



CHRIST
(DEEMED TO BE UNIVERSITY)
BANGALORE · INDIA

UNIT I

CONSUMER BEHAVIOUR

Prof. SRINIVASAN M B

MISSION

CHRIST is a nurturing ground for an individual's holistic development to make effective contribution to the society in a dynamic environment

VISION

Excellence and Service

CORE VALUES

Faith in God | Moral Uprightness
Love of Fellow Beings
Social Responsibility | Pursuit of Excellence

Consumer behaviour model

Factors affecting consumer Behaviour

Types of Buying Decision Behaviour

The Buyer Decision Process

Business Buyer Behaviour

The Business Buyer Decision Process Institutional and
Government

Market Segmentation, targeting and positioning for competitive
advantage.

Role of Globalization on consumption.

**Influence of AR, AI, VR on consumer decisions and recent
trends.**

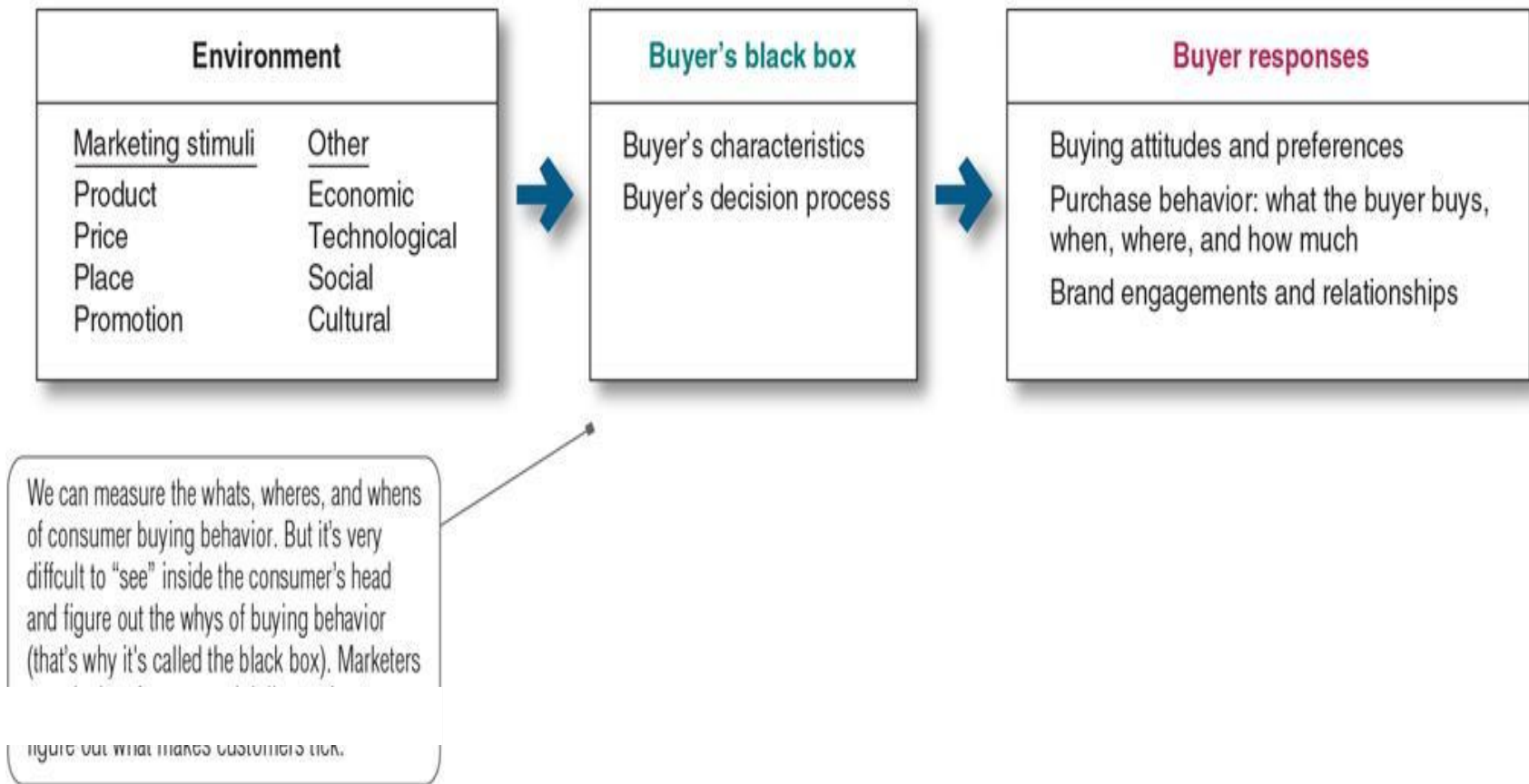
Consumer Markets and Buyer Behavior

Consumer buyer behavior is the buying behavior of final consumers—individuals and households that buy goods and services for personal consumption.

Consumer markets are made up of all the individuals and households that buy or acquire goods and services for personal consumption.

