Chapter 1

The foundations of consumer behaviour

Sample pages

▶ What is consumer behaviour?

We define **consumer behaviour** as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of the products and services that they expect will satisfy their needs. Consumer behaviour focuses on how individual consumers, families or households make decisions to spend their available resources (time, money, effort) on consumption-related items. That includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after purchase and use, the impact of such evaluations on future purchases, and how they dispose of it.

The study of consumer behaviour includes how consumers think (their decision-making processes and decisions), feel (their emotions) and behave (their physical actions that result from those decisions and feelings). Therefore, as a research area, consumer behaviour is the study of how individuals spend their available resources (money, time and effort) on products and services.

People engage in activities for many purposes other than consumption, but when acting as consumers, individuals have just one goal in mind: to obtain goods and services that meet their needs and wants. All consumers face varying problems associated with acquiring products and services to satisfy needs and wants. Because solutions to these problems are vital to the existence of most people, and the economic well-being of all, they are usually not taken lightly. The consumer must make specific types of decisions in order to obtain desired products or services. The process is complex because decisions must be made about what product or service to buy, and why, how, when, where and how often to buy it.

Take bread as an example. This is a multi-million-dollar industry. A study of consumption behaviour in this area would investigate what kinds of consumers buy what types of bread, why they buy it, when they buy it, where they buy it and how often they buy it, as well as who buys bread substitutes and why. The study might find that, among some consumers, the use of bread (and bread substitutes) is related to concerns about taste or to a preference for natural ingredients, as suggested by Figure 1.1.

By contrast, while a more durable product such as a smartphone would prompt similar questions, it would also require answers to others. What kinds of consumers buy smartphones (and other mobile communication devices)? What features do they look for? What benefits do they seek? How much are they willing to pay? How many will wait for prices to come down? The answers to these questions can be found through consumer research, and would provide smartphone manufacturers and retailers with important input for product scheduling, design and features, and marketing strategies.

Such research might find that brand images differ, and that different brands are purchased for various reasons by consumers. Insights gained from research may make it easier for marketers to select target markets and develop appropriate marketing strategies.

▼ Figure 1.1 Bread ad targeting the natural aspect of the brand

Source: Image courtesy of Falcones Pty Ltd. Reproduced with permission.

Personal consumers and organisational consumers

The term 'consumer' is often used to describe two different kinds of consuming entities: the personal consumer and the organisational consumer. The **personal consumer** buys goods and services for his or her own use (e.g. clothes, food, music or

automobiles), for use by the whole household (an automobile or TV), for another (i.e. single) member of the household (a toothbrush) or as a gift for a friend (a CD or a book). In all these instances, the goods are bought for final use by individuals, who are referred to as 'end users' or 'ultimate consumers' (visit <www.holden.com.au> or <www.toyota.com.au> and check out the vehicles targeted at personal consumers).

The second category of consumer, the **organisational consumer**, includes commercial for-profit organisations and non-profit organisations, public-sector agencies (government departments, at local, state and national levels) and institutions (schools, hospitals, churches and sporting organisations), all of which buy products, equipment and services in order to run their organisations. Manufacturing companies must buy the raw materials and other components to manufacture and sell their products; service companies must buy the equipment necessary to render the services they sell; government agencies must buy the office products needed to operate. All organisations must purchase goods, services and materials as direct and indirect inputs to their offerings and to support their markets (visit <www.holden.com.au> or <www.toyota.com.au> and check out the vehicles targeted at commercial organisations and other organisational consumers).

Despite the importance of both categories of consumers (individuals and organisations), this book focuses on individual consumers who purchase for their own use or for other end users' consumption, such as family members or household use. **End-use consumption** is perhaps the most pervasive type of consumer behaviour, since it involves everyone in the role of buyer, payer or consumer, or all three.

Buyers, payers and users (consumers)

The person who purchases a product is not always the user of the product, or the only user of the product. Nor is the purchaser necessarily the person who makes the purchase decision or pays for the product. The marketplace activities of individuals entail three functions, or roles, as part of the processes involved in consumer behaviour. The three functions are: the **consumer**, the person who consumes or uses the product or service; the **buyer**, the person who undertakes the activities to procure or obtain the product or service; and the **payer**, the person who provides the money or other object of value to obtain the product or service. A mother may buy toys or medicine for her children (who are the users), she may buy food for dinner (and consume it along with other family members) or she may buy cosmetics or clothing (and be the only user). She may buy a magazine that one of her teenagers has requested, or rent a video that her husband wants to watch, or she and her husband may buy a car that they select and purchase together. Many marketers specifically target buyers, payers and consumers, and develop communications directed at these groups.

Not only does consumer research provide a deeper understanding of consumer behaviour, but it also assists marketers in deciding who to target: the buyer, the payer or the user. For some products or services, they must identify the person who is most likely to influence the decision. For example, as people live longer, they often become dependent on the advice and counsel of their children or other caregivers. Should a retirement community advertise to the elderly or to their middle-aged children? Should an emergency-response system be targeted to elderly parents or to their concerned children? Such issues are just as relevant in other product categories, and can be seen in the toy industry in relation to young children and their parents. For example, some toy manufacturers advertise their products on children's television shows in order to reach the users, others advertise in parenting magazines to reach the buyers, and others run dual campaigns designed to reach both children and their parents. (The various influences on family consumer behaviour are discussed in detail in Chapter 9.) Some marketers believe that the buyer of the product is the best prospect, whereas others believe it is the user of the product; still others direct their promotional efforts to both buyers and users of their product or service.

