



UNIT-8 Understanding Customer Behavior

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Explain the need to understand consumer behaviour
- ✓ Identify various types of consumer behaviour
- ✓ Understand the factors that affect consumer behaviour

Unit 8

Understanding Customer Behavior

Marketing is defined as the human activity of satisfying personal wants and needs through the process of exchange/ Whereas, a market is a set of possible and actual buyers of a particular product. Thus, this implies that the objective of marketing a product is to ensure that the needs and wants of both the possible and actual buyers of that product are satisfied. This objective can only be achieved once the marketer understands the preferences, consumption patterns, tastes, process of purchase, and the likes/dislikes of the targeted individual.

These factors, which we mentioned earlier, can be understood by studying the consumer behaviour of an individual buyer or a group of buyers for a product. This unit aims to provide an overview of the meaning and significance of consumer behaviour in marketing. Moreover, this unit will discuss the different types of consumers and the factors that influence consumer behaviour.

Meaning of Consumer Behaviour

A common thing amongst all of us is that we are all consumers. In fact, almost every individual on the planet is a consumer, given that every day we engage in purchasing a variety of goods or services. However, each consumer or individual has separate tastes, behavioural patterns, likes and dislikes, when it comes to making purchasing decisions. Moreover, different people prefer different brands – thus, buying patterns also differ from individual to individual. This is shown in consumption behaviour and buying patterns, as well as the process of purchase.

Consumer behaviour can be best-defined as the acts of people (consumers) directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that come before and determine these acts.

Studying consumer behaviour provides marketing professionals with an understanding of the reasons behind differing consumer purchase patterns. A study of consumer behaviour helps answer a number of questions including ‘what’ products and services we buy, ‘why’ we buy these products and services, ‘how’ often do we buy them, ‘where’ do we buy them from, and ‘how’ we buy them.

Importance of Understanding Consumer Behaviour

An understanding of the buying behaviour and preferences of different customers can be gained by studying consumer behaviour. Each consumer has different needs in accordance with income, job, religion, family set-up, nationality, social status, age, sex, education etc. Each set of consumers only purchases those good or services which they believe will satisfy their needs.

These sets of consumers separated by such factors are known, in marketing terminology, as market segments. A marketing manager must understand the factors which account for the differences in behaviour and tastes of different market segments. This will allow them to market to a specific market segment using an appropriate market strategy. In today's world, consumers' tastes are changing rapidly due to ever-changing technology. As such, in order to survive in such a fast-paced environment, organisations need to quickly adapt to the changing trends and tastes of consumers. Consumer behaviour provides invaluable clues and guidelines to marketers on new technological frontiers, which they should explore.

Types of Consumers

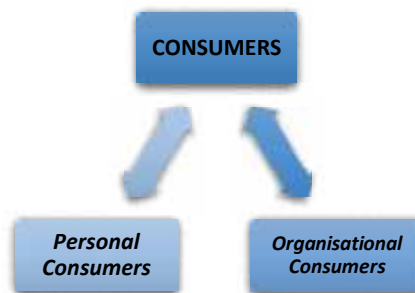


Fig. 4.1

Broadly speaking, markets are classified either as consumer markets or organisational markets. Likewise, consumers can also be split into two broad categories: **personal consumers** and **organisational consumers**. When a product is bought for one's own use, such as buying a shirt to use for yourself, it is bought in the capacity of a personal consumer. If something is bought for the use of a company, such as purchasing a typewriter for the office, the purchase is made in the capacity of an organisational consumer. Whenever a consumer procures goods or services for personal use or the use of their family, he or she is regarded as a personal consumer. Thus, all individuals fall under this category. Whereas, all organisations, firms, businesses, governmental agencies and bodies, and non-business organisations like charities, religious institutions and trusts etc. are organisational consumers. Organisational consumers buy goods or services to be used by that particular organisation for the purpose of operating it.

Organisational and personal consumers differ in several ways, especially when it comes to making buying decisions. Hence, the behaviour pattern of both consumers is different from each other. This unit will focus on the personal consumer and the factors that influence his or her behaviour.

Buyer Versus User

A buyer is the person who makes the actual purchase, whereas the person who consumes or uses the product/service is called the user. In many cases, the buyer of the product may not be the user. For example, a mother may buy toys or clothes for the use of her children, in which case the buyer is the mother, but the actual consumers are the children. In another example, a car may be purchased by the husband for his wife, but is used by the entire family. In this context where a family is involved, a situation may arise where the buyer is separate from the consumer or the buyer is one of the consumers. Moreover, in such a situation, the buying decision may be influenced by both the buyer and the user or even other people within the family. At times, even others outside the family might initiate, influence or help decide the purchase.

