Consumer behaviour has changed dramatically in the past few decades. Today, consumers can order online many customised products ranging from trainers to computers. Many have replaced their daily newspapers with customised, online editions of these media and are increasingly receiving information from online sources. Students choosing a university no longer rely on receiving prospectuses through the post; instead, they have online access to all the pertinent information about a university’s courses and teaching staff and, in some cases, can visit, virtually, actual classes. People wanting to sell their old computers or grandmother’s antique table no longer need to advertise in the local newspaper or rely on a pricey auctioneer; instead, they can sell these items via online auctions or their own personalised online advertisement. Consumers who want out-of-print books no longer have to visit out-of-the-way shops with hundreds of poorly organised dusty shelves, and those who wish to purchase a book published in another country no longer have to call foreign publishers or deal with the bureaucratic nightmare of overseas delivery; instead, they can visit online stores where they can easily locate and place orders for the books they seek. Television viewers can now avoid the advertisement breaks by using the ‘skip’ feature of their recorders and order on demand previously shown television programmes as well as films. All of these new ways of selling products and services became available to consumers during the past 15 years and are the result of digital technologies. And they also have another thing in common: they exist today because they reflect an understanding of consumer needs and consumer behaviour.

The term consumer behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. Consumer behaviour focuses on how individuals 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 the purchase, the impact of such evaluations on future purchases and how they dispose of it.
Clearly, as individuals we are all unique. However, one of the most important constants among all of us despite our differences is that, above all, we are consumers. We use or consume on a regular basis food, clothing, shelter, transport, education, equipment, holidays, necessities, luxuries, services and even ideas. As consumers we play a vital role in the health of the economy – local, national and international. The purchase decisions we make affect the demand for basic raw materials, for transport, for production, for banking; they affect the employment of workers and the deployment of resources, the success of some industries and the failure of others. In order to succeed in any business, and especially in today’s dynamic and rapidly evolving marketplace, marketers need to know everything they can about consumers – what they want, what they think, how they work, how they spend their leisure time. They need to understand the personal and group influences that affect consumer decisions and how these decisions are made. And, in these days of ever-widening media choices, they need not only to identify their target audiences, but also to know where and how to reach them.

The term consumer behaviour describes 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, for the use of the household, or as a gift for a friend. In each of these contexts, the products are bought for final use by individuals, who are referred to as end-users or ultimate consumers. The second category of consumer – the organisational consumer – includes companies and charities, government agencies (local and national), and institutions (e.g. schools, hospitals and prisons), all of which must buy products, equipment and services in order to run their organisations. Despite the importance of both categories of consumers – individuals and organisations – this book will focus on the individual consumer, who purchases for his or her own personal use or for household use. End-use consumption is perhaps the most pervasive of all types of consumer behaviour, for it involves every individual, of every age and background, in the role of either buyer or user, or both.

DEVELOPMENT OF THE MARKETING CONCEPT AND THE DISCIPLINE OF CONSUMER BEHAVIOUR

The field of consumer behaviour is rooted in the marketing concept, a business orientation that evolved in the 1950s through several alternative approaches towards doing business referred to, respectively, as the production concept, the product concept and the selling concept.

The production concept assumes that consumers are mostly interested in product availability at low prices; its implicit marketing objectives are cheap, efficient production and intensive distribution. This orientation makes sense when consumers are more interested in obtaining the product than they are in specific features and will buy what is available rather than wait for what they really want. Today, using this orientation makes sense in developing countries or in other situations in which the main objective is to expand the market.

The product concept assumes that consumers will buy the product that offers them the highest quality, the best performance and the most features. A product orientation leads the company to strive constantly to improve the quality of its product and to add new features that are technically feasible without finding out first whether or not consumers really want these features. A product orientation often leads to ‘marketing myopia’, that is, a focus on the product rather than on the consumer needs it presumes to satisfy. Marketing myopia may cause a company to ignore crucial changes in the marketplace because it causes marketers to look in the mirror rather than through the window. For example, Levi’s Jeans saw a decline in sales from record annual sales of $7.1 billion in 1996 to $5.1 billion in 1999. In the same period, profits fell from more than $1 billion to barely nothing, despite the fact that Levi’s closed down 30 of its 51 factories and laid
off 15,000 of its workers. The reason? Levi’s no longer connected with younger customers, and did not offer products able to satisfy the changing needs of the market.\(^1\)

A natural evolution from both the production concept and the product concept is the selling concept, in which a marketer’s primary focus is selling the product(s) that it has unilaterally decided to produce. The assumption of the selling concept is that consumers are unlikely to buy the product unless they are aggressively persuaded to do so – mostly through the ‘hard sell’ approach. The problem with this approach is that it fails to consider customer satisfaction. When consumers are induced to buy products they do not want or need, they will not buy them again. Also, they are likely to communicate any dissatisfaction with the product through negative word-of-mouth that serves to dissuade potential consumers from making similar purchases. Today, the selling concept is typically utilised by marketers of unsought goods (such as life insurance), by political parties ‘selling’ their candidates aggressively to apathetic voters and by firms that have excess inventory.

