



UNDERSTANDING CONSUMER NEEDS & BUYING BEHAVIOR

ASHISH TIWARI

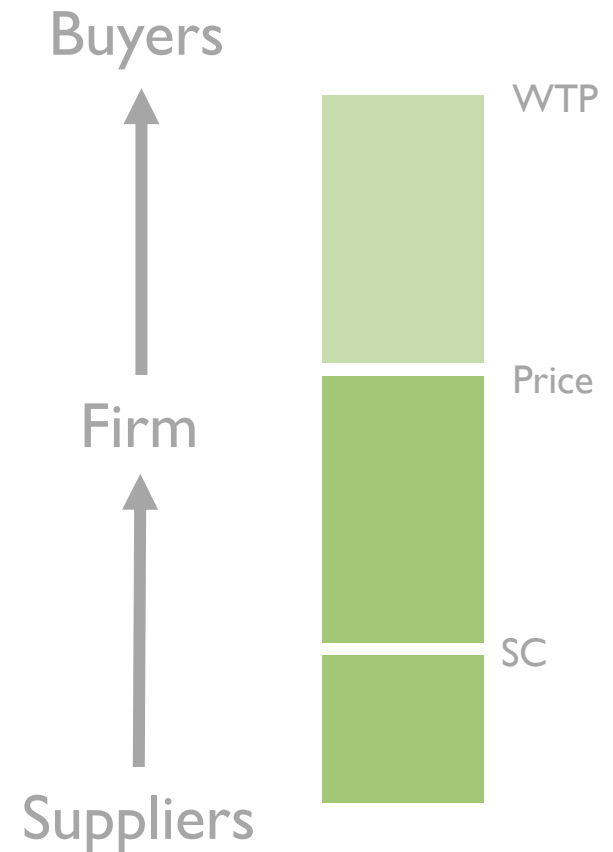
**Consumers know what
they want!!**



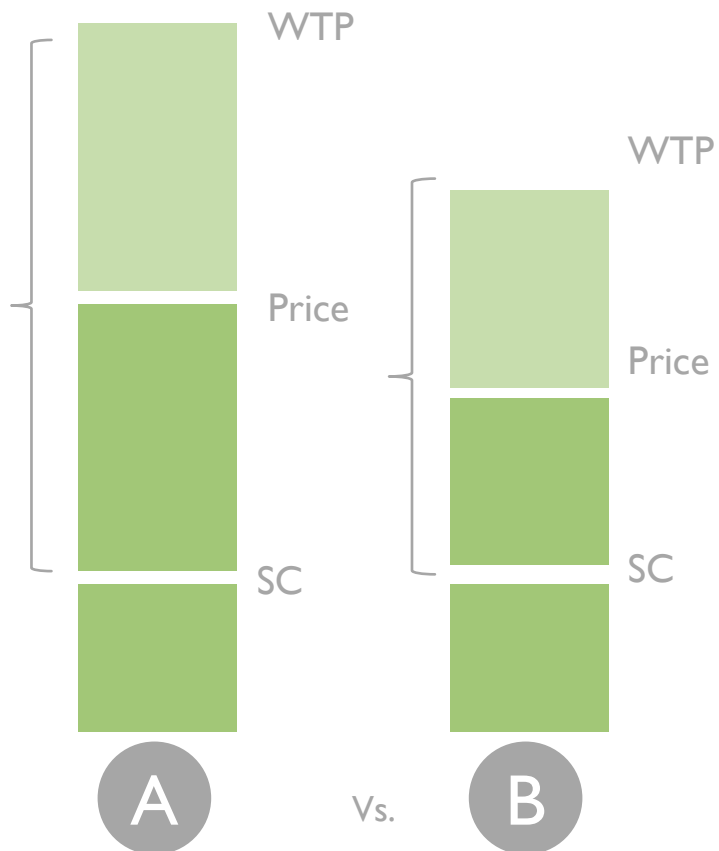
Consumers don't
know what they want
till you give them what
they need!!

VALUE CREATION

- **Value** is created by a business operating together with its customers and its suppliers
- **Willingness-to-pay** = the most that a customer will pay for a firm's product
- **Cost** = the least that a supplier will accept for the inputs required to make the product



COMPETITIVE ADVANTAGE



Consumer surplus = **WTP** – Price

Added value = WTP – SC

Competitive Advantage =
A [WTP – SC] – B [WTP - SC]



Consumer Behaviour

CONSUMER BEHAVIOUR

Processes a consumer uses to make **purchase decisions**, as well as to **use and dispose** of purchased goods or services; also includes factors that **influence purchase decisions** and the **product use**.

