CONSUMER BEHAVIOUR AND DECISION MAKING

1. INTRODUCTION

It is important to study consumer behaviour, so that when we implement the marketing concept, we need to understand consumer needs and wants. How consumers respond to a firm's marketing strategies is the ultimate test. If consumers respond well and buy the marketers products in sufficient quantities we know that they have done a good job in formulating a successful marketing strategy that appeals to the target markets needs. Information about consumers helps marketer's define the market and identify opportunities and threats.

2. THE IMPORTANCE OF UNDERSTANDING CONSUMER BEHAVIOUR

The discussion of consumer behaviour in this chapter is based on the premise that we are dealing with rational buyers. Based on the economic buyer theory we assume that buyers:

- ✓ Within reason, know all the relevant facts;
- ✓ Logically compare alternative choices in terms of cost and value; and
- ✓ Do not have enough money to buy everything they want, so they try to make their money "stretch" as far as possible – that is, they pursue maximum satisfaction at the lowest cost.

Consumer's products and service preferences are constantly changing. In order to address this, marketing managers must have a thorough knowledge and understanding of consumer behaviour.

Consumer behaviour describes how consumers make purchase decisions and how they use and dispose of the purchased goods and services. The study of consumer behaviour also includes an analysis of factors that influence purchase decision and product usage. Understanding how consumers make purchase decisions can help marketing managers in several ways. For example, if a manager of a motor vehicle manufacturer knows through research that petrol consumption is the most important attribute for a certain target market, the manufacturer can redesign the product in the short run, it can use promotion in an effort to change consumer's decision-making criteria.

For example, the manufacturer can advertise the car's maintenance-free features and sporty European style while down-playing petrol consumption. In other words, marketers can change attitudes and influence consumers buying decisions if they are knowledgeable about consumer behaviour, and buying behaviour in particular.

The study of consumer behaviour by marketers is thus aimed at understanding consumer behaviour, predicting consumer behaviour given a set of circumstances, and finally, influencing consumer behaviour and particularly buyer behaviour.

3. THE CONSUMER DECISION- MAKING PROCESS

The five steps represented below, show a general process which moves the consumer from recognition of an unfulfilled need to the evaluation of a purchase after the event. This processes as a guideline for studying how consumer makes decisions.

1. Problem recognition of an unfulfilled need
   This is the realisation that an unfulfilled need exists, this occurs when a consumer is faced with a discrepancy between an actual state (I do not have a car) and a desired state (I want my own car).
   Problem recognition is triggered when a consumer is exposed to either internal or external stimulus. An example of internal stimulus would be hunger or thirst and an example of external stimulus could be a brand name mentioned by a friend, an advertisement on TV or the scent of the perfume worn by a stranger.
2. Information search
   In this phase the consumer searches for information about the product that they are interested in buying. For example John/Mary may fist use internal

sources such as memory or experience, then external sources such as the advice of family members and friends, or marketing sources such as *Car Magazine*.

3. Evaluation of alternatives

   Evaluation entails the appraisal by the consumer of the attributes and benefits of the various alternatives. John/Mary may consider buying a Toyota Verso, a Jetta or a Volvo. He now evaluates these three alternatives in terms of certain criteria such as cost, performance, colour and quality.

4. Purchase

   Once the best alternative has been identified, the consumer makes a decision. John/Mary also has to decide at which dealer he/she will buy the car and whether he/she needs finance to pay for the car.

5. Post-purchase behaviour

   In this phase, the consumer re-evaluates his decision. If the product fulfils his expectation, this may lead to brand loyalty. If he is dissatisfied, he could lodge a complaint. He may also begin to wonder whether he has made the right decision, even if there is nothing wrong with the product. This condition is known as **cognitive dissonance** (post purchase doubt). The post-purchase phase can be regarded as the beginning of a new decision-making process. Will John/Mary, for example consider repurchasing the same car when the need arises?

4. TYPES OF CONSUMER BUYING DECISIONS AND CONSUMER INVOLVEMENT

All consumers buying decisions generally fall along a continuum of three broad categories:

1. Routine response behaviour

   These are frequently purchased, low cost goods and services e.g. buying soap. There is a low level of involvement and usually buyers are familiar with different brand in the product category.

