

# **Chapter 1**

## **Introduction to Consumer Behaviour**



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# Opening Vignettes

Tim Horton's started in 1964

- Merged with Wendy's in 1999
- Has operations in several states in the US



- Mercedes Who is likely to be the typical buyer of Smart?





# Consumer Behaviour

The behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.



# Personal Consumer

The individual who buys goods and services for his or her own use, for household use, for the use of a family member, or for a friend.

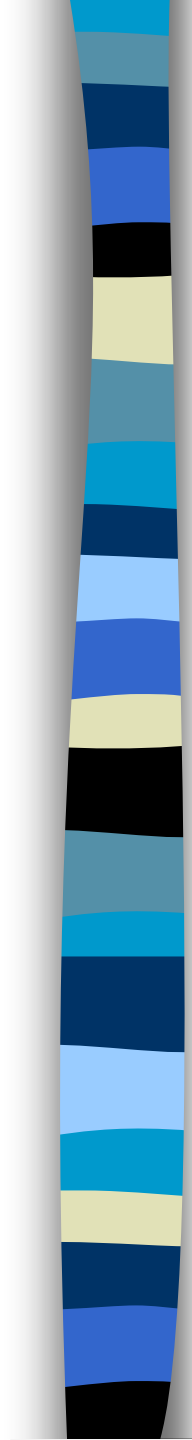


# What is Consumer Behavior?

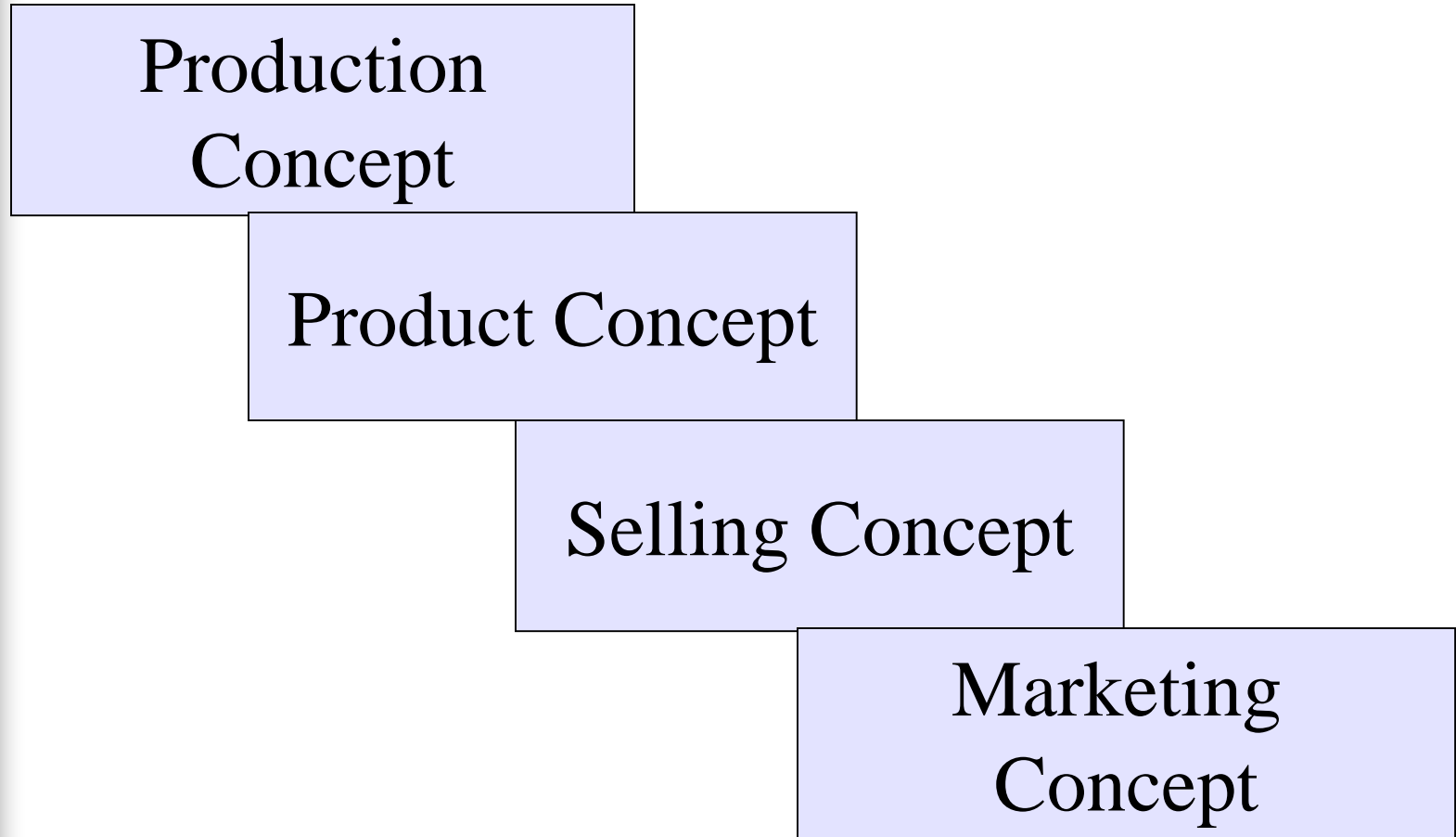
The study of how consumers

- Select
- Purchase
- Use
- Dispose of

Goods and services in the process of satisfying their personal and household needs and wants.

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- Contrary to popular belief, the attempt to understand consumer behavior doesn't end with the purchase.
  - Understanding how consumers use and dispose of products is important as well.
  - Why?
  - Knowing who is actually using the product will affect the way the product is marketed in the future
  - For example: If a household appliance (e.g., a vacuum) is assumed to be used primarily by the wife, but in fact both spouses use it, then the marketer may want to market it in a different way (a different “target market”)

# Development of the Marketing Concept





# Why did consumer behavior become a separate discipline from marketing?

Marketers came to realize that consumers did not always act or react as marketing theory suggested they would

■ Consumers rejected mass-marketed products, preferring differentiated products that reflected their own special needs, personalities and lifestyles

Even in industrial markets, where needs are more homogeneous than consumer markets, buyers exhibited diversified preferences and less predictable purchase behavior





# Other factors that contributed to the growing interest in consumer behavior

- The accelerated rate of new product development
- The consumer movement
- Public policy considerations
- Environmental concerns
- The opening of national markets throughout the world