This book focuses on how and why consumers make decisions to buy goods and services, but consumer behaviour research goes far beyond these facets of consumer behaviour. It also considers the uses consumers make of the goods they buy, and their subsequent evaluations. For example, a woman may feel regret or dissatisfaction with her choice of a car. Perhaps she had to forgo an overseas holiday in order to pay for the car, or maybe it has had continuing mechanical problems. In such a situation she may communicate her dissatisfaction to a friend, and so influence the friend's next car purchase. Or

she may vow to friends and family members that she will never buy the same make or model again, in turn affecting their future decisions. These possible consequences of consumer post-purchase dissatisfaction have significant ramifications for car marketers, who have to build post-purchase strategies into their promotional campaigns.

In addition to studying how consumers use the products they buy, and their post-purchase evaluations, consumer researchers are also interested in how individuals dispose of their once-new purchases when they are finished with them. For example, after consumers have used a product, do they store it, throw it away, give it away, sell it, rent it or lend it out? (Think about what consumers actually do with their obsolete mobile phones and notebook computers.) The answer to this question is important to marketers because they must match production to the frequency with which consumers buy replacements. It is also important to society as a whole because waste disposal has become a major environmental problem that marketers must address in their development of products and packaging. Recycling is no longer a sufficient response to the problem. Many manufacturers have begun to remanufacture old components to install in new products, because remanufacturing is often cheaper, easier and more efficient than recycling.[1]

◗ Why marketers study consumer behaviour

Consumer preferences and business environments are constantly evolving, so marketers require a good understanding of consumer behaviour. In many ways the study of consumers is driven by the constant change in both consumers and the environments in which they live. Such changes result in a number of important considerations for marketers. Marketers experience shorter life cycles for their products; increasing environmental concerns on the part of consumers; consumer protection and public policy changes; growth in services, and in not-for-profit and global marketing; and rapid and far-reaching impacts of technology.

All these changes and developments affect an organisation's marketing activity, especially the segmentation of markets. To meet the needs of consumers more effectively, customer-oriented organisations have developed a process of market segmentation, which divides their total potential markets into smaller, homogeneous segments for which they are able to design specific marketing strategies (products, pricing, distribution and promotion). Such strategies can be seen, for example, when different promotional techniques are used to vary the image of a firm's products (and services) so consumers perceive them as more convincingly fulfilling their specific needs. Targeting the specific needs of a firm's target segments is a process now known as positioning.

The pace of technological development is a significant catalyst for the introduction of new products, many of which (some experts estimate over 80 per cent) prove to be marketing disasters. To counter this problem, effective marketers have made a determined effort to learn more about consumers (their needs, preferences and changing lifestyles) to guide the development of new products to fulfil unsatisfied needs. This movement towards understanding and satisfying consumer needs is evident in many successful companies, none more so than General Motors, KFC and McDonald's. These three corporations provide examples of putting an understanding of consumer behaviour into practice, and demonstrate that identifying consumer needs and satisfying them are the keys to marketing success.

In 1923, as the motor vehicle market was growing rapidly thanks to Henry Ford's mass production, Alfred P. Sloan became president and chairman of General Motors. He inherited a company that was built through takeovers of small car companies, and therefore produced many ill-assorted models unguided by clear business objectives. Sloan reorganised the company and in 1924 articulated the company's product strategy as 'a car for every purse and purpose'. While Ford continued to produce the Model T until 1927, GM offered a variety of affordable, mass-produced models—from the aristocratic Cadillac to the proletarian Chevrolet—and took over a large portion of Ford's market share. About 30 years before the birth of the marketing concept, Alfred Sloan realised that all consumers are not alike and learned the importance of market segmentation.

In the 1930s, Colonel Sanders, America's Chicken King, opened a roadside restaurant where he developed the recipes and cooking methods that are the key to KFC's success even today. As the restaurant grew in popularity, Sanders enlarged it and also opened a roadside motel. At that time, motels had a bad reputation, and 'nice' people driving long distances generally stayed at hotels in town. Sanders decided to try to overcome this image by putting a sample room of his clean and comfortable motel in the middle of his successful restaurant; he even put the entrance to the restaurant's ladies' room in that room. Sanders understood the importance of image and of turning an offering into a success by repositioning, long before this idea was articulated as a business objective. Later on, Sanders came up with the idea of franchising his cooking methods and chicken recipe, while keeping the ingredients of the recipe a secret, and founded KFC and a business model that has since been adopted by many other fast-food chains.

In the 1950s, Ray Kroc met the brothers McDonald, who pioneered the idea of fast food as we know it today in a single outlet in California, and became their partner. Ray Kroc envisioned thousands of McDonald's outlets across the country. Trying to pinpoint the best locations for the new restaurants, Kroc used to fly over towns and look for church steeples. He believed that where there were churches there were good American families—the kind of people he wanted as customers. Intuitively, Kroc understood and practised market targeting. In 1961, Kroc opened Hamburger University as a training centre for the company's franchisees and their employees, and pioneered the idea of centralised training as a key to delivering standardised products across a large number of geographically spread-out outlets.

