

Having cheese makes you happy

Dr. Spenser Johnson
Who moved my cheese?

Consumer Behaviour

Dr. Paurav Shukla

Objectives

- How do the buyers' characteristics – cultural, social, personal, and psychological – influence buying behavior?
- How does the buyer make purchasing decisions? What is the business market, and how does it differ from the consumer market?

Types of Customers

- Loyalists
 - the most satisfied become apostles for your company.
- Mercenaries
 - only loyal to low prices and are transaction specific with no intentions of ever establishing a relationship.
- Hostages
 - “stuck” with you for a variety of reasons. Complainers.
- Defectors
 - various types of dissatisfied former customers.

Jones, T.O., Sasser, W.E. (1995), “Why satisfied customers defect”, *Harvard Business Review*, pp.88-99

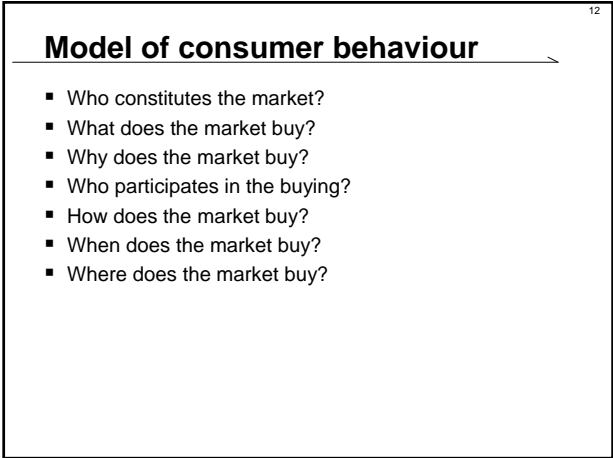
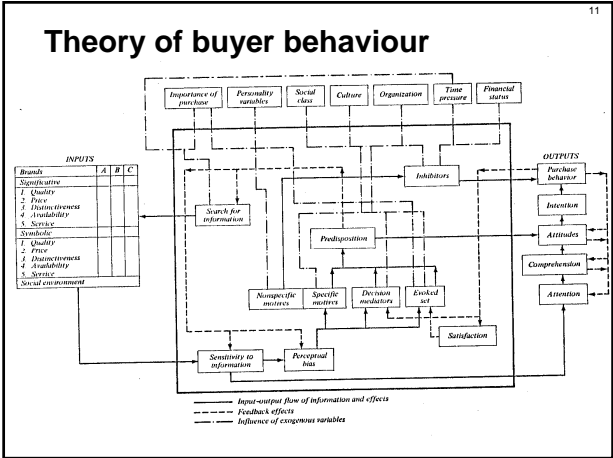
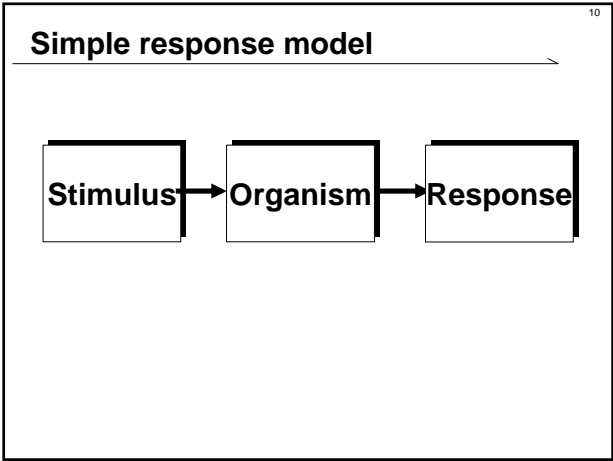
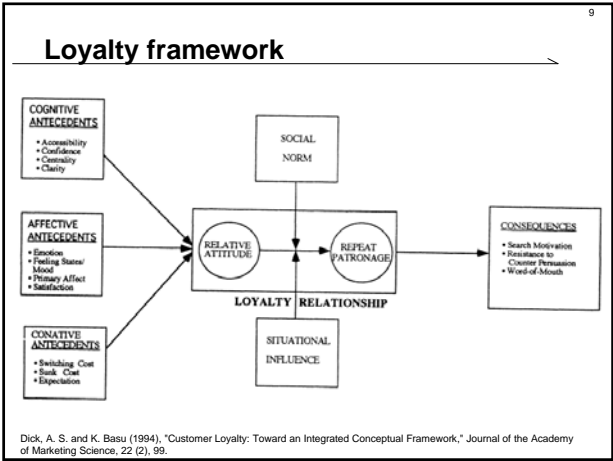
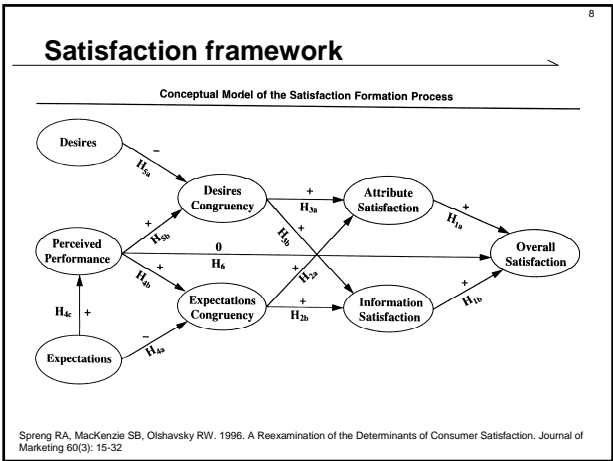
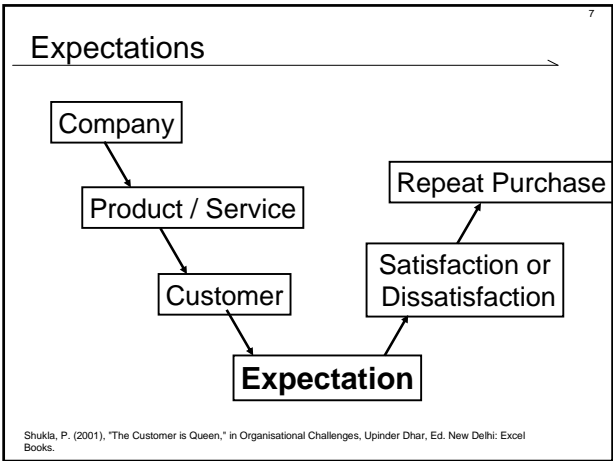
Types of customers by Relationship Strength

