

CONSUMER BEHAVIOR

Study of Consumer Behaviour

- Connecting with Consumers
- Consumer Insight
- Marketing strategy, as a whole, rests on grasping consumer behaviour (4Ps)

A consumer behavior analysis should reveal:

- **What consumers think and how they feel about various alternatives (brands, products, etc.);**
- **What influences consumers to choose between various options;**
- **Consumers' behavior while researching and shopping;**
- **How consumers' environment (friends, family, media, etc.) influences their behavior.**

Meaning of Consumer Behaviour

- Consumer Behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.
- In other words, Consumer Behavior is the study of consumers and the processes they use to choose, use (consume), and dispose of products and services, including consumers' emotional, mental, and behavioral responses. Consumer behavior incorporates ideas from several sciences including psychology, biology, and economics.

Definitions

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'.

Why is consumer behavior important?

Studying consumer behavior is important because this way marketers can understand what influences consumers' buying decisions.

By understanding how consumers decide on a product they can fill in the gap in the market and identify the products that are needed and the products that are obsolete.

Studying consumer behaviour also helps marketers decide how to present their products in a way that generates maximum impact on consumers.

Understanding consumer buying behaviour is the key secret to reaching and engaging your clients, and converts them to purchase from you.

7 O's Framework for Consumer Behavior

The 7 O's Framework to understand Consumer Behavior is discussed as under:



7 O's Framework

- **Occupants – Who is the Consumer?:** This questions makes it easier to know about the consumer's overall profile in relation to geographic, psychographic, demographic factors. The geographic factors state the particular area to which the consumer belongs, while psychographic factors lead to the understanding of the consumer's lifestyle often reflected in their interest, activities and opinion. Similarly, demographic factors enable the understanding of consumers age, income, sex, education, and occupation.
- **Object – What does the Consumer Buy?:** It determines the product proposition which the consumer purchases, i.e. the brand, product or product form. Further, it will also identify the specification, color, size, type, variant, etc. which the customer seeks to buy.

- **Objective – Why is Consumer Buying?:** It gives reason for the purchase of the product by the customer, in terms of the needs satisfied or benefits expected from the product. For example, Complan is expected to increase the height of the child.
- **Occasion- When do they Buy?:** It ascertains the buying frequency (how often) and the occasion on which the customer tend to buy the product or services. For Example, Item whose ticket size is high, such as television, air conditioner, are bought during Diwali or New Year.
- **Outlet – Where do they Buy?:** It identifies the outlet, be it a retail shop, online platform i.e. app or website, departmental store or any other location from where the customer makes the buying decision. For example: Do customers buy a mobile phone from a retail outlet or online via Amazon or Flipkart?

- **Operations – How do they Buy?:** It determines the background information which the consumer collects from various sources, before making the purchase. For example: Before buying a laptop consumers often look for the reviews of the latest laptops, as well as ask various questions from the company's representatives to get assured of the product quality.
- **Organization – Who is Involved?:** It determines the management of the sources of information which influence the buying decision of the consumer.

Major Factors Influencing Consumer Behavior

- Personal Factors
- Psychological Factors
- Social Factors
- Cultural Factors
- Economic Factors

Consumer behavior is influenced by many different factors. A marketer should try to understand the factors that influence consumer behavior.

- 1. Personal factors:** an individual's interests and opinions that can be influenced by demographics (age, gender, culture, education level, etc.).
- 2. Psychological factors:** an individual's response to a marketing message will depend on their perceptions and attitudes.
- 3. Social factors:** Intimate group (family, friends, peer group, close colleagues and close knitted groups) Secondary groups (based on income, occupation, profession, place of residence, etc.). These all influence consumers' behavior.
- 4. Cultural factors:** culture, subculture, social class.
- 5. Economic factors:** personal income, family income, consumer credit, liquid assets, savings.

Characteristics of Consumer Behaviour

1. PROCESS

Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps;

- Need identification to buy the product .
- Information search relating to the product.
- Listing of alternative brands.
- Evaluating the alternative (cost-benefit analysis)
- Purchase decision.
- Post-purchase evaluation by the marketer.

2. INFLUENCED BY VARIOUS FACTORS

Consumer behaviour is influenced by a number of factors.

The factors that influence consumers are : marketing, personal, psychological, situational, social, cultural etc.

