# CONSUMER BEHAVIOUR


Compiled by

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# UNIT- I

## INTRODUCTION TO CONSUMER BEHAVIOUR

## Topics to be covered:

- ✓ Nature
- ✓ Scope & Applications
- ✓ Characteristics of Consumer Behaviour
- ✓ Importance of Consumer behaviour in marketing decisions

# DIFFERENCE BETWEEN CUSTOMER & CONSUMER

| Customer | Consumer |
|---|---|
| **Definition** | |
| Customer is the one who is purchasing the goods. | Consumer is the one who is the end user of any goods or services. |
| **Ability to resell** | |
| Customer can purchase the good and is able to resell | Consumers are unable to resell any product or service. |
| **Need for purchase** | |
| Customers need to purchase a product or service in order to use it. | For a consumer purchasing a product or service is not essential. |

# DIFFERENCE BETWEEN CUSTOMER & CONSUMER

| Customer | Consumer |
| --- | --- |
| **Motive of buying** | |
| **The motive of buying is either for resale or for consumption** | The motive of buying is only for consumption |
| **Is payment necessary** | |
| **Must be paid by customer** | May or may not be paid by the consumer |
| **Target group** | |
| **Individual or Company** | Individual, family or group |

# CONSUMER BEHAVIOUR - DEFINITION

- ✓ According to Engel, Blackwell, and Mansard, "Consumer Behaviour is the actions and decision processes of people who purchase goods and services for personal consumption".
- ✓ According to Louden and Bitta, "Consumer Behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services".

# NATURE OF CONSUMER BEHAVIOUR

- ✓ Complex in nature
- ✓ Systematic process
- ✓ Keeps on changing
- ✓ Reflects status
- ✓ Varies from region to region
- ✓ Differ from product to product
- ✓ Vital for marketers
- ✓ Improves standard of living

# SCOPE OF CONSUMER BEHAVIOUR

- Demand forecasting
- Marketing management
- Selecting the target market
- Market mix
- Educating customers
- Assist in designing product portfolio

# APPLICATION OF CONSUMER BEHAVIOUR

- Analyzing market opportunity
- Selecting the target market
- Marketing mix – decisions
- Use in social and non – profit marketing

# CHARACTERISTICS OF CONSUMER BEHAVIOUR

- ✓ Consumer Behaviour involves Products, Services, Activities, and Ideas
- ✓ Consumer Behaviour involves more than Buying
- ✓ Consumer Behaviour is a Dynamic Process
- ✓ Consumer Behaviour involves Interactions among Many People
- ✓ Consumer Behaviour involves Many Decisions
- ✓ Consumer Behaviour involves Exchanges

# IMPORTANCE OF CONSUMER BEHAVIOUR IN MARKETING DECISIONS

- ✓ To design production policies
- ✓ Know the effect of price on buying
- ✓ Exploit the market opportunities
- ✓ Design marketing mix
- ✓ Implement STP strategies
- ✓ Helps in understanding diversified preference
- ✓ Understanding of various roles played by consumer
- ✓ Results in consumer satisfaction

# UNIT- II

## FACTORS AFFECTING CONSUMER BEHAVIOUR

**Topics to be covered:**

- ✓ External Influences – Culture, Sub Culture, Social Class, Reference Groups, Family
- ✓ Internal Influences– Needs & Motivations, Perception, Personality, Lifestyle, Values, Learning, Memory, Beliefs & Attitudes.


What Are The Factors That Influence Consumer Behavior?
Psychological Factors
Social Factors
Cultural Factors
Personal Factors
Economic Factors

# External Factors influence Consumer behavior are:

**Cultural**

- Culture
- Sub - Culture
- Social class

**Social**

- Reference groups
- Family
- Roles and Status

# Internal Factors influence Consumer behavior are:

**Personal**

- Age
- Life style
- values & Personality

**Psychological**

- Needs & Motivation
- Perception
- Learning
- belief and attitudes

# Economic factors influence Consumer behaviour


# UNIT- III

## CONSUMER DECISION MAKING PROCESS

Topics to be covered:

- ✓ Types of consumer decisions
- ✓ Consumer Decision Making Process

(Problem Recognition - Information Search - Alternative Evaluation –Purchase Selection – Post purchase Evaluation)

- ✓ Decision Making Models (Black Box Model - Economic model - Howard & Sheth model)

# TYPES OF CONSUMER DECISIONS

**There are three types of consumer decisions to consider:**

- ✓Nominal / Routine purchase
- ✓Limited / Limited involvement
- ✓Extended / High involvement

