

## LEARNING OBJECTIVES

- LO1 Describe bases marketers use to segment a market
- LO2 Identify criteria for determining attractiveness of a segment & whether it is worth pursuing (targeting)
- LO3 Explain differences among targeting strategies: undifferentiated, differentiated, concentrated, or micromarketing
- LO4 Describe positioning & how firms do it

## Consumer Decision Process (CDP) – 5 STEPS

- ★ A model that represents the steps consumers go thru before, during & after making purchases
- ★ Marketers often find it difficult to determine how consumers make purchasing decisions



\*Past Exam = SKETCH OUT BUYING CDP & EXPLAIN EACH STEP – Provide Ex. of Companies that use these strategies\*

### Step 1. Need Recognition – you as a consumer

- ★ **Functional Needs** ↔ **Psychological Needs**
  - 1<sup>st</sup> Step = CDP begins when consumers recognize they have an unsatisfied need
  - Consumer needs can be functional or psychological
    - **Functional** – (e.g. fancy shoes, that will satisfy different functional needs depending on the consumer), which pertain to performance of a product or service
    - **Psychological** – (e.g. motorcycle, satisfy functional or psychological needs depending on the consumer), which pertain to personal gratification consumers associate w/ a product or service
  - **Ex. 1:** Many basic products (e.g. dish soap) represent commodities, but many consumers go beyond their functional needs & purchase Palmolive dish soap specifically
  - **Ex. 2:** Functional need for water vs. psychological need for Evian or Perrier
  - Marketers use numerous tactics to either remind customers of a need or create new needs
    - Researching & understanding what products & services customers need or want & why are the 1<sup>st</sup> steps in developing appropriate tactics

### Step 2. Information Search – you will search for information before you buy

- ★ **Internal Search** for Information (inside us – our mind, memories) ↔ **External Search** for Information
  - 2<sup>nd</sup> step = after a consumer recognizes a need, search for information about various options that exist to satisfy that need
  - Length & intensity of the search are based on several factors, including...
    - Degree of perceived risk associated w/ purchasing the product or service &
    - Importance of the product to consumer
  - Regardless of the required search level, there are 2 key types of info. = internal & external
    - **Internal search** = buyer examines his or her own memory & knowledge about product or service
    - **External search** = buyer seeks info. outside his or her personal knowledge base to help make buying decision
  - **Ex.'s:** A restaurant for a 1<sup>st</sup> date, whether to take a class from a particular instructor, a diamond engagement ring, a new computer, a washing machine, a security system for your home

## Factors Affecting Consumers' Search Processes

### 1<sup>st</sup> Factor = Perceived Benefits ↔ Perceived Costs

- Is it worth the time & effort to search for info. about a product or service?
- **Ex.** What is the difference in search time between the following:  
A wedding gift for a) coworker, b) your brother, c) your best friend?

## 2<sup>nd</sup> Factor = Internal Locus of Control ↔ External Locus of Control

- Locus of control indicates how much control ppl think they have over outcomes of various activities, such as purchasing a product or service
- Some people sense their own internal control, whereas others feel virtually powerless. The former engage in more search activities while the latter in less
- **Internal Locus of Control:** some control over outcomes = engage in more search activities
- **External Locus of Control:** Fate, external factors control all outcomes = why bother?
  - "I have no control, I just have to accept"

## 3<sup>rd</sup> Factor = Perceived Risks ↔ Actual Risks

- Perceived risks can turn into actual risks
- Risks → Physiological, Performance, Psychological, Social, Financial
- Important thing = it's how customers perceive the risks of buying
- 5 types of risk associated w/ purchase decisions that can delay or discourage a purchase. Risk and risk perceptions play crucial roles in determining the extent of consumer search.
  - (1) **Performance risk** = involves perceived danger inherent in a poorly performing product or service
  - (2) **Financial risk** = associated w/ a monetary outlay & includes the initial cost of the purchase, as well as costs of using the item or service
  - (3) **Social risk** = involves the fears of consumers that others may not regard their purchases positively
  - (4) **Physiological risks** = associated w/ the fear of actual harm if product does not perform properly
  - (5) **Psychological risks** = associated w/ the way people will feel if the product or service does not convey the right image
- Ex. A gift for office party. A gift for your mom's birthday. A gift for your future mother-in-law's birthday.
  - What type of risk is associated with each decision? All involve increasing degrees of psychological risk