# Consumer behavior is more than just purchasing

Consumer Behavior involves

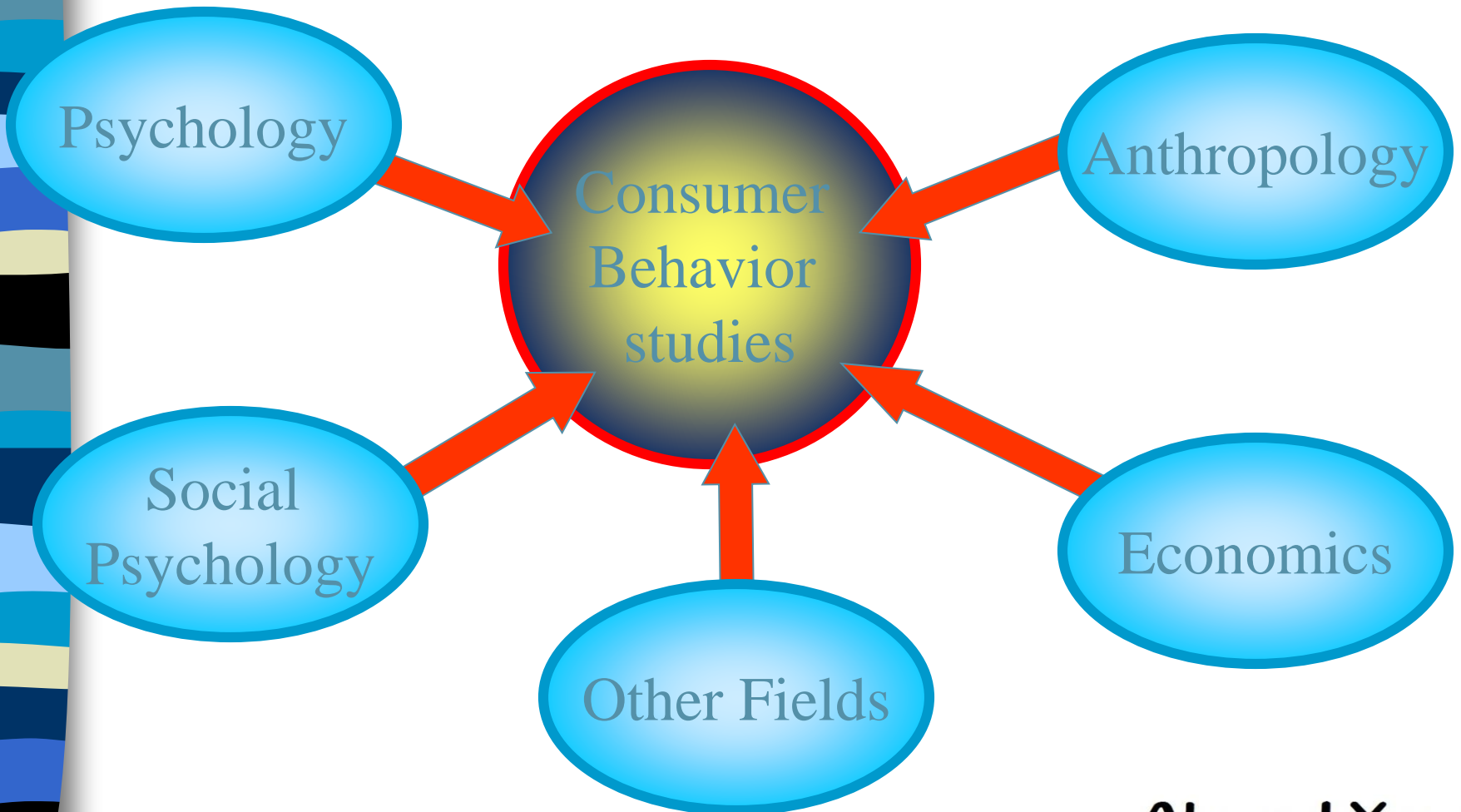
- Exposure to the media
- Browsing
- Influencing others
- Being influenced by others
- Complaining about and returning products



# Economics alone does not explain consumer behavior

- Early theories based on notion that individuals act *rationally* to maximize their benefits (satisfaction) from purchasing
- Later research discovered that consumers are just as likely to
  - Purchase impulsively
  - Be influenced by family, friends, advertisers and role models
  - Be influenced just as strongly by mood, situation and emotion

# Consumer behavior is an Interdisciplinary Field



# What Do Buying Decisions Involve?

Consider a decision to acquire a pet

- Decision entails determining:
  - Where to learn about pets
  - Where to purchase the selected pet
  - How much to pay for it
  - Who will take care of it
  - What supplies or services are needed for it
  - Where to purchase such supplies or services
  - How much to pay for supplies and services



# The Production Concept

- Assumes that consumers are interested primarily in product availability at low prices
- Marketing objectives:
  - Cheap, efficient production
  - Intensive distribution
  - Market expansion



# The Product Concept

- Assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features
- Marketing objectives:
  - Quality improvement
  - Addition of features
- Tendency toward Marketing Myopia



# The Selling Concept

- Assumes that consumers are unlikely to buy a product unless they are aggressively persuaded to do so
- Marketing objectives:
  - Sell, sell, sell
- Lack of concern for customer needs and satisfaction





