An analysis of consumer behavior

Chapter two consists of the theories and literature review that related this study. This chapter consists of the following theories.

1. Consumer behavior theory

2. Marketing mix theory

3. Demographic segmentation

4. Related studies

5. Conceptual framework

6. Hypotheses

Consumer behavior theory

Analyzing consumer behavior

The marketing manager has to examine the current and future situation with respect to customers in the company's target markets. In assessing the company's target markets, the marketing manager must attempt to understand all relevant buyer behavior, and product usage characteristics. The method that the manager can use to collect the information about consumer behavior is the 5W Model: Who, What, Where, When, and Why. We have adapted and applied this model to customer analysis. Companies that are customer oriented should know what customers need by access to these types of information to analyze the demand of their customers (Michael and Hartline, 2007).

Who are our current and potential customers?

For Answer the " who" question, it requires a verification of the relevant characteristics that help to define target market. This includes demographic characteristics (gender, age, income, and so on), geographic characteristics, and psychographic characteristics. Depending on the products of each company, purchase influencers or users, rather than actual purchasers, may be important as well. The companies must analysis to access the viability of potential customers or markets that may be acquired in the future. It includes finding the situations that may increase the company's ability to gain new customers.

What do customers do with our products?

The " what" question can identify how customer use company's product. The marketing manager of companies might be identify the rate of product

consumption (sometimes called the usage rate), differences between heavy and light users of products, whether complain of products from customers during consumption, and what customers do with the company's products after they consume. In business markets, customers typically use the firm's products in the creation of their own products. As a result, business customers tend to pay very close attention to product specifications and quality.

Where do customers purchase our products?

To answer " where" question, the marketing manager is necessary to determine the distribution channel and customer convenience by use the answer from " where" question. Previously, most companies still used traditional distribution channel which were wholesalers and retailers. So, the marketing manager still concerned about the types of wholesalers and retailers that customer satisfied. Today, there are emerging many other forms of distribution. Non-store retailing such as electronic merchandising through the Internet is the fastest growing from of distribution channel. Business markets have focus on the lower costs of procurement via Internet. In the same way, many manufacturers have bypassed traditional distribution channel in favor of selling through their own outlet stores or websites.

When do customers purchase our products?

The " when" question refers to any influencing situation that may motivate customers to purchase the product. It includes some events such as companies' seasonal products and promotion events or budgetary constraints that make the variability in purchasing activity. This type of question includes more about the influence factors that can affect

purchasing behavior of customers such as physical and social surroundings, time perceptions, and the purchase task.

Why do customers select our products?

The benefits of company's products that can satisfy basic need of customer is identified by the " why" question. The company should analyze the benefits that provided by the features of products. This question is very important because customers may purchase the company's products to fulfill their needs by the reason which firm never considered before. The company has to identify what customers like or dislike in company's products. During analyze the customers, it is also important to identify potential change in customers' needs in future. The reason that customers purchase the company's product may be create the opportunity for newly launched competitive products in future.

Behavioral variables

Behavioral variables used to identify customer behavior and construct market segment which consists of occasions, benefits, user status, usage rate, and buyer-readiness (Kotler, Keller, Ang, Leong, and Tan, 2009).

Occasions

Occasions are opportunity that attract customer to buy the product. It can be in length of week, month, and year or just temporary period. Marketer can differentiate the buyer by the occasions when buyers they develop a need to purchase a product, and use a product. Marketers can also try to extend activities associated with certain holidays to other times of the year (Kotler, Keller, Ang, Leong, and Tan, 2009).

Benefits

Benefit segmentation can distinguish the customers by the different benefits that they find from a product. Benefits of segmentation are to find what customers search for in a product of company, the types of customers who search for each benefit, and the brands that deliver each benefit (Armstrong and Kotler, 2005). There are many examples of this kind of benefits segmentation such as value, taste, quality, convenience, and speed (Kotler, Keller, Ang, Leong, and Tan, 2009).

User status

User status can be divided into the user status into non-users, ex-users, potential users, first time users, and regular users of products and services. A different marketing strategy will be applied for each type of users. Included in the potential user group are consumers who will become users that connect the product with some life stage or life event. High market share companies trend to focus the strategy to attract potential users because companies gain large amount from this type of customers where as low market share companies trend to focus the strategy to attract current users which different strategy from the market leader (Kotler, Keller, Ang, Leong, and Tan, 2009).

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Usage rate

Usage rate can be distinguished into light, medium, and heavy product users. Heavy users are high percentage when compare with the total consumption but have small percentage of the market. Marketers of the company would rather attract this type of users more than light users.