Performance risk

Financial risk

Social risk

Physiological risk

Psychological risk

**Step 3. Alternative Evaluation** – you have choices; more than 1 product to choose from, & comparing w/ other products & evaluate which product is better

- ★ Evaluative Criteria
- ★ Determinant Attributes
- Consumers must now sift thru choices available & evaluate alternatives
- Alternative evaluation often occurs while consumers are engaged in the process of information search
- When consumers begin to evaluate different alternatives, they often base their evaluations on a set of important attributes or evaluative criteria
- **Evaluative criteria:** a set of important attributes about a particular product that are used to compare alternative products. Ex: when purchasing a TV, criteria might include features, price, looks.
- To simplify the decision making process, consumers use shortcuts such as determinant attributes & consumer decision rules. These are features that are important to the purchaser & upon which competing brands are perceived to differ.



Find Marketing Strategies – Consumer Decision Rules

**Consumer Decision Rules:** set of criteria that consumers use consciously or subconsciously to quickly & efficiently select among several alternatives. These rules take **3 different forms:** compensatory, non-compensatory or decision heuristics

**(1) Compensatory:** compensating/sacrificing 1 thing for another

- Assume when consumers evaluate alternatives, trades off 1 characteristic against another, such that good characteristics compensate for bad characteristics
- **Ex. 1:** Sony is the most expensive but the processing speed is the highest so we give up price for speed
- **Ex. 2:** When purchasing a car, many factors are considered such as mileage & price. Even if the car is priced a little higher than was planned to spend, superb mileage compensates for the higher price

**(2) Non-Compensatory:** not compensating for anything

- a. Assume when consumers choose a product or service on basis of a subset of its characteristics, regardless of the values of its other attributes
- b. **Ex. 1:** Back to car example. One might find a car w/ a lot of accessories & great mileage, but will reject the car simply b/c price is too high

	Mileage	Style	Price	Accessories	Overall Score
Importance Weight	0.4	0.1	0.3	0.2	
Toyota	10	8	6	8	8.2
Honda	8	9	8	3	7.1
Nissan	6	8	10	5	7.2

Evaluations are based on a 1 (very poor) to 10 (very good) scale. Based on the noncompensatory decision rule (based on price), Nissan is the best candidate for purchase.

☞ Evoked Set → Determinant Attribute

**\*NOT IN TEXTBOOK\***

- When you go buy a product, you don't remember all the brands in the categories (usually just a few)
- **Evoked Set:** set of products that come to your mind immediately "Top of the Mind" (ex. name some toothpaste brands – just Colgate & Crest)
- **Determinant Attributes**

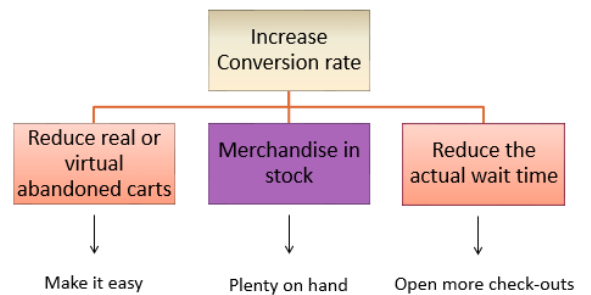
**(3) Decision Heuristics "Rule of Thumb / Short Hand":** mental shortcuts that help a consumer narrow down his or her choices

- ☞ **Quality Perceptions, Product Presentation, Price, Brand, Convenience, Flexibility**

