

# Consumer behavior – chapter 1

Psychology, Behaviorism



Consumer behavior chapter 1 - introduction In our ever-increasing global market, attention needs to be paid to the global consumer in order to identify who they are. Marketers and consumer behaviour researchers are constantly attempting to determine the similarities and the differences of the multifaceted global consumer. Some general theory about the sociological and psychological influences on consumer behaviour may be common to all Western cultures, but there are still strong regional consumption trends.

Consumer behaviour as it pertains to the marketplace is concerned with the manner in which consumers purchase and use products and services, and how these goods are incorporated into their lives. Researchers use various techniques to determine the features of consumers. These techniques include categorisation by the use of descriptive characteristics, such as demographics and psychographics. Individual consumers are part of a larger society with common cultural values and beliefs, which can be further segmented into smaller groups, or subcultures.

There are regional differences between consumers from different European countries, despite their being part of the larger European community. Marketers use market segmentation strategies to adapt their communications to meet the varied needs of a diverse target market. Consumer behaviour is good business! Marketers who understand their customers' needs and wants do better than their competitors. The essential component is deciding who to target and how.

Marketers do this by defining markets and then dividing these markets into smaller chunks, or segments. A segment is based upon the demographic and psychographic aspects of the targeted population. The consumer's response

is the ultimate test of whether or not a marketing strategy will succeed. However, initial consumer testing is not an absolute science. Sometimes a product can fail its initial test marketing and still go on to be highly successful. Sony has responded to market and consumer changes with its latest MP3 player, a rival to the Apple iPod.

In attempting to define accurate information about the traits, habits, likes and dislikes of consumers, effective market segmentation separates members of a population into smaller segments of consumers who share unique characteristics that set them apart from the main population. Market segmentation can be described as 'slicing up' the market into bit-sized chunks of information. It is essential that for effective segmentation the following criteria are met: Consumers within the identified segment share similar product needs that will be different to other consumers in other segments.

Important differences between the segments can be clearly identified. The segment is large enough to be profitable. Consumers in the segment can be reached with an appropriate marketing mix. The consumers in the segment will respond in the desired way to the marketing mix. Two important segmentation tools are the use of demographics and psychographics to determine unique attributes of the targeted population. Demographic statistics measure the observable aspects of the population. Psychographics are far more subtle. They illustrate the differences in consumers' personalities and cannot be measured objectively.

Demographic variables include: Age Different age groups have different needs and wants. Consumers in similar age groups often share similar values

and cultural experiences. Gender The behaviours and tastes of men and women are constantly evolving. It is thought that gender segmentation is an unintended result of marketing strategy. Familystructure Marital status and family are important demographic variables that often affect spending priorities. Social class and income People in the same social class often have similar occupations and may share values and interests.

Income is a good determinant of buying power and market potential. Race and ethnicity Immigrants from Asia and Africa are the fastest growing ethnic groups in Europe. Increased multiculturalism creates new opportunities for marketers. Geography Cultural differences play an important role in consumption patterns. Within the European context, consumption is common across cultures, but it is also specific between different cultural groups. European segmentation factors include: Consumption traits that are common across different cultures. Consumption traits that are specific to cultural groups. Relationship Marketing: building bonds with consumers The more marketers understand their current and potential consumers, the more effective they will be. This concept has developed into the role of relationship marketing, in which marketers build long-term relationships between the company and the consumer. Relationship marketing is seen as the big trend for marketers. In conjunction with relationship marketing, a major growth area has been the need to gather and manage accurate information about customers. This has culminated in the formation of sophisticated database marketing that tracks consumer buying habits.

However, this 'big brother is watching you' concept intimidates some consumers. Database marketing is required to comply with respondent

confidentiality restrictions. As global consumers, we are influenced significantly by marketers through a number of mechanisms centred upon building relationships with customers. Advertisements illustrate how we should act and define roles, as well as informing about the use of products. As of 2006, the majority of people will live in urban centres and the number of 'megacities' will increase to 26 in 2015.

A controversial effect of the sophisticated marketing strategies used to communicate with these large potential markets is the emergence of global consumerculture, in which people are united by their common devotion to brand-name consumer products, film stars and music celebrities. 2 Virtual consumption and the power of crowds There is little doubt that the digital revolution is one of the most significant influences on consumer behaviour, and the impact of the Web will continue to expand as more and more people around the world log on. It is not all about businesses selling to customers (B2C e-commerce).