An individual who makes the initial suggestion or provides the idea of buying a particular good or service is known as the initiator. The influencer is defined as the individual who provides views or advice for the buyer and has some control over the final decision. The decider is the individual who eventually confirms any part of or the whole decision if to purchase or not, how to purchase, when to purchase, where to purchase, and so forth. In such circumstances, the question that arises is who exactly ought to be the main subject of study in consumer behaviour? Would it be advisable for us to study the purchasers, the customers, or the other individuals influencing the decision?

In order to address this issue, often it is the family or the household and *not* the individual person that is considered as the subject of the study. That said, an individual involved in marketing should have a very sharply-defined focus for their marketing strategy - especially their promotional strategy. They must be able to present the best prospects for his or her products, regardless of whether it is the user or the buyer. However, when the user and the buyer are different, the consumer's likes, dislikes, taste, and so forth, impact the purchaser's choice in the procurement of a particular product or brand. In this manner, numerous organizations focus their promotional activities at both the buyer and the user.

Factors Influencing Consumer Behaviour

A number of factors affect consumer behaviour. These factors include personal motivations (needs, attitudes, and values), personality characteristics, socio-economic variables exerted by society as a whole and by friends and families. The combination of these different components impacts each of us differently and results in our differing behaviour as consumers.

Individual and environmental influences affect consumer behaviour. Goods and services are often purchased by consumers as a means by which to attain their ideal self-image and to project the image that they want others to recognize. Thus, by this logic, it can be said that consumer behaviour is determined by the psychological makeup of the individual and the influence that others have on him or her. In other words, consumer behaviour is a combination of the consumer's personal influences and the societal *and* environmental pressures put upon the individual. In order to understand consumer behavior, you first need to understand the nature of these influences.

The basic factors determining the behaviour of the consumer include the individual's needs, motives, perceptions and attitudes. The consumer acts based on the interaction of these factors with the influences from the environmental factors.

Factors that influence consumer behaviour can be categorised into four distinct categories:

1. Psychological Factors;
2. Personal Factors;
3. Social Factors;
4. Cultural Factors.

Figure 4.2 below shows the factors grouped in each of these four categories.

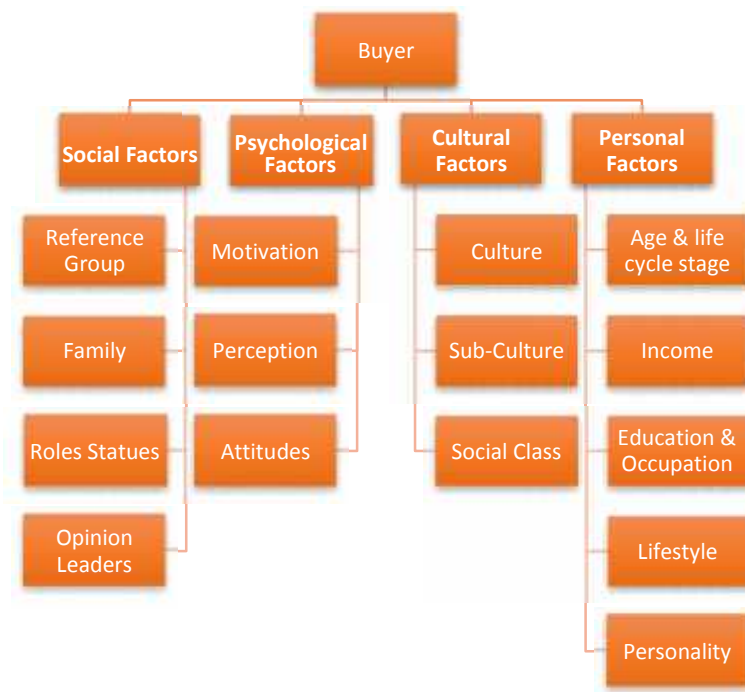


Figure 4.2: Factors influencing Consumers' Behaviours

Psychological Factors

A purchase decision begins when there is a recognition of a need. A need can be defined simply as a lack of something which an individual finds useful. Each and every person has specific needs, which are expected to be fulfilled through the consumption of various goods and services. An individual seeks the satisfaction of needs which are sufficiently important/urgent. This is called motive. Thus, it can be said that motive is an internal state which directs an individual towards the objective of satisfying a felt need. When a need is felt, the individual is motivated to take action to reduce the state of 'tension' and return

to a sense of balance. Despite the fact that analysts don't agree on any particular grouping of needs, a functional theory of the hierarchy of needs has been produced by Abraham Maslow.