Model of Consumer Behavior

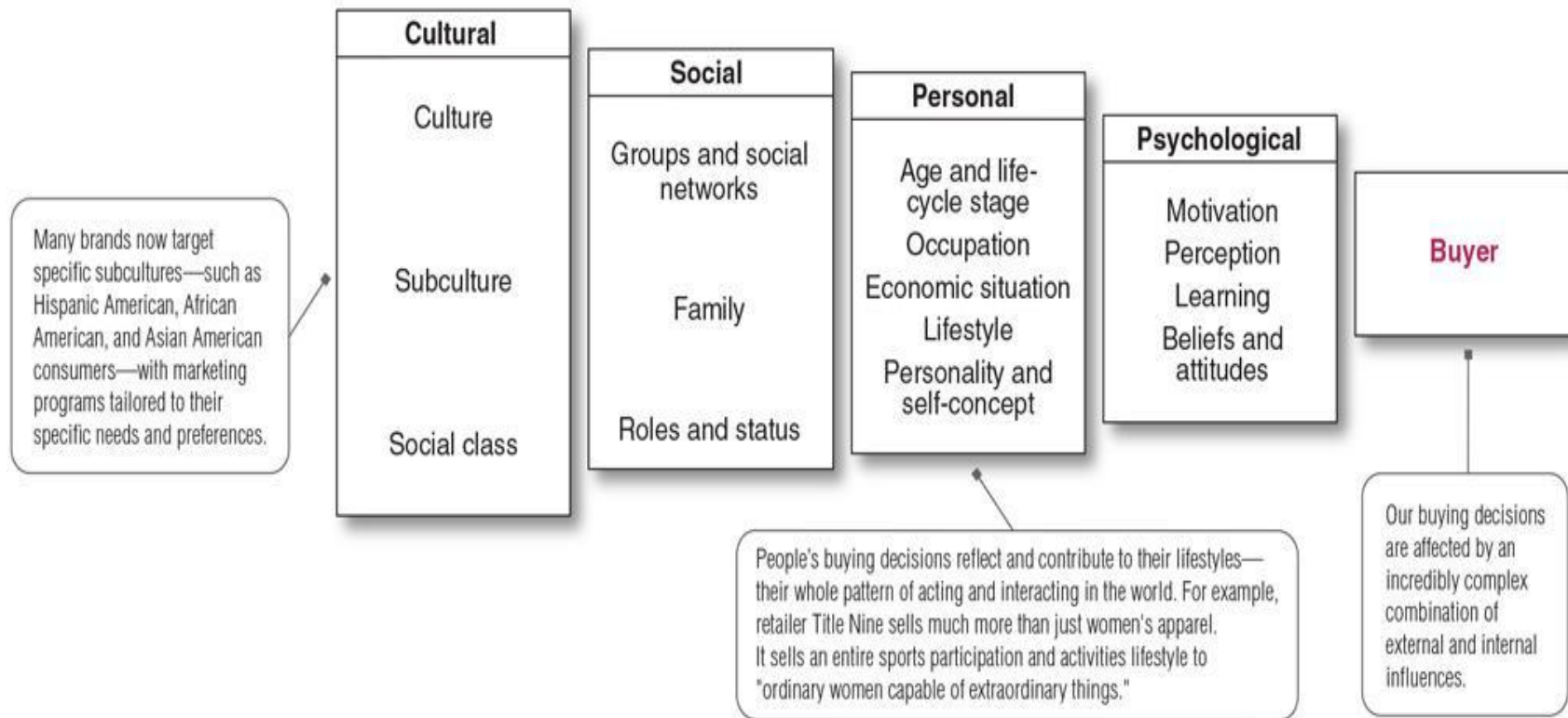
The Model of Buyer Behavior



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Characteristics Affecting Consumer Behavior

Factors Influencing Consumer Behavior



Characteristics Affecting Consumer Behavior

Cultural Factors

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

Subcultures are groups of people within a culture with shared value systems based on common life experiences and situations.

Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviours. Measured as a combination of occupation, income, education, wealth, and other variables

Characteristics Affecting Consumer Behavior

Groups and Social Networks

- Reference groups
- Opinion leaders
- Word-of-mouth influence
- Influencer marketing
- Online social networks

Influencer marketing: CoverGirl's "I Am What I Make Up" campaign uses a diverse team of influential brand ambassadors who explain authentically in their own words what the slogan means to them.



Craig Barritt/Getty Images for Fast Company

Characteristics Affecting Consumer Behavior

Social Factors

- **Family** is the most important consumer-buying organization in society.
- **Role and status** can be defined by a person's position in a group.



Characteristics Affecting Consumer Behavior

Personal Factors

Occupation affects the goods and services bought by consumers.

Age and Life Stage affect tastes in food, clothes, furniture, and recreation.

Economic situations include trends in spending, personal income, savings, interest rates.



B Christopher/Alamy Stock Photo

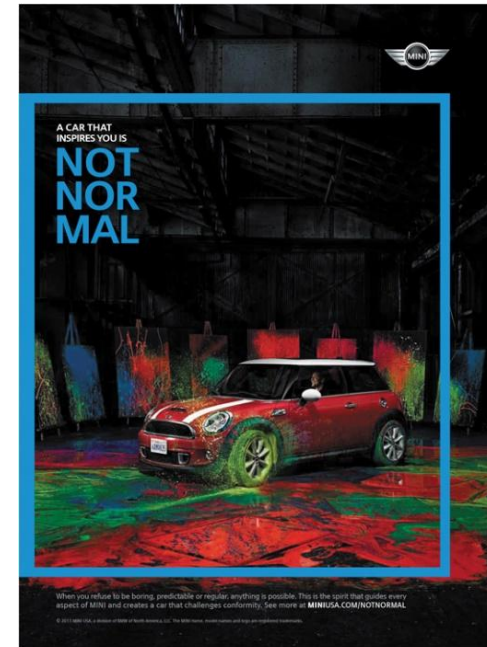
Appealing to occupation segments: CAT makes rugged, durable phones for the construction and heavy industries.

Characteristics Affecting Consumer Behavior

Personal Factors

Lifestyle is a person's pattern of living as expressed in his or her psychographics.

Personality refers to the unique psychological characteristics that distinguish a person or group.



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Brand personality: MINI markets to personality segments of people who are “adventurous, individualistic, open-minded, creative, tech-savvy, and young at heart”— anything but normal—just like the car.