# The Marketing Concept

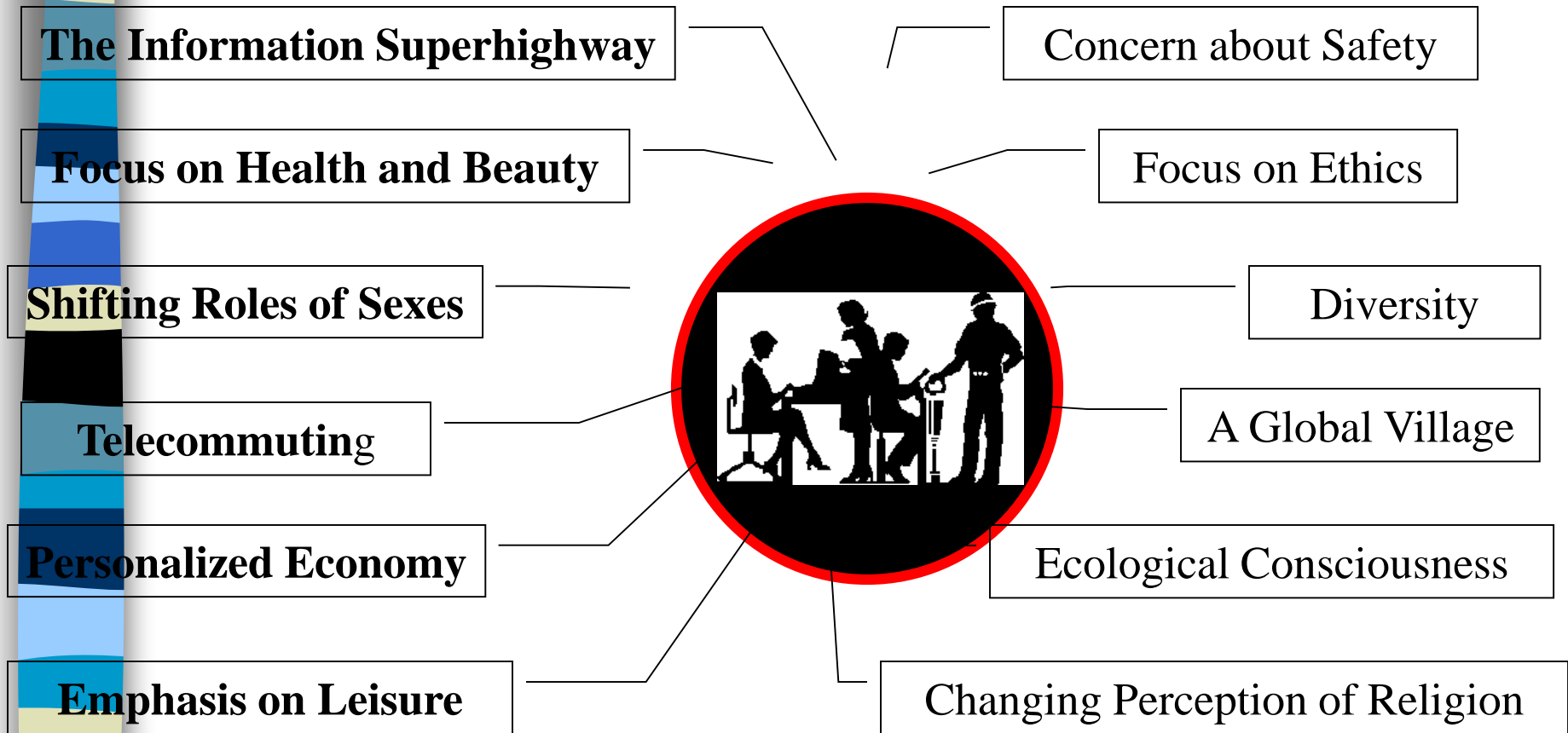
- Assumes that to be successful, a company must determine the **needs and wants** of **specific target markets** and deliver the desired satisfactions **better than the competition**
- Marketing objectives:
  - Profits through customer satisfaction



