

Consumer Markets and Consumer Buying Behavior

Prof. P.V. Balakrishnan

Consumer Buying Behavior

- ✦ Consumer behavior is the actions a person takes in purchasing and using products and services, including the mental and social processes that precede and follow these actions
 - Consumer Buying Behavior refers to the buying behavior of final consumers
 - individuals & households who buy goods and services for personal consumption.
- ✦ All these consumers make up the consumer market.
- ✦ The central question for marketers is:
 - "How do consumers respond to various marketing efforts the company might use?"

Value of Customers

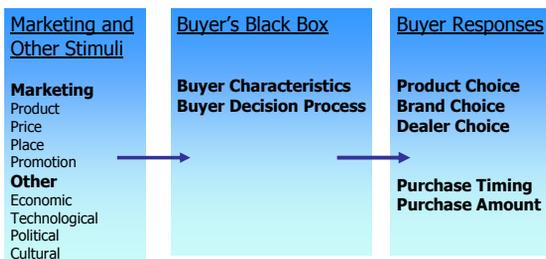
1. Transaction basis
 - a) Views each individual interaction as unique
 - b) Calculate value of transaction
 - Determine margin on goods sold
 - Assess costs involved with customer acquisition
 - Margin – Acquisition costs
2. Lifetime Customer Value
 - a) Views each customer as an asset or a series of interactions
 - b) Calculate value of customer
 - Determine acquisition and response rates
 - Compute relevant costs
 - Use acquisition and retention rates to compute lifetime customer value

Lifetime Customer Value

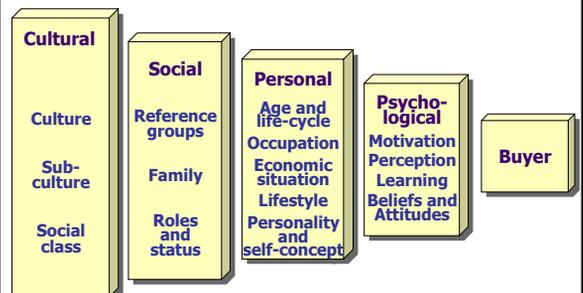
1. Focuses firms' efforts on retaining most valuable asset (Customers)
2. Increases efforts towards long-term goals
3. Primary risk is overestimation of retention rates
4. Four things are needed to successfully utilize LCV
 - a) Unique customer identification
 - b) Customer purchase history
 - c) Customer communication data
 - d) Accurate cost information



Model of Buyer Behavior



Factors Influencing Consumer Behavior



Factors Affecting Consumer Behavior: Culture

Culture is the Most Basic Cause of a Person's Wants and Behavior.

Subculture

- Group of people with shared value systems based on common life experiences.
- Hispanic Consumers
- African American Consumers
- Asian American Consumers
- Mature Consumers

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Factors Affecting Consumer Behavior: Culture

Culture is the Set of Values, Perceptions, Wants & Behavior Learned by a Member of Society from Family.

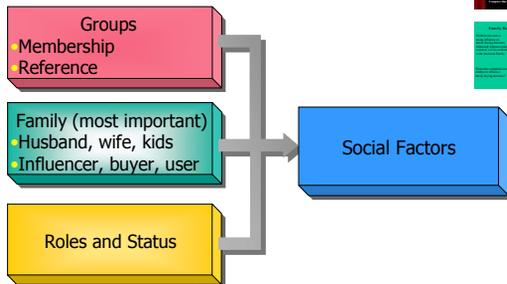
Social Class

- Society's relatively permanent & ordered divisions whose members share similar values, interests, and behaviors.
- Measured by: Occupation, Income, Education, Wealth and Other Variables.



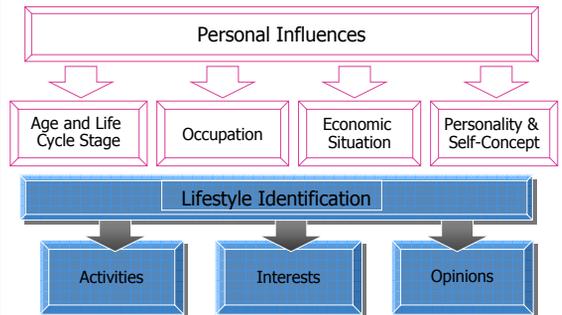
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Factors Affecting Consumer Behavior: Social



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Factors Affecting Consumer Behavior: Personal



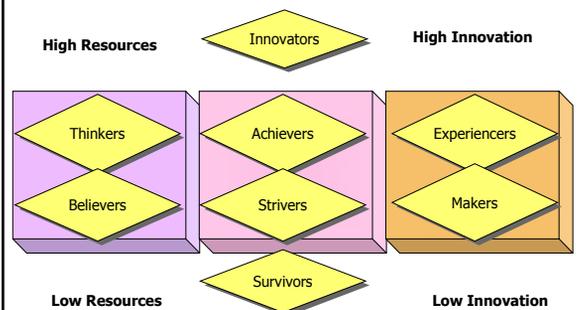
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Lifestyle

Lifestyle is a mode of living that is identified by how people spend their time and resources, what they consider important in their environment, and what they think of themselves and the world around them.