# Characteristics of Three Types of Consumer Decision Making

| Types of Decision | Consumer Involvement In Purchase | Characteristics of Consideration Set | Information Sources Consulted | Consumer Involvement In Purchase |
|---|---|---|---|---|
| **Routine** | Low | One of a few brands, sellers and product characteristics evaluated | Internal sources used | As little as possible |
| **Limited** | Moderate | Several brands, sellers and product characteristics evaluated | Internal and some external sources | Some time invested |
| **Extensive** | High | Many brands, sellers and product characteristics evaluated | Internal and many external sources | Much time invested |

# CONSUMER DECISION MAKING PROCESS

Problem Recognition

Information Search

Alternative Evaluation

Purchase Selection

Post purchase Evaluation

# CONSUMER DECISION MODELS

## Black Box Model

### Environment

**Marketing Stimuli**

- Product
- Price
- Place
- Promotion

**Other**

- Economic
- Technological
- Social
- Cultural

### Buyer's black box

- Buyer's characteristics
- Buyer's decision process

### Buyer responses

- Buying attitudes and preferences
- Purchase behavior: What the buyer buys, when, where, and how much
- Brand and company relationship behavior

# ECONOMIC MODEL

Economic model is based on following three effects: Income effect, Price effect and Substitution effect.

- **Income Effect:** States that with the rise in income level of consumer, his purchasing power will increase and he will purchase more products.
- **Price Effect:** States that lesser the price of the product, more will be the quantity of goods purchased.
- **Substitution Effect:** States when substitute goods are available at cheaper cost, then original product will be purchase in lesser quantity by consumer.

# CONSUMER BEHAVIOUR MODELS – HOWARTH SHETH MODEL

Howarth Sheth model states the difficulties related to consumer and tells that there are 4 sets of variables that influence the consumer behaviour.

These Set of variables are: –

- **Inputs Parameters**
- **Output Parameters**
- **External variables**
- **Perceptual and Learning Constructs**

# UNIT- IV

## CONSUMER BEHAVIOR ANALYSIS AND MARKETING STRATEGY

### Topics to be covered:

- ✓ **Consumer Behaviour and Product Strategy**
- ✓ **Consumer Behaviour and Pricing Strategy**
- ✓ **Consumer Behaviour and Distribution Strategy**
- ✓ **Consumer Behaviour and Promotion Strategy**


A Marketing Strategy is the long term planning of business objectives that the company wants to achieve.

There are four elements that make up the marketing mix, in which the 4ps of marketing are found to shape the crucial strategies to generate profits in the company and boost sales:

- ✓ Product strategies
- ✓ Pricing strategies
- ✓ Distribution strategies
- ✓ Promotion strategies

# IMPORTANCE OF MARKETING STRATEGY

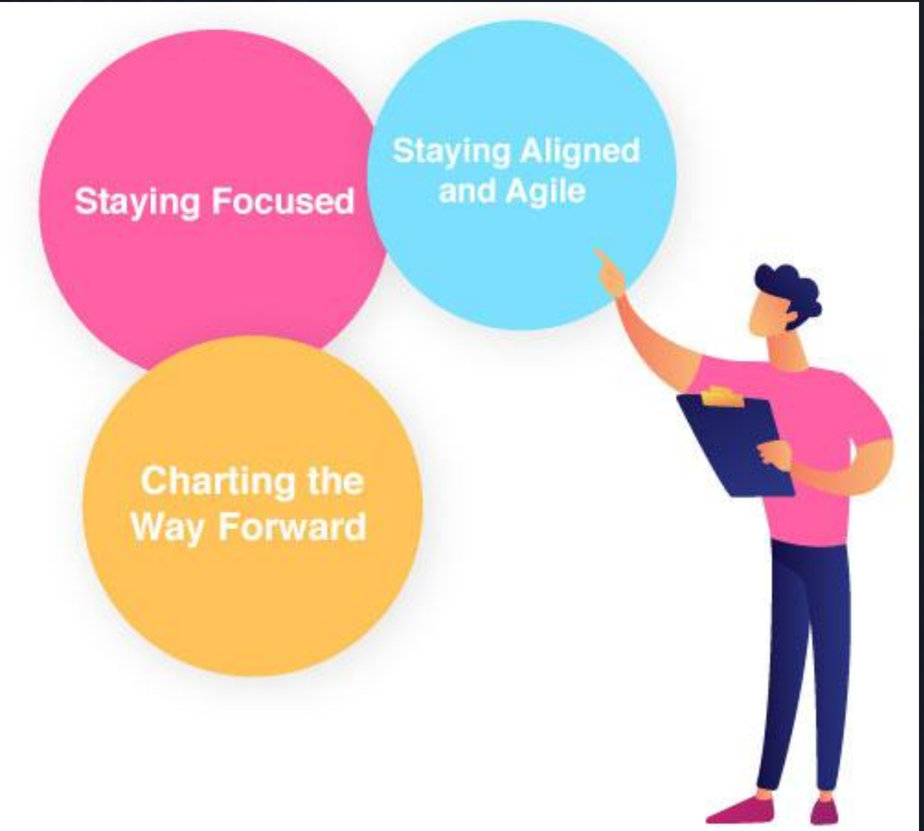
Choosing a suitable marketing strategies for the company will bring great advantages such as:

- Increased sales
- Creating sustainable growth for the company
- Understanding what your customers want
- You will meet the needs and exceed the expectations of the customers
- You will strengthen the relationship with the target market
- You will build the brand in the consumer’s mind


**Product strategy is a term used to describe a business’s vision and overarching objective for a product.**

# IMPORTANCE OF PRODUCT STRATEGY

- ✓ Staying focused
- ✓ Staying aligned and agile
- ✓ Charting the way forward

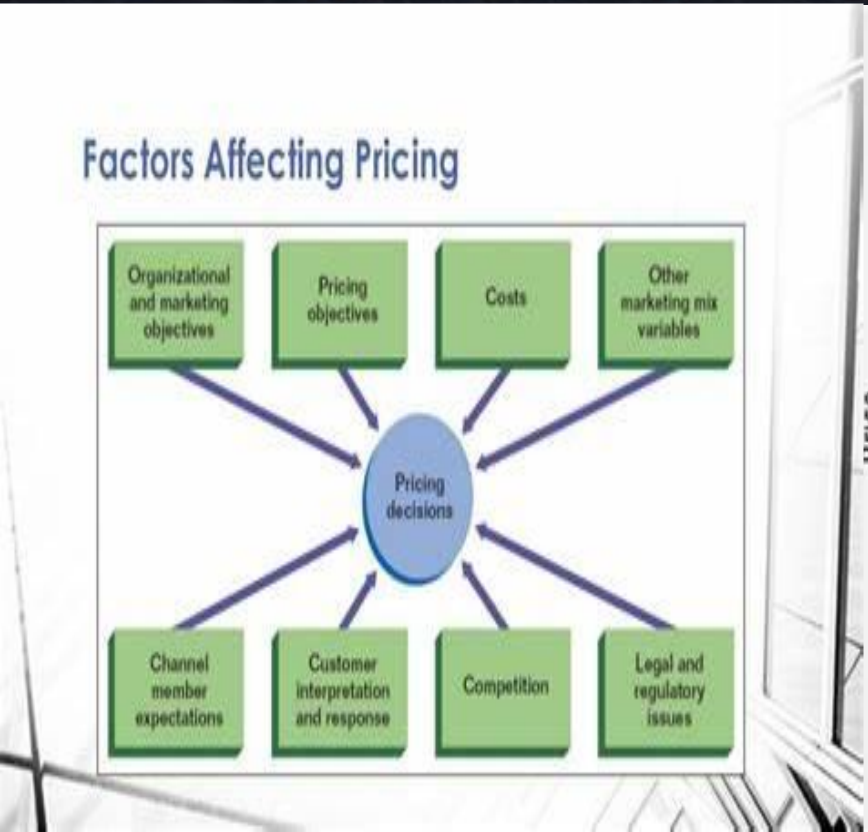


# TYPES OF PRODUCT STRATEGY

- Cost strategy
- Differentiation strategy
- Focus strategy
- Quality strategy
- Service strategy