2. Limited decision-making

   Goods and services that are purchased regularly and that are not considered expensive are generally associated with this category. These are also associated with low levels of involvement (although higher than routine decisions), because consumers do make a moderate effort in searching for information or in considering various alternatives. For example the children in a family usually eat Kellogg's Corn Flakes as their brand of cereal, which has run out at home and at the supermarket. With no cereal at home, the parent must now select another brand. Before making a final selection he or she may pull from the shelf several brands similar to Kellogg's corn Flakes, to compare their nutritional value and calories and to decide whether the children will like the new cereal.
3. Extensive decision-making

   Consumers practiced this level of decision making when buying an unfamiliar, expensive product or an infrequently bough item. This process is the most complex type of consumer buying decision and is associated with high involvement on the part of the customer. These consumers want to make the right decision, so they want to know as much as they can about the product category and available brands. People usually experience cognitive dissonance only when buying high-involvement products. Buyers use several criteria for evaluating their options and spend much time seeking information. Buying a home or a car or overseas holiday, for example, requires extensive decision-making.

The placement of goods and services in these three categories can best be described in terms of five factors:

1. the *level of consumer or buyer involvement*;
2. the length of time a buyer takes to make a decision;
3. the cost of the product or service;
4. the degree of information search the buyer does; and
5. The number of alternative the buyer considers before actually buying.

Factors determining the level of consumer involvement

- **Previous experience**

When consumers have had previous experience with a product or service, the level of involvement typically decreases. Because they are familiar with the product and know whether it will satisfy their needs, consumers become less involves in the purchase over time.
For example, people with pollen allergies typically continue buying the sinus medicine that has relieved their symptoms in the past.

- **Interest**
  Involvement is directly related to consumer interests, as in vehicles, music, movies or electronics. Naturally, these areas of interest vary from on individual to another.
  Those who regard a motor car as no more than a means of getting from A to B will not be too involved in a purchasing decision for a vehicle. On the other hand, those who eat, sleep and live cars will be a lot more involved.
- **Perceived risk of negative consequences**
  As the perceived risk in purchasing a product increases, so does a consumers level of involvement. The types of risks that concern consumer include financial risk, social risk and psychological risk. First, financial risk is associated with exposure to loss of wealth or purchasing power. Because high risk is associated with high-priced purchases, consumers tend to become extremely involved when products are expensive. Therefore, price and involvement are usually directly related: as price increases, so does the level of involvement. For example someone who is thinking of buying a house will normally spend much time and effort to find the right one. Second, consumers take social risks when they buy product that can affect people's social opinions of them (for example, driving an old run-down car or wearing old-fashioned clothes). Third, buyers undergo psychological risk if they feel that making the wrong decision might cause some concern or anxiety. For example, should a working parent employ a babysitter or enrol the child in a day-care centre? Thus, the higher the perceived risk, the higher the level of involvement in the purchasing decision.
- **Situation**

The circumstances of a purchase may temporarily transform a low-involvement decision into a high involvement one. High involvement occurs when the consumer perceives risk in a specific situation.
For example, an individual might routinely buy low priced brands of liquor and wine. However, when the boss is invited for dinner, the consumer might make a high-involvement decision and buy a more prestigious brand. The prevailing situation may thus necessitate higher (or lower) involvement in a purchasing decision.

- **Social visibility**
  Involvement also increases as the social visibility of a product increases. Products often on social display include cell phone designer clothing labels, vehicles etc. All these items make a statement about the purchaser and, therefore, carry a social risk. To avoid the social risk consumers thus become more involved in the purchase decision.

The market implications of consumer involvement

The overall implication is that consumer involvement influences the marketing strategies that could and should be used. For low-involvement goods convenient availability (distribution) and low prices are important. For high-involvement goods quality, image, shopping assistance and information may be more important. In both cases, branding is very important.

5. <u>INDIVIDUAL FACTORS INFLUENCING CONSUMER BUYING DECISIONS</u>

1. Perception

Perception can be defined “as the entire process by which an individual becomes aware of the environment and interprets it so that it will fit into his/her own frame of reference. Thus, the person sees, hears, smells, touches and tastes stimuli in the environment and interprets their meaning”.
For example, what makes a consumer prefer one supermarket to another or one brand of beer to another, or a specific type of car? The answer is

usually found in the way a consumer perceives the available brands or stores.