The marketing concept

The field of consumer behaviour is rooted in a marketing strategy that evolved in the late 1950s, when some marketers began to realise that they could sell more goods, more easily, if they produced only those goods they had already determined that consumers would buy. Instead of trying to persuade customers to buy what the firm had already produced, marketing-oriented firms found that it was a lot easier to produce only products they had first confirmed, through research, that consumers wanted. Consumer needs and wants became the firm’s primary focus. This consumer-oriented marketing philosophy came to be known as the marketing concept.

The key assumption underlying the marketing concept is that to be successful a company must determine the needs and wants of specific target markets and deliver the desired satisfactions better than the competition. The marketing concept is based on the premise that a marketer should make what it can sell, instead of trying to sell what it has made. Whereas the selling concept focuses on the needs of the sellers and on existing products, the marketing concept focuses on the needs of the buyer. The selling concept focuses on profits through sales volume; the marketing concept focuses on profits through customer satisfaction.

It is interesting to note that even before the evolution of the marketing concept, an intuitive understanding of consumer behaviour was the key to the growth of companies that have remained highly successful even today. Apparently, companies centred on understanding customers are the ones that continue to grow and remain leaders in their industries in spite of increased competition and changing business environments. Two anecdotes depicting two business leaders who led such companies are presented in Table 1-1.

Implementing the marketing concept

The widespread adoption of the marketing concept provided the impetus for the study of consumer behaviour. To identify unsatisfied consumer needs, companies had to engage in extensive marketing research. In so doing, they discovered that consumers were highly complex individuals, subject to a variety of psychological and social needs quite apart from their survival needs. They discovered that the needs and priorities of different consumer segments differed dramatically, and in order to design new products and marketing strategies that would fulfil consumer needs, they had to study consumers and their consumption behaviour in depth. Thus, the marketing concept underscored the importance of consumer research and laid the groundwork for the application of consumer behaviour principles to marketing strategy. The strategic tools that are used to implement the marketing concept include segmentation, targeting, positioning and the marketing mix.
The role of consumer research

**Consumer research** describes the process and tools used to study consumer behaviour. Broadly speaking, there are two theoretical perspectives that guide the development of consumer research methodology: the positivist approach and the interpretivist approach.

**Positivists** tend to be objective and empirical, to seek causes for behaviour, and to conduct research studies that can be generalised to larger populations. Consumer research designed to provide data to be used for strategic managerial decisions falls into this category.

The research done by **interpretivists**, on the other hand, tends to be qualitative and based on small samples. Although they tend to view each consumption situation as unique and unpredictable, interpretivists seek to find common patterns of operative values, meanings and behaviour across consumption situations. Chapter 2 explores the basic assumptions and methodology of each research approach in some detail.

Segmentation, targeting and positioning

The focus of the marketing concept is consumer needs. At the same time, recognising the high degree of diversity among us, consumer researchers seek to identify the many similarities – or constants – that exist among the peoples of the world. For example, we all have the same kinds of biological needs, no matter where we are born – the needs for food, for nourishment, for water, for air and for shelter from the elements. We also acquire needs after we are born. These needs are shaped by the environment and the culture in which we live, by our education and by our experiences. The interesting thing about acquired needs is that there are usually many people who develop the same needs. This commonality of need or interest constitutes a market segment, which enables the marketer to target consumers with specifically designed products and/or promotional appeals that satisfy the needs of that segment. The marketer must also adapt...
the image of its product (i.e. ‘position’ it), so that each market segment perceives the product as better fulfilling its specific needs than competitive products. The three elements of this strategic framework are market segmentation, targeting and positioning.

Market segmentation is the process of dividing a market into subsets of consumers with common needs or characteristics. The variables and methods used to form such subsets are detailed in Chapter 3. Because most companies have limited resources, few companies can pursue all of the market segments identified. Market targeting is selecting one or more of the segments identified for the company to pursue. The criteria for selecting target markets are detailed in Chapter 3.

Positioning is developing a distinct image for the product or service in the mind of the consumer, an image that will differentiate the offering from competing ones and squarely communicate to consumers that the particular product or service will fulfill their needs better than competing brands. Successful positioning centres around two key principles: first, communicating the benefits that the product will provide rather than the product’s features. As one marketing sage pointed out: ‘consumers do not buy drill bits – they buy ways to make holes’. Secondly, because there are many similar products in almost any marketplace, an effective positioning strategy must develop and communicate a ‘unique selling proposition’ – a distinct benefit or

TABLE 1-2 Rollerblade: Effective implementation of the marketing concept

About two decades ago, in-line skates were an off-season training tool for hockey players. In the mid-1980s, Rollerblade developed marketing strategies that positioned in-line skating as a new sport. The company sold in-line skates to bicycle and conventional skate hire stores in two trend-setting places: Miami Beach, Florida, and Venice Beach, California, and a new form of recreational sport that appeals to many age groups and social classes was born. Backed by aggressive marketing and public relations, the popularity of the new sport soared and was quickly integrated into the mainstream. As competition appeared, Rollerblade continued to lead the market with such innovations as breathable shoe liners, buckle closure systems and female-specific skates; today the company holds several hundred patented innovations.