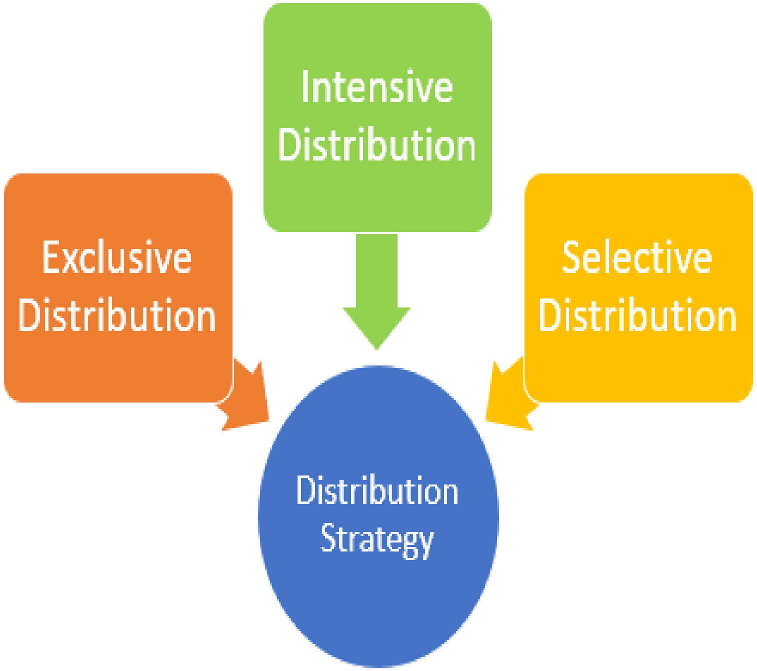
# PRICING STRATEGY

- ✓ A **pricing strategy** is an approach taken by businesses to decide how much to charge for their goods and services.
- ✓ The interaction between margin, price, and selling level is given specific consideration while pricing products.
- ✓ Therefore, it’s important and complicated to design a proper pricing plan that ensures business success.


Factors Affecting Pricing
Organizational and marketing objectives
Pricing objectives
Costs
Other marketing mix variables
Pricing decisions
Channel member expectations
Customer interpretation and response
Competition
Legal and regulatory issues


Pricing Strategy Matrix
Price
High
Low
Skimming
Premium
Economy
Penetration
Low
High
Quality

# DISTRIBUTION STRATEGY




Distribution Strategy is a strategy or a plan to make a product or a service available to the target customers through its supply chain.

# 3 TYPES OF DISTRIBUTION STRATEGY

## 1. Exclusive Distribution

Exclusive stories to sell products leads to more control. This can be good for niche, luxury or specialty goods.

## 2. Intensive Distribution

Maximizing outlets to maximize sales. This is good for mass products which have to reach maximum target audience and the manufacturing is also high as compared to other normal goods. **Example**: Coca Cola

