



## Unit 5      Developing Corporate Behaviour

### Learning Outcomes

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

- ✓ Explain the need to understand consumer behaviour
- ✓ Explore various types of consumer behaviours.
- ✓ Explain the factors that affect consumer behaviour.

## Unit 5

### Developing Corporate Behaviour

Marketing is defined as the human activity of satisfying one's 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 certain 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 and dislikes of the targeted individual.

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

#### Meaning of Consumer Behaviour

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

**Consumer Behaviour can be best defined as those acts of people (consumers) directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that go 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' do we buy them?

#### Importance of Understanding Consumer Behaviour

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

These set of consumers separated by the before mentioned 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 him to market to a specific market segment using an appropriate market strategy. In today's world, consumers' tastes are changing rapidly due to the ever changing technology and so, in order to survive in such a fast - paced environment organisations need to adapt to the changing trends and tastes of the consumers. Consumer behaviour provides invaluable clues and guidelines to marketers on new technological frontiers, which they should explore.

## Types of Consumers

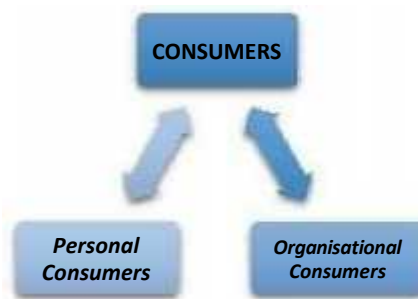


Fig. 1

Broadly speaking, markets are classified either as consumer markets or organisational markets and likewise consumers can also be classified 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 themselves, 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 his own personal use or the use of his family he or she is treated as a personal consumer. Thus, all individuals fall under this category. Whereas, all organisations, firms, businesses, governmental agencies and bodies, and non-business organisations, such as, 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 running it.

Organisational and personal consumers differ on several aspects specially when it comes to buying decision maker and hence the behaviour pattern of both the consumers is different from each other. This unit shall focus on the personal consumer and the factors which 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 of 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. This, 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. Influencer is defined as the individual who provides his views or advises the buyer and has some control over the final decision. The decider is the individual who eventually confirms any part of or the whole purchasing choices 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 that who ought to be the 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 overcome this issue, often it is the family or the household and not the individual person who is considered as the subject of the study. Be that as it may, an individual involved in marketing should have a very sharply defined focus for marketing strategy, especially promotional strategy. One 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 effect consumer behaviour. These factors include personal motivations (needs, attitudes, and values), personality characteristics, and socio-economic variables exerted by the society as a whole and by friends and families. The combination of these different components impact each of us differently and resulting in our differing behaviour as consumers.

Individual and environmental influences result in effecting consumer behaviour. Goods and services are often purchased by consumers in order to attain their ideal self-image and to project this self-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. Thus, in other words, consumers' behaviours is a combination of the consumer's personal influences and the

societal and environmental pressures put upon the individual. In order to understand consumers' behaviours one needs to understand first the nature of these influences.

The basic factors determining 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, which influence consumers' behaviour can be categorised into four distinct categories:

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

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

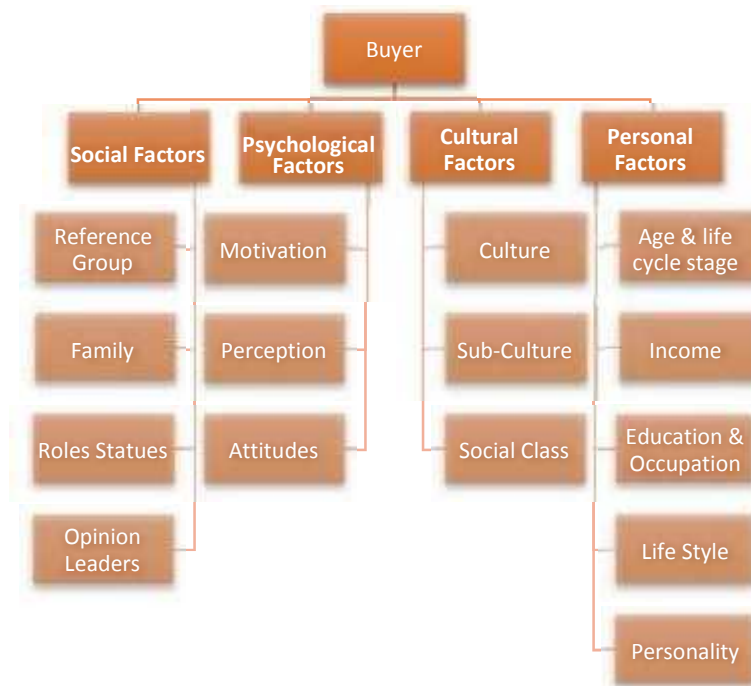


Figure 2: Factors influencing Consumers' Behaviours

## 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 pressing. 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 in order to reduce the state of tension and return to a sense of balance. Despite the fact that analysts don't concur 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 however, in reality, there is always an overlap amongst the different levels of needs, since no need is ever totally satisfied. There is always scope for further fulfilment.



