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The Essence of CONSUMER BEHAVIOUR

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The Essence of Consumer Behaviour

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Introduction: The importance of understanding consumer behaviour

> People who understand consumer behaviour make more money in the stock market than professional stock pickers who rely on financial numbers. 'If you like the store, chances are you'll love the stock'.
>
> Peter Lynch[1]

After reading this introduction, you should be able to:

- Explain the role consumer behaviour has within the marketing concept.
- Define the main concepts of consumer behaviour.
- Explain the role of relationship marketing.

Consumers and the marketing concept

In its most basic form, the marketing concept states that organizations need to anticipate and satisfy consumer needs if they are to remain on top in terms of making profits. Marketing is about ensuring that whatever the firm does is done with consumers in mind. The following quotes illustrate this.

> Without customers, there *is* no business. (Anon.)
>
> The sole purpose of a business is to create a customer. (Peter Drucker, management guru)
>
> The customer is always right; and even if the customer is wrong, he's still the customer. (Sign seen in a sports shop in Somerset)

The marketing concept is important because consumers have very wide choice as to where to spend their hard-earned money. People are better educated than ever before, with greater spending power and mobility, and they are able to shop around much more in order to buy whatever best meets their needs. If there is room for four companies in a given market, five companies will be in there competing for survival; in that situation, the consumer is king. Far from choosing from what you have to offer, the modern consumer will tell you what he or she wants, and if you cannot supply it, your competitors will.

The marketing concept therefore requires that managers observe everything from the viewpoint of the consumer; look at the firm and its products as the consumer sees them; and plan around the consumer's needs and aspirations.

An example of this in the USA comes from the Wal-Mart chain of hardware shops. Wal-Mart's Sam Walton (founder of the company) says he acts 'as an agent for his retail customers'. In other words, he sees his role as being to find out what his customers want to buy, and then to go out to the manufacturers and wholesalers and buy the products on their behalf. Of course, Wal-Mart operates like any other retail outlet, in that the goods are displayed on the shelves for customers to come in and buy; but the difference lies in the philosophy behind Sam Walton's approach. Wal-Mart is now the largest retailer in the USA, with sales of over $32 billion per annum.[2]

An example of similar thinking in the UK comes from Boot's the chemists. The founder of the company, Jesse Boot, would regularly go into his shops and demand, 'What have you got for a penny!' He was well aware that his customers were often poor people who would be unable to buy a whole bottle of aspirins, so he insisted that his managers sold perhaps a few pills for a penny. As a wheelchair user himself due to long-term illness, Boot understood his customers' needs and responded to them. The company has grown to the extent that 40 per cent of British women now visit Boot's in any one week.

Consumer behaviour has been described as 'the dynamic interaction of affect and cognition, behaviour, and environmental events by which human beings conduct the exchange aspects of their lives' (American Marketing Association). Since this statement is somewhat lengthy and complex, it may be useful to break it down and define some of the terms.

- *Consumer behaviour is dynamic* – changing and evolving. This means that many statements about consumer behaviour will, eventually, become irrelevant as fashions in thought and social conditions change. Even the briefest examination of human cultures worldwide will show that there are very few absolute rules to human behaviour, and that new ideas and approaches are constantly being adopted.

- *Consumer behaviour involves interactions*: we need to know what consumers think (*cognition*), what they feel (*affect*), what they do (*behaviours*) and the things and places that influence and are influenced by what they think, feel and do (*environment*). Clearly thoughts and emotions colour behaviour; but behaviour itself leads to other, related, behaviour. For example, if somebody goes skiing this leads to other behaviour – buying clothing, buying ski equipment, buying air tickets, buying drinks in the bar 'après-ski', and so forth. Likewise, getting drunk leads to buying hangover cures, and making friends leads to buying birthday cards.
- *Consumer behaviour involves exchanges* between human beings. Trade can only happen when *both* parties end up better off; if this were not so, people would not want to trade. For example, a consumer going to the pub would rather have the beer than the money it costs to buy it, but the landlord would rather have the money than the beer. By the end of the evening, both parties feel considerably better off as a result of the transactions. From the landlord's viewpoint, of course, it is worthwhile ensuring that the customer enjoys not only the beer but the whole experience of the pub (the atmosphere, the service, perhaps the music or the food). This is because a small group of 'regulars' will be worth more in the long run than a large group of casual or occasional customers.

