

BUS 213: PRINCIPLES OF MARKETING I

Study Session 4

TOPIC: CONSUMER BEHAVIOUR

1. Introduction

In this study session 4, you will learn consumer behaviour as a distinct field of marketing which can be traced to the late 1950s and early 1960s when doing business with consumers began to center on a philosophy known today as the marketing concept. The acceptance of the marketing concept and its consumer orientation brought the need to investigate more fully human behaviour especially consumer behaviour. However, business people have always had a desire to know and understand consumers and their needs and wants. With the emergence of market segmentation as a sound marketing concept in the 1960s, the study of consumer behavior became very significant to marketers.

1.1 Learning Outcomes for Study Session 4

After studying this session, you should be able to:

- (i) Understand who is a Consumer within the marketing process
- (ii) Define Consumer Behaviour
- (iii) Identify and explain the various types of consumer buying decision process
- (iv) Explain the buying roles
- (v) Identify the factors influencing consumers purchasing procedure

2. What Is Consumer Behaviour?

Consumer behaviour refers to what goods and services people buy, how they buy them, why they buy them, when they buy them, where and how often they buy them in addition. It also can be defined as those decision making acts of both individuals and groups of people directly involved in obtaining and using economic goods and services.

Consumer behaviour studies how individual groups and organization select, buy, use and dispose of goods and services, ideas or experiences to satisfy their needs and desires as well as understanding consumer behaviour and knowing customers. Customers may say one thing but do another. They may respond to influences that change their mind at the last minute. Berkowitz and Hartley (2000) sees consumer behaviour as the actions a person takes in purchasing and using products and services including the mental and social processes that precede and follow those actions.

3. Factors Influencing Consumer Purchasing Procedures

Consumer purchases are influenced strongly by some factors which can be group into internal and external factors.

3.1 Internal factors these are the factors that influence the consumer purchases inside it marketing and purchasing decisions such as cultural, personal and psychological factors.

Cultural Factors these factors exert the broadest and deepest influence on consumer behaviour. The marketer needs to understand the role played by the buyer's culture, subculture and social class.

Culture is the most basic cause of a person's wants and behaviour. Growing up in a society, a child learns basic values, perceptions, wants and behaviors from the family and other important institutions.

Subculture each culture contains smaller subcultures or groups of people with shared value systems based on common life experiences and solutions. These include nationalities, religions, racial groups and geographical regions. Many subcultures make up important market segments and marketers often design products and marketing programs tailored to their needs.

Social Class almost every society has some forms of social class structure. Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behaviors. Cultures influences consumer in making purchases decision. Cultural

values serve as guidelines towards the acceptable choice. And this differs from society to society.

3.1.2 Personal Factors a buyer's decision are also influenced by personal characteristics such as the buyer's age and life-cycle state, occupation, economic situation, lifestyle and personality and self-concept.

Age and Life-Cycle Stage people change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture and recreation are often age related. Buying is also shaped by the family lifecycle.

Occupation a person's occupation affects the goods and services bought. Marketers try to identify the occupational groups that have average interest in their products and services.

Economic Circumstances a person's economic situation will affect product choice. Marketers of income sensitive goods closely watch trends in personal income, savings and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition and re-price their products.

Lifestyle is a person's pattern of living as expressed in his or her activities, interest and opinion. Lifestyle profiles a person's whole pattern of acting and interacting in the world. The technique of measuring lifestyles is known as psychographics.

Personality and Self-Concept personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment. It is usually described in terms of trait such as self-confidence, dominance, sociability, autonomy, defensiveness, adaptability and aggressiveness. It can be useful in analyzing consumer behaviour for certain product or brand choices.

3.1.3 Psychological Factors a person's buying choices are further influenced by four important psychological factors; motivation, perception, learning and beliefs and attitudes.

Motivation motive is a need that is sufficiently pressing to direct the person to seek satisfaction. A need become motive when it is aroused to sufficient level of intensity.

Perception a motivated person is ready to act. While perception is the process by which people select, organize and interpret information to form a meaningful picture of the world. People can form different perception of the same stimulus, perpetual processes selective distorting describe the tendency of people to adapt information to personal meanings.

Selective Retention: People forget much of what they learn. They tend to retain information that supports their attitudes and beliefs.

Learning: this describes changes in an individual's behaviour arising from experience. Learning occurs through the interplay of drives, stimuli, responses and reinforcement.

Beliefs and Attitudes beliefs are a descriptive thought that a person has about something while attitude describes a person's relatively consistent evaluations, feelings and tendencies towards an object or ideas.

3.2 External Factors

Under the external factor, economic and social factors influence consumer purchasing procedure: *Economic Factor* this involves the external factors influencing consumer behaviour which include price and income.