The company’s product line illustrates the utilisation of segmentation, targeting and positioning strategies. The company targets five segments and offers models that provide different benefits to the members of each segment: (1) Men can choose among models designed for expert, intermediate or demanding skaters, and among such benefits as style, technological innovation and performance. (2) Women are targeted with similar choices as men. (3) There are several models for children. (4) Street and park skaters can choose among models focused on durability, performance or attention to detail. (5) Race skaters are targeted with a model offering high-tech features and top performance. The models offered to men, women and children include brakes, whereas the models offered to street, park and race skaters do not.

Rollerblade’s entire marketing mix stems from its core product. In addition to the in-line skates, the company sells helmets, skate bags, and wrist, elbow and knee protectors. The skates are priced along a range varying from very expensive models offered to aggressive and racing skaters who look for maximum performance, to value-oriented skaters, to recreational skaters. The products are distributed in a variety of outlets – both domestic and overseas – in a way that reflects the market segments targeted and the skate models’ prices. The company advertises its products in the mass media, issues frequent press releases as part of its public relations, and promotes its products through athletic and event sponsorships (currently in the USA there are Rollerblade skate weekends that are called Camp Rollerblade), as well as its ‘Skate School’.

The company’s website also includes features that encourage skaters to revisit, such as a list of places to skate (arranged by state), a dealer locator, skating tips, tips for people who wish to take up the sport, and suggestions on skating safety. These features show that Rollerblade has a thorough understanding of customer retention as well as social responsibility, concepts that are discussed later in this chapter.

Source: Developed from material available at www.rollerblade.com.
CHAPTER 1 AN INTRODUCTION TO THE STUDY OF CONSUMER BEHAVIOUR

point of difference – for the product or service. In fact, most of the new products introduced by marketers (including new forms of existing products such as new flavours, sizes, etc.) fail to capture a significant market share and are discontinued because they are perceived by consumers as ‘me too’ products lacking a unique image or benefit. In Chapter 7, the concepts and tools of positioning are explored further.

The marketing mix

The marketing mix consists of a company’s service and/or product offerings to consumers and the methods and tools it selects to accomplish the exchange. The marketing mix consists of four elements:

1. the product or service (the features, designs, brands and packaging offered, along with post-purchase benefits such as warranties and return policies);
2. the price (the list price, including discounts, allowances and payment methods);
3. the place (the distribution of the product or service through specific retail and non-retail outlets);
4. promotion (the advertising, sales promotion, public relations and sales efforts designed to build awareness of and demand for the product or service).

Table 1-2 depicts the implementation of the elements of the marketing concept by the Rollerblade company.

CUSTOMER VALUE, SATISFACTION AND RETENTION

Since its emergence in the 1950s, many companies have very successfully adopted the marketing concept. The result has been more products, in more sizes, models, versions and packages, offered to more precisely targeted (and often smaller) target markets. This has resulted in an increasingly competitive marketplace. And in the 1990s the digital revolution enabled many marketers to offer even more products and services and distribute them more widely, while reducing the costs and barriers of entering many industries. It has accelerated the rate at which new competitors enter markets and also has speeded up the rate at which successful segmentation, targeting and positioning approaches must be updated or changed, as they are imitated or made obsolete by the offerings of new business rivals.

Shrewd marketers today realise that in order to outperform competitors they must achieve the full profit potential from each and every customer. They must make the customer the core of the company’s organisational culture, across all departments and functions, and ensure that each and every employee views any exchange with a customer as part of a customer relationship, not as a transaction. The three drivers of successful relationships between marketers and customers are customer value, high levels of customer satisfaction and building a structure for customer retention.

Providing customer value

Customer value is defined as the ratio between the customer’s perceived benefits (economic, functional and psychological) and the resources (monetary, time, effort, psychological) used to obtain those benefits. Perceived value is relative and subjective. For example, diners at an exclusive, Michelin-star-awarded restaurant in Copenhagen, Denmark, where a meal with drinks may
cost €250 per person, may expect unique and delicious food, immaculate service and beautiful decor. Some diners may receive even more than they had expected and will leave the restaurant feeling that the experience was worth the money and other resources expended (such as a month-long wait for a reservation). Other diners may go with expectations so high that they leave the restaurant disappointed. On the other hand, millions of customers each year visit thousands of McDonald’s restaurants in scores of countries around the globe, where they purchase standard, inexpensive meals from franchise owners and employees systematically trained by the McDonald’s Corporation to deliver the company’s four core standards: quality, service, cleanliness and value. Customers flock to McDonald’s outlets repeatedly because the restaurants are uniform, customers know what to expect and they feel that they are getting value for the resources they expend.