Characteristics Affecting Consumer Behavior

Psychological Factors

- Motivation
- Perception
- Learning
- Beliefs and attitudes

Characteristics Affecting Consumer Behavior

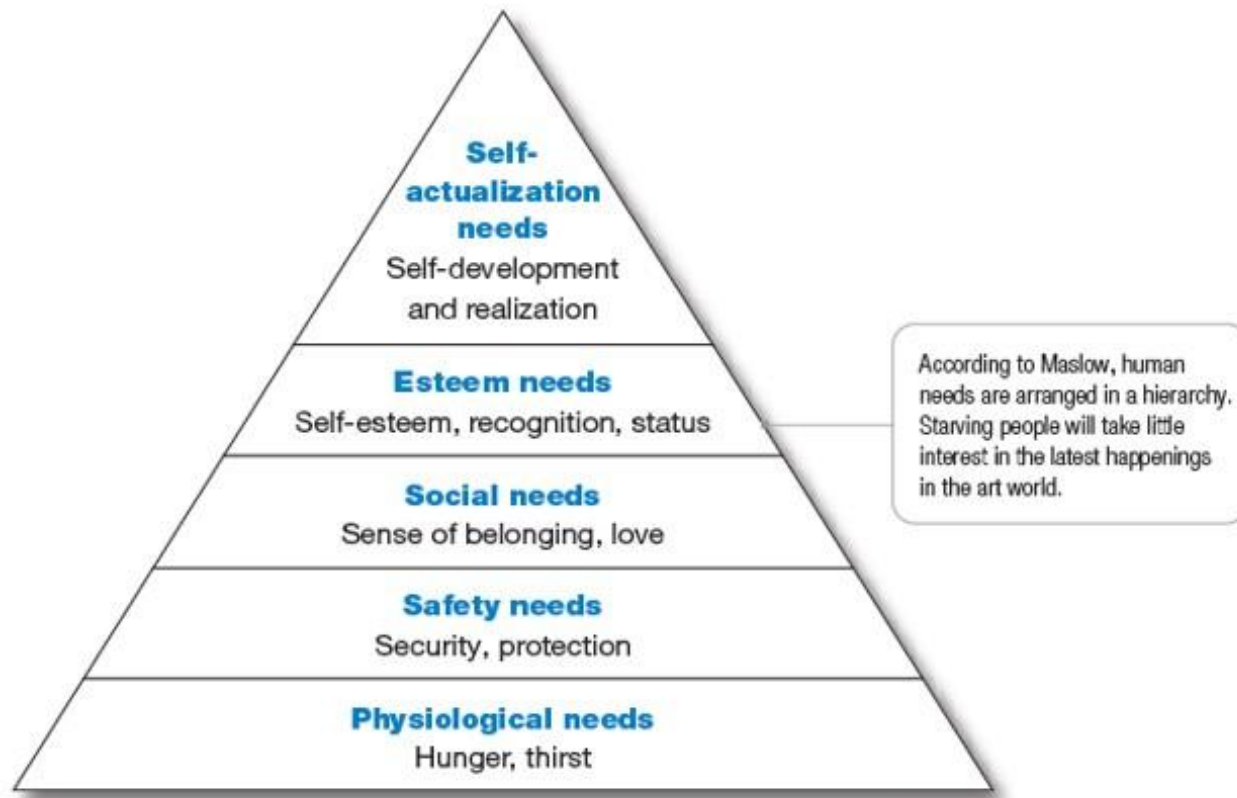
Psychological Factors

A **motive** (or **drive**) is a need that is sufficiently pressing to direct the person to seek satisfaction of the need.

Motivation research refers to qualitative research designed to probe consumers' hidden, subconscious motivations.

Characteristics Affecting Consumer Behavior

Maslow's Hierarchy of Needs



Characteristics Affecting Consumer Behavior

Psychological Factors

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

Perceptual Processes

Selective attention is the tendency for people to screen out most of the information to which they are exposed.

Selective distortion is the tendency for people to interpret information in a way that will support what they already believe.

Selective retention is the tendency to remember good points made about a brand they favor and forget good points made about competing brands.

Characteristics Affecting Consumer Behavior

Psychological Factors

Learning is the change in an individual's behavior arising from experience and occurs through the interplay of:

- Drives, Stimuli, Cues, Responses, Reinforcement

A **belief** is a descriptive thought that a person has about something based on:

- knowledge
- opinion
- Faith

An **attitude** describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.

The Buying Decision Process

The marketer should understand the buying behavior and

- Identify who makes the buying decision
- Types of buying decisions and
- The steps in the buying process

Buying Roles – *Five roles people might play in a buying decision*

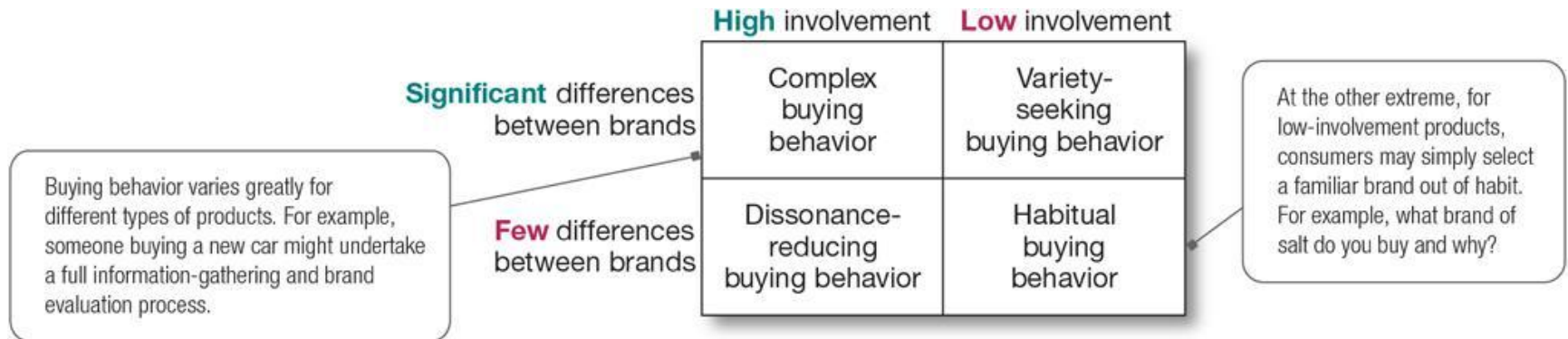
- ▶ **Initiator** – A person who first suggests the idea of buying the particular product or service.
- ▶ **Influencer** – A person whose view or advice influences the decision.
- ▶ **Decider** – A person who decides on any component of a buying decision: whether to buy, what to buy, how to buy, or where to buy.
- ▶ **Buyer** – The person who makes the actual purchase.
- ▶ **User** – A person who consumes or uses the product or service