Changing product life cycles

Many product categories and the changes in them are driven by specific product life cycles, and shorter life cycles have come about because of the pace of new product introductions and changes in technology. Many product life cycles are increasingly compressed as products are modified, improved or replaced by new and substitute products. This in turn requires a steady inflow of new product ideas and market offerings to satisfy the needs (felt or unfelt) of consumers. To support the introduction of new products, consumer research provides the necessary insights to develop and place appropriate advertisements and other promotional materials to entice consumers to try new products or to upgrade their existing ones. An example of targeting consumers by emphasising a new model to entice the purchase is shown in Figure 1.2, which emphasises 'All-new'.

Changing environmental views and concerns

Increased public concern about environmental deterioration and about resource shortages has made both marketers and public policy makers aware of the potentially negative impact of products such as cooking oils, aerosol sprays, disposable bottles (i.e. soft-drink bottles) and even product packaging. Consumer research has revealed that many consumers are socially aware and favour products that have been modified to meet environmental concerns (e.g. recycled paper products, and biodegradable cleaning products and packaging). So we are witnessing a growth in green products and green marketing (discussed more fully in Chapter 16).

▼ **Figure 1.2** Holden Barina identifying a new model

Source: Image courtesy of GM Holden Ltd. Reproduced with permission.

TWO SIDES

Putting retailers on notice and selling hope

A key finding from the Recommend Retail Practice (RRP) report, released by AMP Capital Shopping Centres in 2009, found that 46 per cent of shoppers expected economic hard times in 2010 and would reduce spending across 17 retail categories.

Paradoxically, they would not give up wardrobe items such as a good-fitting pair of jeans (50 per cent), and eight out of ten would not give up quality fruit and vegetables. Australian consumers were found to have remained cautious and were spending much more time researching the item, shopping around for best value or service, and being selective with where they spent their money. Their purchases had to satisfy at least one of three criteria: safe, savvy or sensible. Thus, there was an important reason for even successful retailers to understand these changes in consumer behaviour.

Some other retailers sell hope. Hope Water, a brand of bottled water set up by Melbourne woman Lena Condos, dedicates all of its profits to building water wells and undertaking water sanitation projects in developing parts of Australia, including the Northern Territory, as well as in East Timor, Cambodia and Papua New Guinea. Consumers can therefore be motivated not only by the necessities of life, but also by the social needs of others.

Questions

1. What can retailers do with the knowledge gained from the RRP and other such reports?
2. How might retailers in the fashion clothing domain use the information in the RRP differently from retailers in the fast-moving consumer goods category?
3. Do you think that in tough economic times, products or brands that have a social element, such as donating some of their profit, will be more successful than brands built on conventional approaches?

References

'Consumers put retailers on new alert', Manly Daily, November 2009, p. 34.
'Hope in water bottles', Melbourne/Yarra Leader, October 2009, p. 12.

This also extends to companies supporting environmental issues and groups. For example, the product advertised in Figure 1.3 shows that the marketer has aligned itself with a specific environmental issue and environmental group and is concerned about the environmental impact of its product.

Changing consumer protection and public policy

Consumer research and an understanding of consumers' behaviour can also aid in the development of public policy that protects consumers. Consumer researchers, marketers and consumer advocates have paid considerable attention to identifying sources of consumer confusion and deception in order to discover how consumers perceive and interpret various marketing stimuli (e.g. promotional appeals, package labels, prices and warranties). Consumer research has provided the basis for a number of recommendations concerning consumer and trade practices legislation. As a result of the lobbying of various consumer protection groups, public policy makers at all levels of government have become more aware of their responsibility to protect consumer interests and ensure the well-being of their constituents. Consumer affairs departments, at the state level, and the Australian Competition and Consumer Commission (ACCC), at the federal level, monitor business and industry practices, advertising and pricing practices (visit <www.accc.gov.au>). For example, a 2003 court ruling in a case between the ACCC and the Commonwealth Bank required the bank to place corrective television and in-branch advertising about misleading advertisements for its home loans under the Cricket Home Loan campaign, which ran from 22 November 2001 to 27 January 2002. In another example of consumer protection, the

ACCC required furniture and bedding retailer Super A-Mart to apologise for potentially misleading consumers. The apology followed advertisements run in January, September and October 2007. In January 2007, Super A-Mart ran advertisements indicating it would clear all floor stock. However, some stock located on the floor was not available for sale. In September 2007, Super A-Mart ran television and radio advertisements promoting its Thursday Thumper Sale. The television advertisements represented that certain price reductions would apply only during the Thursday Thumper Sale. However, some of the items advertised as discounted were discounted before and after that sale, and another item was actually more expensive.

Growing role of services marketing

Australia's service sector continues to grow, and service providers know that marketing their offerings can be quite difficult. Services cannot be tested in advance of purchase, nor is quality consistent over time. Services are also 'perishable' in the sense that they are lost forever to the marketer if not consumed at the scheduled time (e.g. the revenues lost from flying a half-empty plane or showing a movie at a cinema with empty seats can never be recouped). Not only do service providers need to market, but they also realise that knowledge of consumer needs and interests is essential to develop effective marketing strategies.