Developing a value proposition (a term rapidly replacing the popular business phrase ‘unique selling proposition’) is the core of successful positioning. For example, Unilever want to bring vitality to life, and promise to meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life. Measures of customers’ expectations and evaluations of products and services are discussed in Chapter 2, and the strategic applications of customers’ perceptions of prices, quality and value are explored in Chapter 7.

Customer satisfaction is the individual’s perception of the performance of the product or service in relation to his or her expectations. As noted earlier, customers will have drastically different expectations of an expensive restaurant and a McDonald’s, although both are part of the restaurant industry. The concept of customer satisfaction is a function of customer expectations. A customer whose experience falls below expectations (e.g. used dishes not cleared quickly enough at an expensive restaurant or cold fries served at a McDonald’s) will be dissatisfied. Diners whose experiences match expectations will be satisfied. And customers whose expectations are exceeded (e.g. by small samples of delicious food ‘from the Chef’ served between courses at the expensive restaurant, or a well-designed play area for children at a McDonald’s outlet) will be very satisfied or delighted.

A widely quoted study that linked levels of customer satisfaction with customer behaviour identified several types of customers: completely satisfied customers who are either ‘loyalists’ who keep purchasing, or ‘apostles’ whose experiences exceed their expectations and who provide very positive word-of-mouth about the company to others; ‘defectors’ who feel neutral or merely satisfied and are likely to stop doing business with the company; consumer ‘terrorists’ who have had negative experiences with the company and who spread negative word-of-mouth; ‘hostages’ who are unhappy customers who stay with the company because of a monopolistic environment or low prices and who are difficult and costly to deal with because of their frequent complaints; and ‘mercenaries’ who are very satisfied customers but who have no real loyalty to the company and may defect because of a lower price elsewhere or on impulse, defying the satisfaction–loyalty rationale. The researchers propose that companies should strive to create apostles, raise the satisfaction of defectors and turn them into loyalists, avoid having terrorists or hostages, and reduce the number of mercenaries. Customer satisfaction measurement tools and techniques are discussed in Chapter 2.

Customer retention

The overall objective of providing value to customers continuously and more effectively than the competition is to have highly satisfied (even delighted) customers; this strategy of customer retention makes it in the best interest of customers to stay with the company rather than switch
to another firm. In almost all business situations, it is more expensive to win new customers than to keep existing ones. Studies have shown that small reductions in customer defections produce significant increases in profits because:

1. loyal customers buy more products;
2. loyal customers are less price sensitive and pay less attention to competitors’ advertising;
3. servicing existing customers, who are familiar with the firm’s offerings and processes, is cheaper; and
4. loyal customers spread positive word-of-mouth and refer other customers.

Furthermore, marketing efforts aimed at attracting new customers are expensive; indeed, in saturated markets, it may be impossible to find new customers. Today the Internet and digital marketer–consumer interactions are ideal tools for tailoring products and services to the specific needs of consumers (often termed one-to-one marketing), offering them more value through increased customer intimacy and keeping the customers returning to the company.

Marketers who designate increasing customer retention rates as a strategic corporate goal must also recognise that all customers are not equal. Sophisticated marketers build selective relationships with customers, based on where customers rank in terms of profitability, rather than strive merely ‘to retain customers’. Such a marketer will closely monitor its customers’ consumption volume and patterns, establish tiers of customers according to their profitability levels and develop distinct strategies toward each group of customers. For example, some stockbrokers programme their telephones to recognise the phone numbers of high-volume traders to ensure that their calls receive priority.

Customers who have purchased and registered several of a company’s products should receive extensive and expedited customer support. On the other hand, for instance, a bank’s less profitable customers who make little use of their credit cards should not have penalties waived for bounced cheques or late payments. Some companies also identify customer groups that are unlikely to purchase more if pursued more aggressively; such customers are often discouraged from staying with the company or even ‘fired’ as customers.

Classifying customers according to profitability levels goes beyond traditional segmentation methods that subdivide consumers on the basis of demographic, sociocultural or behavioural characteristics. Customer profitability-focused marketing tracks costs and revenues of individual customers and then categorises them into tiers based on consumption behaviours that are specific to the company’s offerings. Such a strategy is probably the most effective way to utilise the knowledge of consumer behaviour. For example, a recent study advocates using a ‘customer pyramid’ where customers are grouped into four tiers:

1. the platinum tier includes heavy users who are not price sensitive and who are willing to try new offerings;
2. the gold tier consists of customers who are heavy users but not as profitable because they are more price sensitive than those in the higher tier, ask for more discounts and are likely to buy from several providers;
3. the iron tier consists of customers whose spending volume and profitability do not merit special treatment from the company;
4. the lead tier includes customers who actually cost the company money because they claim more attention than is merited by their spending, tie up company resources and spread negative word-of-mouth.