Types of Buying Decision Behavior

- Complex buying behavior
- Dissonance-reducing buying behavior
- Habitual buying behavior
- Variety-seeking buying behavior

Types of Buying Decision Behavior

Four Types of Buying Behavior

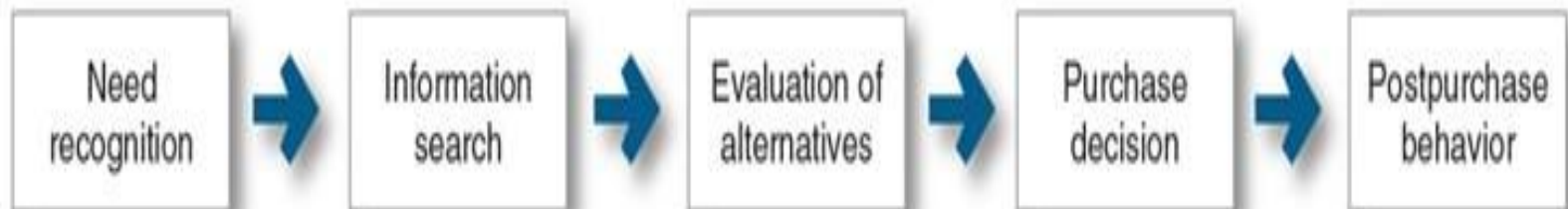


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Source: Adapted from Henry Assael, *Consumer Behavior and Marketing Action* (Boston: Kent Publishing Company, 1987), p. 87. Used with permission of the author.

The Buyer Decision Process

The buying process starts long before the actual purchase and continues long after. In fact, it might result in a decision not to buy. Therefore, marketers must focus on the entire buying process, not just the purchase decision.



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The Buyer Decision Process

1. Need Recognition

Need recognition is the first stage of the buyer decision process, in which the consumer recognizes a problem or need triggered by:

- Internal stimuli
- External stimuli

2. Information Search

Information search is the stage of the buyer decision process in which the consumer is motivated to search for more information.

Sources of information:

- Personal sources
- Commercial sources
- Public sources
- Experiential sources

The Buyer Decision Process

3. Evaluation of Alternatives

Alternative evaluation is the stage of the buyer decision process in which the consumer uses information to evaluate alternative brands in the choice set

4. Purchase Decision

Purchase decision is the buyer's decision about which brand to purchase.

5. Post purchase Behaviour

Post purchase behaviour is the stage of the buyer decision process in which consumers take further action after purchase, based on their satisfaction or dissatisfaction.

The Customer Journey

Customer journey: the sum of the ongoing experiences consumers have with a brand that affect their buying behavior, engagement, and brand advocacy over time.

By understanding the customer journey, marketers can work to create brand experiences that will result in positive purchase behavior, engagement, and brand advocacy over time.

The Buyer Decision Process for New Products

The **adoption process** is the mental process an individual goes through from first learning about an innovation to final regular use.

- Stages in the adoption process include:
 - Awareness
 - Interest
 - Evaluation
 - Trial
 - Adoption



The adoption process: To help get tentative consumers over the buying decision hump, Beyond Meat invited consumers to “try some free—zip, zero, zilch” at their local grocery store.

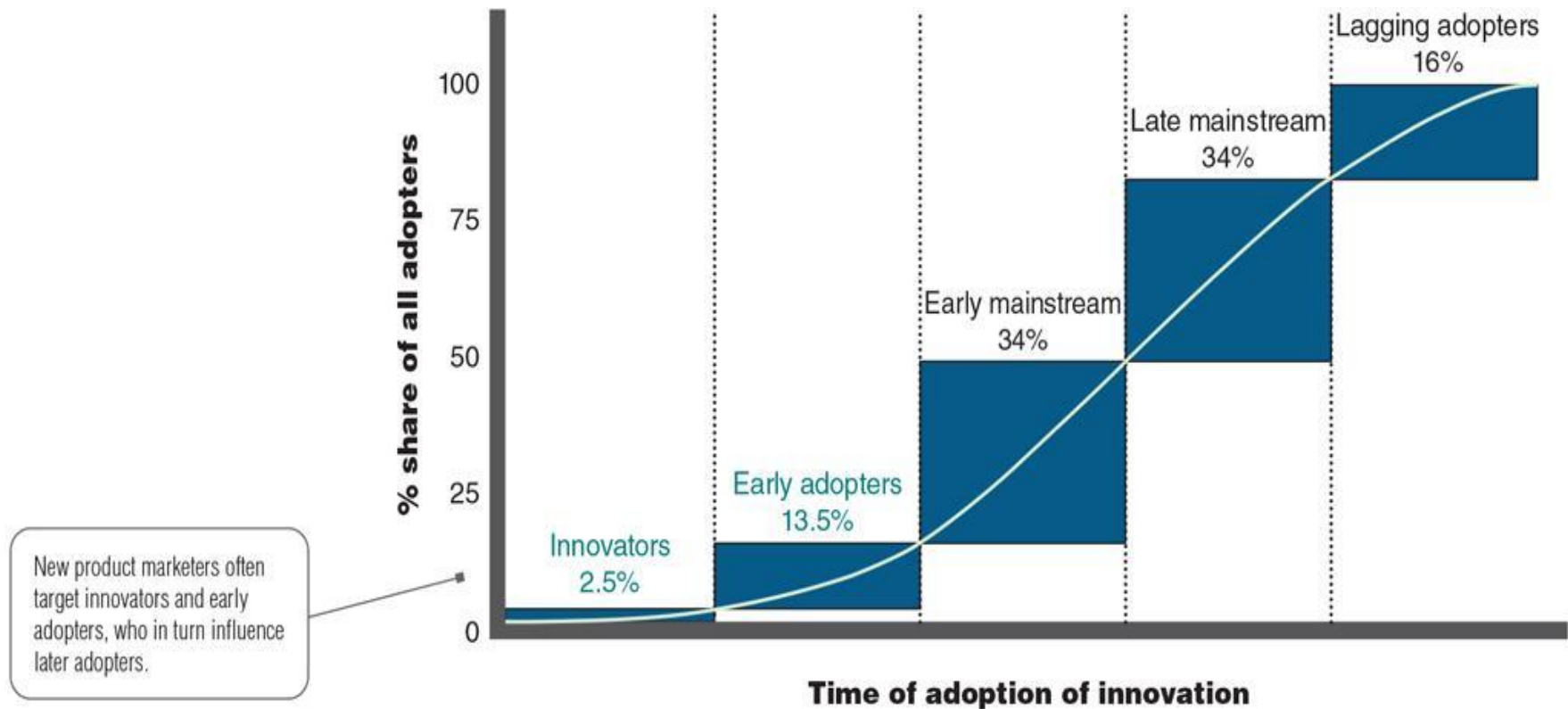
The Buyer Decision Process for New Products