**Step 4. Purchase Decision** – you made up your mind & paying for it

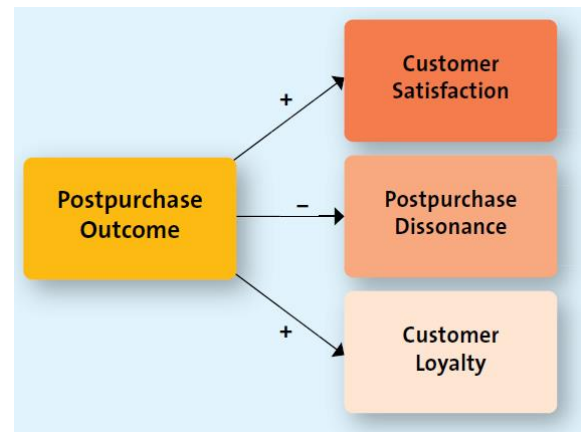
- ★ Ex. Flexible Payment Options (Cash, Credit, Loyalty Points), Discounts, Delivery, Installation
- After evaluating alternatives, customers are ready to buy.
- However, customers don't always patronize store or purchase brand or item on which they had originally decided. It may not be available at the retail store or there may be some other stumbling block
- ∴ Retailers use '**conversion rate**' to measure how well they convert purchase intentions into actual purchases
- Retailers use various tactics (see pic) →
- After consumers purchase product/service, they consume it
- A special type of consumption = '**ritual consumption**' refers to a pattern of behaviours tied to life events that affect what & how we consumer
- These behaviours tend to have symbolic meanings & vary greatly by culture
- They might take the form of someone going to Tim Hortons every morning, or brushing your teeth, or special holiday rituals

**PURCHASE & CONSUMPTION**



### Step 5. Postpurchase – you are examining the purchase in mind – Was it a good deal? Did I get ripped off?

- ★ Survey, Call for Reassurance, etc.
- ★ Companies want to make sure customers are satisfied with their purchases
- Final step of CDP = postpurchase behaviour
- Marketers are particularly interested in postpurchase behaviour b/c it entails actual, rather than potential customers
- Marketers hope to create satisfied customers who become loyal, purchase again, & spread positive word-of-mouth
- However, dissatisfied customers are not likely to patronize store again & will spread negative word-of-mouth



### 3 Possible Postpurchase Outcomes (see pic) →

- (1) **Customer satisfaction:** marketers can take the following steps to ensure postpurchase customer satisfaction – build realistic expectations, demonstrate correct product use, stand behind your product or service, encourage customer feedback, periodically make contact with customers & thank them
- (2) **Postpurchase cognitive dissonance:** buyer's remorse – an internal conflict that arises from an inconsistency between two beliefs, or between beliefs & behaviours
  - **Ex. 1:** You might have 2<sup>nd</sup> thoughts after purchasing a really expensive TV or car. One feels regret, guilt or uneasiness. To minimize potential for buyer's remorse, marketers often make direct efforts at customers after they have made the purchase
- (3) **Customer loyalty:** this develops over time w/ multiple repeat purchases of product or brand from the same firm. Marketers use CRM (see Chapter 2) to design specific programs to keep customers (check recording)

### Undesirable Consumer Behaviour

- ★ Negative word-of-mouth & rumours can be very damaging
- ★ Internet = effective way to spread negativity ∴ Marketers must respond quickly!
- Some companies allow customers to post comments & to complain on their social media sites
- **Ex. 1:** Whirlpool set up FB pages for its appliance brands. Customers can share their thoughts on these sites w/o fear of negative feedback being deleted
  - Whirlpool believes it should keep the bad to open up discussions & emphasize proactive measures the company is taking to remedy service or product failures

### 3 Factors Influencing Consumer Buying Decisions

- ★ Psychological, Social, Situational
- 1) **Psychological factors** – influences internal to consumer, such as motives, attitudes, perceptions, learning & lifestyles

#### ❖ Motives

- ★ Maslow's Hierarchy of Needs – Physiological, Safety, Love, Esteem, Self-Actualization

#### ❖ Attitude

- ★ Cognitive (Thinking), Affective (Feeling), Behavioural (Acting)