Growing role of not-for-profit and social marketing

Organisations in the public and private non-profit sectors recognise the need to use marketing strategies to target specific groups or markets. For example, regional private schools and public universities have developed marketing campaigns to attract students; museums dependent on public support develop marketing programs to enlist private contributions and to encourage patronage and attendance. Such non-profit organisations use consumer research to gain a better understanding of their target markets and thus develop more effective marketing strategies. An example of the growing use of non-profit, social marketing to specific segments is seen in Figure 1.4, which is an advertisement for Jeans for Genes, a non-profit organisation focused on raising funds for medical research for children. While much of the not-for-profit marketing is undertaken for private non-profit organisations, increasingly governments are engaging in targeting consumers, as can be seen in Figure 1.5. This ad targets a specific occupational group.

Growing role of global marketing

Australian companies increasingly recognise the need to move beyond domestic markets and to market their products and services globally in order to increase sales and achieve economies of scale, not only to grow but also (for some) to survive in the longer term. In an effort to reduce the balance of trade deficit, the federal government has encouraged small and medium-sized companies to export their products, to assist in generating additional revenues for sustainable, long-term economic growth. In Australia, both the federal government and the state governments have established various organisations to support and assist the marketing of Australian products and services globally. A major stumbling block to reaching international markets has been a general lack of understanding of the different cultural needs, practices and consumption habits in these markets. Australian marketers are now aware of the importance of

Figure 1.3 The brand is aligned with an environmental issue

Source: Courtesy of Aware Environmental Ltd.

▼ **Figure 1.4** Non-profit organisation promoting their activity

Source: Develop by Bevins Pty Ltd. Jeans for Genes is a major fundraiser of the Children's Medical Research Institute.

▼ **Figure 1.5** Australian government advertisement targeting an occupational group using social marketing

Source: Used by permission of the Australian Government.

international (cross-country, cross-cultural) consumer research so that they can tailor their marketing-mix strategies to meet the needs of international consumer markets (see Chapter 13 for further discussion of this).

Changing technology

Given the changing nature of the business and consumer environments, the study of the behaviour of consumers is an important element of marketing. It is vital to recognise that the consumer underpins the business and its success. Superior marketers are those who realise that their efficiency and effectiveness in satisfying the needs of their target market directly affect their organisation's profitability. Marketers that understand their consumers are able to better meet their needs. Effective marketers make it a priority to understand, to predict and to satisfy the needs and wants of their target markets. Importantly, understanding the consumer is increasingly at the heart of good marketing, and such a view drives modern business practice; it is this, combined with constant changes in technology and culture, that has increased the importance of studying consumer behaviour within marketing, and of using an understanding of consumer behaviour to develop and market an organisation's offerings to its customers.

While much technology and its application to marketing may seem futuristic, it is already here: shoppers at many supermarket checkouts can receive personalised coupons based on their purchases; many newspapers allow online readers to create personalised editions in which customised ads are

featured; and consumers can now purchase highly personalised versions of many products. For example, at Nike's website, buyers can now choose between various models of shoes in different price ranges, customise the chosen shoe using several colours and features (e.g. some models allow buyers to choose the colours of the Nike swoosh and the laces), put a personal ID on each shoe, pay for the product and have it shipped directly to them.

Marketers who are responsive to consumers' needs, as well as how they wish to be communicated with, will be more likely to succeed. For instance, marketers are increasingly redirecting consumers from their traditional corporate websites to more informal and 'friendlier' brand- or product-specific blog sites. Table 1.1 contains a sample of corporate websites and corresponding examples of consumer-oriented brand or product sites maintained by the same company.

Take, for example, the Australian website for Proctor & Gamble (i.e. the company's main site and its links to specific consumer brand sites). The homepage of the company's main website provides specific corporate information, and through various brand icons, customers are also linked to its consumer-oriented product or brand-specific sites.

However, in order to get a sense of the differences between the two types of sites, go online and compare a number of company main sites and consumer product-specific sites. Still further, if the

▼ **Table 1.1** A list of selected companies' main websites and brand-specific sites

Company	Company URL	Brand	Brand URL
Amazon	www.amazon.com	Amazon Wire	www.amazon.com/gp/gss/detail/10840
BMW	www.bmw.com	BMW TV	www.bmw.tv
Boeing	www.boeing.com	N/A	boeingblogs.com/randy
Coca-Cola	www.cokecce.com	Coke	www.mycokerewards.com
Dell	www.dell.com	Direct2Dell	en.community.dell.com/blogs/direct2dell
Ford	www.ford.com	N/A	blog.ford.com
General Mills	www.generalmills.com	Betty Crocker	www.bettycrocker.com
Google	www.google.com/corporate	N/A	googleblog.blogspot.com
Kellogg's	www.kelloggcompany.com	Cheez-It Crackers	www.cheezit.com
Nike	www.nike.com	NIKEID	nikeid.nike.com
Procter & Gamble	www.pg.com/en_ANZ/	OralB	www.oralb.com.au
Sara Lee	www.saralee.com	Jimmy Dean	www.jimmydean.com
Starbucks	www.starbucks.com	N/A	twitter.com/Starbucks
Kraft Foods	www.kraftfoods.com.au	Suchard	www.suchard.com.au
Schweppes Australia	www.schweppes.com.au	Gatorade	www.gatorade.com.au
Whole Foods	www.wholefoodsmarket.com	N/A	www.wholefoodsmarket.com/blog/whole-story
Yum! Brands	www.yum.com	KFC	www.kfc.com
Zappos	www.zappos.com	N/A	twitter.com/zappos