Consumer behavior

= HOW

**consumers make purchase
decisions**

**consumers use and
dispose of product**

PREFERENCE CHANGE OVER TIME





INFLUENCING FACTORS

1. Level of consumer involvement

2. Length of time to make decision

3. Cost of good or service

4. Degree of information search

5. Number of alternatives considered

BUYER DECISION MAKING PROCESS



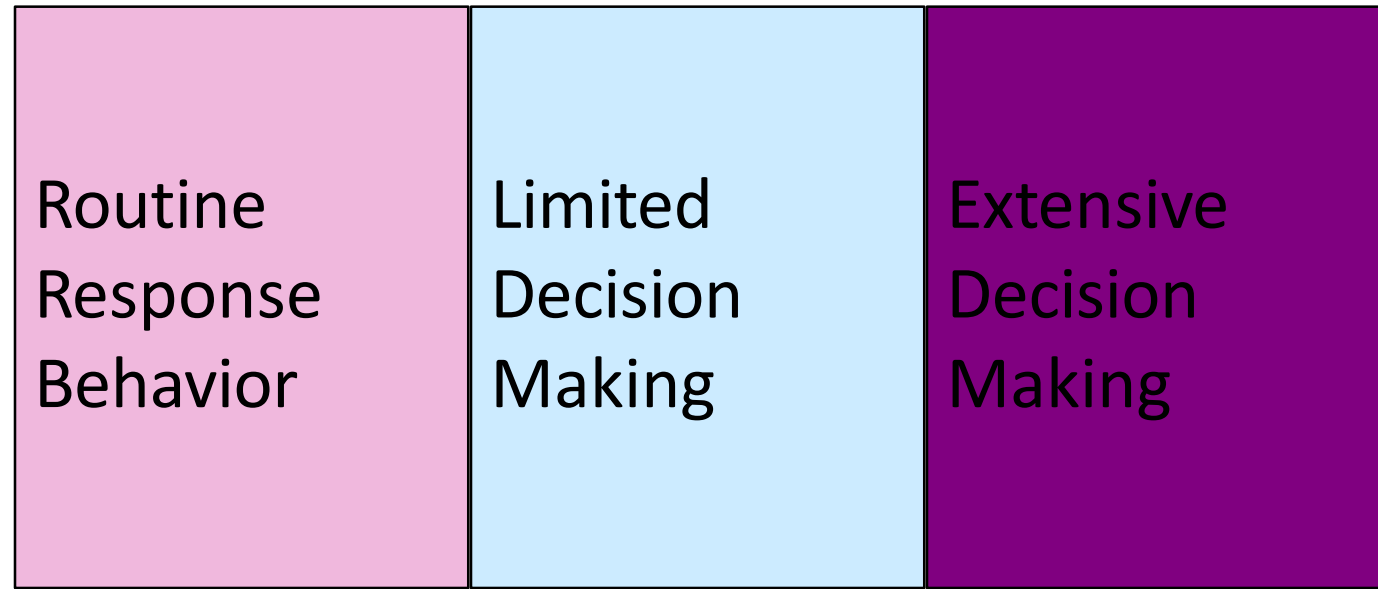
Stamm - factory



ARE ALL DECISIONS SAME?

- Not all consumer decisions receive or require the same amount of effort in the information search.
- Researchers have identified three specific levels of consumer decision making: extensive problem solving, limited problem solving, and routinized response behaviour.

ARE ALL DECISIONS SAME?



**Less
Involvement**



**More
Involvement**

CONSUMER DECISION MAKING – VIEWS

- An Economic View
 - Rationale in the economic sense, aware of all available product alternatives, able to identify best alternatives
- A Passive View
 - Irrational, impulsive, depending on promotions
- A Cognitive View
 - Information Processor; either receptive or active,
 - Heuristics (shortcut); information overload (exposure)
- An Emotional View
 - Joy, fear, love, hope, sexuality, magic with certain purchase

MODELS OF CONSUMER BEHAVIOUR

Traditional Models

- The Economic Model
- Learning Model
- Psychological Model
- The Sociological Model

Contemporary Models

- The Howard Sheth Model of buying behaviour
- The Nicosia Model
- The Engle-Kollat-Blackwell Model
- Engle, Blackwell and Miniard (EBM) Model
- Webster and Wind Model of organizational buying behaviour
- The Sheth Model of Industrial buying

ECONOMIC MODEL

- This model assumes that with limited purchasing power and a set of needs and tastes, a consumer will allocate his/ her expenditure over different products at a given prices so as to maximize utility.
- Bases for Economic Model:
 - Price Effect
 - Substitution Effect
 - Income Effect
- Criticism:
 - Fails to explain how does the consumer actually behave.
 - Incompleteness in the Model.
 - Lack of broader perspective.

LEARNING MODEL

- This model help marketers to promote association of products with strong drivers and cues, which would lead to positive reinforcement from the consumers.
- In marketing context, 'learning' will help marketers to understand how consumer learn to respond in new marketing situations, or how they have learned and respond in the past in similar situations.
- As Consumers also learn to discriminate and this information will be useful in working out different marketing strategies.

PSYCHOLOGICAL MODEL


- This model based on the work of psychologists who were concerned with personality. The view was human needs and motives operates on buying.
- This theory was developed by Sigmund Freud. Acc. To him human behaviour is the outcome of
 - Id
 - Super Ego
 - Ego
- This model is concerned with personality and says that human behaviour to a great extent is directed by a complex set of deep seated motives.
- Helps the marketer to know how buyers influenced by symbolic factors in buying a product.