# 3 Types of Distribution Strategy (Contd...)

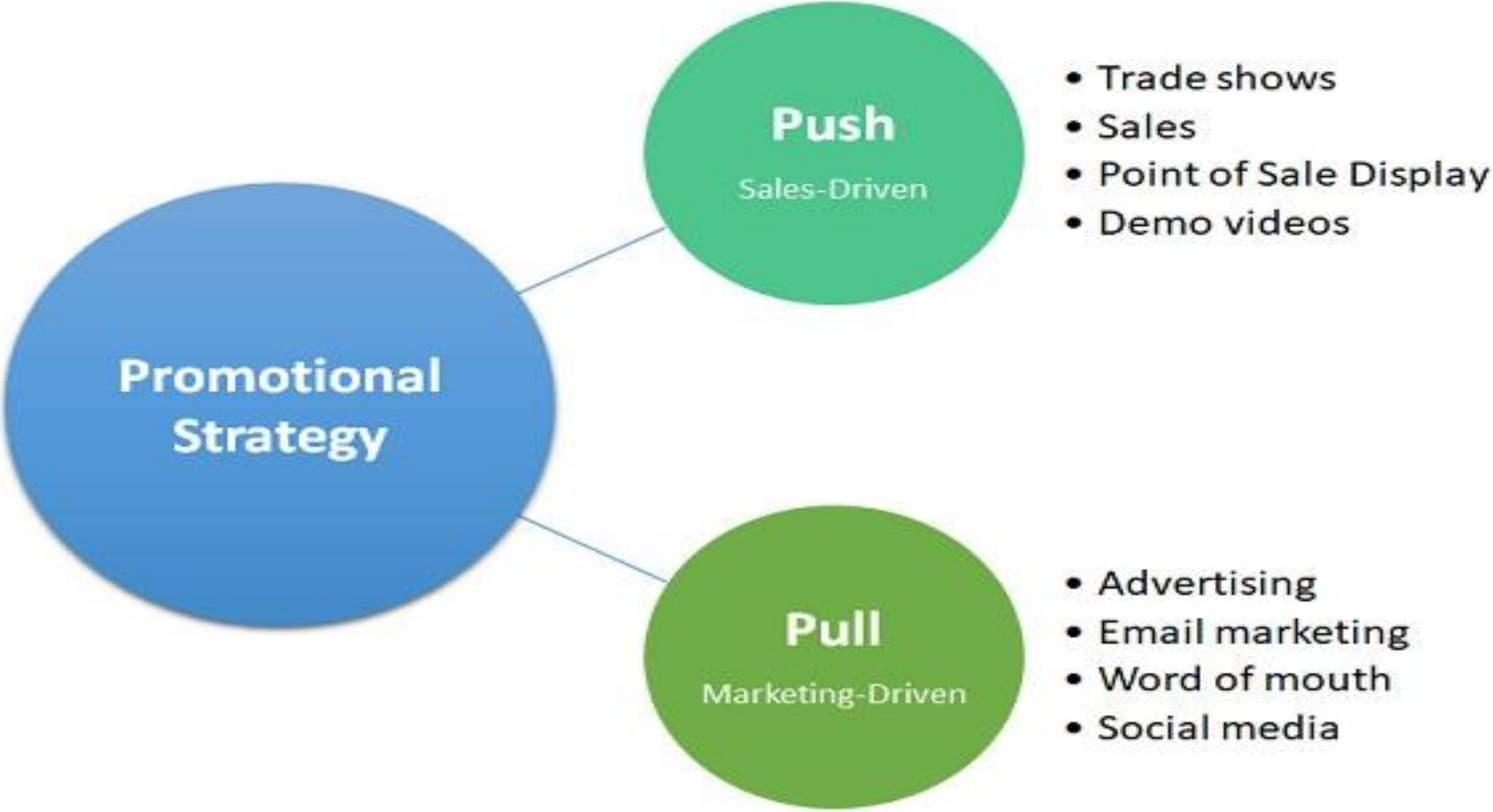
## 3. Selective Distribution

This approach includes carefully choosing multiple channels and partners.

This is more hybrid approach and needs to be carefully formulated to make sure that there is optimized distribution of the product/service.

**Example**: Adidas, Nike

Promotional strategy is a method used by companies to advertise, promote & sell their goods. A company chooses its promotional strategy based on factors like product type, marketing budget, target audience etc. It is a critical activity to increase product awareness & thereby increase sales.


Push
Sales-Driven
Trade shows
Sales
Point of Sale Display
Demo videos
Promotional Strategy
Pull
Marketing-Driven
Advertising
Email marketing
Word of mouth
Social media

UNIT- V

# DIFFUSION OF INNOVATION

**Topics to be covered:**

- ✓ Definition of innovation
- ✓ Product characteristics
- ✓ Factors influencing diffusion
- ✓ Resistance to innovation
- ✓ Adoption process
- ✓ Buying pattern in the new digital era.

# PRODUCT

**Some Standard Definitions:**

**1. Philip Kotler:**

“Product is anything that can be offered to someone to satisfy a need or a want.”

**2. William Stanton:**

“Product is complex of tangible and intangible attributes, including packaging, colour, price, prestige, and services, that satisfy needs and wants of people.”

# PRODUCT CHARACTERISTICS

Product Characteristics are properties that can be added to the item definition to broaden the depiction of each product.


Examples:

Size, Color, Quality, Shape or Weight…

# INNOVATION

There is no universally accepted definition of the terms product **i**nnovation or new product.

There are four approaches to defining a new product or a new service:

- a) Firm-oriented
- b) Product-oriented
- c) Market-oriented
- d) Consumer-oriented