The authors of the study urge companies to develop distinct marketing responses for each group. Methods for collecting the customer data needed to develop the kind of retention systems discussed here are described in Chapter 2. A corporate philosophy centred on customer value, satisfaction and retention evolves from the marketing concept and also unfolds new dimensions of marketing. Table 1-3 compares traditional marketing with perceived value and retention marketing. Applications of consumer behaviour concepts to value and retention-focused marketing are discussed throughout the book.
<table>
<thead>
<tr>
<th>THE TRADITIONAL MARKETING CONCEPT</th>
<th>VALUE- AND RETENTION-FOCUSED MARKETING</th>
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<tbody>
<tr>
<td>Make only what you can sell instead of trying to sell what you make.</td>
<td>Use technology that enables customers to customize what you make.</td>
</tr>
<tr>
<td>Do not focus on the product; focus on the need that it satisfies.</td>
<td>Focus on the product’s perceived value, as well as the need that it satisfies.</td>
</tr>
<tr>
<td>Market products and services that match customers’ needs better than competitors’ offerings.</td>
<td>Utilize an understanding of customer needs to develop offerings that customers perceive as more valuable than competitors’ offerings.</td>
</tr>
<tr>
<td>Research consumer needs and characteristics.</td>
<td>Research the levels of profit associated with various consumer needs and characteristics.</td>
</tr>
<tr>
<td>Understand the purchase behavior process and the influences on consumer behavior.</td>
<td>Understand consumer behavior in relation to the company’s product.</td>
</tr>
<tr>
<td>Realize that each customer transaction is a discrete sale.</td>
<td>Make each customer transaction part of an ongoing relationship with the customer.</td>
</tr>
<tr>
<td>Segment the market based on customers’ geographic, demographic, psychological, sociocultural, lifestyle, and product-usage related characteristics.</td>
<td>Use hybrid segmentation that combines the traditional segmentation bases with data on the customer’s purchase levels and patterns of use of the company’s products.</td>
</tr>
<tr>
<td>Target large groups of customers that share common characteristics with messages transmitted through mass media.</td>
<td>Invest in technologies that enable you to send one-to-one promotional messages via digital channels.</td>
</tr>
<tr>
<td>Use one-way promotions whose effectiveness is measured through sales data or marketing surveys.</td>
<td>Use interactive communications in which messages to customers are tailored according to their responses to previous communications.</td>
</tr>
<tr>
<td>Create loyalty programs based on the volume purchased.</td>
<td>Create customer tiers based on both volume and consumption patterns.</td>
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<tr>
<td>Encourage customers to stay with the company and buy more.</td>
<td>Make it very unattractive for your customers to switch to a competitor and encourage them to purchase ‘better’ – in a manner that will raise the company’s profitability levels.</td>
</tr>
<tr>
<td>Determine marketing budgets on the basis of the numbers of customers you are trying to reach.</td>
<td>Base your marketing budget on the ‘lifetime value’ of typical customers in each of the targeted segments compared with the resources needed to acquire them as customers.</td>
</tr>
<tr>
<td>Conduct customer satisfaction surveys and present the results to management.</td>
<td>Conduct customer satisfaction surveys that include a component that studies the customer’s word-of-mouth about the company, and use the results immediately to enhance customer relationships.</td>
</tr>
<tr>
<td>Create customer trust and loyalty to the company and high levels of customer satisfaction.</td>
<td>Create customer intimacy and bonds with completely satisfied, ‘delighted’ customers.</td>
</tr>
</tbody>
</table>

Source: Adapted from Joseph Wisenblit, ‘Beyond the Marketing Concept: From “Make Only What You Can Sell” to “Let Customers Customize What You Make”’, The Stillman School of Business, Seton Hall University, South Orange, NJ.
Digital technologies allow much greater customisation of products, services and promotional messages than older marketing tools. They enable marketers to adapt the elements of the marketing mix to consumers’ needs more quickly and efficiently, and to build and maintain relationships with customers on a much greater scale. By using new technologies, marketers can collect and analyse increasingly complex data on consumers’ buying patterns and personal characteristics, and quickly analyse and use this information for targeting smaller and increasingly more focused groups of consumers. On the other hand, the same technologies enable consumers to find more information about products and services (including prices) more easily, efficiently and, for the most part, from the comfort of their own homes. Therefore, more than ever before, marketers must ensure that their products and services provide the right benefits and value and are positioned effectively to reach consumers.

Online communication and emerging digital technologies have 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 intermediaries, and shop for goods around the globe and around the clock from the convenience of their homes. Therefore, marketers must offer more competitively priced products and more options.