THE SOCIOLOGICAL MODEL

- As per this model, an individual buyer is a part of the institution called society, gets influenced by it and in turn, also influences it in its path of development.
- The interactions with all the set of society leave some impressions on him and may play a role in influencing his buying behaviour.
- The marketers, through a process of market segmentation can work out on the common behaviour patterns of a specific class and group of buyers and try to influence their buying pattern.

THE HOWARD SHETH MODEL OF BUYING BEHAVIOUR

- It attempts to throw light on the rational brand behaviour shown by buyers when faced with situations involving incomplete information and limited abilities.
- The model refers to three levels of decision making:
 - Extensive problem solving
 - Limited problem solving
 - Routinized response behaviour
- The model has borrowed the learning theory concepts to explain brand choice behaviour when learning takes place as the buyer moves from extensive to routinized problem solving behaviour.

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- The model makes significant contribution to understand consumer behaviour by identifying the variables which influence consumers.
 - Four components of model
 - Input variables
 - Output variables
 - Hypothetic constructs
 - Exogenous variables

INPUT VARIABLES

- These variables acts as stimuli in the environment.
 - Stimuli can be of Significant, Symbolic & Social
- Significant stimuli are those actual elements of brands which the buyer confronts,
- Symbolic stimuli are those which are used by marketers to represent their products in a symbolic form.
- Social stimuli are generated by the social environment such as family, friends, groups etc.

OUTPUT VARIABLES

- These are which buyer's observable responses to stimulus inputs. They appear in the sequence as below:
 - Attention: Based on the importance of the buyer's information intake.
 - Comprehension: the store of information the buyer has about the brand.
 - Attitude: the buyer's evaluation of the particular brand's potential to satisfy his or her motives.
 - Intention: the brand which the buyer intends to buy.
 - Purchase behaviour: the act of actually purchasing, which reflects the buyer's predisposition to buy as modified by any of the inhibitors.

HYPOTHETICAL CONSTRUCTS

- The model proposes a number of intervening variables which have been categorised into two major groups: perceptual and learning constructs.
- Perceptual Constructs include:
 - Sensitivity to information: the degree to which the buyer regulates the stimulus information flow.
 - Perceptual bias: refers to distorting or altering information
 - Search for information: it involves actively seeking information on the brands or their characteristics.

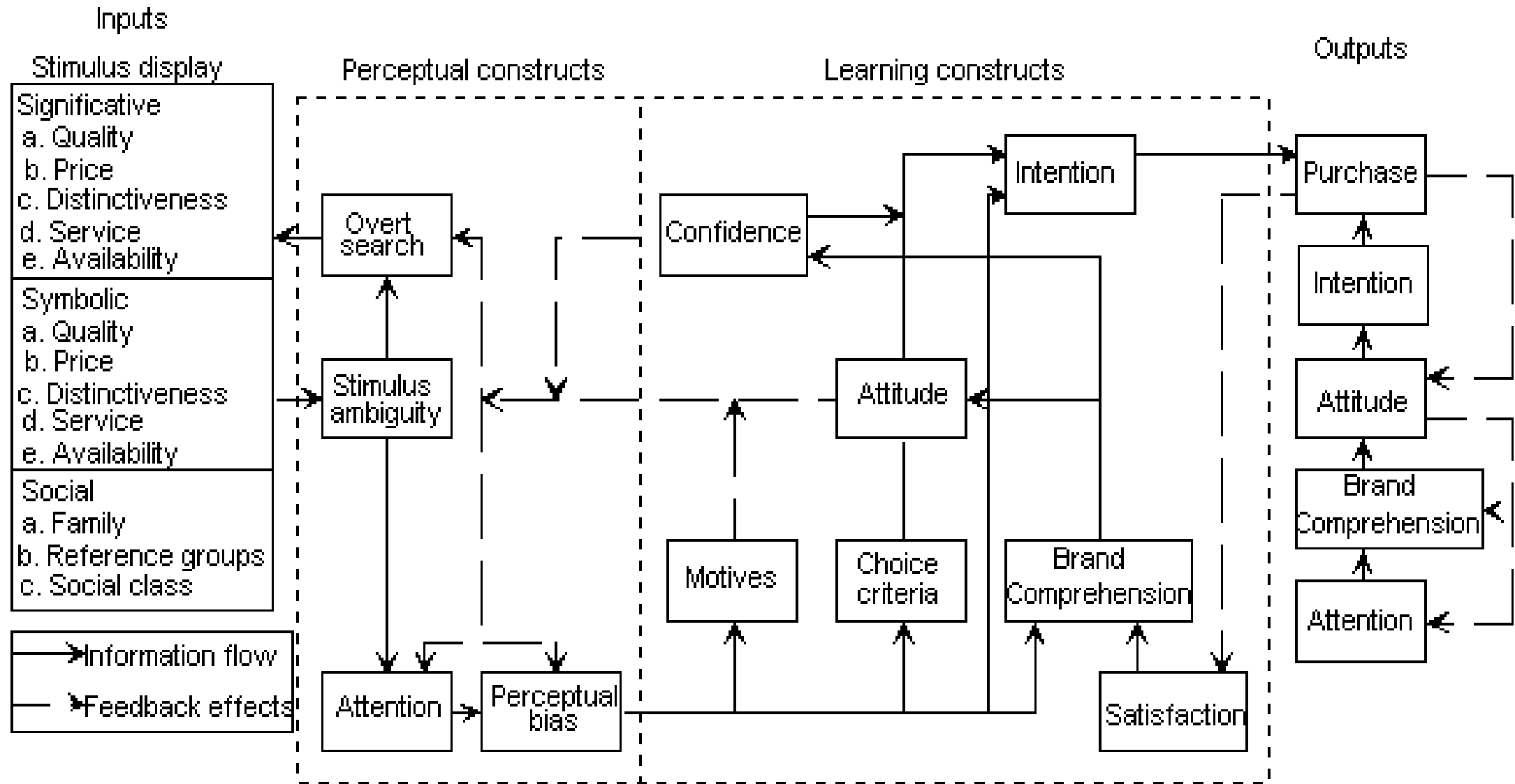
The buyer's learning constructs can be defined as:

- Motives are general or specific goals impelling action.
- Brand potential of the evoked set refer to the buyer's perception on the ability of brands in his or her evoked set to satisfy his or her goals.
- Decision mediators are based on the motives. The buyer will have certain mental rules for matching and ranking the purchase alternatives.
- Predisposition refers to a preference towards brand in the evoked set which expresses an attitude towards them.
- Inhibitors refers to environmental forces like price and time pressure which may inhibit or put restraint on the purchase of a preferred brand.
- Satisfaction the extent to which, post actual purchase will measure upto the buyer's expectation

EXOGENOUS VARIABLES

- These are list of a number of external variables (external to the buyer) which can significantly influence buyer decisions.

THE HOWARD SHETH MODEL OF BUYING BEHAVIOUR



LIMITATIONS

- Absence of sharp distinctions between exogenous variables and other variables.
- Some variables, not well defined, and are difficult to measure.
- Complex and not very easy to comprehend.

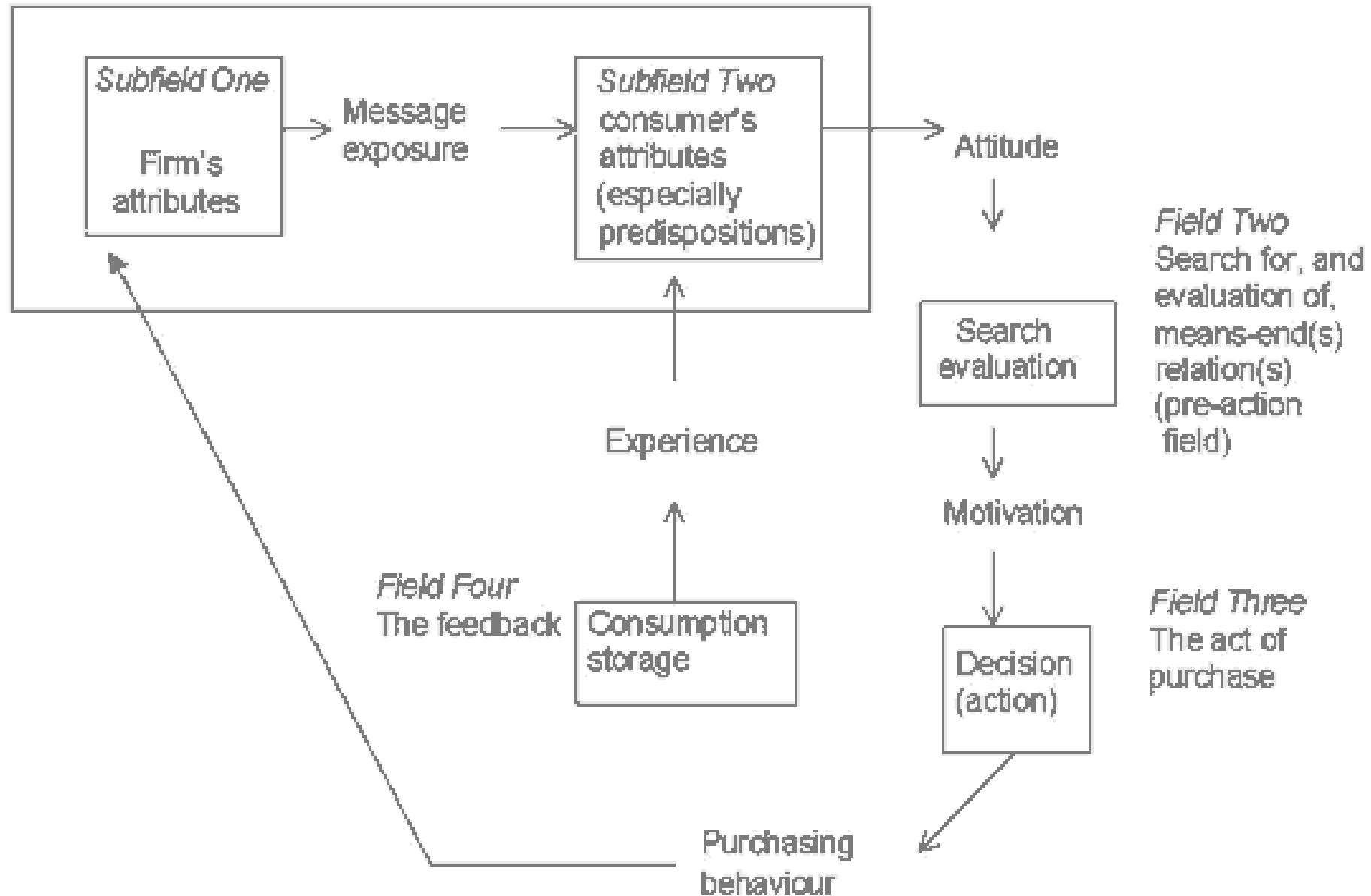
THE NICOSIA MODEL

- This model attempts to explain buying behaviour by establishing a link between the organisation and its prospective customer. It analyses human being as a system with stimuli as the input to the system and the human behaviour as an output of the system.
