

Chapter 3

- Insight from consumer behaviour helps marketers to see how to encourage consumers to buy a product
- What to emphasize to specific audiences
- Who to target
- Which types of IMC tools to use
- Promotional planners need an understanding of consumer decision making, factors that influence it, and how this knowledge assists in developing promotional strategies and programs

Consumer Decision-Making Process

-Consumer behaviour → the process and activities people experience when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires

- Views the consumer as a problem solver and info processor
- Consumer is someone who evaluates alternative brands and determines the degree to which they might satisfy needs or purchase motives
- Consumers → cognitive learning

Stages in the Consumer Decision-Making Process:

- 1) Need recognition
- 2) Information search
- 3) Alternative evaluation
- 4) Purchase decision
- 5) Postpurchase evaluation

Relevant Internal Psychological Processes

- 1) Motivation
- 2) Perception
- 3) Attitude formation
- 4) Integration
- 5) Satisfaction

Need Recognition

-Need recognition → occurs when the consumer perceives a need and becomes motivated to enter a decision-making process to result that felt need

- Marketers need to know specific needs that consumers are attempting to satisfy
- Needs translate into purchase criteria?
- Accurately portray need in promotional message
- Need recognition → caused by diff between IDEAL STATE and ACTUAL STATE
- Discrepancy between what you want your situation to be and what your situation really is
- Goal exists for consumer

-Want → a felt need that is shaped by a person's knowledge, culture, and personality

- Many products satisfy wants rather than basic needs

-Sources of need recognition:

-internal or external

-simple or very complex

-arise from changes in consumer's current and/or desired state

-Advertising can be used to help consumers crystalize their dissatisfaction with a currently used product

Consumer Motivation

-The way a consumer perceives a purchase situation and becomes driven to resolve it will influence the remainder of the decision process

-Ex: someone might buy a watch for functional purposes (focus on reliable, low price) and another might buy a watch for fashion purposes (focus on design, image)

-Motives help understand underlying reasons for consumer purchases

-Motives → factors that compel a consumer to take a particular action

-Maslow's hierarchy of needs → 5 levels of human need arranged based on importance

1) Physiological → basic level of primary needs for things to sustain life (food, shelter, clothing, sex)

2) Safety → need for security and safety from physical harm

3) Social/Love and Belonging → desire to have satisfying relationships with others and feel a sense of love, affection, belonging, and acceptance

4) Esteem → need to feel a sense of accomplishment and gain recognition, status, and respect from others

5) Self-actualization → need for self-fulfillment and desire to realize one's own potential

-Maslow's hierarchy provides a framework for marketers to understand what needs their products satisfy

Information Search

-Search info about the purchase of a product that can satisfy their needs

-Initial search effort → internal search

-Internal search → consists of an attempt to scan info stored in memory/recall past experience and/or knowledge

-Routine/repetitive purchases → internal search is sufficient for making decision

-External search → if internal search does not yield enough info

-External sources of information:

-Personal sources → friends, relatives, co-workers, etc

-Marketer-controlled sources → advertising, salespeople, displays, internet

-Public sources → articles, reports on TV, internet discussion boards

-Personal experience → past use, actual handling, examining, testing product

-Determining how much and which sources of external info to use involves several factors:

-Importance of decision

-Effort needed

-Amount of relevant past experience

- Degree of perceived risk
- Time

-Internet very important in this stage

Perception

-Message and media decisions are dependent on:

- How consumers sense external info
- How they attend to diff sources of info
- How info is interpreted
- How info is retained

-^ these 4 processes are all a part of perception

-Perception → the process by which an individual receives, attends to, interprets, and stores information to create a meaningful picture of the world

- Depends on internal factors (personal beliefs, experiences, moods, expectations, etc)
- Perceptual process influenced by characteristics of a stimulus (size, colour, intensity)
- Perceptual process influenced by context in which it is seen/heard
- Selectivity
- Perception is a filtering process → internal and external factors influence what is received and how it is processed and interpreted
- 4 stages of perceptual process

Sensation

-Sensation → immediate, direct response of the senses to a stimulus such as an ad, package, brand name, point of purchase display, or mobile alert

- Perception uses senses to create a representation of the stimulus
- Marketers plan certain marketing stimuli to achieve consumers' physiological reactions
- Marketers try to increase level of sensory input so that their advertising message will be noticed
- Selective exposure → occurs as consumers choose whether to not to make themselves available to information***
- Selective exposure → ex: leave room during ad, not smell scent strip, delete email, etc