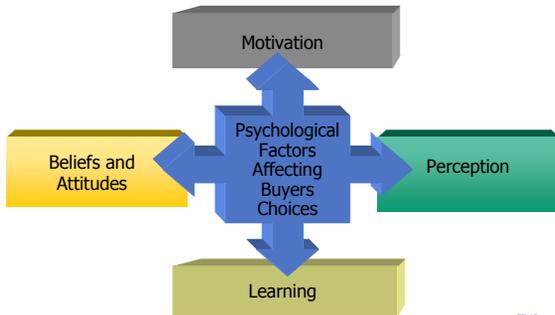
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SRI Values and Lifestyles (VALS)



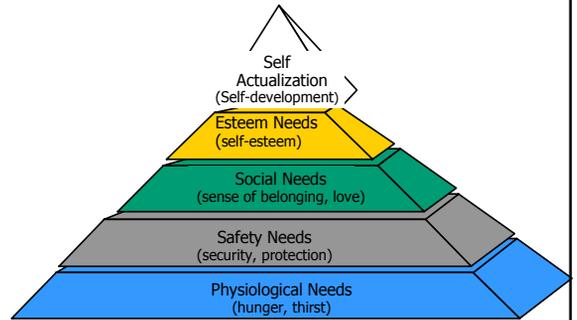
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Factors Affecting Consumer Behavior: Psychological



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Maslow's Hierarchy of Needs



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Attitude

An attitude is "a learned predisposition to respond to an object or class of objects in a consistently favorable or unfavorable way."

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Beliefs

Beliefs are a consumers subjective perception of how well a product or brand performs on different attributes.

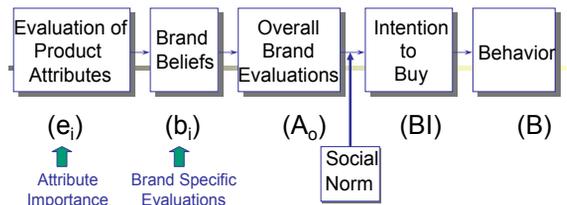
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Characteristics of Attitudes and Preference

- ✦ **Valence**
 - Favorable / Neutral / Unfavorable
 - Positive / Indifferent / Negative
- ✦ **Intensity**
 - Strongly held versus weakly held
 - Very important to not at all important
- ✦ **Confidence**
 - Level of certainty

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Attitudes: Multi-attribute Model



$$A_o = \sum b_i e_i + SN$$

Measuring Attitudes

- How important is each of the following attributes associated with ISPs?

	Very Important		Not at all Important		
Entertainment Value	<input type="radio"/>				
Educational Value	<input type="radio"/>				
Ease of Site Navigation	<input type="radio"/>				
Coding	5	4	3	2	1

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Measuring Attitudes

- Evaluate AOL on each of the following attributes?

	Excellent				Poor
Entertainment Value	<input type="radio"/>				
Educational Value	<input type="radio"/>				
Ease of Site Navigation	<input type="radio"/>				
Coding	2	1	0	-1	-2

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Measuring Attitudes

- How important is each of the following attributes associated with ISPs?

	Very Important		Not at all Important		
Entertainment Value	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Educational Value	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of Site Navigation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- Evaluate AOL on each of the following attributes?

	Excellent		Poor		
Entertainment Value	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Educational Value	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of Site Navigation	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

- Evaluate Roadrunner on each of the following attributes?

	Excellent		Poor		
Entertainment Value	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Educational Value	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of Site Navigation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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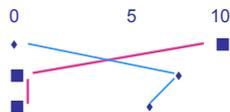
Measuring Attitudes

	Attribute Importance (e_i)	AOL	Roadrunner
Ease of Site Navigation	5 X	0 = 0	2 = 10
Entertainment Value	4 X	2 = 8	0 = 0
Educational Value	3 X	2 = 6	0 = 0
Overall Rating		14	10

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Measuring Attitudes

Ease of Site Navigation
Entertainment Value
Educational Value

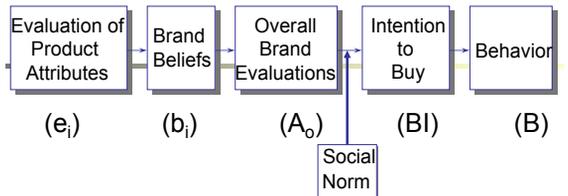


◆ = AOL

■ = Roadrunner

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Factors Influencing Attitude-Behavior Relationship