Source: Adapted from table prepared by Theodore S. LaBarbera, MBA Candidate, Saint John's University, December 18, 2008.

consumer-oriented brand or product site happens to contain a consumer discussion forum, examine it. See if it provides an opportunity for consumers to exchange ideas and experiences in a 'relaxed and friendly' atmosphere. Remember, the company can also benefit from hosting a discussion forum. Most importantly, it provides the brand or product's marketing team with an opportunity to regularly 'look in' and secure invaluable consumer feedback that will enable it to design better products, and to craft more responsive consumer messages.[2]

Today, the digital revolution that we are experiencing as consumers allows much greater customisation of products, services and promotional messages than older marketing tools. The application of new technologies is enabling marketers to build and maintain relationships with customers on a much greater and more efficient scale than ever before. Digital technologies also enable marketers to collect and analyse increasingly complex data on consumers' buying patterns and personal characteristics. Importantly, the same technologies enable consumers to obtain more information about products and services (including prices) easily, efficiently and, for the most part, from the comfort of their own homes or workplaces. Figure 1.2 shows an image for the Holden Barina emphasising 'All-new'. In this advertisement, Holden also displays the Web address for the brand (<holden.com.au/barina>). The marketer is making a clear attempt to encourage the target market to also search for information about the brand by visiting its website.

Over a period of a decade or so, the digital revolution has introduced several dramatic changes into the business environment. Consumers have more power than ever before. They can use 'intelligent agents' to locate the best prices for products or services, bid on various marketing offerings, bypass distribution outlets and middlemen, and shop for goods 24 hours a day, 7 days a week, around the globe from the convenience of their homes or workplaces, or while mobile (using mobile devices such as smartphones) (visit, for example, <www.ebay.com.au> or <www.colesmyer.com.au>).

Mobile service providers are increasingly seeing the mobile phone's screen as an opportunity to secure advertising revenue, much the same as broadcast TV stations and movie theatres see their screens as an opportunity for advertisers to get their message to the viewing consumers. More specifically, mobile phone companies are actively contracting for entertainment content providers to develop games, contests and TV-like soap opera stories that engage consumers to act like an audience, and provide an opportunity to secure revenue from advertisers that are increasingly interested in reaching mobile consumers via their mobile phones or PDAs.

We can expect expanded use of wireless media messages (1) as the availability of flat-rate data traffic to consumers increases, (2) with the creation of enhanced screen image quality and (3) as consumer-users increasingly experience improved Web-related applications. Research by Nielsen Mobile indicates that mobile broadband usage has reached 23 per cent globally, and penetration in some countries has reached high levels, with Japan at 99 per cent, the United States at 81 per cent and Italy at 83 per cent, for example.[3] Figure 1.6 presents the findings for a total of 12 countries for mobile broadband penetration.

Consumers also have access to more information than ever before. They can easily find reviews for products they are considering buying, posted by previous buyers; they can click a button to compare the features of different product models at the sites of online retailers; and they can subscribe to 'virtual communities' of people who share the same interests they do (visit <www.choice.com.au> or <www.productreview.com.au>).

Information and communication technology (ICT) enables marketers to customise the products and services they offer and still sell them at a reasonable price. It also allows marketers to customise the promotional messages directed at many customers. For example, Amazon.com sends personalised emails to previous book purchasers announcing newly published titles; the suggested titles are based on a determination of the interests of the targeted consumers derived from their past purchases. Qantas also sends emails to members of its frequent flyer program and Qantas Club advertising special offers. Access to vast amounts of consumer information and new technologies enables marketers to better cater

Figure 1.6 Penetration of mobile broadband across 12 countries
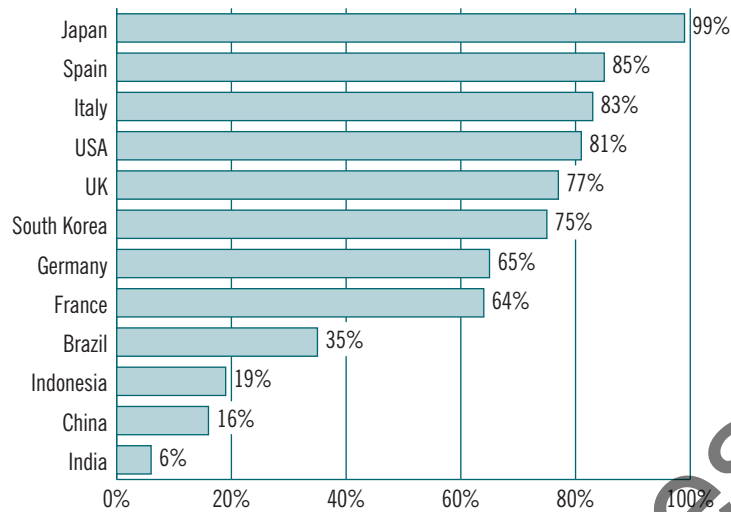
Source: Reproduced with permission from mobiThinking <http://mobithinking.com> & Informa Telecoms & Media <http://www.informatandm.com/section/research/>.

to individual consumers' needs, and it also enables consumers to access information and products that better match their needs.