Individual Differences in Innovativeness

- Innovators
- Early Adopters
- Early Mainstream
- Late Mainstream
- Lagging Adopters

The Buyer Decision Process for New Products

Adopter Categories Based on Relative Time of Adoption of Innovations



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Business Markets and Buyer Behavior

- **Business buyer behavior** refers to the buying behavior of the organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others.
- The **business buying process** is the process where business buyers determine which products and services are needed to purchase, and then find, evaluate, and choose among alternative brands.

The Business Buyer Decision Process

Difference between Business and Consumer Market

- I. Market Structure and Demand**
- II. Nature of the Buying Unit**
- III. Types of Decisions and the Decision Process**

Business Markets

I. Market Structure and Demand

- Fewer but larger buyers
- Derived demand
- Inelastic demand
- Fluctuating demand

Business Markets

II. Nature of the Buying Unit

Business buyers usually face more complex buying decisions than do consumer buyers. Compared with consumer purchases, a business purchase usually involves:

- More decision participants
- More professional purchasing effort
- More buyer and seller interaction

Business Markets

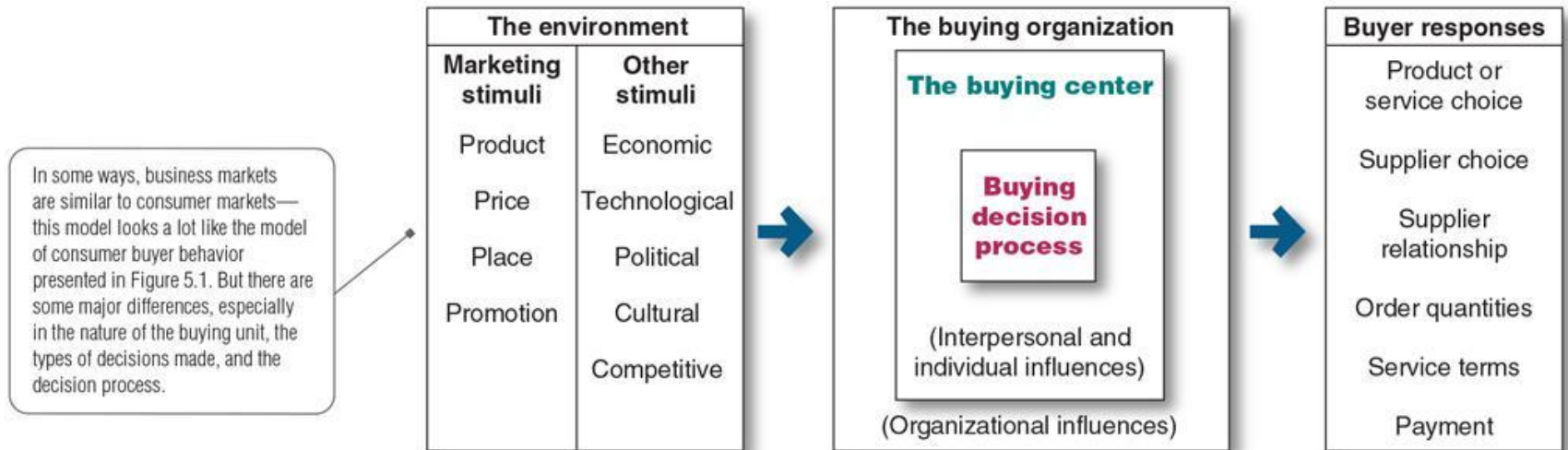
III. Types of Decisions and the Decision Process

Business buyers usually face more complex buying decisions than consumer buyers.

- **Supplier development** is the systematic development of networks of supplier-partners to ensure an appropriate and dependable supply of products and materials for use in making products or reselling them to others.

Business Buyer Behavior

A Model of Business Buyer Behavior



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Business Buyer Behavior

Major Types of Buying Situations

- **Straight rebuy** is a buying situation in which the buyer routinely reorders something without any modifications.
- **Modified rebuy** is a buying situation in which the buyer wants to modify product specifications, prices, terms, or suppliers.
- **New task** is a buying situation in which the buyer purchases a product or service for the first time.

Business Buyer Behavior

Participants in the Business Buying Process

Buying center consists of all the individuals and units that play a role in the business purchase decision-making process.

- Users
- Influencers
- Buyers
- Deciders
- Gatekeepers

Business Buyer Behavior

Participants in the Business Buying Process

Users are those that will use the product or service.

Influencers help define specifications and provide information for evaluating alternatives.