3. DIFFERENT FOR ALL CUSTOMER

All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behaviour is due to individual factors such as nature of the consumer's life style, culture, etc.

4. DIFFERENT FOR DIFFERENT PRODUCTS

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items.

5. REGION BOUNDED

The consumer behaviour varies across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers.

Normally, rural consumers are conservative (traditional) in their buying behaviour.

6. VITAL FOR MARKETERS

Marketers need to have a good knowledge of consumer behaviour. They need to study the various factors that influence consumer behaviour of their target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. REFLECTS STATUS

Consumers buying behaviour is not only influenced by status of a consumer, but it also reflects it. Those consumers who own luxury cars, watches and other items are considered by others as persons of higher status.

8. SPREAD – EFFECT

Consumer behavior has a spread effect.

The buying behaviour of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc.

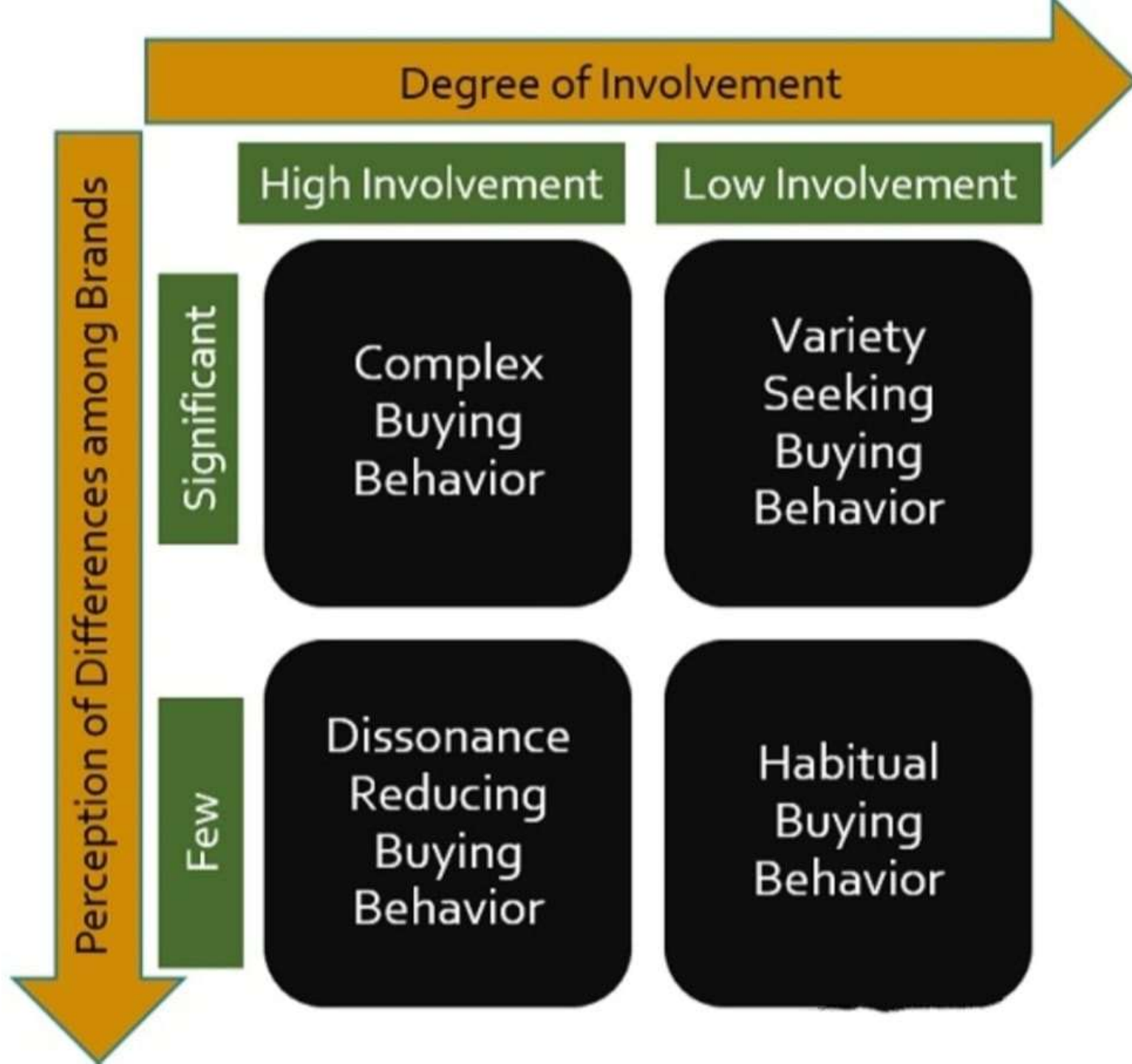
9. STANDARD OF LIVING

Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living.