His theory is based on two important assumptions, which are as follows:

- i) Humans are a 'wanting' species whose needs hinge on what they already possess. A fulfilled need is not a motivator. Behaviour can only be influenced by needs which have not already been satisfied.
- ii) All needs can be ranked in order of importance from the low biological needs to the higher level psychological needs. Each level of unfulfilled need motivates the individual's behaviour, and as each successive level of need is fulfilled, people keep moving on to the next higher level of need.

Figure 4.3 below shows the five categories of needs as classified by Maslow.

These categories are as follows:

- a) Physiological Needs;
- b) Safety Needs;
- c) Social Needs;
- d) Self-Esteem Needs;
- e) Self-Actualisation Needs.

The diagram below depicts the different level of needs as being individual water-tight compartments. In reality however, there is always some overlap amongst the different levels of needs, since no need is ever totally satisfied. There is always scope for further fulfilment.



Fig: 4.3

Physiological Needs

The essential needs for substance, shelter and clothing are necessities of all human beings and must be fulfilled, before an individual can even consider other needs positioned higher up the order. A hungry person overlooks other needs until he gets the food he needs to fulfil his craving. When physiological needs are fulfilled, or at least partially satisfied, different needs enter the picture.

Safety Needs

Needs, which fall under the category of safety, include security, protection from any sort of physical/bodily harm, and preventing anything unexpected from occurring. Fulfilment of these needs may come in several forms, such as opening of a savings account, life insurance, purchase of radial tires or membership with a local health club.

Social Needs

A third level of needs, which are known as social needs, emerges after the satisfaction of physiological and safety needs. A desire to be accepted by members of the family and other individuals or groups within a society leads to the emergence of such needs. Social needs motivate an individual to join various groups, so that they can conform to their standards of dress/behaviour and obtain a certain status level as a method of satisfying these needs.

Self-Esteem Needs

Self-esteem needs, which are close to the top of the needs table, are more tricky to fulfil. At this level, the person needs to feel a sense of accomplishment, achievement and respect from others. The competitive need to do well and to better the performance of others is essentially a universal human quality. The needs that fall under this category are closely related to social needs. However, at this level, the individual desires respect and recognition, not just acceptance. At this level, an individual strives to stand out from the crowd.

Self-Actualisation Needs

Self-actualisation needs are at the top of the needs table, as defined by Maslow. Self-actualisation needs are the needs for fulfilling or realising one's own potential and for using one's talents and capabilities. Maslow characterises self-actualisation as follows: "The sound man is principally spurred by his necessities to advance and actualise his fullest possibilities and limits. What man could be, he must be."

Individual behaviour, which results from motivation, is affected by how stimuli are perceived. Perception is how each person receives incoming stimuli, received through the five senses. To perceive is to see, hear, touch, taste or smell something, such as an event or an idea. Perception is significantly more intricate and broader than sensation. It is the procedure of the brain selecting, organising and interpreting reality. The perception of an individual can be influenced by numerous factors. Moreover, perception may or may not be corresponding with reality. What people perceive is as much a result of

what they *want* to perceive as of what is *actually* there. Perception of incoming stimuli is greatly affected by attitudes towards them.

For example, the choice to buy an item is dependent on the person's attitudes toward the item, the store and/or the salesperson.

Attitudes are an individual's continuing favourable or unfavourable assessments, emotional feelings, and pro or con tendencies, in regards to an object or idea. They are shaped over time through encounters and group contacts, and are remarkably impervious to change. Since favourable attitudes are likely to be conducive to brand preferences, marketers are interested in determining consumer attitudes towards their products.

Personal Factors

The purchase decisions of an individual are also impacted by the personal characteristics of that individual. These personal characteristics that affect purchasing decisions include age, gender, education, occupation, income, lifestyle, family and overall personality/self-concept. Each of these influences is discussed below in further detail.