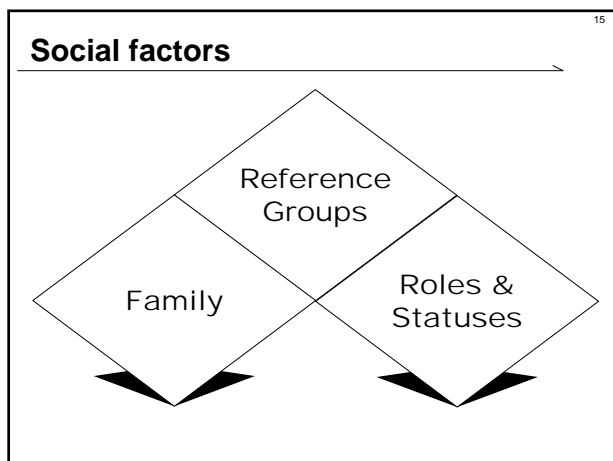
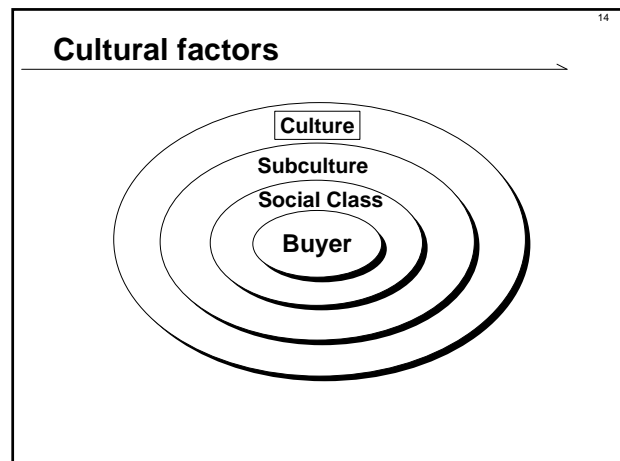
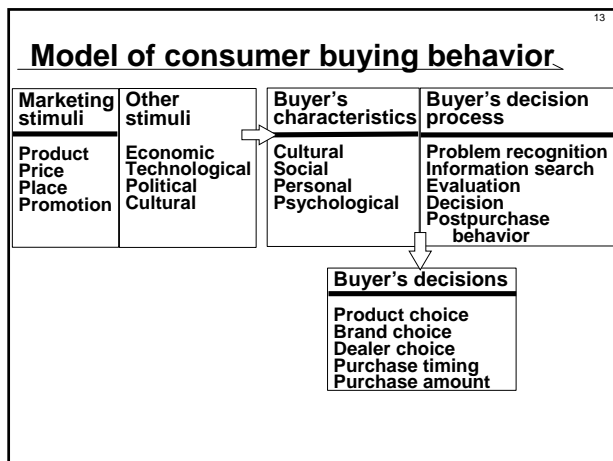
- Intimate relationships
 - doctor and patient
- Face-to-face relationships
 - customer and small retail store
- Distant relationships
 - interactions over phone or online
- No relationships
 - manufacturers with final customers who buy through middlemen