Attitudes → Intentions → Behavior

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Strategies

$$A_o = \sum b_i e_i + SN$$

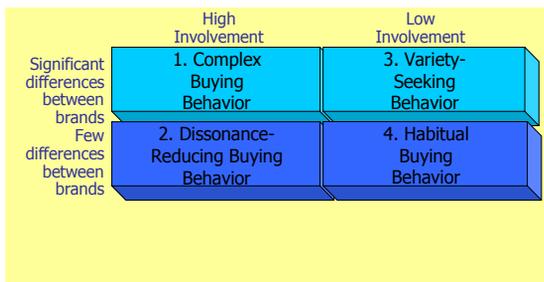
- Strategies to stimulate interest:
 - Redesign the product
 - Alter beliefs about the brand
 - Alter beliefs about competitors' brands
 - Alter the importance weights
 - Call attention to neglected attributes

Simultaneous Attribute Importance-Performance Grid

Attribute Importance	Our Performance	Competitor's Performance	Simultaneous Result
High	Poor	Poor	Neglected Opportunity
		Good	Competitive Disadvantage
	Good	Poor	Competitive Advantage
		Good	Head-to-Head Competition
Low	Poor	Poor	Null Opportunity
		Good	False Alarm
	Good	Poor	False Advantage
		Good	False Competition

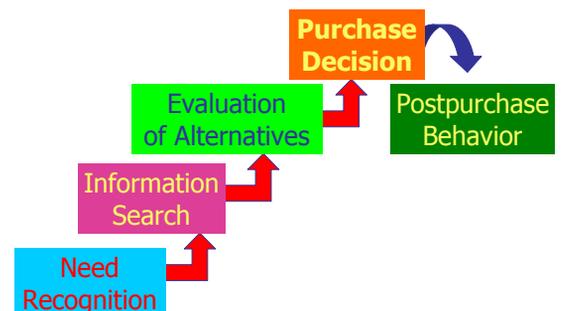
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Types of Buying Decision Behavior



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Buyer Decision Process



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Evoked Set

An evoked set is the group of brands that a consumer would consider acceptable from among all the brands of the product class of which he or she is aware.

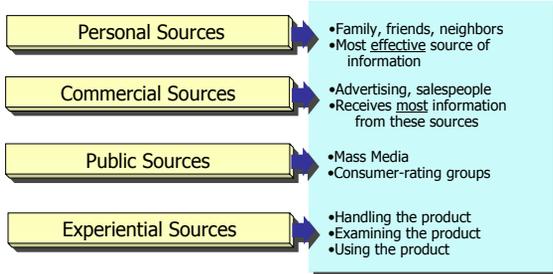
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Buyer Decision Process Step 1. Need Recognition



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The Buyer Decision Process Step 2. Information Search



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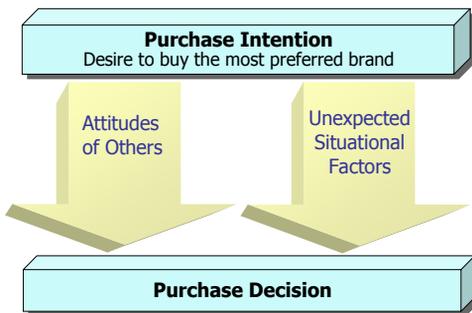
The Buyer Decision Process Step 3. Evaluation of Alternatives



Marketers Must Study Buyers to Find Out How They Evaluate Brand Alternatives

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The Buyer Decision Process Step 4. Purchase Decision



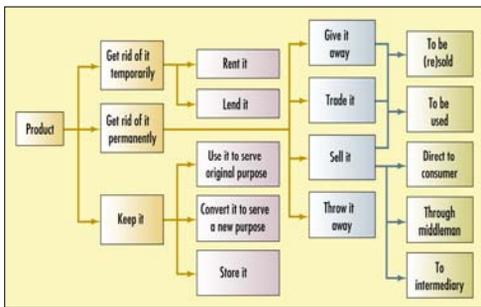
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The Buyer Decision Process Step 5. Postpurchase Behavior



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Post Consumption Behavior: How Customers Dispose of Products



Complaint Response Behavior

- ❑ 63% of customers with a loss between \$1 and \$5 did not complain
 - ❑ Not buy again.
- ❑ 54% Problem unresolved
 - ❑ Not buy again.
- ❑ 30% Problem resolved
 - ❑ Not buy again.
- ❑ DON'T LET IT ARISE!