The cyberspace explosion has caused a revolution in consumer-to-consumer activity (C2C e-commerce): welcome to the new world of virtual brand communities. A close cousin of the global consumer is the Euro-consumer. Much research and marketing effort is focused upon determining the characteristics of this consumer. Findings indicate links between social class, culture and income, with consumers who expressed more positive attitudes towards cultural change being more likely to consume luxury goods, despite their demographics and social class. 2 Marketing Ethics

There is a constant battle between achievement of organisational profit goals and the necessity to conduct business honestly and ethically. 1

Prescribing Ethical Standards of Conduct Organisations often devise codes of conduct for their employees, and marketing associations provide guidelines for conduct, such as the following: Disclosure of the substantial risks associated with a product or service. Identification of added features that will increase the cost. Avoidance of false or misleading advertising. Rejection of high-pressure selling. Prohibition of selling or fund-raising under the guise of market research. Socially Responsible Behaviour Some marketers continue to violate the bond of trust with the consumer with the use of 'bait-and-switch' tactics and misleading claims. A critical barometer of ethical behaviour is the action taken by companies to rectify a problem with their advertising or products. Benetton discontinued their controversial advertisements that featured the depiction of an AIDS victim and which were deemed to be exploitative by consumers. Much criticism has been leveled at marketing techniques that influence consumers to purchase products that are not essential.

Philosophers view this conundrum from the perspective of individuals exercising their free will and free action in coming to decisions. However, this clinical approach supports the argument so long as only informative advertising is used in the marketing communication. Any other type of advertising - such as ones with imagery and underlying motives - cannot be so clinically rationalized. The raging debate that marketing techniques manipulate customers continues. We explore this issue from three perspectives. 3 Do Marketers Create Artificial Needs?

Some conservative traditionalists believe that advertising can lead to the moral decay of societies by the pursuit of hedonistic pleasure, while some

liberals believe that the misleading promises of material pleasure function to buy off people who would otherwise be revolutionaries working to change the system. Through advertising, then, the system creates demands that only its products can satisfy. Numerous responses to this criticism abound, including the argument that needs are a basic biological motive and that a want represents one way that society has taught us that the need can be satisfied.

The primary objective of advertising is to create awareness of needs, rather than to create the needs themselves. Needs are thus something that we are socialized to have. Marketers must be cognizant of the fact that they contribute heavily to the socializing influence of individuals in modern society and, thus, influence needs. Some commentators believe that purchasing decisions are manipulated by marketers using their understanding of psychology and the social sciences. They claim that marketers devise advertising techniques that manipulate a majority of individuals. A sense of social responsibility should underpin all advertising.

There is little doubt that advertising creates and changes patterns of consumer behaviour. The central issue is whether the audience is discerning enough to see through the marketing hype and still make a deliberative judgement. Have a look at the PBS Frontline website on 'The Persuaders', which explores the world of modern marketers and advertisers, and discusses the methods they use to decipher who we are and what we want. As powerful an influence as advertising is, in the majority of cases advertisers still do not know enough about their target audience to effectively manipulate them.

This fact is supported by the high degree of product failures (40-80 per cent) that occur.

#### 4 Interdisciplinary Influences on the Study of Consumer Behaviour

Consumer behaviour is a multidisciplinary field that integrates a vast array of disciplines, from psychophysiology to sociology and anthropology. Each discipline views the subject from their own perspective, which results in a rich sociological interpretation of a fascinating and dynamic topic. The figure below illustrates the integrated and interconnected approach to consumer behaviour from both a macro and micro perspective.

The macro perspective represents the social focus and the micro perspective represents the individual focus. [pic] pyramid of consumer behavior

Consumer research has adopted two popular forms of research paradigms, or sets of beliefs: Positivism Believes that human reason is supreme and that objective truth is only revealed by science. Structured and ordered. Stresses functionality. Celebrates technology. Regards the world as an ordered, rational place with a clearly defined past, present and future. Emphasizes material well-being, and is based predominantly on the homogenous views of a predominantly Western and male culture.

Interpretivism Believes the social and cultural world in which we live is complex. Dislikes too much emphasis on science and technology. Emphasizes the importance of symbolic and subjective experiences. Believes individuals construct meanings based on unique, shared cultural experiences, therefore there are no right or wrong references. Consumption is interpreted as a set of diverse experiences. Many consumer behaviour experts believe that the existing predominant positivistic paradigm of consumer behaviour is

undergoing a paradigm shift, due to challenge from the competing paradigm of interpretivism.