Definitions

- Buying behaviour: ‘The decision process and actions of people involved in buying and using products’
- Customer Attitude: ‘An individual's enduring evaluation, feelings and behavioural tendencies towards an object or activity’

Dibb, Simkin

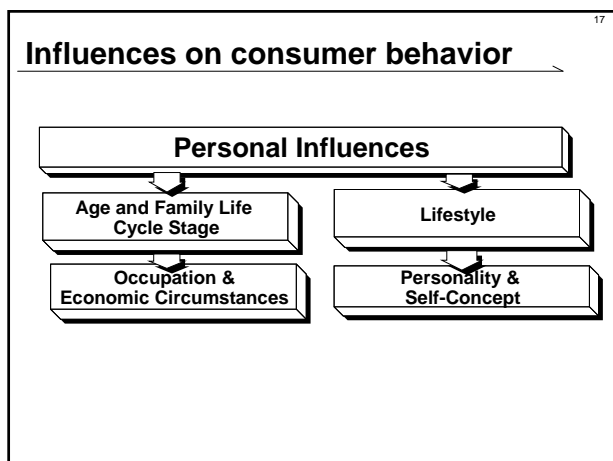




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PLC and Reference group effect

Stage	Product choice effect	Brand choice effect
Introduction	High	Less
Growth	High	High
Maturity	Less	High
Decline	Less	Less



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Family life cycle & behavioural pattern

Stage	Behavioural pattern	Buying pattern
Bachelor	Few financial burden, Fashion opinion leaders, recreation oriented	Basic kitchen eqp, basic furniture, cars, games, vacations
Newly married	Better off financially than in near future. Highest purchase rate	Cars, refrigerators, stoves, sensible and durable furniture, vacations
Full nest I	Home purchasing at peak. Liquid assets low. Dissatisfied with financial position and saving. Interested in new products. Influenced by advertising	Washers, dryers, TV, baby food, chest rubs, medicines, vitamins, dolls, wagons, sleds, skates
Full nest II	Better financial position. Less influenced by advertising. Buy larger size packs, interested in multipack deals	Variety of foods, cleaning materials, bicycles, music lessons, pianos.