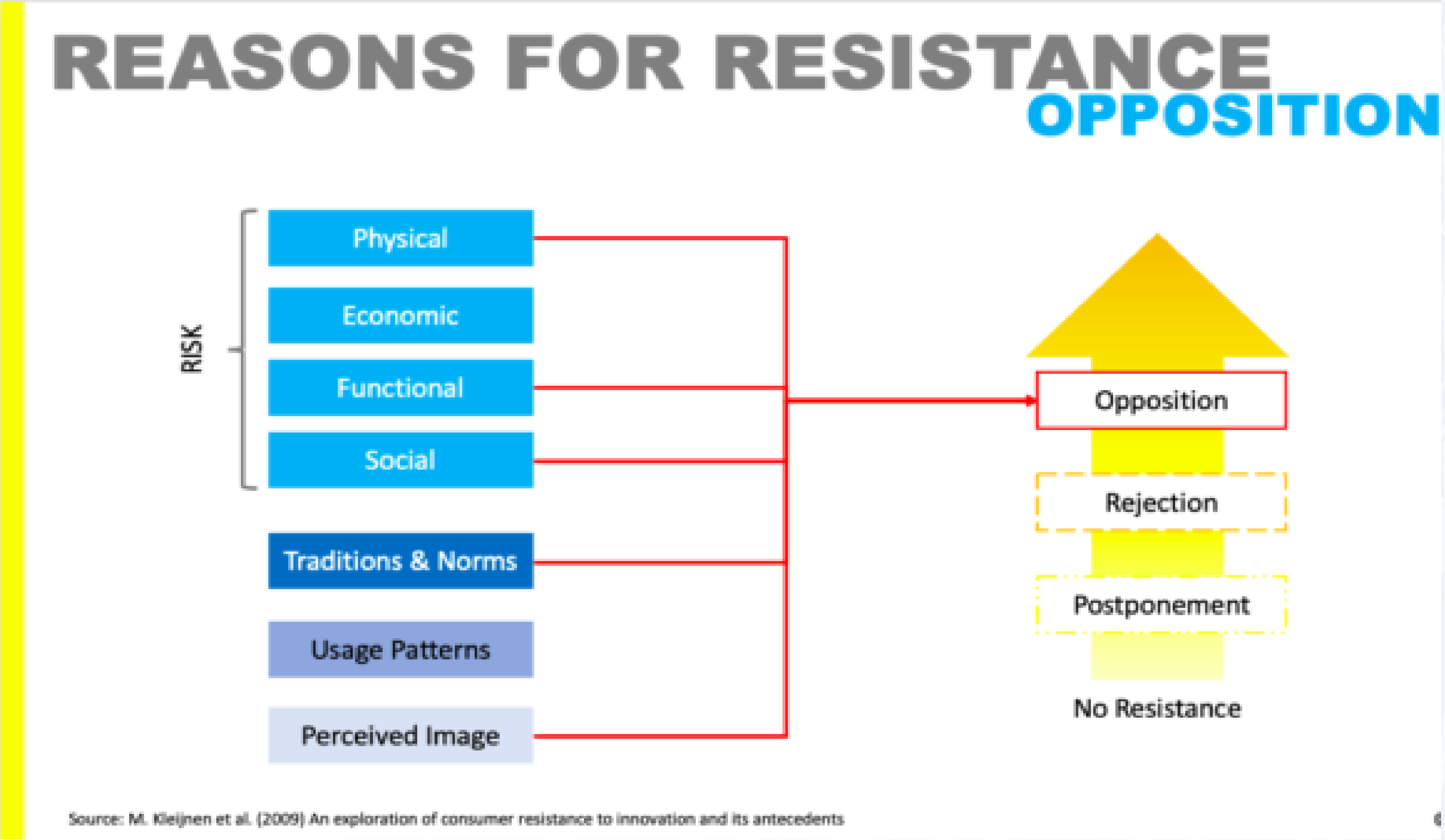
We are considering product orientation for understanding diffusion.

# RESISTANCE TO INNOVATION

Innovation resistance is a crucial aspect to address to reduce the innovation performance problem.

We can no longer rely on assuming that because innovation has a relative advantage that it will be accepted by users Nor that we just have to address innovation diffusion and adoption.

# RESISTANCE TO INNOVATION




# PRODUCT CHARACTERISTICS THAT INFLUENCE DIFFUSION

(1) Relative advantage,

(2) Compatibility,

(3) Complexity,

(4) Trialability and

(5) Observability.

# ADOPTION PROCESS

The focus of this process is the stages through which an individual consumer passes: in arriving at a decision: to try or not to try a new innovative product.

It is often assumed that the consumer moves through five stages in arriving at a decision to purchase or reject a new product:

Awareness

Interest

Evaluation

Trial

Adoption (or rejection).

# BUYING PATTERN IN THE NEW DIGITAL ERA.

In recent years, it seems that the digital era has affected consumer behaviour more than ever.

The consumer today:

- demands efficiency and quality of products and services,
- demands a seamless and frictionless experience,
- enjoys personalized offers and services and demands to be treated as a person and not as a number,

## BUYING PATTERN IN THE NEW DIGITAL ERA…

- wants to interact with brands and wants brands to interact with them,
- becomes more empowered thanks to the connectivity and networking,
- wants to make smarter decisions, and
- becomes more aware of and concerned about ethical matters.

## For Queries/Feedback...

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