- Consumers have access to more information than ever before. They can easily find reviews for products they are considering buying that have been posted by previous buyers, click a button to compare the features of different product models at the sites of online retailers, and subscribe to ‘virtual communities’ of people who share the same interests as they do. In turn, marketers must be aware of the limits of their promotional messages and assume that consumers know all of their buying options.

Marketers can and must offer more services and products than ever before. The digitisation of information enables sellers to customise the products and services they are selling and still sell them at reasonable prices. It also allows marketers to customise the promotional messages directed at many customers. For example, www.amazon.com sends personalised emails to previous book purchasers announcing newly published books; these suggestions are based on a determination of the interests of the targeted consumers derived from their past purchases. Similarly, an online chemist may vary the initial display returning buyers see when they revisit its website. Buyers whose past purchases indicate that they tend to buy national brands will see a display arranged by brand. Past purchasers who bought mostly products that were on sale or generic brands will see a display categorised by price and discounted products.

The exchange between marketers and customers is increasingly interactive and instantaneous. Traditional advertising is a one-way street where the marketer pays a large sum of money to reach a large number of potential buyers via a mass medium, and then assesses (usually after the fact) whether or not the message was effective on the basis of future sales or market studies. On the other hand, digital communication enables a two-way interactive exchange in which consumers can instantly react to the marketer’s message by, say, clicking on links within a given website or even by leaving the site. Thus, marketers can quickly gauge the effectiveness of their promotional messages rather than rely on delayed feedback through sales information that is collected after the fact.

Marketers can gather more information about consumers more quickly and easily. Marketers can track consumers’ online behaviour and also gather information by requiring visitors to websites to register and provide some information about themselves before they get access to
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INTRODUCTION

the site’s features. Thus, marketers can construct and update their consumer databases efficiently and inexpensively. As a result, many marketers now employ narrowcasting – a method that enables them to develop and deliver more customised messages to increasingly smaller markets on an ongoing basis.

Impact reaches beyond the PC-based connection to the Web. Currently, most of the digital communications between consumers and marketers take place via a PC connected to the Web through a broadband connection, or wireless technology. However, the digital revolution also gave us cellphones that are rapidly becoming connected to the Web. In most European countries, consumers can already purchase products via their mobile phones. Mobile phones with built-in GPS systems are likely to become a medium that will deliver customised promotional messages to consumers everywhere. In addition, an increasing number of homes now have television cable boxes that enable interactive communication with broadcasters; as we switch to high-definition television, all cable subscribers will have such boxes. Also, as we receive more and more television programming on PCs, some companies are merging the television and the PC into a single device that provides households with hundreds of cable channels, interactive capabilities and high-speed, wireless access to the Web. Supermarket scanners that keep track of purchases and instantly provide personalised coupons at the checkout, and telephone devices that enable us to identify callers without picking up the phone, are two of the many additional products made possible by recently developed technologies.

Challenges marketers face

The digital revolution in the marketplace, and its impact on consumer behaviour, presents many challenges for today’s marketers. For example, the specialised digital recorders allow viewers to control what they watch on television, when they watch it and whether or not to view the advertisements on which marketers spend billions a year. The recorders download programming information and allow users to record many hours of television programming onto a hard drive without the hassle of tapes. Users can programme the recorder by topic or keyword, easily play back selected segments, and, to the delight of many viewers, use a single button to skip commercial breaks. Since these devices are shifting the power over viewing behaviour from the broadcaster to the viewer, broadcasters are facing a new set of challenges. Should they develop their own systems? Should they try to block the sales of such devices legally on the grounds that they contribute to copyright infringement? Or should they develop business models centred on viewers paying for content? These questions are no longer hypothetical and will have to be addressed relatively soon. As consumers spend more time online and have more technological tools that enable them to avoid exposure to television advertisements, some marketers have begun reducing their advertising expenditures on the major networks and investing their advertising budget in the newer media, such as the Web or email.

Marketers have begun to insists that broadcasters develop new measurement systems to estimate more accurately the number and demographics of their viewers. Some marketers are considering investing in technologies that embed electronic tags of advertisements visible only to digital video recorder users, as some advertisers are already doing.

At Nike’s website, buyers can now choose among many models of trainers in different price ranges, customise the selected shoe using several colours and features (some models even 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 sent directly to them. Should Nike and other companies that produce non-durable consumer goods begin shifting resources away from building consumer demand by advertising products carried by independently owned retailers, and into direct distribution systems based on customised offerings?

Some suggest that because virtual competition eliminates distance and location-based benefits (such as a desirable shop location), online sellers will compete almost exclusively on the basis of price for branded merchandise. Does this mean that competitive differentiation – a
key feature of modern marketing – will become meaningless in the virtual marketplace? These are only some of the many challenges marketers face as our technologies continue to evolve and change our daily lives and consumption patterns.