William, W. and Gubar, G. (1966), Life-cycle concepts in MR, JMR, Nov, pp. 355-63.
Murphy, P. and Staples, W. (1979), Modernized family life cycles, JCR, Jun, pp. 12-22.
Derrick, F. and Linfield A. (1980), The family life cycle: An alternative approach, JCR, Sep, pp. 214-17.

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Family life cycle & behavioural pattern

Stage	Behavioural pattern	Buying pattern
Full nest III	Better financial position, Some children get jobs, Hard to influence with advertising, High average purchase of durables	New, more tasteful furniture, auto travel, unnecessary appliances, boats, dental services, magazines
Empty nest I	Home ownership at peak, most satisfied with financial position, Make gifts and contributions, not interested in new products	Travel, recreation, self-education, luxuries, home improvements
Empty nest II	Drastic cut in income, keep home.	Medical appliances, medical care products related that aid health, sleep and digestion
Solitary survivor	income good but likely to sell home	Medical products

William, W. and Gubar, G. (1966), Life-cycle concepts in MR, JMR, Nov, pp. 355-63.
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UK socioeconomic grouping

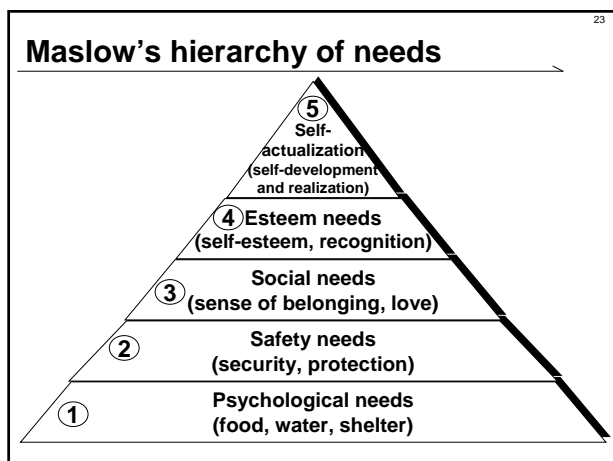
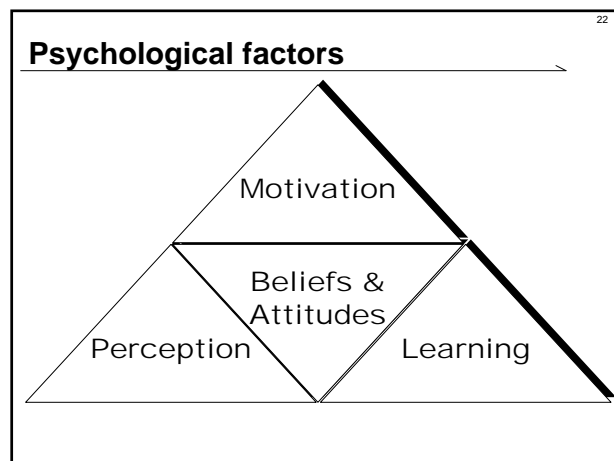
The growth of the 'middle class' in the UK will probably mean the end of the official six-class structure adopted since 1921 (Those at the lowest level of subsistence, Working, Skilled working, Lower middle, Middle, Upper middle). Government statistics suggest that half the UK population are now in the middle class and thus the old groupings are too broad and no longer meaningful. The new 'official' social classification introduced in 1998 has 17 categories including occupation, size of the organization, contract type, fringe benefits etc. Looking only at occupation and income, the top social groups earn twice as much as the bottom ones. Accounting for the extra factors, however, makes the top groups seven times more affluent.

Norton, G. (1998), 'Upwardly Mobile Britain Splits into 17 New Classes', The Sunday Times, 13 Sep, p.19.