Behaviour is therefore the result of a complex interaction of many factors, most of which will vary from one individual to the next.

Consumers and the four Ps

The classical view of strategic marketing is that it involves decisions concerning the four Ps: product, place, price and promotion. Subsequently, this list has been expanded by Booms and Bitner[3] to include people, physical evidence and processes – and indeed Wind[4] has suggested that the marketing mix contains a total of eleven elements.

Much marketing activity is actually product orientated: that is to say, the company focuses on the product's characteristics rather than the consumer's characteristics. At the extreme, the company produces a product which the engineers and accountants believe is the best that can be made for the price, yet which has no relevance to consumers' needs. The drawback of this approach is that the consumer is unlikely to buy a product which does not meet a need, and will not respond to advertising that does not appeal.

If marketers are to take a truly consumer-orientated view within the basic four Ps structure, they would need to ask themselves questions along these lines:

- *Product*. What products are the consumers using at present? What do they like about the products, and what don't they like about them? What would they like the products to do, in addition to what they do already?
- *Place*. Where would they like to buy our product from? Where do they currently buy this type of product, and why? Is it convenient for them to buy from this source? Could we make it easier for them to buy our product by offering it through a different outlet?
- *Price*. What price will they see as good value? This is not necessarily the lowest price; very few consumers (if any) consistently buy the cheapest products they can find. However, most have a very clear idea of what represents good value for money.
- *Promotion*. What type of promotion will interest them? Which will encourage them to buy? Which addresses their needs, in terms of activating the need and offering a credible way of satisfying it?

Essentially, this approach means starting with the consumer when faced with any marketing question. The problem here is that there is no such thing as 'the consumer'; there are only people who have differing needs and interests. Therefore marketers try to group consumers into *segments* with similar needs and desires; this makes it easier to answer the questions above. A market segment might comprise people who live in the same area, or who have similar behaviour patterns, or who are of a similar age. In other words, consumer-orientated marketers will try to get a clear mental picture of their typical or best customers and try to fit the company's activities to those customers.

It follows that the study of how those consumers behave, and how they are likely to respond to our activities, is crucially important if we are to be successful in marketing. In practice, many firms ignore the consumer, and indeed much effort and many resources are wasted because of this. For example, a study carried out on 11,000 new products launched by 77 different companies found that, five years later, only 56 per cent were still on the market. This means that almost half the products had to be withdrawn, presumably because consumers just did not want to buy them in sufficient numbers to make it worth keeping them in production.[5]

An understanding of consumers, and a customer-orientated approach, is important to any firm seeking to succeed in a competitive environment, but understanding consumer behaviour is not straightforward. Some of the problems with understanding consumers are as follows:

- They are all different.
- They often act emotionally rather than rationally.
- They act differently at different times and often respond differently to the same stimulus at different times.

- They can be persuaded – by you, and by your competitors. In other words, they learn, and thereby change their attitudes and behaviour.

Consumer research is sometimes difficult and usually costly, which is another reason why firms often do not bother to do it. On the other hand, the cost of doing consumer research pales into insignificance against the cost of not doing it, as the example of Sir Clive Sinclair's C5 electric vehicle illustrates.

Sir Clive Sinclair is a highly intelligent electronics expert who was responsible for developing a huge range of innovative electronic devices. During the 1960s he designed and marketed a wrist radio and a series of self-assembly kits for the electronics enthusiast; during the early 1970s he helped develop the electronic calculator, and he marketed an early form of personal computer, the ZX80, long before the major companies had made any serious inroads into the home computer market. His company also developed a miniature hand-held TV set using technology so advanced that when Binatone bought the rights to the design, it was unable to duplicate the design in its Japanese factories.

In 1984 Sinclair launched the C5, an ergonomically designed, one-person electric vehicle which was environmentally friendly, required no driving licence and could park almost anywhere with ease. By May 1985 Sinclair reported sales of 8,000 vehicles, but by October 1985 debts on the project had risen to £7.75 million and sales had all but ceased. The remaining vehicles had to be sold off at less than the cost of manufacture, and Sir Clive Sinclair virtually retired from industry.

The reasons for the failure of the C5 project have been debated endlessly, but at the end of the day there can be only one reason for the product's failure: consumers were not prepared to buy it. Had Sinclair carried out suitable consumer research, this problem might have come to light much earlier; any of the following conclusions might have emerged.