Demographic Factors and Life-Cycle Stage

Age is one of the first factors which influences a buyer's decision, because each age group needs and wants different products and services, which evolve and change as a person gets older. For example, babies and children have needs for products like baby food, milk powder and toys, whereas young adults have rather different needs by way of clothes, recreational and educational facilities, transportation and countless other age and fashion-related consumption needs.

The consumption needs of both men and women also differ, due to certain physiological differences between them. For example, women require specialised medical facilities/products for pregnancy and delivery, while their requirements for cosmetics, clothes, accessories and so on is rather different than that of men. Each gender, therefore, has its own need for specific products and services.

Education and Occupation

Education helps widen an individual's horizons, refine their tastes and make their viewpoint more cultural and international. A well-learned individual is more inclined to consume educational facilities, books, magazines, and other educational/knowledge-based products and services. The occupation in which an individual is engaged likewise shapes the utilization/consumption needs of that individual.

Specialised devices and equipment are required by individuals within specialised occupations, such as music, dance, photography, carpentry etc. Moreover, the status and role of an individual within a company also affects buying behaviour. For example, CEOs of companies tend to buy expensive suits, handmade leather products, and luxury hotel/airline services. By contrast, junior managers and

everyday workers within the same firm will usually compromise on quality and settle for products/service a little on the cheaper side.

Income

The spending behaviours of an individual are significantly affected by his or her income. For certain individuals, some good or products which they want may fall out of their budget due to limited income. In the context of consumer behaviours, income refers to the amount of money available for spending (i.e., income after tax and other statutory deductions). Moreover, an individual's inclination towards saving or spending *and* their borrowing power are also crucial factors that influence consumer behaviour.

Personality

An individual's personality is the accumulation of several factors, including habits, motives, attitudes, beliefs, psychological traits, characteristics and outlooks on life. Personality is the very essence of individual inferences.

In the context of consumer behaviours, personality is defined as a set of psychological characteristics which help determine how a person responds his environmental stimuli. Researchers have focused on the effect of personality on consumer behaviour in terms of brand choice and products and more often than not they have concluded that different types of personalities can be classified and each type responds differently to the same stimuli and that personality classification can be used to identify and predict that response. Some products, such as, cigarettes, beer, and cars, personality has been used to segment the market.

Lifestyle

An individual's lifestyle is defined as the overall model or pattern in which he or she lives. It is expressed in the manner in which they spend their money and time on various interests and activities. An individual's lifestyle is derived from level of education, motivations, opinions, social class, demographical factors, personality and attitudes, etc. For example, while studying this unit, the reader is acting as a student though concurrently, they also have careers, families and various other social roles to play. The manner in which one blends together all these different roles reflects their lifestyle.

Different categories of lifestyles are used by marketing professionals to help with market segmentation, product positioning and for developing targeted promotional campaigns.

Social Factors

Other than the factors discussed above, consumer behaviour is also influenced by social factors such as social status, reference group, family, social roles and opinion leaders.

Reference Group

A consumer's decision, to purchase particular products or services can be influenced by the people around them. These people include the individuals the consumer interacts with and the various social groups to which he or she belongs. The group within which a consumer interacts, either directly or indirectly, can influence their purchase decisions.

Reference groups come in two forms; either direct or indirect. The indirect reference groups include those individuals or groups with which the consumer does not have direct face-to-face contact. This could include film or TV stars, politicians, sportsmen etc. Celebrities and film stars are popular and looked upon as role models, thus certain individuals aim to emulate their behaviour. Numerous ad campaigns for products such as soft drinks, cosmetics, textiles etc. are advertised to the general public using celebrities, with the objective of encouraging the consumer to identify with the celebrity using the product being advertised.

Direct reference group includes those individuals or groups of people with which the consumer directly interacts. These groups of people can directly influence the purchase decision of the consumer. Groups that fall under the direct reference group can be divided into six categories.

These are as follows:

- a) Family;
- b) Friendships;
- c) Formal social groups;
- d) Formal shopping groups;
- e) Consumer action groups;
- f) Work groups.