Perception is influenced by what we have learned. The way in which we perceive things is influenced by what we know about them, in other words, what we have learned about them.
E.g. a young man sees an advertisement for Camel cigarettes. His interpretation is that smoking demonstrates masculinity, so he buys a packet of Camel.
<u>The perception process</u>

- Exposure
  Initial exposure begins with exposure to stimuli. Exposure occurs when the stimuli come with range of one of the five primary receptions, i.e. vision, hearing, taste, smell and touch. Most stimuli to which an individual is exposed are deliberately selected, that is, certain stimuli are sought out, others are avoided and the meaning of some is distorted. This is known as **selective exposure**.
  To ensure that consumers in their target market are exposed to a marketing message, marketers often put advertisement on unconventional places where there will be less competition, for example on the backs of shopping trolleys, on walls in sports stadiums etc. Retailers use shelf position and amount of shelf space to ensure consumers are exposed to certain brands. Point-of-purchase displays also attract attention to sale items. Stores are designed with highly visible shelves and overhead signs to make locating items as easier as possible.
- Attention
  Attention is activated when one or more of the sensory receptors are stimulated and the resulting sensations are processed in the brain. The individual is exposed to more stimuli than he/she can process. Therefore he/she has to be selective in attending to marketing and other messages, known as **selective attention**. Thus the stimuli will be processed only when the individual makes a deliberate effort. Normally a person will attend to a stimulus if

he/she is interested in it. For example a person who is not normally interested in car adverts will be very much aware if he/she wants to buy a car.

Some advertisers often set their advertisements off from other by showing their products against a black and white background. Sudden silences in TV ads, drastic changes in music, sudden changes from black and white to colour and the way price are announced and displayed all are examples of enhancing attention.

- Interpretation

  This is the meaning that people assign to sensory stimuli. Just as people differ in terms of the stimuli that they perceive, the eventual assignment of meaning to these stimuli varies as well. Two people can see or hear the same even but their interpretation of it can be like night and day. Consumers usually interpret information on the basis of their own attitudes, beliefs, motives and experiences, known as **selective interpretation**. They often interpret information in a manner that supports their own position. Marketers rely heavily on symbols in marketing messages to promote the current interpretation.

  E.g. the use of a pine tree symbol on some cleaning products conveys a meaning of fresh and clean. The protective hands of the Sanlam logo provide an association with trust.

- Recall

  Consumers do not remember all the information they see, hear or read, even after attending to and interpreting it. **Selective recall** refers to the fact that consumers tend to forget the marketing message. To ensure full and correct recall of the message, as well as appropriate purchasing action, the marketer must use point-of-purchase promotion to remind the consumer of the message and product.

  For example marketers attempt to promote recall by using symbols, rhymes, jingles and association that assist in the learning and memory process. Eveready put pictures of its pink bunny on packages to remind consumer at the point of purchase of its creative advertising.

2. **Motivation**

Motivation can be described as the driving force within individuals that impels them to action.

Two classifications that are particularly relevant to the marketer are Maslow's hierarchy of motives.

[Diagram to be given in class and discussed]

3. **Learning**

Almost all consumer behaviour results from learning, which is the process that creates change in behaviour through experience and practice. Learning is boosted through reinforcement and repetition. It is not possible to observe learning directly but we can infer when it has occurred by a person's actions. For example, suppose you see an advert for a new improved cold medicine. If you go to a pharmacy that day and buy that remedy, we can infer that you have learned something about the cold medicine.

There are two types of learning:

<u>Experiential</u>

This occurs when an experience changes your behaviour. For example, if you try the new cold medicine when you get home and it does not relieve your symptoms, you may not buy that brand again.

<u>Conceptual</u>

Conceptual learning is not learned through direct experience. Assume, for example, that you are standing at a cool drink vending machine a notice a new diet cool drink with an artificial sweetener. But someone as told you that diet beverages leave an aftertaste, so you choose a different drink. You have learned that you would not like this new diet drink without even trying it.