Marketers can now gather information about consumers quickly and easily. They can track consumers' purchase behaviour (e.g. via online purchases or even in-store via scanner data). They can also gather information by requiring visitors to register and provide some personal information before they get access to the website's features. Thus, marketers can develop and update their consumer databases quickly and efficiently.

Technological advances have also given us the tablet and the smartphone, giving consumers round-the-clock access to the Web via wireless technology. Recent developments in technology mean that the TV and the computer are merging into a single device that can provide households with hundreds of cable channels, interactive capabilities with broadcasters, and high-speed wireless access to the Web. The digital revolution and its impact on consumer behaviour present many challenges for today's marketers.

Impact of constant change

With continual social, economic and technological changes in society, the profusion of goods and services offered and the freedom of choice available, how do marketers actually identify suitable target markets and reach them? How do marketers know which people to target, where to reach them, and what message would be most effective? The answer, of course, is consumer research and the process of segmenting, targeting and positioning (STP). Recognising the diversity within society, consumer researchers seek to identify the key similarities and important differences that exist among consumers, wherever they may be. For example, all individuals have the same kinds of biological needs, no matter where they are born and live. These include the need for food, water and shelter from the elements. All individuals also acquire and develop needs after they are born. The environment and the culture in which we live, our education and our life experiences all serve to shape these needs. For example, if we are brought up in a culture that values exercise and physical fitness, we might make a point of exercising daily. If we experience a euphoric 'high' after exercising, we may acquire the 'need' to exercise daily in order to maintain this feeling and a sense of well-being. The interesting thing about acquired needs is that there are usually many people who experience the same needs, despite the individual nature of such

▼ **Table 1.2** Traditional marketing versus Relational – value marketing

| Traditional marketing	Relational – value-marketing
Product centric view of marketing	Customer centric view of marketing
Transaction focused	Relational - value focused
Focus on customer acquisition	Focus on customer retention and value creation
Short-term focus	Long-term focus
Persuasive selling focus	Relationship, trust, value, satisfaction focus
Value of the sale to the customer	Life-time value of the customer
Manufacture & market what you know customers want	Work with customers to co-create products & services
Focus on needs and how the product satisfies needs	Focus on need satisfaction and the value this creates
Market products and services that meet customer needs better than competitor	Market offerings that customers perceive as more valuable than competitors
Market research focuses customer needs and characteristics	Market research focuses life-time value of satisfying identified customer needs across markets
Understand the purchase behaviour process and what influences customer behaviour	Understand consumer behaviour in relation to need satisfying offerings
Treat transaction discrete	Treat transactions as part of an ongoing relationship
Segment the market using basic segmentation and aggregate customers as much as possible	Segment the market using combinations segmentation criteria combines with purchase levels and patterns, disaggregate as much as possible
Use persuasive marketing communications that are generally one-way	Use interactive tailored two-way marketing communications
Rely on volume based customer loyalty programs	Relay loyalty programs based on customer tiers established through volume and purchase patterns
Conduct customer satisfaction surveys and present the results to management	Conduct customer satisfaction surveys that include a component which studies the customer's word-of-mouth about the company, and use the results immediately to enhance customer relationships
Focus on creating customer satisfaction and loyalty	Focus on creating relationships, customer intimacy, trust, value co-creation with customers

Source: Joseph Wisenblit, 'Beyond the marketing concept: From "make only what you can sell" to "let customers customize what you make"', working paper, May 2002, Stillman School of Business, Seton Hall University, South Orange, NJ.

A simplified model of consumer decision making

The decision-making model can be seen as three distinct but interlocking stages: the input stage, the process stage and the output stage. These stages are depicted in a simplified model of consumer decision making in Figure 1.9. The input stage influences the consumer's recognition of a product need and consists of two major sources of information: the firm's marketing efforts (the product itself, the price, its promotion and where it is sold) and the external sociological influences on the consumer (family, friends, neighbours, other informal and non-commercial sources, social class, and subcultural and cultural memberships). The cumulative impact of each firm's marketing efforts, the influence of family,