10. KEEPS ON CHANGING

The consumer's behaviour undergoes a change over a period of time depending upon changes in age, education and income level. Etc, for instance,, kids may prefer colorful dresses, but as they grow up as teenagers and young adults, they may prefer trendy clot

Types of Consumer Behaviour



Types of Consumer Behavior

There are four main types of consumer behavior:

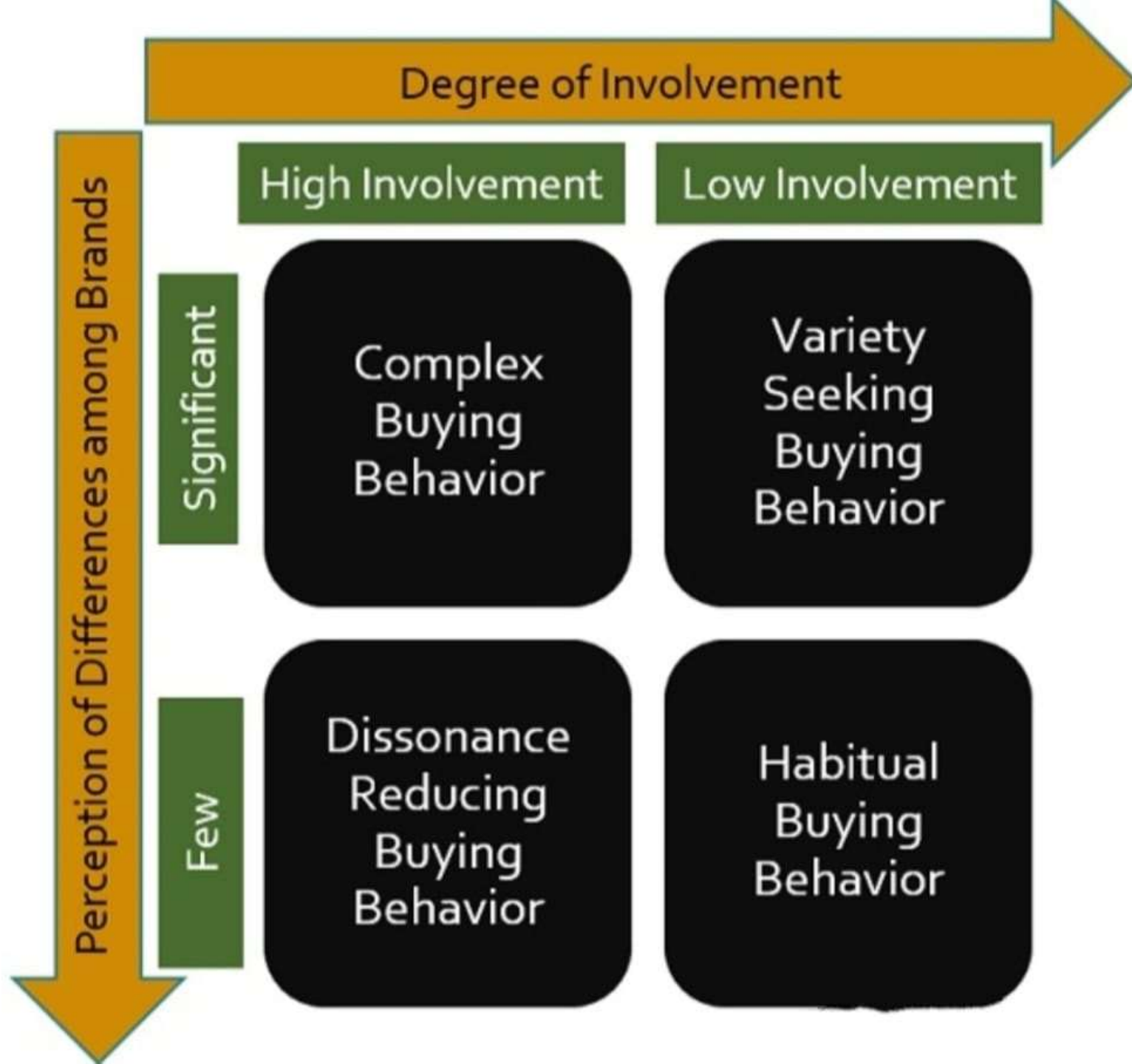
- **1. Complex buying behavior:** This type of behavior is encountered when consumers are buying an expensive, infrequently bought product. They are highly involved in the purchase process and consumers' research before committing to invest. Imagine buying a house or a car; these are an example of a complex buying behavior.