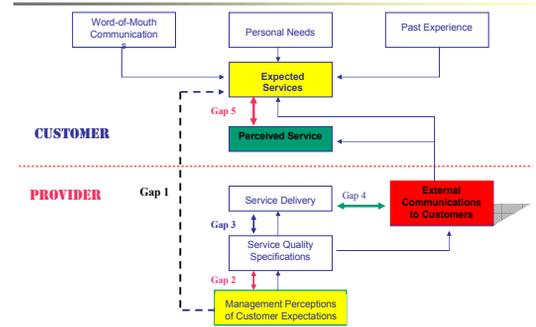
Loyalty: Retaining Customers

Customer retention = higher profits

- ✦ 5% retention rate increases profit by 25-95%
- ✦ In e-apparel, repeat customers spend twice as much in months 24-30
- ✦ Loyal Customers provide valuable referrals
 - Referred customers cost lot less to acquire
 - E-bay spends less then \$10 to get each new customer
 - Referred customers use less support

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A Conceptual Model Of Service Quality



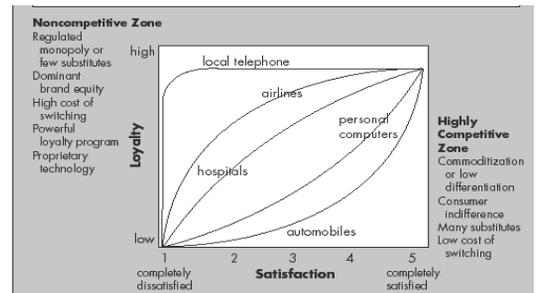
Source: Zeithaml, Parasaraman, and Berry (1990), *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, The Free Press, New York, New York. CB-47

Five Critical Gaps

1. Service provider does not know what the customer expects;
2. Wrong service-quality standards are set;
3. Service quality standards are not met;
4. What is delivered does not equal what was promised;
5. Gaps 1-4 leads to service that does not equal expectations.

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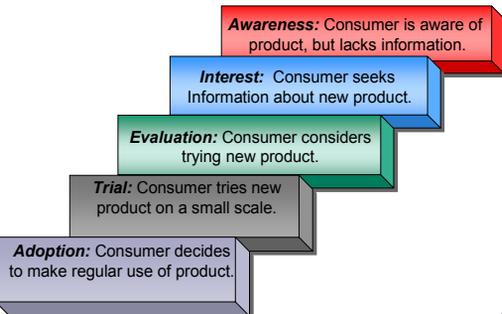
Satisfaction – Loyalty Link



Ref: Jones & Sasser, HBR, 1995

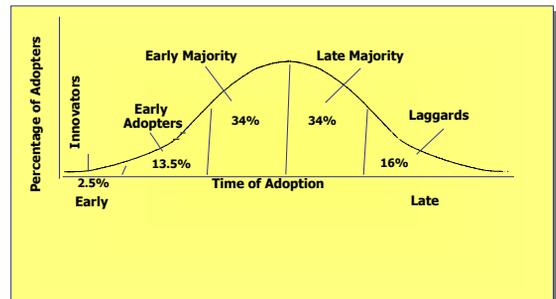
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Stages in the Adoption Process



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Adopter Categories



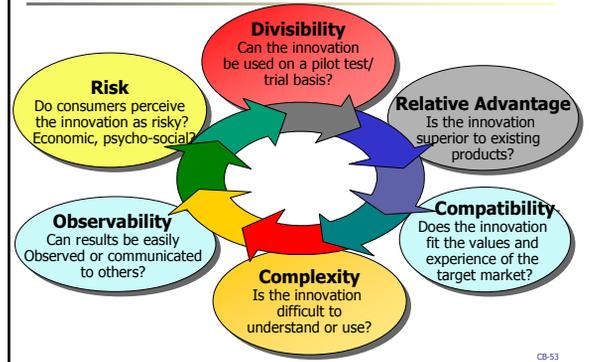
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Adopter Categorization for New Products

- ✦ Everett Rogers(1950s) surveyed a large sample of people to find out their adoption process for new products.
 - Based on this survey, he came up with the classification:
 - ✦ 2.5% Innovators
 - ✦ 13.5% Early Adopters
 - ✦ 34% Early Majority
 - ✦ 34% Late Majority
 - ✦ 16% Laggards

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ACCORD: Influence (of Product Characteristics) on Rate of Adoption



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Review of Concepts

- ✦ Define the consumer market and construct a simple model of consumer buyer behavior.
- ✦ Name the four major factors that influence consumer buyer behavior.
- ✦ List and understand the stages in the buyer decision process.
- ✦ Describe the adoption and diffusion process for new products.

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