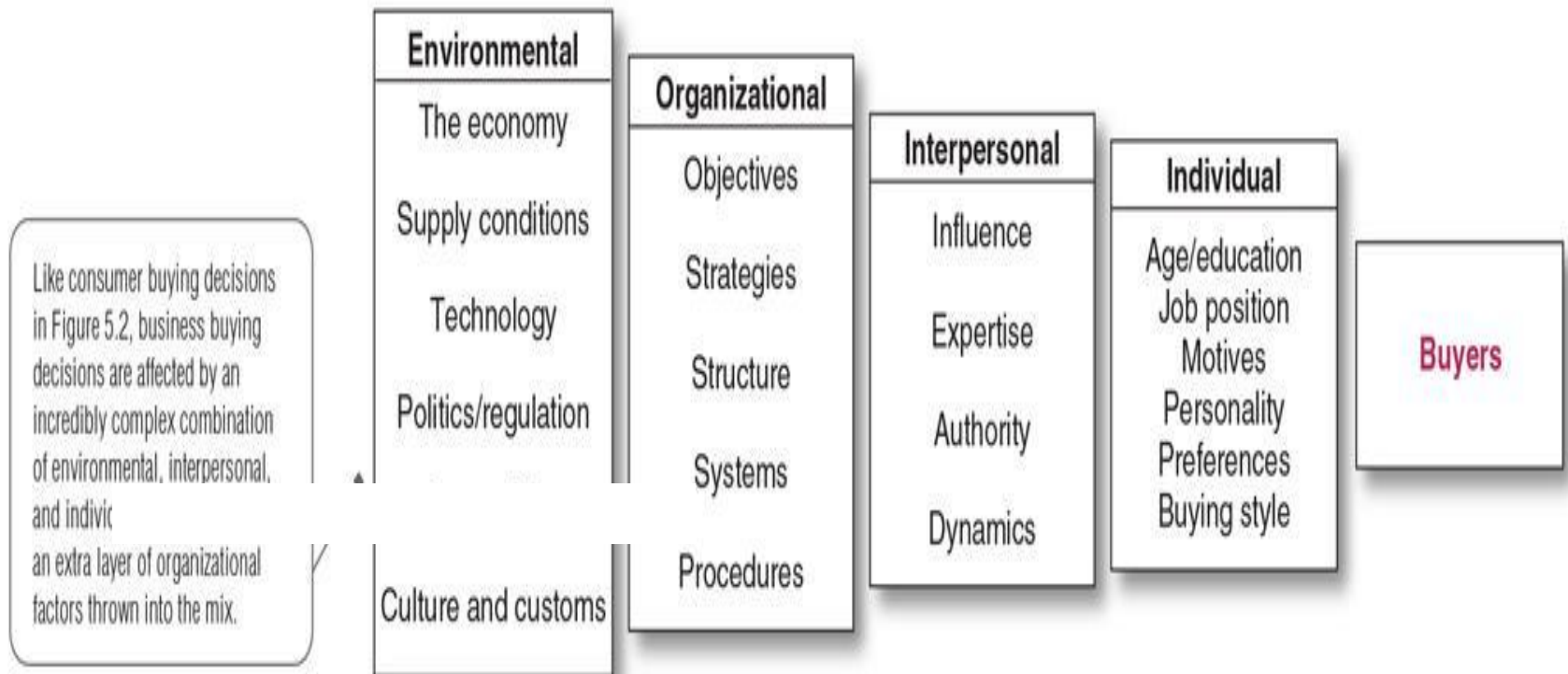
Buyers have formal authority to select the supplier and arrange terms of purchase.

Deciders have formal or informal power to select and approve final suppliers.

Gatekeepers control the flow of information.

Business Buyer Behavior

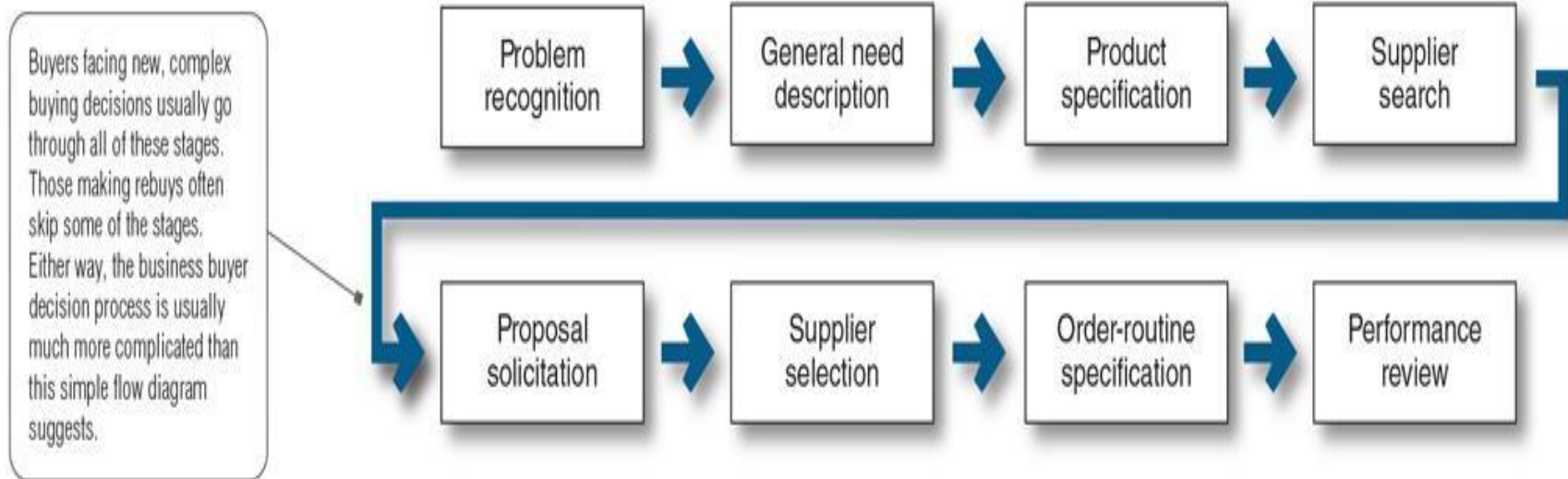
Major Influences on Business Buyer Behavior



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The Business Buying Process

Stages of the Business Buyer Decision Process



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The Business Buying Process

Problem recognition occurs when someone in the company recognizes a problem or need.

