

Chapter Six:

1. Consumer buyer behavior

- Refers to the buying behavior of final consumers—individuals and households who buy goods and services for personal consumption.
- Ongoing process that starts long before the consumer purchases a product or service and continues long after they consume it.
- Answer questions of :
 - What consumers buy
 - Where they buy
 - How and how much they buy
 - When they buy and
 - **Why** they buy

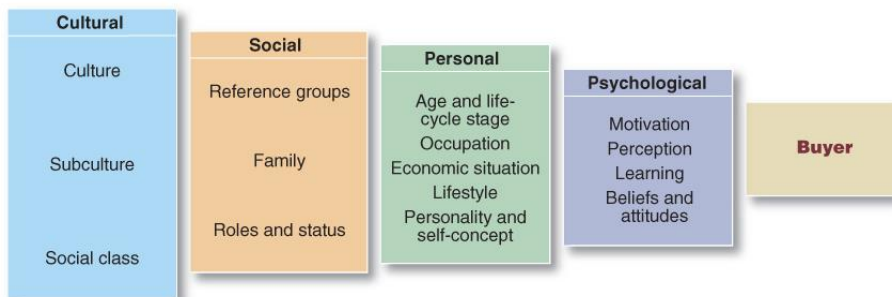
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2. Consumer market refers to all of the personal consumption of final consumers.

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3. Factors influencing consumer behavior

Figure 6.2 Factors Influencing Consumer Behaviour



4. Cultural Factors

- ✓ **Culture** is the set of basic values, perceptions, wants, and behaviours learned from family and other important institutions
- ✓ **Subcultures** are groups of people with shared value systems based on common life experiences and situations.

- Regional Subcultures
- Founding nations
- Ethnic Consumers

- ✓ **Social Classes** are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviours.
Social class is not determined by a single factor, but is measured as a combination of occupation, income, education, wealth, and other variable

5. Social Factors

- ✓ **Groups and Social Networks:** A person's behaviour is influenced by many small groups.
- ✓ **Opinion leaders** are people within a reference group who, because of special skills, knowledge, personality, or other characteristics, exert social influence on others.
 - They are also called **influentials** or **leading adopters**.
- ✓ **Online social networks** are online spaces where people socialize or exchange information and opinions.
- ✓ **Family** is the most important consumer buying organization in society.
- ✓ **Roles and Status:** A role consists of the activities people are expected to perform. Each role carries a status reflecting the general esteem given to it by society.

6. Personal Factors

- ✓ **Age and Life-Cycle Stage.** People change the goods and services they buy over their lifetimes.
- ✓ **Occupation.** A person's occupation affects the goods and services bought.
- ✓ **Economic Situation.** A person's economic situation will affect product choice.
- ✓ **Lifestyle** is a person's pattern of living as expressed in his or her psychographics
- ✓ **Personality** refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment.
- ✓ The basic *self-concept* premise is that people's possessions contribute to and reflect their identities; that is, "we are what we have."
- ❖ A *brand personality* is the specific mix of human traits that may be attributed to a particular brand. One researcher identified five brand personality traits:
 1. Sincerity (down-to-earth, honest, wholesome, and cheerful)
 2. Excitement (daring, spirited, imaginative, and up-to-date)
 3. Competence (reliable, intelligent, and successful)
 4. Sophistication (upper class and charming)
 5. Ruggedness (outdoorsy and tough)

7. Psychological Factors

- ✓ A **motive** (or **drive**) is a need that is sufficiently pressing to direct the person to seek satisfaction.
- ✓ **Motivation research** refers to qualitative research designed to probe consumers’ hidden, subconscious motivations.
- ✓ **Perception** is the process by which people select, organize, and interpret information to form a meaningful picture of the world.
- ✓ **Learning** describes changes in an individual’s behaviour arising from experience.
- ✓ A **belief** is a descriptive thought that a person has about something.
- ✓ **Attitude** describes a person’s relatively consistent evaluations, feelings, and tendencies toward an object or idea.