- **2. Dissonance-reducing buying behavior:** The consumer is highly involved in the purchase process but has difficulties determining the differences between brands. Dissonance-reducing buying behavior happens when consumers are highly engaged with an infrequent, expensive, or risky purchase but view minimal difference among brand. 'Dissonance' can occur when the consumer worries that they will regret their choice.

Imagine you are buying a lawn mower. You will choose one based on price and convenience, but after the purchase, you will seek confirmation that you've made the right choice.

- **3. Habitual buying behavior:** Habitual purchases are characterized by the fact that the consumer has very little involvement in the product or brand category. Imagine grocery shopping: you go to the store and buy your preferred type of bread. You are exhibiting a habitual pattern, not strong brand loyalty.
- **4. Variety seeking behavior:** In this situation, a consumer purchases a different product not because they weren't satisfied with the previous one, but because they seek variety. Like when you are trying out new shower gel, perfumes, etc.

Types of Consumer Behaviour



- 1) **Complex Buying Behavior** - Has high involvement with significant levels of differences between brands.
- 2) **Dissonance-reducing Buying Behavior** - Has high involvement with very few differences between brands.
- 3) **Variety-seeking Buying Behavior** - Has low involvement with significant levels of differences between brands.
- 4) **Habitual Buying Behavior** - Has very low levels of involvement and very few differences between brands.

How does the buying decision finally come up?

Analysis shows that two elements play their roles in this process

1. The consumer as an individual, his “characteristics”
(Consumer Characteristics/Consumer specific factors)
2. Consumer’s “motivation” and his “learning” process
(Psychological Processes)