However, some heavy users is always loyalty to one brand where as the others never loyalty to a brand but they are always seeking for the product with low price (Kotler, Keller, Ang, Leong, and Tan, 2009).

Hu and Rau (1995) were mention that heavy users often purchase a lots account for a high percentage of the total sales, but these group of customers are usually fairly small. Separating the market according to usage is useful since it is often a small percentage of the consumers who purchase a large percentage of a company's products and services. It should be mentioned that it is importance not to exclude the non-users, light users, and medium users because these users may provide a benefit for company to improve new product expansion in future.

Buyer-readiness stage

Buyer-readiness stage refers to level of customer knowledge, and interest to ward company's product. Some people are unknown company's product, some are known, some are interested, some wish the product, and some want to buy. Differences in designing the marketing strategy depend on numbers of consumers at different stage. The purpose is to lead the customers along. So, he or she will purchase the product in the end (Kotler, Keller, Ang, Leong, and Tan, 2009).

Marketing mix theory

The marketing mix is defined as the set of marketing tools that the company uses to do marketing objectives which are product, price, place, and promotion (Kotler and Keller, 2006)

Product

Product can be a tangible object or an intangible service includes complementary components such as packaging or a warranty. Company defines the characteristics of product or service to respond their customers' need.

Service is intangible that does not affect in the owner a tangible thing but it is a performance that one group offer to another group. It may or may not be involved with a tangible product.

Sometimes, companies offer the product with some services. The service component can be main or secondary part of total offering. There are five categories of offerings as following:

1. Pure tangible goods: The companies offer just only a tangible good. No services involve with the product.

2. Tangible goods with accompany services: The companies mainly offer on a tangible good involved by one or more services.

3. Hybrid: The offering consists of half part of goods, and another half part is services

4. Major Service with accompanying minor good and service: The offer consists of a main service along with traditional service or supporting goods.

5. Pure service: The offering consists of just only service.

Almost of online game companies are pure services that offer just only service. However, some online game companies are major service with

accompanying minor good and service which offer main service with complementary souvenir such as doll, bundle, t-shirt, bag etc.

For online game marketing, the companies must aim to make the product differentiated in features, and quality by some means, to make the target market favor the product in some way. There are two effective physical differentiators that can distinguish a gaming product: feature and design. A feature is a visible way to have an added benefit in the game. This can include more realistic graphics, or a more detailed game story. The design comprises the ensemble of product presentation and packaging. This would include the complexity of the game, the number of quests available, the items, the monsters, the goals, and rewards. Without these two aspects, players would soon get disinterested and would refrain from playing the game for long periods of time, if they ever come back. It is therefore important that the company keeps creating new content for the Massive Multiplayer Online Game (Imbert, Leboeuf, and Murillo, 2007).

Price

The price is the value which a customer pays for the product that creates revenue for company. In theory, the company defined the price by disclosure the value that customers perceive from products. So, the research about pricing opinions is important to determine how customers value the price of product, and also finding for what amount that customers want to pay for the product. And price is also determined by a number of factors including market share, competition, material costs. The business may increase or decrease the price of product when company face with some situations. The market share might be decrease, if a price of product decline. A price

increase might be brought about by cost inflation or over demand. So, when companies increase the price, they must carefully concern about customer perceptions (Kotler and Keller, 2006).

For the online game industry, there should be a balance between ceiling pricing, and value based pricing. A ceiling price is where the price is set as high as the level of differentiation of the product will support it. A value-based price is charging less than what most customers would pay because otherwise the buyer may resist buying. However, in the online game industry it would be tempting to increase the price of a game service, because of the mainstream image that a player is " addicted to it" and therefore would pay any price to continue playing. Even if this was the case, it would be suicidal for a company to overcharge for subscription, as it will prevent newcomers from joining the game, and the firm would receive a negative public image. The best pricing type would then be psychological pricing, i. e. setting the price to what the customer is willing to accept for the perceived features, and somehow try to keep production costs well below the price range. A way to do this would be to calculate how many users are needed to arrive at a " break-even" point, and gear marketing efforts towards largely surpassing that number (Imbert, Leboeuf, and Murillo, 2007).

Place

Place is a distribution channel where customer buy the company's products. Company may have many alternatives to reach a market. They can sell direct or do not sell directly to final users by use intermediate marketing channel. The place can contain any physical store and virtual stores on the Internet. The objective of effective distribution channel is to build a long

relationship with customers that will be making profitable for companies (Kotler and Keller, 2006).