- Internal stimuli - Need for new product or production equipment
- External stimuli - Idea from a trade show or advertising
- **General need description** describes the characteristics and quantity of the needed item.
- **Product specification** describes the technical criteria.
- **Value analysis** is an approach to cost reduction where components are studied to determine if they can be redesigned, standardized, or made with less costly methods of production.

The Business Buying Process

- **Supplier search** involves compiling a list of qualified suppliers to find the best vendors.
- **Proposal solicitation** is the process of requesting proposals from qualified suppliers.
- **Supplier selection** is when the buying center creates a list of desired supplier attributes and negotiates with preferred suppliers for favorable terms and conditions.
- **Order-routine specifications** includes the final order with the chosen supplier and lists all of the specifications and terms of the purchase.
- **Performance review** involves a critique of supplier performance to the order-routine specifications.

E-Procurement and Online Purchasing

- Online purchasing
- Company-buying sites
- Extranets

Online procurement is standard procedure for most companies today, letting business marketers connect with customers online to sell products and services, provide customer support services, and maintain ongoing customer relationships.



icetray/123RF

E-Procurement and Online Purchasing

Advantages

- Access to new suppliers
- Lowers costs
- Speeds order processing and delivery
- Enhances information sharing
- Improves sales
- Facilitates service and support

Disadvantages

- Erodes relationships as buyers search for new suppliers

Business-to-Business Digital and Social Media Marketing

B-to-B digital and social media marketing is using digital and social media marketing approaches to engage business customers and manage customer relationships anywhere, any time.

Container shipping giant Maersk Line engages business customers through a boatload of digital and social media. “The goal is . . . to get closer to our customers.”



“Social media is about communication, not marketing. It’s about engaging, not pushing. And social media is definitely not just about the media side.”

A.P. Møller-Mærsk A/S

Institutional and Government Markets

- **Institutional markets** consist of schools, hospitals, nursing homes, and prisons that provide goods and services to people in their care.
- **Government markets** tend to favour domestic suppliers, require them to submit bids, and normally award the contract to the lowest bidder.

Segmentation, Targeting and Positioning (STP)

Market Segmentation

- **Market segmentation** requires dividing a market into smaller segments with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes.

Market Segmentation

- Segmenting consumer markets
- Segmenting business markets
- Segmenting international markets
- Requirements for effective segmentation

Market Segmentation

Segmenting Consumer Markets

- Geographic segmentation
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation

Market Segmentation

Segmenting Consumer Markets

Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, cities, or even neighborhoods.

Demographic segmentation divides the market into segments based on variables such as age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, and generation.

Market Segmentation

Segmenting Consumer Markets

Age and life-cycle stage segmentation divides a market into different age and life-cycle groups.

Gender segmentation divides a market into different segments based on gender.

Income segmentation divides a market into different income segments

.

Market Segmentation

Segmenting Consumer Markets

Psychographic segmentation divides a market into different segments based on social class, lifestyle, or personality characteristics.

Lifestyle segmentation: Panera caters to a healthy eating lifestyle segment of people who want more than just good-tasting food—they want food that's good for them, too.

Behavioral segmentation divides a market into segments based on consumer knowledge, attitudes, uses of a product, or responses to a product.

Market Segmentation

Behavioral Segmentation

- Occasions
- Benefits sought
- User status
- Usage rate
- Loyalty status

Benefit segmentation: Schwinn makes bikes for every benefit segment. For example, its e-bikes “help make the morning commute or ride around town a little bit easier.”



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Market Segmentation

Segmenting Business Markets

Consumer and business marketers use many of the same variables to segment their markets.

- Additional variables include:
 - Customer operating characteristics
 - Purchasing approaches
 - Situational factors
 - Personal characteristics

Major Segmentation Variables for Business Markets (1 of 2)

Table 9.5 Major Segmentation Variables for Business Markets

Demographic

1. **Industry:** Which industries should we serve?
2. **Company size:** What size companies should we serve?
3. **Location:** What geographical areas should we serve?

Operating Variables

4. **Technology:** What customer technologies should we focus on?
5. **User or nonuser status:** Should we serve heavy users, medium users, light users, or nonusers?
6. **Customer capabilities:** Should we serve customers needing many or few services?

Purchasing Approaches

7. **Purchasing-function organization:** Should we serve companies with a highly centralized or decentralized purchasing organization?
8. **Power structure:** Should we serve companies that are engineering dominated, financially dominated, and so on?
9. **Nature of existing relationship:** Should we serve companies with which we have strong relationships or simply go after the most desirable companies?
10. **General purchasing policies:** Should we serve companies that prefer leasing? Service contract? Systems purchases? Sealed bidding?
11. **Purchasing criteria:** Should we serve companies that are seeking quality? Service? Price?

Market Segmentation

- **Segmenting International Markets**
- Geographic location
- Economic factors
- Political and legal factors
- Cultural factors

Market Segmentation

Requirements/Criteria's for Effective Segmentation

- **Measurable** – The size, purchasing power and profile of the segments can be measured.
- **Accessible** – The segments can be effectively reached and served.
- **Substantial** – The segments are large and profitable enough to serve.
- **Differential** – The segments are conceptually distinguishable and respond differently to different marketing – mix elements and programs.
- **Actionable** – Effective programs can be formulated for attracting and serving the segments.