- The product might have been shown to have no substantial market at all, in which case it need not have gone into production.
- An alternative market might have been identified – for example, C5s have been used successfully in warehouses, private estates and leisure complexes.
- An alternative promotional strategy might have been devised. There is little doubt that the C5 was almost ridiculed off the market by the news media, since it was promoted as an electric car yet was only able to carry one person.

In fairness, of course, research is not perfect and sometimes the best research available still results in failures when the product reaches the market. But good research will improve the odds enormously.

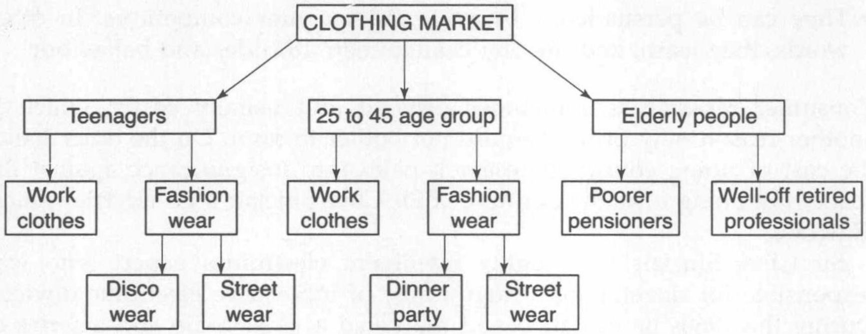

Figure 1 Segmentation of the clothing market

Consumers and segmentation

Nowadays mass markets seldom exist. There are very few products that are bought by nearly everybody, simply because different consumers have different needs. Marketers group consumers with similar sets of needs into segments. As time goes by and research improves, it is becoming possible to segment markets into smaller and smaller groups. Figure 1 shows an example of how groupings can form in the clothing market.

The needs of each segment of the market will differ – teenagers have different clothing requirements from the older age groups – but even within the teenage segment there will be further groupings of needs. Street clothes will not be the same as disco/party wear for teenagers, and there will be further subgroupings. For example, within the 25 to 45 age group there will be divisions according to income, according to lifestyle, according to geographical area and according to social class.

Each group will need to be treated differently; each group will make choices that affect what they will buy, and where, and how much they will pay for it. Likewise, each group will respond to a different form of promotional activity. The kind of advertising that would appeal to teen-agers is unlikely to appeal to elderly people, so marketers will try to *target* these groups separately, and indeed target subgroups within these broad groupings.

The consumer and relationship marketing

Until recently, most marketers have really been concerned only with transactions. In some cases, notably in house sales, marketers have been concerned with single transactions; once the house is sold, there has been an assumption that that is the end of the consumer's interest in the developer, unless, of course, problems develop with the house.

Within the last five to ten years there has been a new emphasis on viewing the consumer as a long-term 'asset' of the business, rather than a one-off buyer. Companies have come to realize that it is much easier (and cheaper) to keep an existing customer than it is to attract a new one, and marketers have therefore been much concerned with establishing relationships with customers and consumers. Much of the work on relationship marketing has concentrated on the supply-chain relationships between manufacturers and intermediaries, but this is by no means the only application of the relationship marketing approach.

The essence of relationship marketing (as it applies to consumers) is to find out which customers are going to be of the most long-term value to the firm: that is to say, which ones are most likely to remain loyal. These customers are not necessarily the richest, or the biggest spenders; relationship marketing tells us that one customer who spends a regular £30 a month with us for twenty years is worth more than five customers who spend £500 with us once and are never heard from again. Consumers are therefore viewed as lifetime profit centres who may spend hundreds of thousands of pounds with us during a lifetime, rather than as sources of a one-off profit from one transaction.

This approach has only become possible due to the existence of sophisticated research tools and computerized systems by which consumers can be identified and categorized. Firms then seek to establish a longer-term rapport with the consumers to ensure loyalty.

An example is the frequent-flyer programmes initiated by the major airlines. Having identified that those who fly frequently for business purposes are also likely to fly for leisure activities, the airlines offer free leisure flights for those who fly frequently on business. Frequent flyers also receive special offers, free magazines with articles which are of interest to travellers, and discount vouchers for duty-free goods and hotels. This encourages the frequent flyers to fly with the same airline each time so as to accumulate the free gifts, but it also allows the airline to market other services to these customers. The discounted hotels, for example, are not actually free!