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8. TYPES OF BUYING DECISION BEHAVIOUR

Figure 6.4 Four Types of Buying Behaviour

Source: Adapted from Henry Assael, *Consumer Behaviour and Marketing Action* (Boston: Kent Publishing Company, 1987), p. 87. Copyright © 1987 by Wadsworth, Inc. Printed by permission of Kent Publishing Company, a division of Wadsworth, Inc.

	High involvement	Low involvement
Significant differences between brands	Complex buying behaviour	Variety-seeking buying behaviour
Few differences between brands	Dissonance-reducing buying behaviour	Habitual buying behaviour

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9. **The Buyer Decision Process** :The buyer decision process consists of five stages:

1. Need recognition,
2. Information search,
3. Evaluation of alternatives,
4. Purchase decision, and
5. Postpurchase behavior.

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10. **Cognitive dissonance**: the discomfort caused by a post-purchase conflict

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11. **The Buyer Decision Process for New Products:**

- **Adoption process** is the mental process an individual goes through from first learning about an innovation to final regular use.
- Consumers go through five stages in the process of adopting a new product:
 - Awareness*: The consumer becomes aware of the new product, but lacks information about it.
 - Interest*: The consumer seeks information about the new product.
 - Evaluation*: The consumer considers whether trying the new product makes sense.
 - Trial*: The consumer tries the new product on a small scale to improve his or her estimate of its value.
 - Adoption*: The consumer decides to make full and regular use of the new product.

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12. **Individual Differences in Innovativeness:** People differ greatly in their readiness to try new products. The five adopter groups have differing values.

1. *Innovators* are venturesome—they try new ideas at some risk.
2. *Early adopters* are guided by respect—they are opinion leaders in their communities and adopt new ideas early but carefully.
3. The *early majority* are deliberate—although they rarely are leaders, they adopt new ideas before the average person.
4. The *late majority* are skeptical—they adopt an innovation only after a majority of people have tried it.
5. *Laggards* are tradition bound—they are suspicious of changes and adopt the innovation only when it has become something of a tradition itself.

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13. **Influence of Product Characteristics on Rate of Adoption**

1. *Relative advantage*: the degree to which the innovation appears superior to existing products.
2. *Compatibility*: the degree to which the innovation fits the values and experiences of potential consumers.
3. *Complexity*: the degree to which the innovation is difficult to understand or use.
4. *Divisibility*: the degree to which the innovation may be tried on a limited basis.
5. *Communicability*: the degree to which the results of using the innovation can be observed or described to others

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Chapter Eight:

14. Major steps in designing a customer-driven marketing strategy:

- **Market segmentation** involves dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviours that may require separate marketing strategies or mixes
 - Table 8.1, page 246, outlines the major variables that might be used in segmenting consumer markets like Geographic, Demographic, Psychographic and Behavioural variables
- **Market targeting (targeting)** consists of evaluating each market segment's attractiveness and selecting one or more segments to enter.
- **Differentiation** involves actually differentiating the market offering to create superior customer value.
- **Positioning** consists of arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

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15. Segmenting International Markets: Companies can segment international markets using one or a combination of several variables.

- **Geographic factors:** Nations close to one another will have many common traits and behaviours.
- **Economic factors:** Countries may be grouped by population income levels or by their overall level of economic development.
- **Political and legal factors:** Type and stability of government, receptivity to foreign firms, monetary regulations, and the amount of bureaucracy.
- **Cultural factors:** Grouping markets according to common languages, religions, values and attitudes, customs, and behavioural patterns.

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16. **Requirements for Effective Segmentation** :To be useful, market segments must be:

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

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17. **Evaluating Market Segments** :In evaluating different market segments, a firm must look at three factors:

1. Segment size and growth,
2. Segment structural attractiveness, and
3. Company objectives and resources.

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18. **Target Marketing Strategies**

This figure covers a broad range of targeting strategies, from mass marketing (virtually no targeting) to individual marketing (customizing products and programs to individual customers). An example of individual marketing: At myMMs.com you can order a batch of M&Ms with your face and personal message printed on each little candy.