Price is the amount of money set by the producer and which consumer is ready and willing to pay for a certain product or services offered to him for sale. The price of the product can be decreased and increased depending on the type of the product. The consumer can be influenced due to the price of the goods or services.

Income The income of the household is one of the economic factors which also influence consumer purchasing behaviour. The increase in an individual income leads to increase in

demand of goods and services while also decrease in income affect consumer-purchasing decision in the other way round.

Social Factor Consumer behaviour is also influenced by social factors, such as the consumer's small groups, family, and social roles/status. Because these social factors can strongly affect consumer responses, companies must take them into account when designing their market strategies.

Groups influence a person's behaviour. Groups that have a direct influence and to which a person belongs are called membership groups. Some are primary groups with whom there is regular but informal interaction such as family, friends, neighbors and fellow workers, some are secondary groups, which are more formal and have less regular interaction. These include organizations like religious groups, professional associations and trade unions.

Reference groups are groups that serve as direct or indirect point of comparison or reference in forming a person's attitudes or behaviour. Reference groups influence a person in at least three ways.

- (i) They expose the person to new behaviors and lifestyles.
- (ii) They influence the person's attitudes and self concept because he or she wants to fit in.
- (iii) They also create and preserve to conform to what may affect the person's product and brand choices.

Family members can strongly influence buyer's behaviour. We can distinguish between two families in the buyer's life. The buyer's parents make up the family of orientation. The parent provides a person with orientation towards religion, politics and economics, and a sense of personal ambition, self-worth and love.

Roles and States a person belongs to many groups' family clubs, organizations. The person's position in each group can be defined in terms of both role and status. A role consists of the activities that people are expected to perform according to the persons around. Each roles carries

status reflecting the general esteem given to it by society. People often choose product that show their status in the society.

4. Consumer Buying Decision Process

These are the stages in which buyer passes through in making choices about which product and services to buy. The main purpose of presenting the stages is to illustrate in the very general manner the inter-relationships of the many influences that typically characterized decision making. It is simply intended to be a schematic representation of the major phases of the process. To show the sequential phases or stages of the buying decision making process, there are five (5) stages that comprise the decision making process:

(i) Problem Recognition This occurs when consumer recognize a difference of sufficient magnitude between what they perceive as the desired state of affairs and what they perceives as the actual state of affairs. A consumer with this problem must now engage in some form of problem solving to bring the situation back to a satisfactory state of affairs. Problem recognition, then is based on an individual's or group's need and the belief by the individual or group that the problem can be solved by the purchase of goods or services. It is also possible that decision making may end with the recognition of a problem. When this happens, the magnitude of what is perceived as the actual state of affairs is small in terms of the individual's need. Problem recognition comes primarily, from within a consumer as from the consumer's interaction with the environment and other consumers. Although there are many situations that create problem recognition, most consumers needs arise from the following sources.

(a) *Assortment Depletion*: means that some of consumer's typical stores of products have been consumed or used up.

(b) *New Information*: about new products on the market can sometimes cause consumers to become discontented with the products they own.

(c) *Expanded or Changing Need*: This is another frequent source of problem recognition. For example, moving one's family to another part of the country can create many needs such as

purchasing or renting a new home, detecting where to shop, and to stay in contact with old friends.

(d) *Changing Financial Status*: caused by salary increase government reduction of taxes, interest income on high-interest securities and a generally rising standard of living makes it possible to purchase goods otherwise not possible.

(e) *New Technology*: is at the heart of the personal computer. Recognition of this product and its uses could result from many factors and situation. For technically trained consumers, the personal computer merely reflects an extension of the business computer product line-for others, it might represent a new area of interest.

(ii) **Information Search** If the difference between “what is” and what should be” is great enough, problem recognition will occur and problem solving by the consumer moves to stage two – information search. Search activity is undertaken by consumers in order to gather information useful in evaluating a course of action to solve a problem. In search, consumer generally seeks information on:

The existence of a product or services, its price, terms of sale and quality. Usually consumers engage in both internal search and external search.

Internal Search involves retrieving previously acquired information from memory. Internal information is important since it affects the decision to make or not to make an extensive external search. Consumers, it appears, use internal information to determine the cost and value of external search.

External Search is the acquiring of information from sources other than memory, such as friends, advertisements, packages, in-store displays magazines and technical reports. There are many factors that affect the extent of the external search. Among the more important are:-

Experience: Is the amount of knowledge consumers have about product lines and specific brands as the result of previous search and learning. When previously learned information can be transferred to present search, the extent of the search period can be shortened. For purchases where no transfer of information from memory is available, the external search period is bound to be longer. In general, then, the less information the consumer possess, the longer will be the external search period.