**MARKETING ETHICS AND SOCIAL RESPONSIBILITY**

The marketing concept as we know it – fulfilling the needs of target audiences – is sometimes inappropriate. This is particularly true in situations in which the means for need satisfaction, the product or service provided to fulfil customer ‘needs’, can be harmful to the individual or to society (e.g. drugs, tobacco) or cause environmental deterioration. Given the fact that all companies prosper when society prospers, many people believe that all of us, companies as well as individuals, would be better off if social responsibility were an integral component of every marketing decision. A reassessment of the traditional marketing concept suggests that a more appropriate conceptualisation for the times in which we live would balance the needs of society with the needs of the individual and the organisation. The **societal marketing concept** requires that all marketers adhere to principles of social responsibility in the marketing of their goods and services: that is, they should endeavour to satisfy the needs and wants of their target markets in ways that preserve and enhance the well-being of consumers and society as a whole. Thus, a restructured definition of the marketing concept calls on marketers to fulfil the needs of the target audience in ways that improve society as a whole, while fulfilling the objectives of the organisation. According to the societal marketing concept, fast-food restaurants should develop foods that contain less fat and starch and more nutrients, and marketers should not advertise alcohol or cigarettes to young people, or use young models or professional athletes in alcohol or tobacco advertisements, because celebrities so often serve as role models for the young.

A serious deterrent to widespread implementation of the societal marketing concept is the short-term orientation embraced by most business executives in their drive for increased market share and quick profits. This short-term orientation derives from the fact that managerial performance is usually evaluated on the basis of short-term results. Thus, a young and ambitious advertising executive may create a striking advertising campaign using unreasonably slim females with pale faces and withdrawn expressions in order dramatically to increase the sales of the advertised product, without considering the negative impact of the campaign, such as an increase in eating disorders among young women or the implicit approval of drug-taking reflected in the models’ appearances. The societal marketing concept, however, advocates a long-term perspective. It recognises that all companies would be better off in a stronger, healthier society, and that companies that incorporate ethical behaviour and social responsibility in all of their business dealings attract and maintain loyal consumer support over the long term.

The primary purpose for studying consumer behaviour as part of a marketing curriculum is to understand why and how consumers make their purchase decisions. These insights enable marketers to design more effective marketing strategies, especially today when advanced technologies enable marketers to collect more data about consumers and target them more precisely. Some critics are concerned that an in-depth understanding of consumer behaviour makes it possible for unethical marketers to exploit human vulnerabilities in the marketplace and engage in other unethical marketing practices in order to achieve individual business objectives. As a result, many trade associations have developed industry-wide codes of ethics, because they recognise that industry-wide self-regulation is in every member’s best interests in that it deters government from imposing its own regulations on the industry. A number of companies have incorporated specific social goals into their mission statements and include programmes in support of these goals as integral components of their strategic planning. They believe that **marketing ethics** and social responsibility are important components of organisational effectiveness. Most companies recognise that socially responsible activities improve their image among consumers, shareholders, the financial community and other relevant public bodies. They have found that ethical and socially responsible practices are simply good business, resulting not
only in a favourable image, but ultimately in increased sales. The converse is also true: perceptions of a company’s lack of social responsibility or unethical marketing strategies negatively affect consumer purchase decisions. Applicable marketing ethics and social responsibility issues are discussed throughout the book.

**CONSUMER BEHAVIOUR AND DECISION-MAKING ARE INTERDISCIPLINARY**

Consumer behaviour was a relatively new field of study in the mid- to late 1960s. Because it had no history or body of research of its own, marketing theorists borrowed heavily from concepts developed in other scientific disciplines, such as psychology (the study of the individual), sociology (the study of groups), social psychology (the study of how an individual operates in a group), anthropology (the influence of society on the individual) and economics, to form the basis of this new marketing discipline. Many early theories concerning consumer behaviour were based on economic theory, on the notion that individuals act rationally to maximise their benefits (satisfactions) in the purchase of goods and services. Later research discovered that consumers are just as likely to purchase impulsively and to be influenced not only by family and friends, by advertisers and role models, but also by mood, situation and emotion. All of these factors combine to form a comprehensive model of consumer behaviour that reflects both the cognitive and emotional aspects of consumer decision-making.

**A simplified model of consumer decision-making**

The process of consumer decision-making can be viewed as three distinct but interlocking stages: the input stage, the process stage and the output stage. These stages are depicted in the simplified model of consumer decision-making in Figure 1-1.

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, its 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 cultural and subcultural memberships). The cumulative impact of each firm’s marketing efforts, the influence of family, 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.