- The model suggests that message from the first influences the predisposition of the consumer towards the product or services. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer.
- If the customer satisfies with above it may result in a positive response, with a decision to buy the product

4 BASIC AREAS OF THE NICOSIA MODEL

- 1:- the consumer attribute and the firm's attributes. The advt. message sent from the company will reach the consumer attributes.
- 2:- it is related to the search and evaluation, undertaken by the consumer, of the advertised product and also to verify if other alternatives are variable.
- 3:- it explains how the consumer actually buys the product.
- 4:- it is related to the uses of the purchased items. It can also be related to an output to receive feedback on sales results by organisation.

THE NICOSIA MODEL



LIMITATIONS

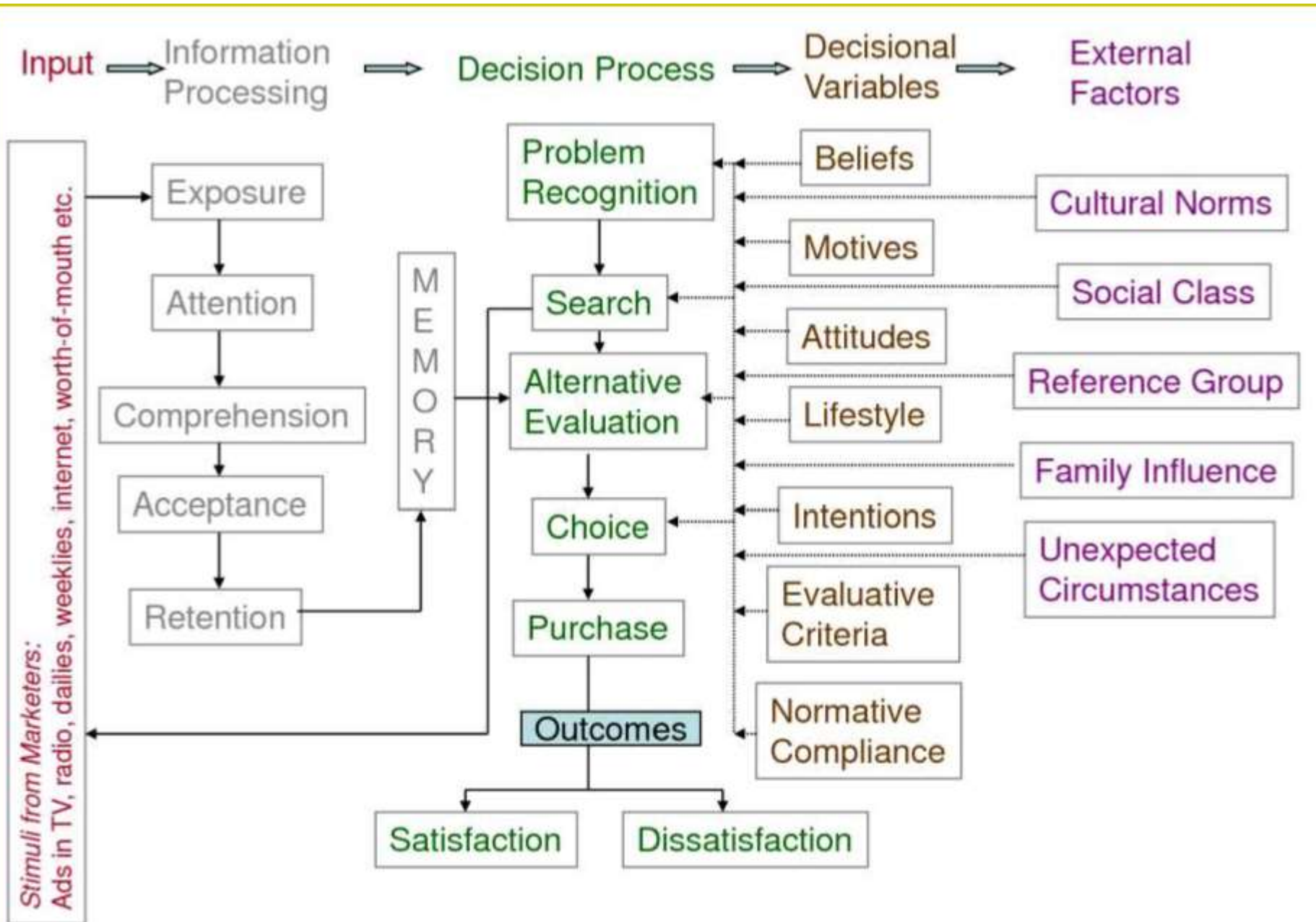
- The flow is not completed and does not mention the various factors internal to the consumer.
- The assumption about the consumer being involved in the decision process with no predisposition about the various brands is restricting.
- Overlapping between firm's attributes and consumers attributes.