Source of Information: The consumer has many sources of product information. Some of these sources are outside the control of marketer, such as friends, independent consumer's reports, new articles, and government reports. These sources frequently give unbiased reports about product and services. Marketing-controlled sources that are helpful to consumers during information search and processing include advertising, retail stores, costing of distributors/retails stores and package information.

Satisfaction from the Search Endless refund offers, rebates, and other special promotional deals, and decisions about a number of brands are determined in advance of the shopping trip

Perceived Consequences and Risk of Search Consequences are the expected outcomes for the consumer and involve the possibilities of either satisfaction or dissatisfaction from the purchase. If consumers believe they must make a thorough search to avoid choosing the wrong product and ending up dissatisfied with the product, the thorough search can be justified in their own minds.

(iii) Information Evaluation The buying decision making steps or stages to this point have been mostly concerned with information input and have not been concerned with the processing of information. The evaluation of information performed in stages 3 refers to the consumer's processes for relating incoming information to his or her existing structure of beliefs and values. The consumer's responses and reactions to the gathered information determine whether this information will be integrated, distorted, or simply ignored. Regardless of the fidelity of the evaluation, it forms the basis for the purchases decision.

The factors influencing the amount of evaluation that is performed almost parallel those that determine the amount of search actually. The more experience, the less evaluation will take place. The more significant the product is to the buyer and the larger the risk, the greater the amount of evaluation. The complexity of the alternatives will also affect the extent of evaluation. The more complex the alternatives, the more evaluation will take place. If the need to solve the problem is urgent, it follows that less evaluation will be made.

In general, the same marketing sources of information that help consumer in the search process will also be of some help in the evaluating stages. About the only significant difference is that consumer may shift slightly from general sources, such as advertising and point-of-purchase display material, to specific sources such as technical reports, opinions from knowledgeable sales persons, product trial periods, term of sales, warranties, and the services reputation of the retail store. Decision criteria are the standards used by consumers to evaluate and compare such factors as alternative brands, the selection of retail store where the purchase will be made, prices, quality, and other consumption variables. For most consumers the evaluative criteria are consistently applied to many brands within a product class.

(iv) Purchase Decision and Actual Purchase

In the purchase decision stage, consumers combine and integrate the information they have gathered and evaluated so that a choice can be made. Questions such as how collected information is combined, what rules the consumer uses to compare alternatives, and what factors influence the consumer's specific decision rules are of interest to marketers.

Consumers make different kinds of choices, so that the types of alternatives being considered can vary with the types of information, brands within a product class and different product classes.

(v) Post Purchase Evaluation

After the purchase is made, the consumer tends to evaluate it. During this evaluation, questions may arise as to the wisdom of the purchase which can generate doubt and uncertainty. The following list of important sources of doubt and uncertainty is given by marketing:

a. The product does not measure up: consumers often expect too much from products. This is sometimes especially true of products that are purchased for their imagery or symbolic significance. Some products actually fail to fulfill even their functional or utilitarian claims. Such results are likely to precipitate post purchase consideration and large amounts of dissonance.

b. There are many other desirable alternatives: - when a choice is made for one desirable commodity, it usually means that other desirable alternatives have had to be forgone. This often leads to seconds guessing.

c. The consumer's attitude may change: - purchasing and owning a given commodity constitutes a learning experience that may create a change in attitude because we now know something that we did not know before, or our degree of like or dislike for a given commodity may have change, or finally, what was earlier a strong behavioral action tendency may now be weakened.

In summary a large body of knowledge about consumer buying decision-making and the decision process has been presented. Special emphasis has been place on the five (5) stages in consumer buying decision-making.

5. Types of Buying Decision Behaviour

Consumer's decision varies with the types of buying decision, complex and expensive purchases are likely to involve more buyer deliberation and more participant.

Kotler distinguished four (4) types of consumer buying decisions behaviour according to or based on degree of buyer involvement and the degree of difference among branches.

- i. *Complex Buyer Behavior* Consumers undertake complex behaviour when are highly involved in a purchase and perceive significant differences among brands, or when the product is expensive, risky, purchased infrequently and highly self-expressive. Typically, the consumer has much to learn about the product category.