The **process stage** of the model focuses on how consumers make decisions. The psychological factors inherent in each individual (motivation, perception, learning, personality and attitudes) affect how the external inputs from the input stage influence the consumer’s recognition of a need, pre-purchase search for information and 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 behaviour and post-purchase evaluation. Purchase behaviour for a low-cost, non-durable product (e.g. a new shampoo) may be influenced by a manufacturer’s extensive sales promotion (e.g. price cuts) 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 through direct use. A repeat purchase usually signifies product adoption. For a relatively durable product such as a laptop (‘relatively’ durable because of the rapid rate of obsolescence), the purchase is more likely to signify adoption. Marketing to consumers has one overarching goal – that consumers choose to buy your product instead of alternative products offered by your competitors. Drawing from this, the consumer decision-making model is examined in greater depth in Chapter 4, as all psychological and sociocultural concepts explored throughout the book ultimately influence the decision-making process in one way or the other.
CHAPTER 1  AN INTRODUCTION TO THE STUDY OF CONSUMER BEHAVIOUR

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 four parts: Part 1 gives an introduction to the study of consumer behaviour, Part 2 discusses the consumer as an individual, starting with how consumers make decisions, 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.

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Chapter 1 introduced the reader to the study of consumer behaviour as an interdisciplinary science that investigates the consumption-related activities of individuals. It described the
reasons for the development of consumer behaviour as an academic discipline and as an applied science, and introduced a simplified model of consumer decision-making that links together all of the personal and group influences that affect consumption decisions. Chapter 2 examines the methodology of consumer research, including the assumptions underlying qualitative and quantitative research approaches. Chapter 3 discusses the process of market segmentation, including the demographic, sociocultural and psychographic bases for segmenting markets.

Part 2 focuses on the psychological characteristics of the consumer. Chapter 4 gives a detailed presentation of the consumer decision-making process, Chapter 5 discusses how individuals are motivated, Chapter 6 examines the impact of individual personality characteristics on consumer behaviour, Chapter 7 explores consumer perception, Chapter 8 examines how consumers learn, Chapter 9 discusses consumer attitudes, and Chapter 10 concludes Part 2 with an examination of the communications process and consumer persuasion.

Part 3 focuses on consumers as members of society, subject to varying external influences on their buying behaviour, such as their group and family memberships (Chapter 11), social class (Chapter 12), and the broad cultural and specific subcultural groups to which they belong (Chapter 13). The importance of cross-cultural consumer research to international marketing is explored in Chapter 14.

Part 4 extends the topics on decision-making and social influence as Chapter 15 discusses the consumer’s reactions to innovation and change, and describes the process by which new products are adopted and become diffused throughout society. Finally, the book concludes with Chapter 16, which summarises the variables discussed earlier and ties them back to the decision-making process presented in Chapter 4.

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 research is the methodology used to study consumer behaviour and takes place at every phase of the consumption process: before, during and after the purchase.

The field of consumer behaviour is rooted in the marketing concept, a business orientation that evolved in the 1950s through several alternative approaches, referred to, respectively, as the production concept, the product concept and the selling concept. The three major strategic tools of marketing are market segmentation, targeting and positioning. The marketing mix consists of a company’s service and/or product offerings to consumers and the pricing, promotion and distribution methods needed to accomplish the exchange.

Skilled marketers make the customer the core of the company’s organisational culture and ensure that all employees view any exchange with a customer as part of a customer relationship, not as a transaction. The three drivers of successful relationships between marketers and customers are customer value, high levels of customer satisfaction and building a structure for customer retention.

Digital technologies allow much greater customisation of products, services and promotional messages than do older marketing tools. They enable marketers to adapt the elements of the marketing mix to consumers’ needs more quickly and efficiently, and to build and maintain relationships with customers on a much greater scale. However, these technologies also represent significant challenges to marketers and to business models that have been used for decades.

Consumer behaviour is interdisciplinary: that is, it 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.

Consumer behaviour has become an integral part of strategic market 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 – that calls on marketers to fulfil the needs of their target markets in ways that improve society as a whole.
CHAPTER 1  AN INTRODUCTION TO THE STUDY OF CONSUMER BEHAVIOUR

DISCUSSION QUESTIONS

1. Describe the interrelationship between consumer behaviour as an academic discipline and the marketing concept.
2. Describe the interrelationships between consumer research, market segmentation and targeting, and the development of the marketing mix for a manufacturer of high-definition television sets.
3. Define the societal marketing concept and discuss the importance of integrating marketing ethics into the company's philosophy and operations.
4. Discuss the interrelationships among customer expectations and satisfaction, perceived value and customer retention. Why is customer retention essential?
5. Discuss the role of the social and behavioural sciences in developing the consumer decision-making model.
6. Apply each of the two models depicted in Table 1-3 (i.e. traditional marketing and value and retention marketing) to the marketing of mobile phone services. You may want to incorporate into your answer your own and your peers’ experiences in selecting network providers.

EXERCISES

1. You are the marketing manager of a bank’s online banking division. How would you apply the concepts of providing value and customer satisfaction and retention to designing and marketing effective online banking?
2. Find two examples (e.g. advertisements, articles, etc.) depicting practices that are consistent with the societal marketing concept and two examples of business practices that contradict this concept. Explain your choices.
3. Apply each of the concepts featured in the section describing the development of the marketing concept to manufacturing and marketing cars.

NOTES