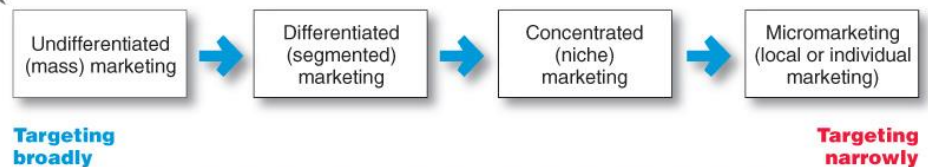


Figure 8.2 Market Targeting Strategies

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19. **Value proposition:** How a company will create differentiated value for targeted segments and what positions it wants to occupy in those segments.

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20. **Product position** is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products. **Page-Reference: 263**

- Perceptions
- Impressions
- Feelings

21. **Perceptual positioning maps** show consumers perceptions of their brands versus competing products on important buying dimensions. **Page-Reference: 264**

22. **Choosing a Differentiation and Positioning Strategy:** The differentiation and positioning task consists of three steps:

1. Identifying a set of differentiating competitive advantages upon which to build a position,
2. Choosing the right competitive advantages, and
3. Selecting an overall positioning strategy.

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

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24. **Choosing a Differentiation and Positioning Strategy:**

- **Product differentiation:** differentiated on features, performance, or style and design.
- **Service differentiation:** differentiated on speedy, convenient or careful delivery.
- **Channel differentiation:** differentiation through the way they design their channel's coverage, expertise, and performance.
- **People differentiation:** hiring and training people better.
- **Image differentiation:** perceived difference based on a strong, distinctive image conveying the product's distinctive benefits and positioning.

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25. *Choosing the Right Competitive Advantage:*

- **Important:** The difference delivers a highly valued benefit to target buyers.
- **Distinctive:** Competitors do not offer the difference, or the company can offer it in a more distinctive way.
- **Superior:** The difference is superior to other ways that customers might obtain the same benefit.
- **Communicable:** The difference is communicable and visible to buyers.
- **Preemptive:** Competitors cannot easily copy the difference.
- **Affordable:** Buyers can afford to pay for the difference.
- **Profitable:** The company can introduce the difference profitably.

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26. *Selecting an Overall Positioning Strategy:*

- **More for More** positioning involves providing the most upscale product or service and charging a higher price to cover the higher costs.
- **More for the Same** positioning involves introducing a brand offering comparable quality but at a lower price.
- **The Same for Less** positioning can be a powerful value proposition—everyone likes a good deal.
- **Less for Much Less** positioning is offering products that offer less and therefore cost less.
- **“Less-for-much-less”** positioning involves meeting consumers’ lower performance or quality requirements at a much lower price.
- **More for Less** positioning is the winning value proposition.

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27. *A **positioning statement** summarizes the company or brand positioning:*

“To (target segment and need) our (brand) is (concept) that (point of difference).”

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Chapter Nine:

28. Products & Services: Page-Reference: 279 - 280

- **Product** is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.
 - Broadly defined, “products” also include services, events, persons, places, organizations, ideas, or mixes of these.
- **Services** are a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.

29. Levels of Product and Services: Product planners need to think about products and services on three levels.

1. *Core customer value*, which addresses the question *What is the buyer really buying?*
2. Actual product.
3. *Augmented product*, which is created around the core benefit and actual product by offering additional consumer services and benefits

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30. Product and Service Classifications :

(1) *Consumer products:*

- ✓ **Convenience products** are consumer products and services that customers usually buy frequently, immediately, and with a minimum of comparison and buying effort.
- ✓ **Shopping products** are less frequently purchased consumer products and services that customers compare carefully on suitability, quality, price, and style.
- ✓ **Specialty products** are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort.
- ✓ **Unsought products** are consumer products that the consumer either does not know about or knows about but does not normally think of buying.

(2) Business products.