4. **Values, beliefs and attitudes**

Values help determine self concept, personality and even lifestyle. A value is an enduring belief that a specific mode of conduct is personally or socially preferable to another mode of conduct.

Consumers with similar value systems tend to react alike to prices and other marketing-related inducements. Values also correspond to consumption patterns. In other words what and where people buy is influenced by their value system. For example people who care for the environment will buy environmentally friendly products.

A belief is an organised pattern of knowledge that an individual holds as true about his or her world. A consumer may believe that that Sony's video camera makes the best home videos, tolerates hard use and is reasonably priced. These beliefs may be based on knowledge, faith or hearsay. Consumers tend to develop a set of beliefs about a particular brand. In turn brand image shapes consumers attitudes towards the product.

An attitude is a learned tendency to respond consistently towards a given object, such as a brand. Attitudes also encompass an individual's value system, which represents personal standard of good and band, right and wrong etc. From a marketing perspective the objective is to cultivate a positive attitude towards a firm, product or brand.

5. **Personality, self-concept and lifestyle**

Each consumer has a unique personality. Personality is a broad concept that can be thought of as a way of organising and grouping consistencies of an individual's reaction to situations. Some marketers believe that personality influences the types and brands of products purchased. For instance, the type of car, clothes, jewellery a consumer buys may reflect one or more personality traits. Personality traits such as autonomy, aggressiveness, dominance, sociability and self-confidence may be used to describe a consumer's personality.

Self concept or self perception is how consumers perceive themselves to be. Self concept includes attitudes, perceptions, beliefs and self-evaluation. Self concept combines the ideal self-image (the way an individual would like to be) and the real self image (how an individual

actually perceives them self to be). Generally we try to raise our real self image towards our ideal self image.
Consumer's seldom buy products that jeopardise their self image. For instance a trendsetter would not buy a traditional safari suit.
Personality and self concepts are reflected in lifestyle. This is a mode of living. Psychographics is the analytical tool used to examine consumer lifestyles and to categorise consumers. Lifestyle characteristics are useful in segmenting and targeting consumers. **LSM research**.

6. <u>SOCIAL FACTORS INFLUENCING CONSUMER BUYING DECISION</u>

- **Culture and Sub-culture**

  It is a set of values, norms and attitudes that shape behaviour and consumer behaviour. They comprise of the following norms:
  - Reasonable, homogeneous
  - Its learned over time and passed on
  - Its dynamic
  - Careful not to offend

- **Reference groups**

  A reference group involves one or more people that a consumer uses as a basis for comparison or 'point of reference' in forming responses and performing behaviours. For example:
  Membership groups – book clubs, sports clubs etc.
  Automated groups – are groups to which a person belongs as a result of age, gender or occupation e.g. SACPVP
  Negative groups – groups whereby the consumer <u>does not</u> want to be a part of e.g. people who smoke or drink
  Associative groups – are those groups to which a person aspires to belong to e.g. SAIV

- **Opinion leaders**

a reference group need not necessarily be a group of persons but can also be a reference person, an individual to whom other will look in forming opinions and taking consumer decisions.

- **Family**
  - Initiator, influencer, decision-maker, purchaser, user
  - Family life-cycle, attitudes, behaviour and particularly buyer behaviour change over time.

- **Social class**
  - Upper class
  - Middle class
  - Working class
  - Lower class

7. THE PURCHASE SITUATION'S INFLUENCE ON CONSUMER BUYING DECISIONS

Individual consumer's behaviour is affected by the purchase situation they find themselves in at the time of the purchase. Below are the three variables that can play a role.

- **Purchase reason affects buying.**
  Why a consumer makes a purchase can affect buying behaviour. For example, a person buying a watch to wear during long-distance running will buy a different watch when it is bought as a gift for his mother's seventieth birthday.
- **Time affects buying.**
  Time influences a purchase situation. When consumers make a purchase, and the time they have available for shopping, will influence their behaviour. A Valentine's Day dinner will be different from a quick hamburger and Coke before a rugby match.
- **Physical surrounding affect buying**

Surroundings can affect buying behaviour. The excitement of an auction may stimulate impulse buying. Surroundings may discourage buying too. For example, some people don’t like to stand in a checkout line in a supermarket where others can see what they’re buying.