Henry Assael
Prof. of marketing

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