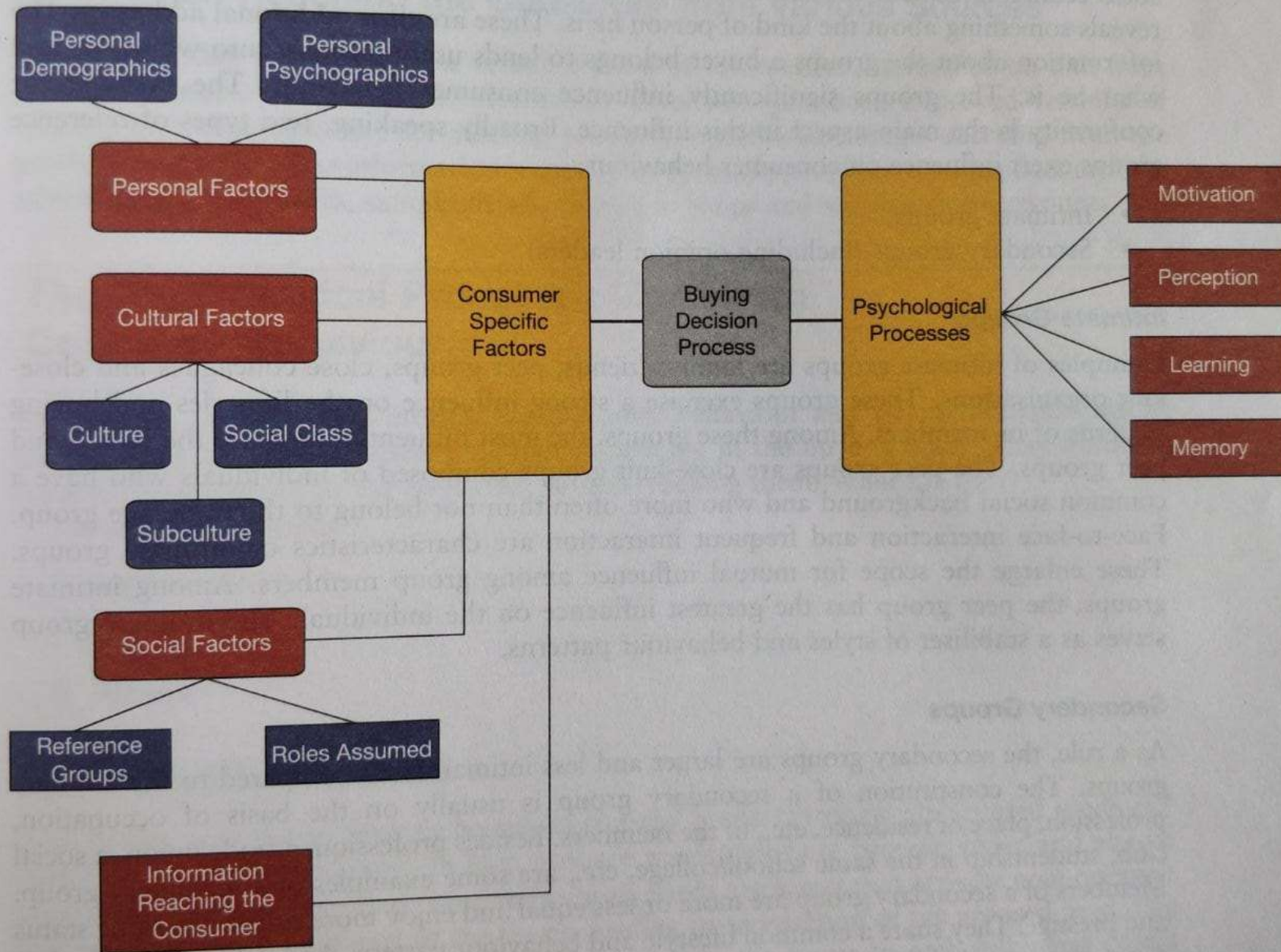


FIGURE 8.1 Buying-decision Process

1. Consumer Characteristics Influencing Buying Behaviour

- **Personal Factors**

- a) Personal demographics (age, gender, stage in life cycle, stage in family cycle, education, occupation, economic position, etc.)
- b) Personal psychographics (lifestyle, attitude, self-concept, concern about status, value system, beliefs, etc.)

- **Cultural Factors**

- a) Culture (Symbols, Heroes/Icons, Rituals, Values)
- b) Subculture (e.g. Caste)
- c) Social class (Income level, wealth, profession, designation, location of residence, etc.)

- **Social Factors**

- a) Influence of Reference groups: Intimate groups and Secondary groups
- b) Roles assumed by the individual in these groups

- **Information reaching the consumer**

2. The Psychological Processes Underlying Consumer Behaviour

The second set of factors influencing consumer behaviour and buying-decision process are:

- 1. Motivation
- 2. Perception Process (Sensory marketing, Human being are selective in perception)

People are selective in three respects in the matter of perceptions:

- a) Selective in attention
- b) Selective in distortion
- c) Selective in retention
- 3. Learning
- 4. Memory

Buying Motive

- Buying motive is a motive to persuade the desires of people so that they buy a particular product or service. Buying motive relates to the feelings and emotions of the people which generate a desire to purchase.
- Importance: It helps the company to target the customer better.

Types of Buying Motives

1. Product Buying Motives : The impulse, desires and consideration to buy a particular product
2. Patronage Buying Motives: The impulse, desires and consideration that make people buy a product from a particular shop/store

1. Product Buying Motives

Product buying motives are the factors or characteristics of a product that persuade a person to purchase only that product instead of other products available in the market. The factors can be physical appearance like design, size, color, price, shape etc. or can be psychological features like status, desire to reduce danger etc. Product buying motives is divided into two categories: Emotional and Rational.

- **Emotional Product Buying Motives-** If a person purchases a product without thinking much rationally (i.e. with less reasoning) then he or she is said to have persuaded by emotional product buying motives. There are around ten kinds of emotional product buying motives: prestige, imitation, affection, comfort, ambition, distinctiveness, pleasure, hunger and thirst, habit.
- **Rational Product Buying Motives-** If a person purchases a product after thinking rationally (i.e. logically deciding) then he or she is said to have persuaded by rational product buying motives. There are around eight kinds of rational product buying motives: security, economy, low price, suitability, utility, durability, convenience.