- ⊕ Your evaluation or feeling towards an object or idea
- ⊕ Learned & long-lasting but they can change abruptly
- ⊕ Affective vs. Behavioural components
  - **Affective:** what we feel about issue at hand, our like or dislike about something
  - **Behavioural:** actions we take based on what we know & feel



- **Ex.** Volvo = safety → cognitive component
  - **Ex.** Watching a family look comfortable in a Volvo ad entices others to think they'd also like to have this car for their family → affective component
  - **Ex.** Encouraged, one goes to the Volvo dealership to make the purchase → behavioural component
- ⊕ Ideally, these components will all work together. But sometimes they don't lead to cognitive dissonance leading to buyer's remorse.
- ⊕ Although attitudes are pervasive & usually slow to change, important point from a market's point of view, is that they can be influenced & perhaps changed thru communications & personal experiences

### ❖ Perception

- ✚ **Perception:** process where we select, organize, & interpret info. to form a meaningful picture of world
  - ★ Selective = exposure, attention, comprehension, retention
    - Culture (how you were raised), income (rich/middle class/poor), previous bias, etc.
    - You want to share people's perception of the brand – your message about the brand
    - Fulfill promises & that is what makes perception of the brand good
- ⊕ Societies' perceptions can change
- ⊕ Ex. Tattoos used to be only considered acceptable for unsavory individuals
  - They were NOT mainstream, yet today ppl from a variety of demographic backgrounds get tattooed
  - Many celebrities have tattoos, even some parents & children have matching tattoos
- ⊕ To try to influence perception, marketers must understand & focus on the 4 components of perception: selective exposure, attention, comprehension & retention. **\*READ TEXTBOOK FOR MORE DETAILS\***

### ❖ Learning

- ✚ **Learning:** change in a person's thought process or behavior that arises from experience and takes place throughout the consumer decision process → learning changed our perception
- ★ Affects both attitudes & perceptions
- ★ Affected by social experiences -> when you actually do something
  - Ex. Laila Ali's ad → beautiful boxer w/ beautiful hair holding a robe (represents strength)
  - Ex. By experiencing lots of people with tattoos, we learn that they are "OK"
- ★ **Stimulus Generalization** (NOT IN TEXTBOOK, but know it!) → if someone exposes you to a product, if a product gives you a stimulus, if you act a certain way after that stimulus, if you feel good about it, chances are you'll buy it again (ex. Tylenol)
  - All trials are based on stimulus generalization
- ★ **Stimulus Discrimination** → ex. all light beers are like OR Coke or Pepsi are no difference
  - Marketers don't want customers to feel their products are substitutes for another product
  - You want to differentiate your product in some special way (awards, doctor's recommendation, qualities, bonus pack like "bigger size now!" or "free trial") → differentiation has to be valuable

### ❖ Lifestyle & Personality

- |             |   |   |
|-------------|---|---|
| Lifestyle   | { | <ul style="list-style-type: none"> <li>★ Activities [work, shopping, sports, hobbies, social events, etc.]</li> <li>★ Interests [family, fashion, food, recreation, etc.]</li> <li>★ Views [about self, others, social issues, politics, business, products, etc.]</li> </ul> |
| Personality | { | <ul style="list-style-type: none"> <li>★ Personality traits [self-confidence, sociability, dominance, autonomy, aggressiveness, defensiveness, adaptability, etc.]</li> <li>★ Self-image [true self; mirror self; aspirational (ideal) self]</li> </ul>                       |

2) **Social factors** – external, social environment such as family, reference groups & culture

❖ **Family** – Decision Makers ↔ Influencers

- Many purchase decisions are made about products or services that entire family will consume/use
- ∴ firms must consider how families make purchase decisions & understand how various family members might influence these decisions

❖ **Reference Groups:** 1 or more persons whom an individual uses as a basis for comparison regarding beliefs, feelings, & behaviours

- A consumer might have various reference groups →
- These reference groups affect buying decisions by offering →