Selecting Information

- An individual's perception process usually focuses on elements of the enviro that are relevant to their needs and tune out irrelevant stimuli
- Determinants of whether marketing communication stimuli will be attended to and how they will be interpreted include:
 - Personality
 - Needs
 - Motives
 - Expectations
 - Experiences

-Selective attention → occurs when the consumer chooses to focus attention on certain stimuli while excluding others

-Marketers place ads in certain times/locations so they will be noticed more

Interpreting the Information

-Organizing, categorizing, and interpreting information

-Very individualized

-Influenced by internal psychological factors

-Interpretation and meaning an individual assigns to an incoming stimulus also depends in part on the nature of the stimulus (ex: straightforward ad vs ambiguous)

-No guarantee that consumer will interpret as intended

-Selective comprehension → interpreting information on the basis of their own attitudes, beliefs, motives, and experiences

-Interpret information in a manner that supports their own position

Retaining the Information

-Storage in short-term and long-term memory

-Selective retention → consumers do not remember all the info they see, hear, or read even after attending to and comprehending it

-Advertisers attempt to make sure info will be retained in consumer's memory

-Mnemonics → symbols, rhymes, associations, and images that assist in the learning and memory process

Alternative Evaluation

-Alternative evaluation → consumer compares the brands identified of being capable of satisfying the needs or motives that initiated the decision process

-Evoked set → brands identified as purchase options

-Evoked set → generally only a subset of all brands of which consumer is aware

-Consumer reduces # of brands to review

-Size of evoked set varies depending on importance of purchase, time and energy, etc

-Goal of most advertising is to increase likelihood that brand will be included in consumer's evoked set

-Once consumers have evoked set → evaluate brands by comparing the choice alternatives on specific and important criteria

-Evaluative criteria → the attributes of a product that are used to compare diff alternatives which can be objective or subjective

-Products → are bundles of attributes

-Tend to think of products in terms of their bundles of benefits

-Functional benefits → concrete outcomes of product usage that are tangible and directly related to product performance

-Experiential benefits → related to how a product makes the consumer feel while consuming product

-Psychological benefits → refer to the status a consumer encounters when associated with a brand

- Distinguish between product attributes and benefits
- Importance and meaning consumers assign to attributes are usually determined by its consequences for them
- Advertisers communicate the link between a particular attribute and a benefit to enhance consumer understanding

Attitudes

- Learned predispositions to respond to an object
- Summary construct that represents an individual's overall feeling toward or eval of an object
- Attitudes towards individuals (endorsers), brands, companies, product categories, retail stores, ads, etc
- Theoretically summarize a consumer's eval of an object
- Positive or negative feelings
- Behavioural tendencies
- Attitude-behaviour link
- Ads used to create favourable attitudes toward product/service

Purchase Decision

- Purchase intention → predisposition to buy a certain brand***
- Purchase intentions → generally based on matching of purchase motives with attributes/characteristics of brands under consideration
- Purchase decision ≠ actual purchase
- Once a consumer chooses which brand to buy, they must still implement the decision to make the actual purchase
- Additional decisions may be needed (when to buy, where to buy, how much \$ to spend)
- Often there is a time delay between purchase intention and actual purchase (esp with complex purchases like cars)
- Brand loyalty → preference for a particular brand that results in its repeated purchase***

Integration Processes

- Integration processes → the way product knowledge, meanings, and beliefs are combined to evaluate 2+ alternatives***
- Focus on different types of *decision rules* or strategies consumers use to decide among purchase alternatives
- Consumers often make purchase selections by using formal integration strategies or decision rules that require examination and comparison of alternatives on specific attributes
- Deliberate eval of alternatives based on attributes
- Marketers need to know which attributes are being considered
- Sometimes consumers make their purchase decision using heuristics
- Heuristics → more simplified decision rules***
- Heuristics → easy to use, highly adaptive
- Price-based heuristics → buy least expensive brand
- Promotion-based heuristics → choose the brand for a sale reduction through a coupon, rebate, special deal

-Affect referral decision rule → type of heuristic in which consumers make a selection on the basis of an overall impression or summary evaluation of the alternatives under consideration