Family

An individual's family is the most important reference group of all and thus, this shall be discussed in further detail. Overall, as a unit, the family is an important consumer since many of the products purchased are done so to be used by the entire family. Moreover, family is also a source of major influence on the buying decisions and behaviour of an individual. Almost everyone takes in and learns most of their values, attitudes, beliefs and purchasing patterns from their parents. Even after an individual stops living with their parents, their influence on the subconscious mind still continues to be significant

Roles

Generally, people participate in several groups. An individual's position within each group is defined by the types of activities that he or she performs or is expected to perform. For example, within the work

environment, an individual may be a manager and thus would be expected to play that role whereas, in the environment of his or her own home, the role of a spouse or a parent is different. Thus, each individual plays a different role in separate social positions and each of these roles can end up influencing an individual's buying behaviour. Continuing with the example above, a manager would be expected to buy clothes which reflect his or her role within the company, like suits, ties leather shoes et., whereas, at home and within an informal situation, the clothes that the same individual would prefer may be more comfortable than formal.

Status

An individual's role within society is accompanied by a certain status, which is the status given to that individual by society. The status of an individual within their respective roles is measured by the degree of influence that they have on the behaviour or attitude of others. Individuals buy or use products which reflect their status. The managing director of a company, for instance, may drive a luxury car to communicate his or her status in society.

Opinion Leaders

An individual is also influenced by the advice he or she received from neighbours, friends, colleagues and relatives about certain products and services. The process of influencing an individual's buying behaviour in such a way is known as opinion leadership. For example, during lunch at work an individual may ask his or her colleagues for recommendations for a good car mechanic, they may discuss with relatives or neighbours what brand of TV they should purchase, in order to find out what the most recommended brand is. Thus, in a similar way, many people ask opinion leaders for advice before purchasing specific products. People who are accepted as opinion leaders in a certain area are usually those who have gained considerable knowledge and experience within a particular field. Advertisers and marketers are concerned with reaching these opinion leaders and ensuring that they receive the intended information, which they can in turn pass on to opinion receivers.

Cultural Factors

Cultural factors also influence consumer behaviour. Overall, marketing professionals study three types of cultural factors.

These are:

- a) Buyer's culture;
- b) Sub-Culture;
- c) Social class.

Let's look at each of these factors briefly -

Culture

Culture includes all the various elements of a society such as its religion, knowledge, laws, customs, language, music, art, work patterns, traditions, products etc. These factors combine to make up the distinct and unique personality of each society. For the purpose of consumer behaviour, culture is defined as the sum of all learned beliefs, values and customs, which serves to guide and direct the behaviour of all members of that society.

The cultural background of a society can affect the kinds of products and advertising appeals that can work effectively therein. For example, in the United Kingdom, values that are important to members of the society include individualism, freedom, achievement, success, material comfort, efficiency and practicality. Products and services which fulfil these values are most successfully marketed in America.

Sub-Cultures

Within the overall structure of society, there are several sub-cultures as well. A sub-culture is considered to be an identifiable and distinct culture group, which while following the main cultural values of the society has its own values and beliefs. Thus, this sets the customers of each sub-culture apart from the other members of the same society.

Each member of a society is also a member of several sub-cultures. Therefore, the purchasing decision of an individual is influenced by these various sub-cultures. A marketing professional has to understand how each sub-culture interacts with each other and how they exert their influence on the consumption behaviour of the individual who is a member of such sub-cultures. These sub-cultures offer readymade market segments to the marketer, who can position a product to meet the specific needs of each sub-culture.

Social Class

Throughout the world, there is inequality in the social status of different members of society. Therefore, this results in categorising different members of society into various social classes. Social classes can be defined as relatively permanent and homogeneous divisions in a society, in which individuals or families sharing similar values, lifestyles, interests and behaviour can be placed. A hierarchical order is used to rank social classes, ranging from low to high social status. However, a comparison of various social classes would reveal differences in behaviour, attitudes and values between each class, which results in forming a unique pattern of consumption behaviour for each social class. Table 4.1 below analyses the buying patterns of various social classes.

Table 4.1

Major social classes and their dominant characteristics and buying behaviour patterns