- ✓ **Materials and parts** include raw materials and manufactured materials and parts.
- ✓ **Capital items** are industrial products that aid in the buyer’s production or operations, including installations and accessory equipment.
- ✓ **Supplies and services** include operating supplies and maintenance and repair services.
- ✓

Table 9.1 Marketing Considerations for Consumer Products

Marketing Considerations	Type of Consumer Product			
	Convenience	Shopping	Specialty	Unsought
Customer buying behaviour	Frequent purchase; little planning, little comparison or shopping effort; low customer involvement	Less frequent purchase; much planning and shopping effort; comparison of brands on price, quality, and style	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness, knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Canadian Blood Services donations

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(3) Other market offerings:

- **Organization marketing:**
 - Activities undertaken to create, maintain, or change attitudes and behavior of target consumers toward an organization
- **Person marketing:**
 - Activities undertaken to create, maintain, or change attitudes and behavior of target consumers toward particular people.
- **Place marketing:**
 - Activities undertaken to create, maintain, or change attitudes and behavior of target consumers toward particular places

○ *Social marketing:*

- Use of commercial marketing concepts and tools in programs designed to influence individuals' Behaviour to improve their well-being and that of society.

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31. **Individual Product and Service Decisions:** Marketers make product and service decisions at three levels:

✓ *Individual product decisions:*

Product Attributes, Branding, Packaging, Labelling, Product support services

✓ *Product line decisions:*

- Group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.
- **Product line length** is the number of items in the product line
 - Line stretching (Downward ,Upward ,both direction)
 - Line filling

✓ *Product mix decisions:*

- **Product mix** consists of all the products and items that a particular seller offers for sale:
 - Width : Number of different product lines
 - Length : total number of items the company carries within its product lines
 - Depth: number of versions offered of each product in the line
 - Consistency: how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

Page-Reference: 285 to 293

32. **Types of Service Industries :**

- Government (courts,hospitals,police)
- Private not-for-profit organizations (museums, charities,churches)
- Business organizations (airlines, banks,hotels)

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33. Nature and Characteristics of a Service (Page-Reference: 294- 295)

- **Intangibility:** services cannot be seen, tasted, felt, heard, or smelled before they are purchased.
- **Inseparability:** services cannot be separated from their providers.
- **Variability:** service quality depends on who provides the services as well as when, where, and how it is provided.
- **Perishability:** services cannot be stored for later sale or use.

34. Additional Marketing Strategies for Service Firms: (Page-Reference: 296 to 299)

- ✓ *Service-profit chain:* In a service business, the customer and front-line service employee interact to create the service.
- ✓ *Internal marketing:* service firm must orient and motivate its customer-contact employees and supporting service people to work as a team to provide customer satisfaction.
- ✓ *Interactive marketing:* service quality depends heavily on the quality of the buyer-seller interaction during the service encounter

35. Brand :

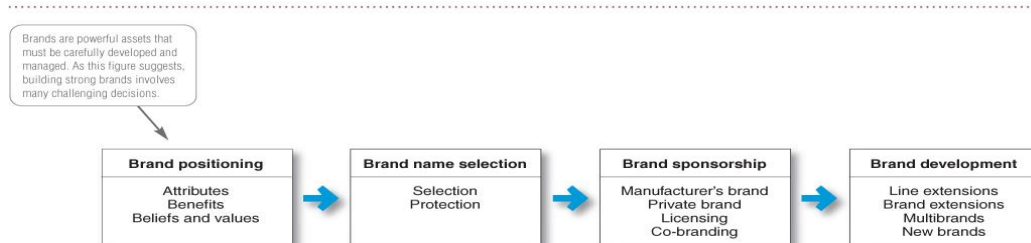
- Consumer’s perceptions and feelings about a product and its performance. It is the company’s promise to deliver a specific set of features, benefits, services, and experiences consistently to the buyers

36. Brand Equity is the positive differential effect that knowing the brand name has on customer response to the product or service.

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37. Branding Strategy: Building Strong Brands (Page-Reference: 303 to 310)

Figure 9.5 Major Brand Strategy Decisions



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