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UK socioeconomic classification

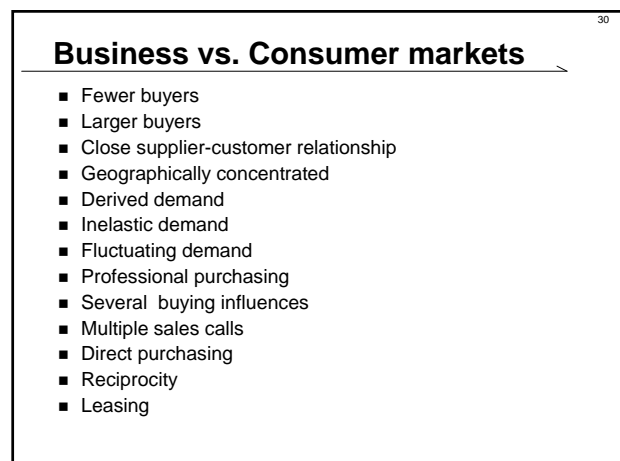
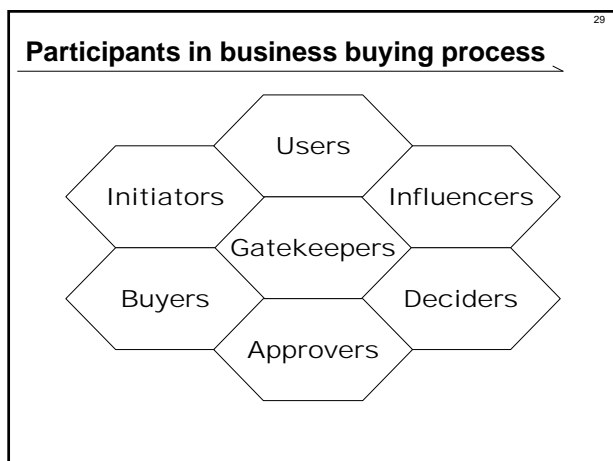
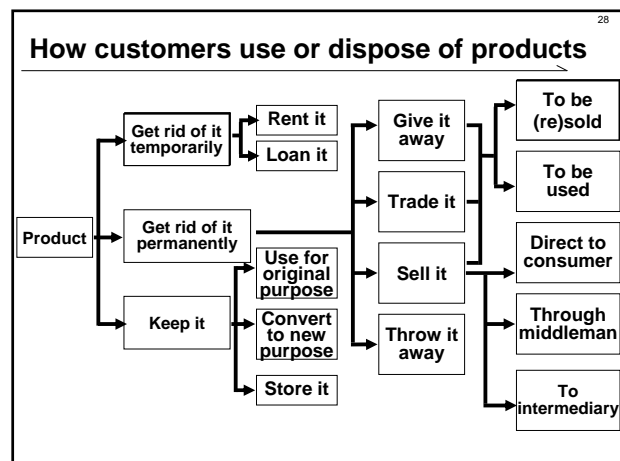
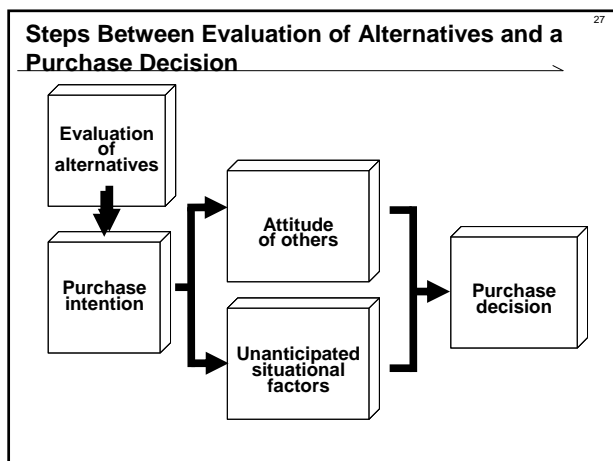
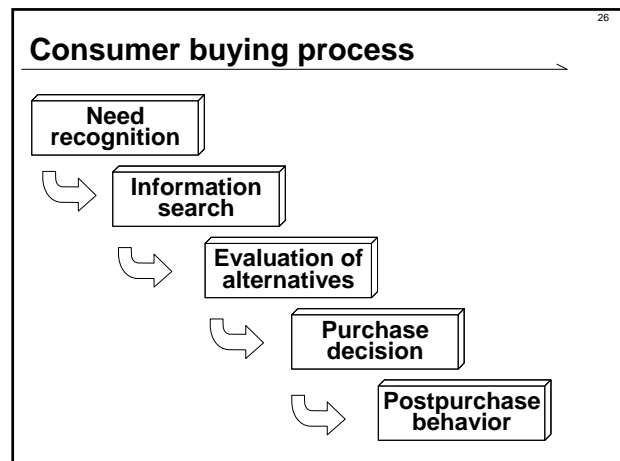
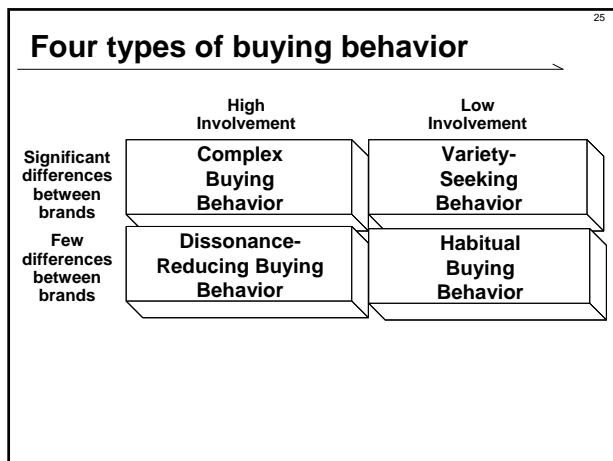
Class name	Social status	Occupation of head of household	% of population
A	Upper middle	Higher managerial, administrative or professional	3
B	Middle	Intermediate managerial, administrative or professional	14
C1	Lower middle	Supervisors or clerical, junior managerial, administrative or professional	27
C2	Skilled working	Skilled manual workers	25
D	Working	Semiskilled and unskilled workers	19
E	Those at lowest levels of subsistence	Pensioners, widows, casual or lower-grade workers	12