Place describes where and how a company will sell their products. For the online industry, this can happen through the Internet or in traditional retail stores. In the latter case, it is important to leverage relationships with the retailer, for example by allowing higher margins, so that the retailer has an incentive to promote the game to its visitors. Retailer and wholesaler margin can be increased as long as the online revenues can generate a good profit (Kotler and Keller, 2006).

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It is also possible to encourage the creation PC rooms. A PC Room is similar to an Internet café. It is a commercial business where people would go to use a hardware and software already installed onto the PC. The players will have interaction with other players of the same games, and players will be able to shares ideas and opinions about the games played. PC rooms are also a great way to promote a new product, and get feedback from the users (Imbert, Leboeuf, and Murillo, 2007).

Promotion

Promotion represents all of the communications that a company may use in the marketplace to communicate product's advantage, and to build the demand for product. Promotion could be in form of sale promotion, advertising, and public relations.

Sale promotion comprises of diverse incentive tools. For short term promotions strategy, marketers are design the strategy to increase the

income of company by motivate customers to buy faster or greater the product or service. Sale promotion includes tools for consumer promotion (samples, coupons, cash refund offers, price off, prize, free trials, warranties, and demonstrations), trade promotion (prices off and free good), and business, and sale-force promotion (trade shows and conventions, contests for sales representative, and specialty advertising)

Advertising is promotion of products or services to an identified sponsor by non-personal presentation. Advertising is a method to broadcast messages, to build a brand preference or to let people know about the product through mass media such as magazines, television, newspaper, billboard, website etc. Kotler and Keller (2006) mentioned that the goals of advertising will success when the specific messages are delivering to specific customers in a specific period of time.

For the online game industry this is not a concern as many gamers learn about games through word of mouth and through magazines' articles, and advertising. Because of this why the company should focus on advertising in specialized press such as computer magazines. An inside sales force may be something to consider, however, this should also be limited as it is not the main source of awareness to the end user (Imbert, Leboeuf, and Murillo, 2007).

Demographic segmentation

In demographic segmentation, the market is divided into groups on the basis of variables such as age, family life cycle, gender, income, education, and generation. There are two reasons for segmentation by demographic to

differentiate customer groups. First, customer needs, wants, usage rates, and product and brand preferences are often related with demographic variables. Second, demographic variables are easier to measure. Although the companies define the target market by non-demographic terms, they still need to use demographic characteristics to determine the size of the market for more efficiently outcome (Kotler, Keller, Ang, Leong, and Tan, 2009).

Gender

Gender segmentation is used to distinguish the demand between men and women because the fact that men and women have different attitudes and behavioral orientations toward a product. For example, women tend to be more communal-minded and men tend to be more self-expression and goal-directed; women tend to take in more of data in their immediate environment; while men tend to focus on the part of the environment that helps them achieve goal (Kotler, Keller, Ang, Leong, and Tan, 2009). The gender segmentation has been used in connection with clothing, hairstyling, cosmetics, and magazines. Kotler and Keller (2006) referred that some products can be use by both men and women. So, the marketer should not concentrate just only define a product as being men or women.

Age

Customer demands and capabilities change with age. Age segmentation can be even more refined. The connection between demographic and demand for product benefits can make easy to segment customers by demographic (Kotler, Keller, Ang, Leong, and Tan, 2009).

Furthermore the age segmentation is associated with customer's behavior in buying and consuming the product. An example of this is single people who have a tendency of purchasing new fashionable items due to the fact that they have no other economic obligations. On the other hand, married people who have a large economic obligation and thereby they prioritize their economy different (Gunter and Furnham, 1992). Customers need and interest for products vary depending on age, companies employ age segmentation. So, the company should offer different products and marketing approaches to groups of customer with different age group of customers (Armstrong and Kotler, 2005).

Education

Education is help to expand the person's experience and effect to personnel style. When marketers compare between educated person and less educated person, they found that an educated person is more likely to consume educational facilities, book, magazines, and others knowledge oriented products and services (Kotler, Keller, Ang, Leong, and Tan, 2009).

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Income

Income segmentation divides the market by separate into group with different income. Some companies have target market are high income customers such as cars, outfit, cosmetics, financial services and travel. While the others company seek target market in customers with a lower income because it is easier to gain loyalty and less competitive in the market. However, companies should know that sometime income does not suitable predictive customer for a given product because each customer has different

favorite product (Kotler and Keller, 2006). Same as Devis researches (1982) found that the income is weakness predictor, and also weaker than education level predictor.

Related studies

Empirical studies of online game in Thailand

Jetasik Anantakunupakorn (2005) studied " Factors Affecting Consumer Decision on Massive Multiplayer Online Role Playing Game (MMORPG). The research examined the gender, age, education level, and average income per month differences in perceptions of factors affecting consumer decision on MMORPG which are quality of game service, price, game characteristics, special events, distribution channel, customer service support, security and trust, and virtual currency exchange.