Figure 1.9 A simplified model of consumer decision making
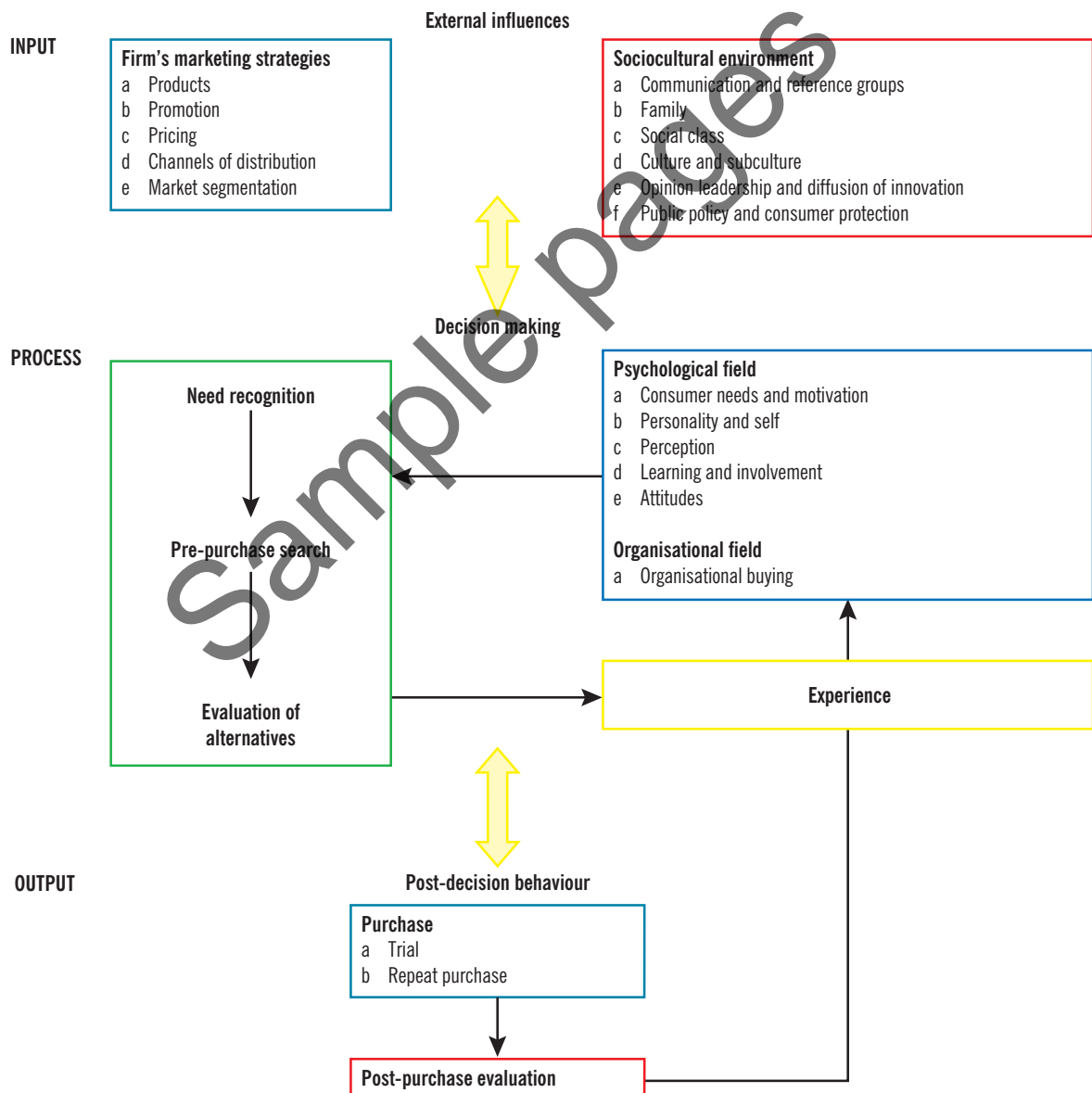
friends and neighbours, and society's existing code of behaviour are all inputs that are likely to affect what consumers purchase and how they use what they buy. For example, Figure 1.10 shows a Mazda M3 advertisement providing specific information on the brand attributes, features and website details as decision inputs for consumers.

The process stage of the model focuses on how consumers make decisions. The psychological factors inherent in each individual (involvement, motivation, perception, learning, personality and attitudes) affect how the external inputs (i.e. environmental factors) from the input stage influence the consumer's recognition of a need, the pre-purchase search for information and the evaluation of alternatives. The experience gained through evaluation of alternatives in turn affects the consumer's existing psychological attributes.

The output stage of the consumer decision-making model consists of two closely related post-decision activities: purchase and post-purchase evaluation. Purchase behaviour for a low-priced, non-durable product (e.g. shampoo or batteries) may be influenced by a store or brand manufacturer's coupon and may actually be a trial purchase: if the consumer is satisfied, he or she may repeat the purchase. The trial is the exploratory phase of purchase behaviour in which the consumer evaluates the product (brand) through direct use. A repeat purchase usually signifies product (or brand) adoption. For a relatively high-priced, durable product such as a notebook computer (only relatively durable because of the rapid obsolescence), the purchase is more likely to signify adoption.

The consumer decision-making process is examined in more depth in Part 4, where it ties together in greater detail the psychological and sociocultural concepts explored throughout the text.

Figure 1.10 Mazda M3 advertisement providing specific information on the brand attributes, features and website

Source: Courtesy of Mazda Australia.

The structure and plan of this book

In an effort to build a useful conceptual framework that both enhances understanding and permits practical application of consumer behaviour principles to marketing strategy, this book is divided into five parts. Part 1 gives an introduction to the study of consumer behaviour and segmentation; Part 2 discusses the consumer as an individual; Part 3 examines consumers in their social and cultural settings, and Part 4 synthesises all of the variables discussed earlier into the consumer decision-making process, and includes a discussion of the process of consuming or consumption of goods and services. Part 5 ends the book with an examination of public policy, consumer protection, and social responsibility and marketing ethics.