Fig: 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, which are 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 in a local health club.

## Social Needs

A third level of needs, which are known as Social Needs, emerge after the satisfaction of Physiological and Safety Needs. A desire to be accepted by the members of the family and other individuals or groups within a society leads to emergence of such needs. Social Needs motivate an individual to join various groups, so that they can conform to their standards of dress and behaviour and to become interested in obtaining 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, one needs to feel a sense of accomplishment, achievement, and receive 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 and not just acceptance. At this level, an individual craves 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 "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 the reality. The perception of an individual can be influenced by numerous factors. Moreover, perception may or may not be corresponding with the 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 about them.

Actually, the choice to buy an item is dependent upon the present held attitudes about the item, the store, or the salesperson.

Attitudes are an individual's continuing favourable or unfavourable assessments, emotional feelings, and pro or con tendencies in regards to some object or idea. They are shaped over a time of time through unique 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 affecting purchasing decisions include age, gender, education, occupation, income, and lifestyle, stage in family life-cycle and his overall personality and 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 need different products and services, which also evolve and change as a person gets older. For example, babies and children have needs for products, such as, baby food, milk powder, and toys whereas, young adults have rather different needs such as clothes, recreational and educational facilities, transportation, and a host of 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 would require specialised medical facilities for pregnancy and delivery and their requirements of cosmetics, accessories and clothes 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, refines his tastes, and makes his viewpoint more cultural and international. A learned individual is more inclined to consume educational facilities, books, magazines, and other educational and knowledge-based products and services. The occupation in which an individual is engaged in likewise shapes the utilization needs of that individual.

Specialised devices and equipment are required by individuals within specialised occupations, such as, music, dance, photography, and carpentry, etc. Moreover, the status and role of an individual within a firm also affects his buying behaviour. For example, CEOs of companies require expensive suits, handmade leather products, and use luxury hotel and airline services, whereas, junior managers or blue - collar workers, within the same firm, would compromise on the quality and settle for things on the cheaper side.

## Income

The spending behaviours of an individual is significantly affected by his or her income. For certain individuals certain good or products which they desire 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, Provident Funds, and other statutory deductions). Moreover, an individual's inclination towards saving or spending and his borrowing power are also crucial factors which influence consumer behaviour. Small size packaging in sachets for products, such as, tea, shampoo, and toothpaste etc; are meant for the lower income customers who cannot afford a onetime large outlay of money on such products.

## Personality

An individual's personality is the accumulation of several factors, such as, habits, motives, attitudes, beliefs, psychological trait, 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.

## Life – Style

An individual's life - style 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 life - style is derived from his 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 however, concurrently; they also have their 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 life styles are used by marketing professionals to help with market segmentation, product positions 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; these are either direct or indirect. The indirect reference groups include those individuals or groups with which the consumer does not have a 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 and thus certain individuals aim to emulate their behaviour. Numerous ad campaigns for various products such as soft drinks, shaving cream, soaps, textiles, shaving creams etc. are advertised to the general public using certain celebrities with the objective of inducing the consumer to identify himself 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; and
- f) Work groups.

## Family

An individual's family is the most important reference group of all and thus, this shall be discussed in a bit of detail. Overall, as a unit, the family is an important consumer since many of the products, which are 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 his parents, their influence on the sub-conscious mind still continues to be significant.

## Roles

Generally, people participate in several groups. An individual's position within each group is defined by the terms 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, with the environment of his or her own home the role of a spouse and a parent is different. Thus, each individual

plays a different role in separate social positions and each of these roles end up influencing an individual's buying behaviour. Continuing with the example above, a manager would be expected to buy clothes with reflect his or her role within the company, such as, buying suits, ties, or leather suits, whereas, at home and within an informal situation, the clothes that the individual would prefer would probably be more comfortable rather than formal.