From respondent's personal data, male respondents are slightly more than female. In term of age, the majority respondents are people who have age 19 – 22 years old and 23 – 30 years old. In term of education level, the majority respondents are people who have education level in bachelor's degree. In terms of average income per month, the majority of respondents have average income 5, 001 – 10, 000 baht per month

The result of gender indicates that female pay attention to special events and customer service support more than male due to the larger mean score value.

The result of age indicates that the player with different ages have different levels of factors affect the decision on MMORPG in aspects of quality of game service, price, game characteristics, special events, customer service

support, security and trust, and virtual currency exchange. From LSD test, it can be concluded that players with age under 15 years old prefer MMORPG with higher quality of game service and game characteristics but less concern on customer service support than others. Furthermore players with age 23-30 years old concern about the price less than others.

The result of education level indicates that the players with different education levels have different levels of factors affect the decision on MMORPG in aspects of price, game characteristics, special events, and customer service support. From LSD test, it can be concluded that players who have education level below bachelor's degree prefer cheaper price and higher game characteristics but less concern on customer service support than others. For special events preference, it can be rank follow the education level by the less education level, the more special events desired.

The result of income per month indicates that the player among four different average incomes per month have different levels of factors affecting the decision on MMORPG in aspects of price, game characteristics, special events, distribution channel, customer service support, and security and trust From LSD test, it can be concluded that player who have average income per month less than 5, 000 baht prefer cheaper price and more special events but less concern on customer service support than others.

Pongthorn Wongwarawipat (2007) studies " Effects of Customer's Opinion on Marketing Mix Influencing Online Game Playing Behavior in Bangkok Metropolitan Area". The purpose of the research was to studied customer's

opinion towards marketing factor that influence their behavior of playing online computer games in Bangkok Metropolitan area.

The research showed that most online gamers were male and age between 21- 25. The majority of them were graduation and their income range from 5000-10000/month. These gamers were also included students and college students.

The result revealed that overall and each of the marketing mix factors appear to have high influence on choosing online games (3. 7386 of 5).

This research showed that on average, gamers has topped up their card 1. 605 times monthly and 1. 78 cards had purchased at single payment. The average price of top up card they often purchased on average is 234. 91 Baht. The expenses they spend on online games were average 669. 68 Baht/month. Time spent on computer games were 31. 39 hours per week on average different from Yee (2006) found that average number of hour to play online game per week was about 20 hours per week. This also included 1. 89 games they usually play.

Empirical studies of online game in Taiwan

Hsiu-Yuan Wang and Yi-Shun Wang (2008) studied " Gender differences in the perception and acceptance of online games". Their research examined the gender differences in perceptions of online game acceptance drivers and in relationships among these drivers and behavioral intention.

The research showed that most online gamers were male and age up to 20 years old. The majority of them were senior high school.

The results indicate that men's ratings of perceptions with respect to computer self-efficacy, perceived playfulness and behavioral intention were all higher than women's, and that women's rating of perceptions concerning computer anxiety was higher than men's. However, there was no gender difference in the perceptions of system characteristics (i. e., speed, feedback, and challenge) in online games.

Empirical studies of online game worldwide

Laber (2001), Kline & Arlidge (2002), Griffiths (2003), and Yee (2006) found that the majority of online game player was male. Yee (2006) also found that female players were far more likely to play with a romantic partner at a rate four times greater than men. Kline & Arlidge (2002), Griffiths (2003), and Yee (2006) found that most of player was age at mid 20s. So it is not surprising that approximately 50% of players have an undergraduate degree (Griffiths, 2003).

Conceptual framework

The conceptual framework of this study have objective to compare the influence level of marketing features on online game playing decisions among consumer groups with different demographic backgrounds in the online game market.

Independent variables Dependent variables

Demographic characteristics of the player

The influence level of marketing features on consumers' playing decisions in online game market

Gender

Product features

Age

Price features

Level of education

Place features

Monthly income

Promotion features

Figure 4 Conceptual framework

Hypotheses

Hypothesis 1: There is a difference in the influencing level of marketing features on consumers' playing decisions to different groups of players with different gender.

Hypothesis 2: There is a difference in the influencing level of marketing features on consumers' playing decisions to different groups of players with different age.

Hypothesis 3: There is a difference in the influencing level of marketing features on consumers' playing decisions to different groups of players with different education level.

Hypothesis 4: There is a difference in the influencing level of marketing features on consumers' playing decisions to different groups of players with different monthly income.