# Marketing Concept .....

- An operating philosophy of business in which the consumer is the focal point of the firm's activities
- Embodies the view that industry is a *customer-satisfying process*, not a goods-producing process (the “selling concept”)
- Key assumption is that, to be successful, a company must determine the *needs and wants* of specific target markets and deliver the desired satisfactions better than the competition

# Trends influencing consumer behavior in contemporary society





# 1. Growth of the information superhighway

## **Positive Implications**

- Marketers can be in touch with anyone, anywhere and at any time
- Availability of information increases consumers' knowledge and power in the marketplace.



## Negative Implications

- Increased information *about* consumers raises serious privacy issues
- Creation of a *digital divide* that further stratifies society based on wealth, education and age



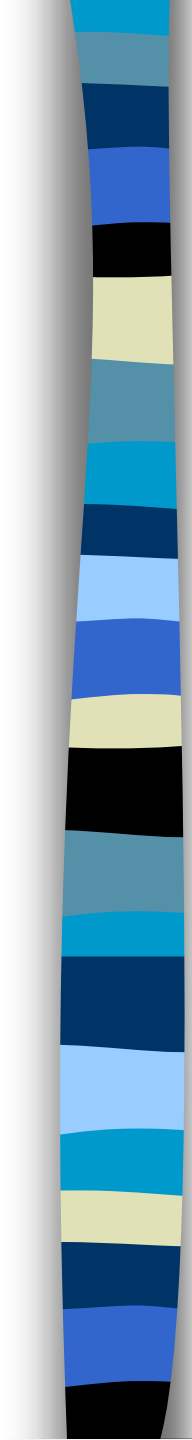
## 2. Focus on health, fitness, and beauty

- Golden opportunities are created for marketers of many products ranging from fat-free foods to vitamins, as well as for services ranging from plastic surgery to hair implants.



### 3. Shifting roles of men and women

- More women in the workforce
- More women in management positions
- More women raising children alone
- Gay and lesbian families changing the traditional model of the family

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- A redefinition of *buying decision centers* within the family
  - A redefinition of sales and advertising strategies





## 4. Telecommuting and the office of the future

- Decline in demand for products and services such as cars, public transportation, automobile insurance, car repair, child care, and baby-sitting services
- Increased need for efficient package-delivery services
- Rise in demand for state-of-the-art communication devices



## 5. Emphasis on leisure

- People engage in leisure activities for different reasons
- Knowing those reasons helps marketers select appropriate promotional appeals



## 6. Concern About Personal Safety

- Enhanced demand for defense-related products
- Post 9/11 issues relating to travel



## 7. Diversity in the workplace and marketplace

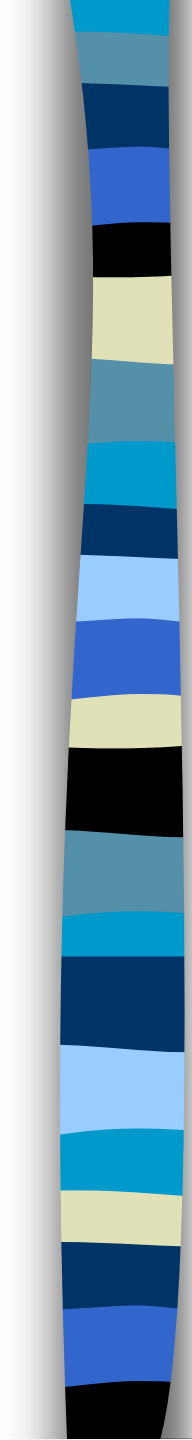
“Traditional” minority groups in the US include:

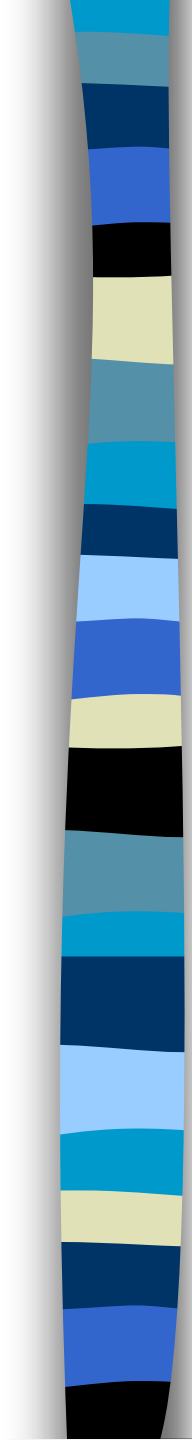
- Women
- African-Americans
- Asian-Americans
- Latinos



Even in “lily white” Vermont recent immigrant groups have included:

- Russian Jews
- Bosnians
- Tibetans
- Vietnamese
- Congolese
- Sudanese

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- *A salad bowl* in which these diverse groups maintain elements of their traditions

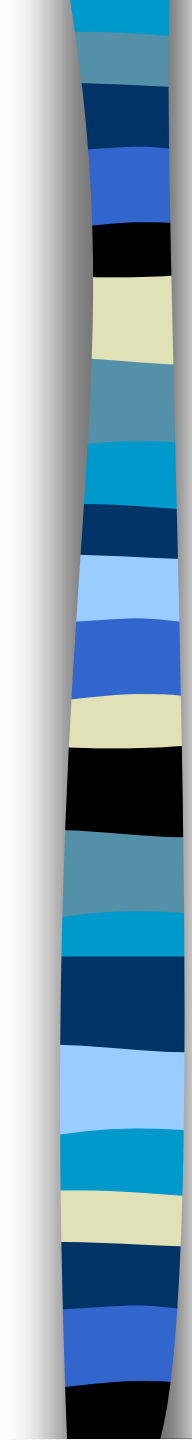
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- Diversity offers divergent perspectives and enhanced creativity and innovation within the workplace
  - Product adaptation becomes necessary to suit the tastes of distinct ethnic groups
  - Promotional appeals must be adjusted



## 8. Focus on ethics

- For much of history, *business ethics* was considered an oxymoron
- In the 1980's, ethics became an issue with the discovery of numerous instances of corporate wrongdoing
  - Ford Pinto
  - Bhopal disaster
  - Asbestos
  - Tobacco



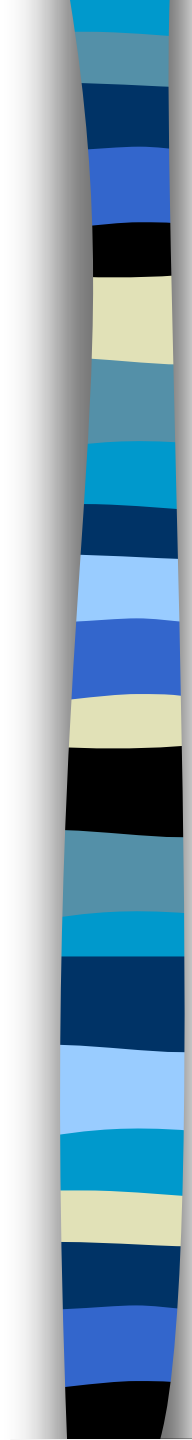
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- Ethical codes were enacted by many companies and institutions and ethics became part of the curriculum of business schools
  - It is likely that ethics in marketing will receive greater attention from the public and from government and private watchdog groups



## 9. Ecological consciousness

Studies show that:

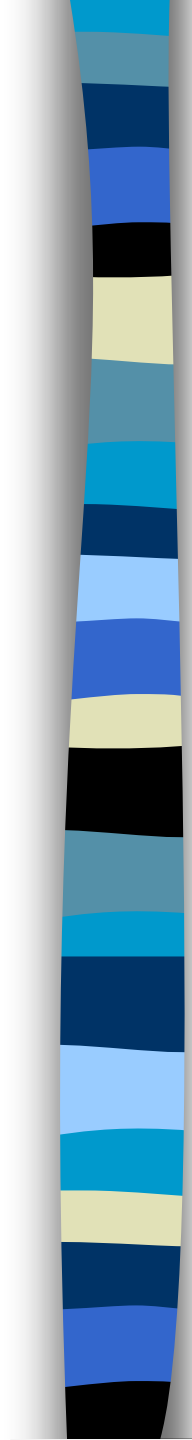
- Consumers consider themselves “environmentalists”
- They have changed their habits to protect the environment
- They are willing to pay more for products that are considered environmentally safe

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- An increasing flow of environmentally friendly products
  - Positive shift in public attitudes toward firms and products that protect the environment
  - As a result, the rise of *green marketing*
  - Greater potential for *deception* based on false claims of environmental safety of products



## 10. The rise of the global village

- An increasing acceptance of the free market system in many foreign countries (e.g., Eastern Europe)
- Growth of major regional free-trade areas, such as NAFTA and the EU, resulting in increased trade
- Expansion of American media—including advertising—to other nations exposes consumers to availability of American goods

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- More markets opening up for American products overseas
  - Marketers need to understand the cultures of foreign countries to market their products effectively
  - Potential for abuse arises

# Business Leaders Who Understood Consumer Behaviour

■ Alfred Sloan, General Motors



■ Colonel Sanders, KFC



■ Ray Kroc, McDonald's





# Implementing the Marketing Concept

- Consumer Research
- Segmentation
- Targeting
- Positioning



# Segmentation, Targeting, and Positioning

- Segmentation: process of dividing the market into subsets of consumers with common needs or characteristics
- Targeting: selecting one or more of the segments to pursue
- Positioning: developing a distinct image for the product in the mind of the consumer





# Successful Positioning

- **Communicating the benefits of the product, rather than its features**
- **Communicating a Unique Selling Proposition for the product**



# The Marketing Mix

- Product
- Price
- Place
- Promotion



# The Societal Marketing Concept

- All companies prosper when society prospers.
- Companies, as well as individuals, would be better off if social responsibility was an integral component of every marketing decision.
- Requires all marketers adhere to principles of social responsibility.

# Digital Revolution in the Marketplace

- Allows customization of products, services, and promotional messages like never before
- Enhances relationships with customers more effectively and efficiently
- Has increased the power of customers and given them access to more information





# Digital Revolution in the Marketplace - Continued

- The exchange between consumers and marketers has become more interactive
- May affect the way marketing is done



# Changes brought on by the digital revolution

- Changes in segmentation strategies
- Re-evaluation of promotional budgets
  - reduced impact of television?
  - More internet-based promotion?
- Integrated marketing becomes critical
  - Using off-line promotions to drive consumers to company's website (and vice-a-versa)



# Changes brought on by the digital revolution - continued

- Revamping distribution systems
  - Direct distribution becomes more of an option
- Pricing methods may need to be re-evaluated
  - Comparison shopping made easier
- Consumer research methods may change
  - How do you measure web-based promotions?



# Why study consumer behaviour?

- Understanding consumer behaviour will help you become better marketers as it is the foundation for
  - Segmenting markets
  - Positioning products
  - Developing an appropriate marketing
    - **continued**





# Why study consumer behaviour?

- Knowledge of consumer behaviour is essential for non-profit organizations
  - Non profits have different customers to please
  - Donors, users, volunteers, general public, government

» continued



# Why study consumer behaviour?

- Public service initiatives have to be based on an understanding of consumer behaviour
  - Canada's largest advertiser is the federal government
  - Most government initiatives (e.g., antismoking campaigns) need a knowledge of consumer behaviour to succeed

» continued



# Why study consumer behaviour?

- Better understanding of our own consumption behaviour

FIGURE 1-2

# A Simplified Model of Consumer Behaviour