LO 1.9 Understand the structure and plan of this book

This chapter (Chapter 1) has introduced the reader to the study of consumer behaviour as a discipline that investigates the consumption-related activities of individuals. It has described the reasons for the development of consumer behaviour, and introduced a model of consumer decision making that links together all of the personal and group influences that affect consumption decisions. It has also identified and discussed specific issues associated with consumer research and the research process. Chapter 2 introduces the reader to the topic of market segmentation. It outlines the process of segmentation, and discusses targeting of segments and positioning of products.

Part 2 focuses on the psychological characteristics of the consumer. Chapter 3 discusses consumer needs and motivation; Chapter 4 examines the impact of individual personality characteristics on consumer behaviour; Chapter 5 explores consumer perception; Chapter 6 examines how consumers learn and are involved in products, and Chapter 7 discusses consumer attitudes.

Part 3 focuses on consumers as members of society, subject to varying external influences on their buying behaviour. Chapter 8 examines social influences, and Chapter 9 focuses on the family and consumer behaviour. Chapter 10 examines social class and specific aspects of consumer behaviour related to it. Chapter 11 focuses on cultural influences on consumer behaviour, and Chapter 12 examines the specific subcultural groups to which consumers belong. Chapter 13 discusses the importance of cross-cultural consumer research to international marketing.

Part 4 examines the consumer decision-making process. Chapter 14 examines consumer decision making, and Chapter 15 discusses consumers' reactions to innovation and change, and describes the process by which new products are adopted and diffused throughout society.

Part 5 concludes the book by focusing on consumer behaviour and society. Chapter 16 examines a range of important issues that deal with the interrelated topics of public policy, social responsibility and marketing ethics, as they impact consumer behaviour.

Summary

The study of consumer behaviour enables marketers to understand and predict consumer behaviour in the marketplace; it is concerned not only with what consumers buy, but also with why, when, where, how and how often they buy it. Consumer behaviour is defined as the behaviour that consumers display when searching for, purchasing, using, evaluating and disposing of products, services and ideas that they expect will satisfy their needs. Consumer behaviour is interdisciplinary, and is based on concepts and theories about people that have been developed by scientists in such diverse disciplines as psychology, sociology, social psychology, cultural anthropology and economics. Our society is a study in diversity—diversity among consumers, marketers, retailers, advertising media, cultures and customs—but there are also many similarities among consumers. Segmenting target audiences on the basis of similarities makes it possible for marketers to design marketing strategies with which their target consumers identify. Market segmentation and diversity are complementary concepts. Without a diverse marketplace, composed of many different peoples with different backgrounds and countries of origin, different interests, and different needs and wants, there would be little reason to segment markets.

Before the adoption of the marketing concept, mass marketing (offering the same product or marketing mix to everyone) was the marketing strategy most widely used. Consumer behaviour has become an integral part of strategic marketing planning. The belief that ethics and social responsibility should also be integral components of every marketing decision is embodied in a revised marketing concept—the societal marketing concept—which calls on marketers to fulfil the needs of their target markets in ways that improve society as a whole.

Discussion questions

1. Describe the relationship between consumer behaviour and the marketing concept.
2. Define the societal marketing concept and discuss the importance of integrating marketing ethics into a company's philosophy and marketing.
3. Discuss the concepts of customer expectations, perceived value, satisfaction and customer retention. How are they related, if at all? Is customer retention important? Why?
4. Apply each of the two marketing philosophies outlined in Table 1.2 (i.e. traditional marketing, and relational - value based marketing) to the marketing of mobile phone services. You may want to incorporate into your answer your own and your peers' experiences in selecting mobile phone providers.
5. Select any one of the company websites and product-specific site pairs listed in Table 1.1 that interests you. Then systematically examine each of the two sites in terms of how you as a consumer respond differently to each site.

Exercises

1. (a) Select a product or brand you bought recently that has features you didn't want or don't use. Which of the business orientations discussed in the text may have guided the development of this product? Explain.
   (b) Select a product or brand that you bought recently because it met your needs exactly. Which of the business orientations discussed in the text may have guided the development of this product? Explain.
2. Find two examples (e.g. advertisements, articles) depicting practices that are consistent with the societal marketing concept and two examples that contradict this concept. Discuss the examples.
3. Give an example of what you believe to be an unethical marketing practice. How can this practice be stopped through government regulation? Can the industry stop this practice? If so, how?
4. You are the marketing manager of the Commonwealth Bank's online banking services. How would you apply the concepts of customer value, customer satisfaction, customer retention and trust to designing and marketing online banking?

Key terms

buyer (*p. 5*)
consumer (*p. 5*)
consumer behaviour (*p. 4*)
consumer research (*p. 17*)
end-use consumption (*p. 5*)
marketing concept (*p. 16*)
market segments (*p. 17*)

organisational consumer (*p. 5*)
payer (*p. 5*)
personal consumer (*p. 4*)
primary research (*p. 18*)
qualitative research (*p. 19*)
quantitative research (*p. 19*)
societal marketing concept (*p. 16*)

Notes

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