Market Targeting

Evaluating Market Segments

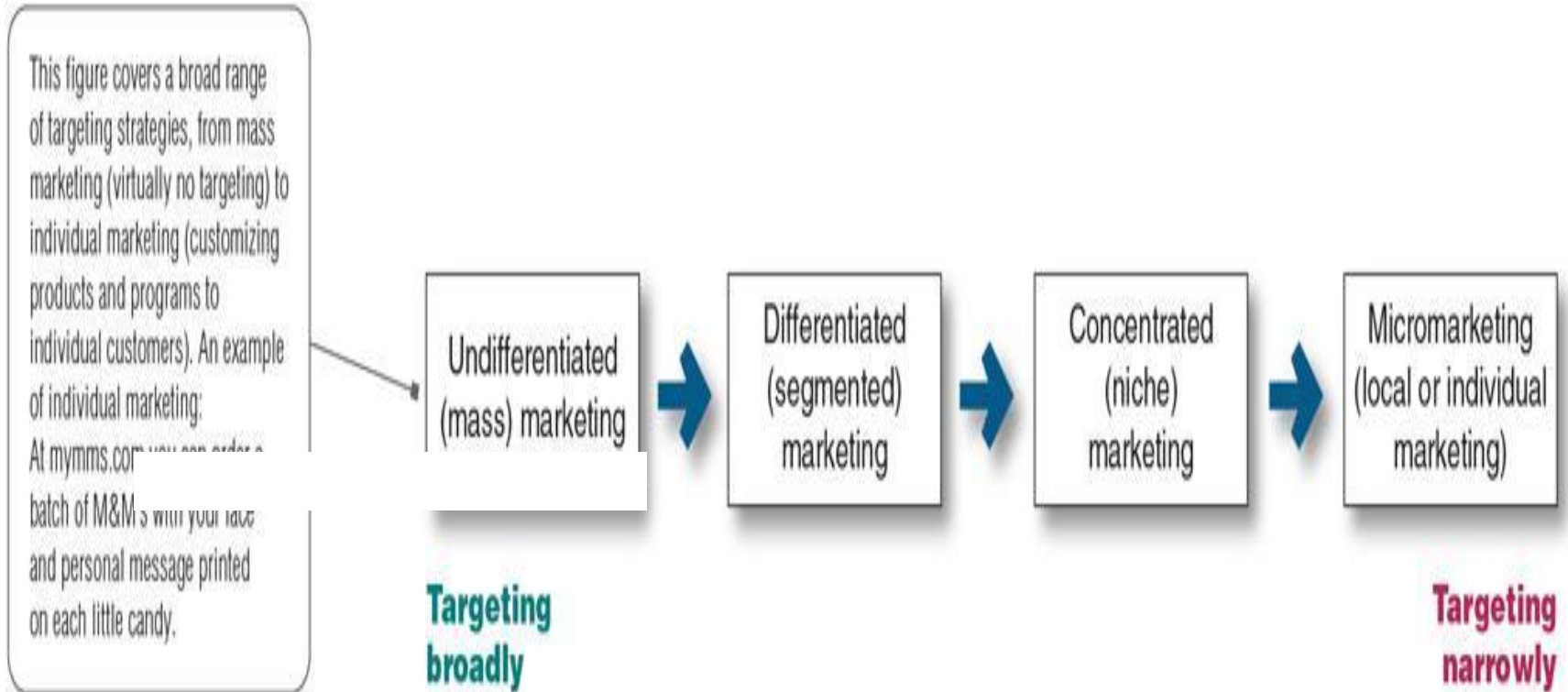
- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

Selecting Target Market Segments

A **target market** is a set of buyers who share common needs or characteristics that the company decides to serve.

Market Targeting

Market-Targeting Strategies



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Market Targeting

Selecting Target Market Segments

- **Undifferentiated marketing** targets the whole market with one offer.
 - Mass marketing
 - Focuses on common needs rather than what's different

- **Differentiated marketing** targets several different market segments and designs separate offers for each.
 - Goal is to achieve higher sales and stronger position
 - More expensive than undifferentiated marketing

Market Targeting

- **Concentrated marketing** targets a large share of a smaller market.
 - Limited company resources
 - Knowledge of the market
 - More effective and efficient

- **Micromarketing** is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.
 - Local marketing
 - Individual marketing

Market Targeting

Selecting Target Markets

Individual marketing involves tailoring products and marketing programs to the needs and preferences of individual customers.

Also known as:

- One-to-one marketing
- Mass customization

Individual marketing: The Rolls-Royce Bespoke design team works closely with individual customers to help them create their own unique Rolls-Royces.



WENN Ltd/Alamy Stock Photo

Market Targeting

Selecting Target Market Segments

Choosing a targeting strategy depends on

- Company resources
- Product variability
- Product life-cycle stage
- Market variability
- Competitor's marketing strategies

Differentiation and Positioning

Product position is the way the product is defined by consumers on important attributes.

Positioning: Sonos does more than just sell speakers; it unleashes “All the music on earth, in every room of your house, wirelessly.”



The Advertising Archives/Alamy Stock Photo

Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

- Identifying a set of possible competitive advantages to build a position
- Choosing the right competitive advantages
- Selecting an overall positioning strategy
- Communicating and delivering the chosen position to the market

Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

Identifying a set of possible competitive advantages to differentiate along the lines of:

- Product
- Services
- Channels
- People
- Image

Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

A competitive advantage should be:

Important – The difference delivers a highly valued benefit to a sufficient number of buyers.

Distinctive – The difference either isn't offered by others or is offered in a more distinctive way by the company.

Superior – The difference is superior to others to obtain the same benefit.

Communicable – The difference is communicable and visible to buyers.

Preemptive – The difference cannot be easily copied by competitors.

Affordable – The buyer can afford to pay for the difference.

Profitable – The Company will find it profitable to introduce the difference.

Positioning Errors

- Any company should avoid the following four major positioning errors:
- **Under positioning** – Some companies discover that buyers have only a vague idea of the brand. Buyers really don't sense anything special about it.
- **Over positioning** – Buyers may have too narrow an image about the brand. (Mind set for higher price, but actually, lower is available too).
- **Confused Positioning** – Buyers might have a confused image of the brand resulting from making too many claims or changing the brand's position too frequently.
- **Doubtful Positioning** – Buyers may find it hard to believe that the brand claims in view of the product's features, price or manufacturer.

Role of Globalization on consumption

Influence of AR, AI, VR on consumer decisions and recent trends.

Thank You !!!