Postpurchase Evaluation

- After consumption, consumer assesses the level of performance of the product/service
- Feedback acquired from actual use of a product will influence likelihood of future purchases
- Positive performance → brand is retained in evoked set and increases likelihood of repurchase
- Negative outcomes → negative attitude toward brand, less likelihood of repurchase, perhaps eliminate from evoked set
- Consumers explore a number of activities during the postpurchase eval process:
 - seek reassurance and opinions from others
 - lower attitudes of the unchosen alternative
 - deny/distort info that doesn't support the decision they made
 - look for info that does support their choice
- Consumers tend to be more attentive to advertising for their brand they have chosen

Satisfaction

- Most significant psychological concept during the postpurchase eval
 - Satisfaction → judgement that consumers make with respect to the pleasurable level of consumption-related fulfillment*
- Goal has been achieved (needs met)
- Fulfillment is judged with reference to a standard
- Consumers can make comparisons (product performance vs expectations)
- Satisfaction can occur when expectations met or exceeded
- Dissatisfaction occurs when performance is below expectations
- Consumers can also compare the product performance to an absolute standard of quality to perceive satisfaction or dissatisfaction
 - Cognitive dissonance → feeling of psychological tension or postpurchase doubt that a consumer experiences after making a difficult purchase choice*
- Dissatisfied → likely to not repurchase, spread negative word-of-mouth information to deter others
- Companies send follow-up letters or emails to reassure buyers and reinforce the wisdom of their decision

Variations in Consumer Decision Making

Types of Decision Making

- Consumers do not always experience all 5 steps of the purchase process or proceed in that sequence
- May minimize or even skip some stages
- Skip if they have previous experience in purchasing the product or service or if the decision is of low personal, social, or economic significance
 - Routine problem solving → routine response behaviour*
- For many low-priced, frequently purchased products, the decision process consists of little more

than recognizing the need, performing a quick internal search, and making the purchase → little or no effort with external search or alternative eval

- Marketers of products with routine response wants customers to follow a routine choice process and continue to purchase their products
- Use IMC tools to maintain high levels of brand awareness and + brand attitude
- New brands → must disrupt consumers' routine choice process to get them to consider their brand
- Use IMC tools to encourage consumers to reconsider their habit and switch brands
- Limited experience with brand = more complicated decision making process
- Consumers learn what attributes/criteria should be used in making purchase decision
- Consider how alternatives perform

Group Decision Making

-Group → 2+ individuals who share a set of norms, values, or beliefs and have certain implicitly or explicitly defined relationships to one another such that their behaviour is interdependent

- Group situations constitute many of our purchase decisions
 - Reference group → group whose presumed perspectives or values are being used by an individual as the basis for his or her judgements, opinions, and actions*
- Use reference groups as a guide to specific behaviours even when group not present
- Marketers use reference group influences in developing advertisements and promotional strategies
- Aspirational reference group → to which we might like to belong (ex: cool kids)
- Disassociative groups → to which we don't want to belong (ex: drinking and driving)
- Advertiser must determine who is responsible for the roles in the decision-making process so that the messages can be targeted at that person and placed in the most appropriate and effective media
- Must understand the role that each group member play
- The initiator → person responsible for initiating purchase decision process
- The information provider → gathering info to be used to make decision
- The influencer → exerts influence as to what criteria will be used in selection process
- The decision maker(s) → person who makes decision
- The purchasing agent → physical act of making purchase
- The consumer → user of product

Target Audience Decision

-The target audience decision is derived from the segmentation and target market decision of the marketing plan

Marketing Plan Process

- Process of developing and implement marketing and promotion decisions
- Target market → important focus of the firm's marketing effort
- 3 basic steps:
 - Segment the market

- Select target market
- Determine the market positioning strategy

-Target market → *group of consumers toward which an overall marketing program is directed*

-Target audience → *group of consumers toward which the advertising campaign is directed*

-These targets are interdependent

Market Segmentation

- Identify the specific needs of groups of ppl
- Select 1+ segments as target
- Develop marketing programs directed to each segment
- Consumers are diverse in needs, attitudes, and lifestyles

Geographic Segmentation

-Geographic segmentation → *markets are divided into diff geographic units*

- Nations, provinces, states, countries, neighbourhoods
- Diff buying habits depending on where you reside