ENGAL-KOLLAT-BLACKWELL (EKB) MODEL

- This model talks of consumer behaviour as a decision making process in the form of five steps (activities) and other related variables which occur over a period of time.
- 5 steps involved in the decision process:
 - Problem Recognition
 - Information Search
 - Alternative Evaluation
 - Choice
 - Outcome


OTHER RELATED VARIABLES IN THIS MODEL

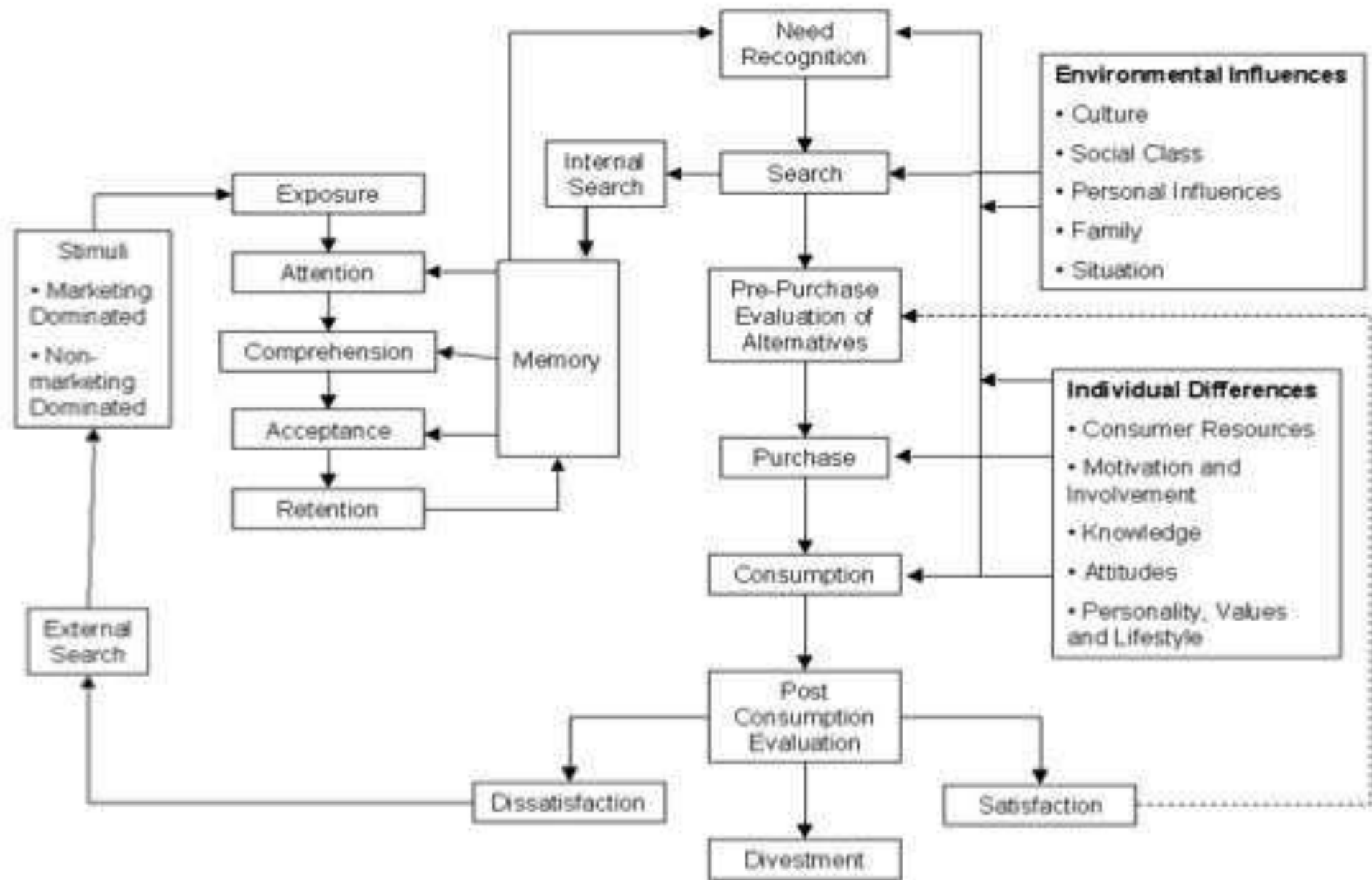
- Information input
- Information processing
- Product – brand evaluation
- General motivating influences
- Internationalised environment influences



ENGEL, BLACKWELL & MINIRAD (EBM) MODEL

- Shares certain things with Howard-Sheth model.
- The core of the EBM model is a decision process which is augmented with inputs from information processing and other influencing factors.
- Four sections of the Model:
 - Input
 - Information Processing
 - Decision process and
 - Variables influencing decision process.