## Status

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

## Opinion Leaders

An individual is also influenced by the advice he or she received from his 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 or one could discuss with his relatives or neighbours what brand of TV they should purchase in order to ascertain which the most recommended brand is. Thus, in a similar way several 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 the particular field. Advertisers and marketers are concerned with reaching the 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 include:

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

Let us study these factors briefly -

## Culture

Culture includes all the various parts of a society such as its religion, knowledge, laws, customs, language, music, art, work patterns, traditions, and products, etc. These factors combine together 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 consumers' behaviour of all members of that society.

The cultural background of a society can affect the kind of products and advertising appeals that can work effectively within that society. For example, in the United Kingdom values which are followed by the 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 main society has its own values and beliefs and thus, this sets the customers of each sub-culture apart from the members of the same society.

Each member of a society is also a member of several sub-cultures and 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 subcultures offer readymade market segments to the marketer who can position his 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. Therefore, this results in categorising different members of the 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, life-styles, 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 difference 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 1**

Major social classes and their dominant characteristics and buying behaviour patterns

<b>Social Class</b>	<b>Distinguishing Characteristics</b>	<b>Dominant consumption patterns</b>
<b>Upper Upper</b>	Elite of society; aristocrats of top industrialist inherited wealth; well-known family lavishly but in discreet, conservative test	Spend on property homes, best education for children, frequent foreign vacation, antiques, jewellery, custom made cars etc.
<b>Lower Upper</b>	Top professionals or businessman; who have earned rather than inherited money, style and taste is conspicuous and flamboyant they seek possessions which will reflect their status.	Spend on large homes with flashy and expensive décor, best education for children, imported cars and latest household gadgets, 5-star hotels, personal computers etc.
<b>Upper Middle</b>	Professional Careerists, coming from the middle class with basically middle class value of respectable living conformity, emphasis on good education' style is gracious and careful.	Spend on buying 'quality' products; irrespective of the category of product it is quality which is the most important feature, colour TV, video cassette recorder, cars are some of the products associated with this class.
<b>Lower Middle</b>	White - collar workers, such as, office workers, small businessmen, and traders' value neatness and cleanliness and want their home and possessions to reflect this	Spends a great deal of time shopping around for the best bargain; they buy refrigerator block and white TV, motorcycle etc.
<b>Upper Lower</b>	Poorly educated, semi skilled factory workers; they comprise the largest social class segment. Their major motivation is security; purchase decision often impulsive but exhibits a high degree of brand loyalty.	Spend on items of everyday need.
<b>Lower Lower</b>	Often uneducated, at the bottom of the society and working as unskilled labour live from day to day basis with little planning for the future.	Buy only the basic necessities of life usually buy loose and unbranded products. Have no comprehension and value of brands.

## Consumer Buying Process

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

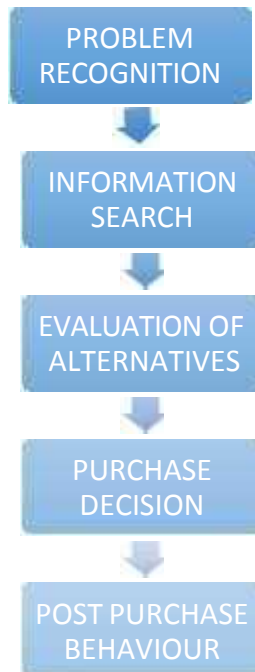


Fig. 4

- 1. Problem Recognition:** The first step of making a purchasing decision starts from the recognition of a problem or a need. For example, an individual, let's say his name is Sam, feels uncomfortable carrying his paper, files, and lunch packet 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 on the different kinds of briefcases which are available in the market. There are three sources from which Sam could seek the relevant information.

These include:

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

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

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

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; and
- iv. The attitudes towards the different brands or alternatives under consideration.

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

- 4. 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 which brand he wanted to purchase. However, Sam may end up purchasing an entirely different brand and one which is not his preferred choice due to the influence exerted upon him by the shopkeeper, which may cause him to change his decision.

- 5. 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 or utility 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 and Sam may also recommend the same brand to his friends or family when they seek his advice or, on the other hand, Sam may 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 potential 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 is expected to go through all the before mentioned steps when considering the purchase.

It is important to note that the fact that the buying process starts much before the actual purchase is made and has implications after the purchase has been made. These considerations should provide marketing professionals with ideas on how to start developing their market strategy 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*