Demographic Segmentation

- Gender, age, marital status, household size, income, education, occupation

Psychographic Segmentation

- On basis of values and lifestyle, personality, culture, social class

Values and Lifestyle:

- AIO → activities, interests, opinions
- Obtained via surveys
- Lifestyles are correlated to consumers' product, brand, or media usage
- May be best discriminator between use and nonuse for many goods and services
- AIO → reflective of our individual values
- VALS (values and lifestyles) → method for applying segmentation based on values
- Premise of VALS → psychological traits and demographics are better predictors of behaviour than demographics alone
- VALS → combines an estimate of the resources a consumer can draw on (education, income, health, energy level, self-confidence, degree of consumerism) along with their motivation

Personality:

- Relatively enduring characteristics of one's personality that lead people to respond in a reasonably consistent manner
- Social orientation (introvert or extrovert)
- Innovativeness → how much you like to try new things
- Materialism → emphasis placed on product ownership
- Self-consciousness → projection of personal image to others

Culture:

- Broadest and most abstract of external factors

-Culture → complexity of learned meanings values, norms, and customs shared by members of a society

-Offers direction and norms to members of a society in all aspects of their lives

-Difficult to respond to cultural differences in diff markets

-Subcultures → smaller groups or segments within a given culture whose beliefs, values, norms, and patterns of behaviour set them apart from the larger cultural mainstream

-Subcultures → may be based on age, geographic, religious, racial, and/or ethnic differences

Social Class:

-Stratification whereby individuals can be assigned to a specific social category on the basis of criteria important to the members of that society

-Social class → relatively homogeneous divisions in a society into which people sharing similar lifestyles, values, norms, interests, and behaviours can be grouped

-Occupational status

-Educational attainment

-Income

-Upper, middle, and lower class

-Consumers within each social stratum often have similar values, lifestyles, and buying behaviour

Behaviouristic Segmentation

-Behaviouristic segmentation → dividing consumers into groups according to different actions

-Measurable and observable from a research standpoint

Loyalty:

-Retain current customers

-Attract customers who purchase other brands

-Loyalty status often combined with demographic and/or psychographic criteria to develop profiles of audiences for specific communication

User Status:

-The marketer assumes that non-purchasers of a brand or product who have the same characteristics as purchasers hold greater potential for adoption than nonusers with diff characteristics

-Profile (demographic or psychographic) of user is developed

-Profile serves as basis for promotional strategies designed to attract new users

Usage Rate:

-Light, medium, heavy usage

Situation:

-Examine situation in which consumers plan on using the product or brand since it directly affects their perceptions

-Usage situation → refers to the circumstances in which the product will be used (ex: public vs private, gift vs self)

-Purchase situation → directly involves the environment operating at the time of the purchase (time constraints, store enviro, etc)

Benefit Segmentation:

-Looking for products that provide specific benefits to satisfy needs

-Benefit segmentation → grouping of consumers on the basis of attributes sought in a product

Target Market Selection

-Each time a specific segment is identified, additional information is gathered to help the marketer understand this group

-The more marketers segment the market, the more precise is their understanding of it

Target Audience Options

-Primary and most logical factor for initially defining a target audience is the current behaviour of consumers

-It is the individual decision of each customer to purchase a brand that dictates a firm's total sales

-Behaviour is a manifestation of a consumer's attitude toward the brand

Brand Loyal Customers

-Brand loyal customers → regularly buy their firm's products

-Regularly focus on firm's current customers to ensure that you maintain their current purchasing and consumption behaviour

Favourable Brand Switchers

-Favourable brand switchers → buy the promotional planner's brand buy also buy other brands within a given relevant time period for the product category

-For certain product categories, consumers habitually purchase from a few favourites or those brands within their evoked set

-Can be influenced by mood

-Importance of varying degrees of loyalty is a key topic

New Category Users

-New category users → customers that are not purchasing within the promotional planner's product category

-Non customer group

-Often arises due to changes in one's life

-Steady communication may entice customers to their brand when the time comes for these customers to actually purchase

-Appear when brands try to attract new customers who might not perceive the product category as relevant for fulfilling their needs

Other Brand Switchers

-Other brand switchers → purchase a few different brands within a category

-Non-customer group

- Not purchasing their brand
- Challenging target audience
- Need to break their evoked set

Other Brand Loyals

- Other brand loyals* → *consumers that purchase only one other brand*
- Non customer group