- 
- The EBM Model when compared to the Howard-Setch model is more coherent and flexible than the latter.
 - This model also includes human processes like memory, information processing and considers both the positive and negative purchase outcomes.







FACTORS INFLUENCING CONSUMER BEHAVIOUR







Understanding Customer behavior and knowing Customers” is never simple .

They may respond to the influences that change their mind at the last minute

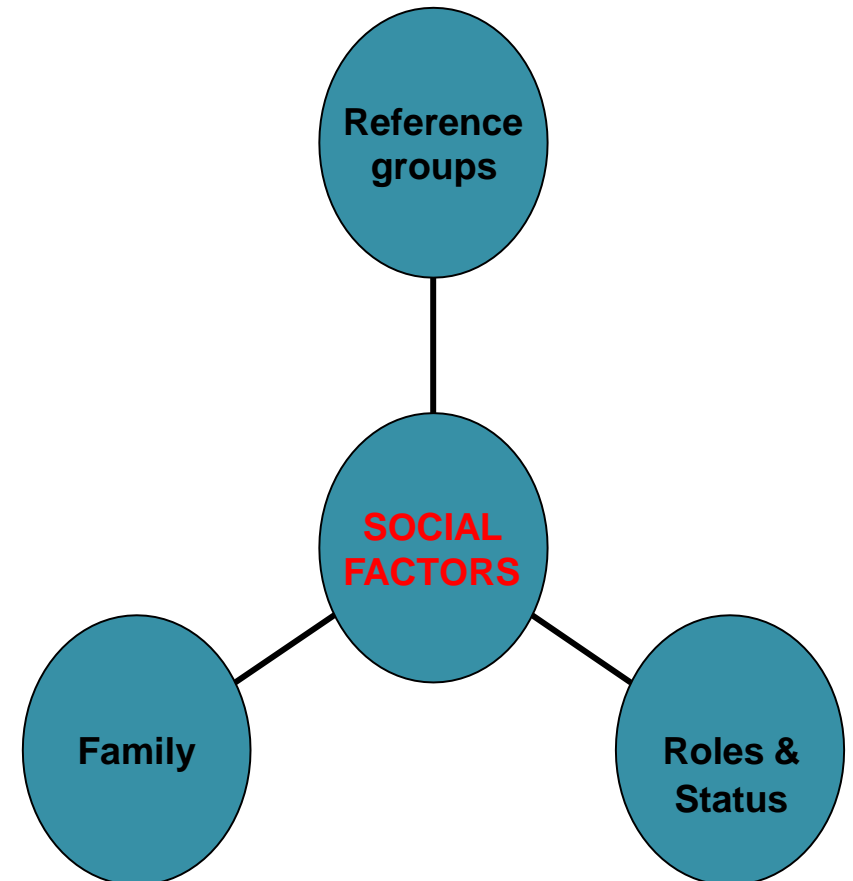
FACTORS INFLUENCING CONSUMER BEHAVIOUR

- Social Factor
- Cultural Factor
- Personal Factor
- Psychological Factor

SOCIAL FACTORS

A consumer's behaviour is influenced by social factors, such as


- Reference Group
- Family
- Roles and status






GROUPS

- Two or more people who interact to accomplish individual or mutual goals.
- A person's behaviours is influenced by many small groups. Groups that have a direct influence and to which a person belongs are called membership groups.

- 
- Some are primary groups includes family, friends, neighbors and coworkers. Some are secondary groups, which are more formal and have less regular interaction. These includes organizations like religious groups, professional association and trade unions.

- 
- Family members can strongly influence buyer behaviour. The family is the most important consumer buying organization society and it has been researched extensively.


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ROLES AND STATUS

- A Role consists of the activities people are expected to perform according to the persons around them
- A person belongs to many groups, family, clubs, organizations

- 
- The person's position in each group can be defined in terms of both role and status e.g.
 - X" plays the role of father, in his family, in his company, he plays the role of manager, etc.

BHAROSA
PAPA JIISA

Sabke liye papa, Papa ke liye hum.

CULTURAL FACTOR

- Culture
- Sub Culture
- Social Class

CULTURE

- The most basic cause of a person's wants and behaviour.
- Every group or society has a culture, and cultural influences on buying behaviour may vary greatly from country to country

SUB CULTURE

- A group of people with shared value systems based on common life experiences and situations.
- Each culture contains smaller sub cultures a group of people with shared value system based on common life experiences and situations. Sub culture includes nationalities, religions, racial group and geographic regions. Many sub culture make up important market segments.