A buyer will pass through a learning process. First developing beliefs about the product, then developing attitude, and then making a thoughtful purchase choice. Marketers of high-involvement products must understand the information gathering and evaluation behaviour of high-involvement consumers. They need to help buyers learn about product class attributes. Marketers need to differentiate their brand features, perhaps by describing the brand's benefit using print media with long copy. They must motivate store sales people and the buyer's acquaintances to influence the final brand choice.

ii. Dissonance-reducing Buying Behavior Dissonance-reducing buying behaviour occurs when consumers are highly involved with an expensive, infrequent or risky purchase, but see little difference among brands. For example, consumers buying carpeting may face a high involvement decision because carpeting is expensive and self – expressive. Yet buyers may consider most carpet brands in a given price range to be the same. In this case, because perceived brand differences are not large, buyers may shop around to learn what is available, but relatively quickly. They may respond primarily to a good price or to purchase convenience. After the purchase, consumers might experience post-purchase dissonance (after-sales discomfort) when they notice certain disadvantages of the purchase carpet brand or hear favourable things about brands not purchased. To counter such dissonance, the marketer's after sale communications should provide evidence and support to help consumers feel good both before and after their brand choices.

iii. Habitual Buying Behavior this occurs under conditions of low consumer involvement and little significant brand difference for example, take salt, consumer have little involvement in this product category – they simply go to the store and reach for brand. If they keep reaching for the same brand, it is out of habit rather than strong brand loyalty. Consumer appears to have low involvement with most low-cost, frequently purchased products. Consumers do not search extensively for information about the brands, evaluate brand characteristics and make weighty decision about which brands to buy. Instead, they passively receive information as they watch television or read magazines.

- iv. *Variety – seeking Buying Behavior* Consumers undertake variety – seeking buying behaviour in situations characterized by low consumer involvement, but significant perceived brand differences. In such cases, consumers often do a lot of brand switching, for example when purchasing biscuits, a consumer may hold some beliefs, choose a biscuits without much evaluation, then evaluate that brand during consumption. But the next time, the consumer might pick another brand out of boredom or simply to try something different. Brand switching occurs for the sake of variety rather than because of dissatisfaction.

6. The Buying Roles

Marketers have to go beyond the various influences on buyers and develop an understanding of how consumers actually make their buying decisions. Marketers must identify who makes the buying decision; the type of buying decision that it involved and the steps involved in the buying process. For many products, marketers can easily identify who plays a major role in the buying decision. For others it is difficult. This task is made easy if the marketers can identify the particular brand. The family for instance, has considerable influence on buying behavior. The position of each member off the family equally matters. Our mothers, fathers, brothers, sisters and in some cases grandparents, aunts, uncles, play considerable roles in forming our consumption values. The structure and size of our families have an important bearing on how we are influenced by them.

Marketers must therefore understand who the decision-maker in the family is and how influential each family member is for a given purchase decision. For instance, in the past, household purchases had been made by husbands to determined what to buy and when to buy because the supplied the finance alone. The trend has now changed. Women now contribute a great percentage of the family maintenance expenses and as such decision has to be made the two spouses. In some cases, when a major purchase such as buying a new car is to be made, the suggestion might come from the oldest child. A friend might advise the family on the kind of car to buy. The husband might choose the make. He might make the final decision with the wife

approving. The wife might even end up using the car more than the husband does. From this analysis, we can identify the several roles people might play in a buying decision. These are:

Initiator: The initiator is the person who first suggests the idea of buying the particular product or service.

Influence: An influence is a person whose view or advice carried some weight in making the final decision for example; a secretary might be able to influence her organization to buy a particular type of typewriter.

Decider: The decider is a person who ultimately determines any part of or the entire, buying decision, whether to buy, what to buy, how to buy, or where to buy.

Buyer: The buyer is the person who makes the actual purchase.

User: The user is the person who actually consumes or uses the product or service.

A Company needs to identify these roles because they have implications for designing the product, determining messages, and allocating the promotional budget. For a particular product such as video where, the children have some influence, the advertisement should be directed to reach children.

7. Summary of Study Session 4, 'Consumer Behaviour'

Now that you have completed this study Session 4, 'Consumer Behaviour', you have learnt the following key points:

- (i) the importance of the study of consumer behavior towards the overall success of marketing.

(ii) the effects of the various traits elements in humans such as cultural, personal attitudes, social class, and reference groupings e.t.c on marketing were fully discussed.

(iii) other segments of the consumer such as the buying decision process, buying roles and the factors influencing consumer purchasing procedures, as well as the different types of Buying decision behaviors.

9. Self-Assessment Questions (SAQs) for Study Session 1

Now that you have completed this study session, you can assess yourself with the following questions:

(i) What is Consumer Behavior?

(ii) Discuss the factors that Influence Consumer purchasing procedure.

(iii) Identify and explain the stages involved in the buying decision Process

(iv) Write Short notes on each of the following:

(v) Explain Dissonance – Reducing Buying Behavior

10. Notes on SAQs for Study Session 1

11. References

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