Social Class	Distinguishing Characteristics	Dominant consumption patterns
Upper Upper	Elite of society; aristocrats and top industrialists, inherited wealth; live lavish lifestyles but remain relatively discreet, hidden away from public view.	Spend money on property, elite education for children, frequent foreign vacations, antiques, jewellery, luxury cars etc.
Lower Upper	Top professionals or businessman; who have earned rather than inherited money, style and taste is conspicuous and flamboyant, they seek possessions which reflect their status.	Spend on large homes with flashy and expensive décor, elite education for children, imported cars and the latest household gadgets, 5-star hotels, luxury watches etc.
Upper Middle	Professional careerists, coming from the middle-class with a middle-class value of respectable living conformity, emphasis on good education, gracious and careful styling/appearance.	Spend on buying 'quality' products; irrespective of the category of product, it is quality which is the most important feature, TVs, computers, cars and designer clothes are some of the products associated with this class.
Lower Middle	White-collar workers, such as office workers, small businessmen, and traders' value neatness and cleanliness and want their home and possessions to reflect this.	Spend a great deal of time shopping around for the bargains; quality products, though not those that sell for the highest prices.
Upper Lower	Fewer qualifications, semi-skilled workers comprise the largest social class segment. Their major motivation is security; purchase decisions are often impulsive, but exhibit a high degree of brand loyalty.	Spend most money on items of everyday needs, rather than desires.
Lower Lower	Entry-level worker with minimal or no real form of income, living day to day with no real long-term plans for the future.	Buy only the basic necessities, have no real desire to pay more than absolutely necessary for anything.

Consumer Buying Process

The following steps are involved in the decision-making process of a consumer when considering a purchase:



Fig. 4.4

- 1. Problem Recognition:** The first step in making a purchasing decision is the recognition of a problem or a need. For example, an individual by the name of Sam feels uncomfortable carrying his paper, files and lunch-box in his hand, or in a plastic bag, to his work place. He feels that he should have a briefcase to carry papers to and from his office.
- 2. Pre-Purchase Information Search:** After Sam has identified a need to purchase a briefcase, he starts researching the different kinds of briefcases available on the market. There are three sources from which Sam could seek the relevant information.

These are:

- a) Personal Sources** (family, friends, colleagues, neighbours);
- b) Commercial Sources** (advertisements, retailers, salesmen);
- c) Public Sources** (other consumer information centres).

At the end of this step, Sam would have gathered enough information regarding the different kinds of briefcases available and may have narrowed down his options to moulded plastic, branded briefcases. Within this broad range, there are various brands and price ranges from which to make the final choice.

3. Evaluation of Alternatives: The final decision Sam makes will depend on certain evaluation criteria.

4.

The most commonly used criteria are:

- i.** The quality of a product;
- ii.** The relative importance of each attribute to the consumer;
- iii.** The image of the brand;
- iv.** The attitudes towards the different brands or alternatives under consideration.

For instance, the key product attributes of the moulded plastic briefcases are: unbreakable, lightweight, spacious, reliable locking system, colour and price. Sam attaches maximum importance to the attributes of lightweight and spaciousness, compared to the other attributes. He already has some kind of attitude towards the various brands – developed during his search for more information - which will affect his final decision.

5. Purchase Decision: In the previous stage, Sam had ranked the various brands in terms of his first, second and third choice. Thus, it can be said that he had made up his mind regarding from which brand he wanted to purchase. However, Sam may end up purchasing an entirely different brand and one that is not his preferred choice, due to the influence exerted upon him by the store assistant, who may cause him to change his decision.

6. Post Purchase Behaviour: Once Sam makes his purchase, he will evaluate it. Sam discovers that the purchase made matches up to his expectation in terms of performance and thus he feels satisfied with his purchase. This satisfaction will reinforce the perceived favourable image of the brand in Sam's mind, which will result in Sam's preference extending to the entire range of products offered by the same company. HE may also recommend the same brand to his friends or family when they seek his advice. Of course, he may also do the opposite if he feels that his expectations have not been fulfilled by the purchased brand. Therefore, it is important to know that customers' satisfaction – or dissatisfaction – can vastly affect the potential for attracting customers.

The stages of the buying process are represented in the flowchart in Figure 4.3. However, in the case of routine purchases, the consumer may skip steps two and three and go straight to step four - the

purchase decision. However, in the case of a purchase decision requiring extensive problem-solving, a consumer will typically go through all the outlined steps when considering the purchase.

It is important to note that the buying process starts long before the actual purchase is made and has implications long after the purchase is completed. These considerations provide marketing professionals with ideas on how to start developing their strategies, in order to achieve the specified marketing objectives.

Further Reading:

- ✓ *Basics Marketing 01: Consumer Behaviour, (2009), By Hayden Noel*
- ✓ *Consumer Behavior and Culture: Consequences for Global Marketing and Advertising, (2011), edited by Marieke de Mooij*
- ✓ *Contemporary Issues in Marketing and Consumer Behaviour, (2009), By Elizabeth Parsons, Pauline Maclaran*