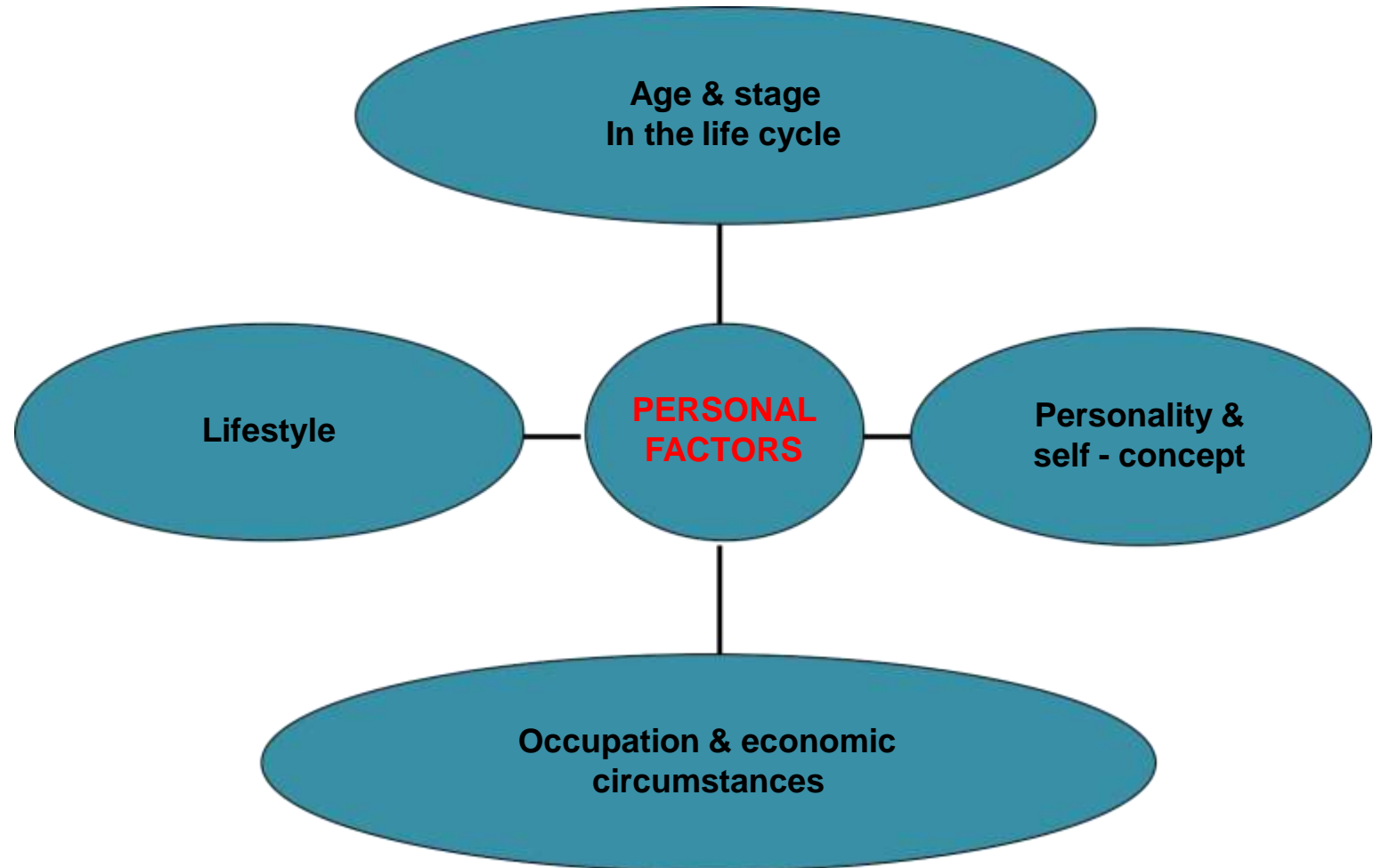
SOCIAL CLASS

- Almost every society has some form of social structure, social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behaviour.

PERSONAL FACTORS

Personal factors Include....

- Age and life cycle stage
- Occupation
- Economic situation
- Life Style
- Personality and Self concept



AGE AND LIFE CYCLE STAGE

- People buy different goods and services over a lifetime. Taste in food, clothes, furniture, and recreation is often age related.
- Critical life events or transitions—marriage, childbirth, illness, relocation, divorce, career change, widowhood— give rise to new needs.

OCCUPATION

- A person's occupation affects the goods and services bought. Blue collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits.

ECONOMIC SITUATION

- A person's economic situation will affect product choice
- Choice of products depend upon attitude toward spending MONEY.



LIFE STYLE

- A person's pattern of living in the world is expressed in activities, interest and opinions.
- Life Style is a person's Pattern of living, understanding these forces involves measuring consumer's major AIO dimensions.
- AIO –
 - Activities (Work, hobbies, shopping, support etc)
 - Interest (Food, fashion, family recreation)
 - Opinions (about themselves, Business, Products)

PERSONALITY AND SELF CONCEPT

- Each person's distinct personality influence his or her buying behaviour. Personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment

PSYCHOLOGICAL FACTORS

- Motivation
- Perception
- Learning
- Beliefs and attitudes

MOTIVATION

- Motive (drive) a need that is sufficiently pressing to direct the person to seek satisfaction of the need

PERCEPTION

- The process by which people select, Organize, and interpret information to form a meaningful picture of the world.

LEARNING

- Changes in an individuals behaviour arising from experience

BELIEFS AND ATTITUDES

- Belief is a descriptive thought that a person holds about something
- Attitude, a Person's consistently favorable or unfavorable evaluations, feelings, and tendencies towards an object or idea



THANK YOU

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