**SOCIAL FACTORS:  
REFERENCE GROUPS**

- Groups
- Family
  - Friends
  - Co-workers
  - Famous people
- Provide:
- Information
  - Rewards
  - Self-image

❖ **Culture**

- Shared meanings, beliefs, morals & customs
- Your culture group can be your school, country, religion
- Culture greatly influences consumer behaviour
- Marketers must understand differences among countries
  - Marketers must work hard to understand how culture is different not only in Canada but also in those countries to which they plan to market their products (ex. Culture practices)
    - **Ex.** Chinese culture → #4 = Bad luck
  - Strategies that may work in Canada, most likely will not work in other regions, like in Asia
  - Even within Canada, there are subcultures that exist that one must understand

3) **Situational factors** – override/influence psychological & social issues (related to...)

- ★ Specific **purchase** situation
- ★ Particular **shopping** situation – consistent atmosphere (high-end, low-end, etc.)
- ★ **Temporal states** (time of day) affect decision process
  - The occasion/person – wedding, baby shower, self
  - **Store atmosphere:** complete setting of the store (lighting, music, layout, etc.)
  - Sales people, Crowding, In-store Demo, In-store Promotions
- ★ Every decision that ppl make as consumers will take them thru some form of CDP --- but like life itself, this process does not exist in a vacuum

Purchase

Shopping

Temporal State

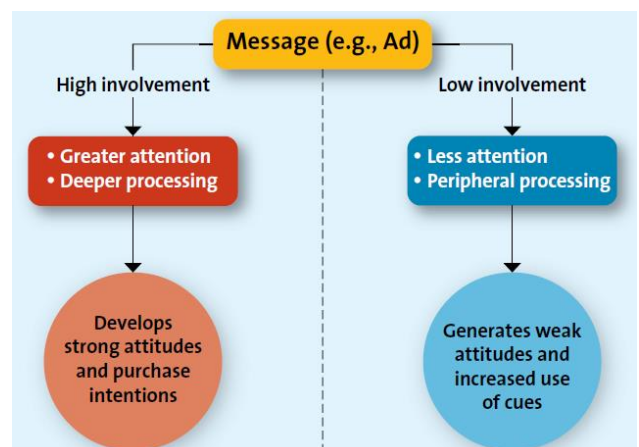
- ⊕ For some, the store may have seemed too expensive, whereas others may have perceived themselves as too masculine or feminine, too young or old
- ⊕ Many training programs feature “up-selling,” such as offering dessert or suggesting special entree. In retail settings, many sales ppl are trained to suggest accessories/additional pieces that go w/ a particular outfit/item
- ⊕ Infomercials offer a good example of product demonstrations that attempt to motivate purchase

**Involvement & Consumer Buying Decisions** →

Ω Consumers engage in two types of buying process/decisions depending on their level of involvement:

Ω **Extended Problem Solving:** consumer takes considerable amount of time & effort to analyze alternatives

- Often occurs when consumer perceives that purchase decision entails a **great deal of risk**
- For high-priced, risky, infrequent or highly expressive purchases



- Ω **Limited Problem Solving:** consumer takes a moderate amount of time & effort during a purchase decision
- For **impulse buying & habitual decision making** or purchases
  - Some purchase decisions require even less thought. Habitual decision making describes a purchase decision in which consumers engage w/ little conscious effort

**Examples of Extended Problem Solving vs. Limited Problem Solving decisions**

- ⇒ **Ex.** buying a car = extended problem solving
- ⇒ **Ex.** grabbing lunch at Wendy's; an impulse buy = limited problem solving
- ⇒ **Ex.** purchasing orange juice for daily consumption; a habitual decision making = limited problem solving
- ⇒ **Ex.** grabbing a coffee at Tim Hortons; a habitual decision making = limited problem solving

**Strategies for the 4 Buying Behaviour**

- 1) Complex
  - Give prod info – uses, specs, performance, after sales service & support, relieve fear, etc.
- 2) Variety-Seeking
  - Dominate shelf space, lower prices, deals, coupons, samples
- 3) Dissonance-Reducing
- 4) Habitual