A second example is the growth in multilevel, or network, marketing. In multilevel marketing, or MLM, each consumer also acts as an agent for recruiting more consumers, earning a commission on each sale made to somebody else. This results in a classic pyramid structure, with each consumer selling to family and friends, and also recruiting family and friends into the network. The growth potential for such a network is huge, and since it relies on the relationships between the consumers/agents in the network, it will generate strong loyalty among consumers. Companies such as Amway have developed worldwide customer bases by creating such selling networks, and there are now many examples of MLM networks selling everything from household cleaning fluids to health foods.

The growth in relationship marketing is likely to be of benefit to consumers, since companies are going to great lengths to look after them and help meet their needs; many consumers are fickle, and need to be wooed by increasingly subtle means.

The consumer and marketing planning

Marketing is very much like buying a Christmas present for a family member; the comparison of the process is as shown in Table 1. Looked at in this way, it is easy to see where relationship marketing fits in. If you have a reputation for buying good, useful, interesting presents, people will look forward to your gifts and will try to please you in return. Exactly the same is true of marketing.

Ultimately, marketing is about meeting people's needs, and therefore the study of consumers and their needs is crucial to the study of marketing.

Table 1 Comparison of marketing with buying a present

Buying a present	Marketing
Decide who you are buying for.	Identify the target market.
Decide how much to spend – usually based on how much you expect them to spend on you!	Decide what price the customer is prepared to pay.
Think about the person's interests or needs.	Think about the consumer's interests and needs.
Look around for what's available within the price range, bearing in mind what the person would like.	Decide which features can be included within the price the consumer is prepared to pay.
Buy the present.	Launch the product.
Wrap the present.	Package the product.
Have it delivered/take it round.	Arrange a suitable distribution method.
Watch the person's face when they open it!	Get feedback from the customers after purchase.
Decide whether the present was *really* what the person wanted.	Carry out research to determine whether the product could be improved for next time.

Key points from the introduction

In this introduction we have taken a quick overview of consumer behaviour, and the reasons for studying it. Here are the main points:

- Consumer behaviour is the result of many factors, including affect, cognition, conation, environment and behaviour itself.
- Consumers are all different; they're a lot like people in that respect.
- Marketing is about finding out what people need and seeing that they get it, at a profit.
- Consumers can be grouped according to the similarity of their needs; these groupings are called segments.
- People only buy what they want to buy, and if you can't supply it, they will go to somebody who can.
- Consumer behaviour changes over time, so firms have to keep monitoring their customers to ensure that their needs are being met.
- If you ignore your customers, your customers will ignore you.

Notes

1. Peter Lynch, *Beating the Street* (New York: Simon and Schuster, 1993).
2. Bill Saporito, 'Is Wal-Mart unstoppable?', *Fortune*, 6 May 1991.
3. B.H. Booms and M.J. Bitner, 'Marketing strategies and organisation structures for service firms', in J. Donnelly and W.R. George (eds.), *Marketing of Services* (Chicago, IL: American Marketing Association, 1981).
4. Y. Wind, 'Models for marketing planning and decision-making', in V.P. Buell (ed.), *Handbook of Modern Marketing*, 2nd edn (New York: McGraw-Hill, 1986).
5. 'Flops', *Fitness Week*, 16 August 1993, p. 79.

1

Drive, motivation and hedonism

This chapter examines some of the theories of motivation that underpin the study of consumer behaviour. After reading the chapter, you should be able to:

- Explain the types of motive that cause people to buy.
- Describe the motivation theories of Maslow and Hertzberg.
- Show how the theories fit into the practicalities of consumer buying behaviour.
- Explain how needs become translated into wants, and how wants translate into action.

Classification of motives

Motives can be classified as shown in Table 1.1. Although it is difficult to separate out people's motivations for making particular purchases, it can be said with some certainty that the emotional and dormant motives often take precedence over the rational and conscious motives. For example, it is plainly foolish and dangerous to try bungee-jumping, and no rational reason exists for doing it, yet it is an immensely popular activity; it is fun and exciting, and tests the bravery of the participants. Likewise, fashion purchases are often impractical and overpriced, yet the emotional need of appearing fashionable overwhelms the rational, conscious motive of buying something to keep out the cold.

Motives should be distinguished from instincts. A motive is simply a reason for carrying out a particular behaviour; it is not an automatic response to a stimulus. Instincts are pre-programmed responses which are