2. Patronage Buying Motives

Patronage buying motives are the factors or characteristics that influence a person to purchase a product from particular shop instead of purchasing from other shops selling the same product. It can be divided into two categories: Emotional and Rational

- **Emotional Patronage Buying Motives-** If a person purchases a product from a particular shop without thinking much about other shops, then he or she is said to have persuaded by emotional patronage buying motives. There are around six kinds of emotional patronage buying motives: ambience of shop, showcase of products, recommendations by others, prestige, habit, imitation.
- **Rational Patronage Buying Motives-** If a person purchases a product from a shop after complete analysis and reasoning then he or she is said to have persuaded by rational patronage buying motives. There are around eight rational patronage

Consumer Decision Making Process

- **What is the consumer decision making process?**

The consumer decision-making process involves five basic steps. This is the process by which consumers evaluate making a purchasing decision. The 5 steps are problem recognition, information search, alternatives evaluation, purchase decision and post-purchase evaluation.

- **5 steps of the consumer decision making process:**

1. **Problem recognition:** Recognizes the need for a service or product

2. **Information search:** Gathers information

3. **Alternatives evaluation:** Weighs choices against comparable alternatives

4. **Purchase decision:** Makes actual purchase

5. **Post-purchase evaluation:** Reflects on the purchase they made

1. Problem recognition

- The first step of the consumer decision-making process is recognizing the need for a service or product. Need recognition, whether prompted internally or externally, results in the same response: a want. Once consumers recognize a want, they need to gather information to understand how they can fulfill that want, which leads to step two.
- But how can a seller influence consumers at this stage? Since internal stimulus comes from within and includes basic impulses like hunger or a change in lifestyle, it is important to focus on sales and marketing efforts on external stimulus.
- Develop a comprehensive brand campaign to build brand awareness and recognition. Most importantly, you want them to feel like they have a problem only you can solve.

Example: Winter is coming. This particular customer has several light jackets, but she'll need a heavy-duty winter coat if she's going to survive the snow and lower temperatures.

2. Information search

- When researching their options, consumers again rely on internal and external factors, as well as past interactions with a product or brand, both positive and negative. In the information stage, they may browse through options at a physical location or consult online resources, such as Google or customer reviews.
- Seller's job as a brand is to give the potential customer access to the information they want, with the hopes that they decide to purchase product or service.
- Another important strategy is word of mouth—since consumers trust each other more than they do businesses, make sure to include consumer-generated content, like customer reviews or video testimonials, on website.

Example: The customer searches “women’s winter coats” on Google to see what options are out there. When she sees someone with a cute coat, she asks them where they bought it and what they think of that brand.

3. Alternatives evaluation

- At this point in the consumer decision-making process, prospective buyers have developed criteria for what they want in a product. Now they weigh their prospective choices against comparable alternatives.
- Alternatives may present themselves in the form of lower prices, additional product benefits, product availability, or something as personal as color or style options. The marketing material should be geared towards convincing consumers that the product is superior to other alternatives.

Example: The customer compares a few brands that she likes. She knows that she wants a brightly colored coat that will complement the rest of her wardrobe, and though she would rather spend less money, she also wants to find a coat made from sustainable materials.

4. Purchase decision

- This is the moment the consumer has been waiting for: the purchase. Once they have gathered all the facts, including feedback from previous customers, consumers should arrive at a logical conclusion on the product or service to purchase.
- If seller have done this job correctly, the consumer will recognize that the product is the best option and decide to purchase it.

Example: The customer finds a pink winter coat that's on sale for 20% off. After confirming that the brand uses sustainable materials and asking friends for their feedback, she orders the coat online.

5. Post-purchase evaluation

- This part of the consumer decision-making process involves reflection from both the consumer and the seller. A seller should try to gauge the following:
- Did the purchase meet the need the consumer identified?
- Is the customer happy with the purchase?
- How customer can be continued to engage?

It is seller's job to ensure that customer continues to have a positive experience with product/services. Post-purchase engagement could include follow-up emails, discount coupons, and newsletters to entice the customer to make an additional purchase. It is important to gain life-long customers in an age where anyone can leave an online review, it's more important than ever to keep customers happy.