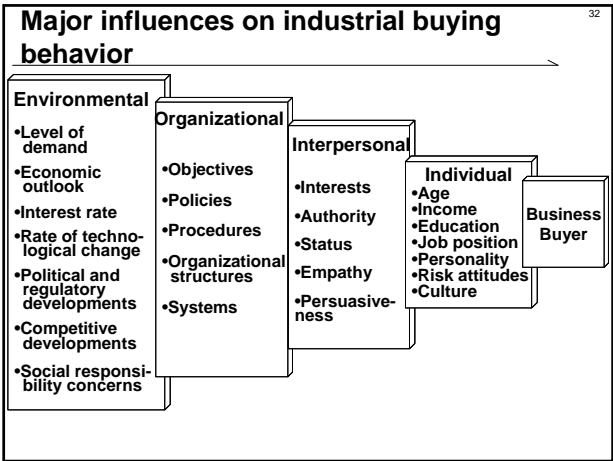
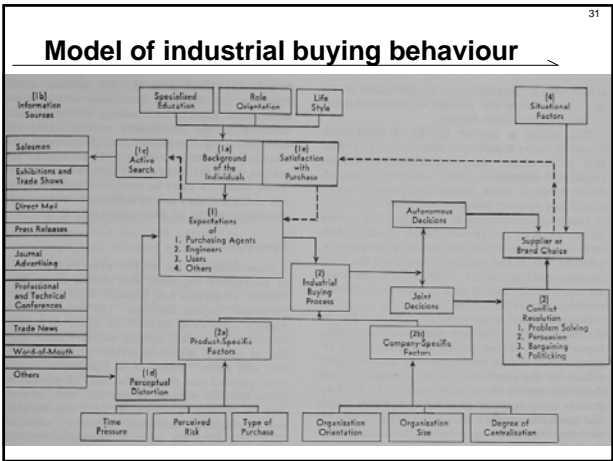


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Buying roles

- Initiator
- Influencer
- Decider
- Buyer
- User
- Gatekeeper

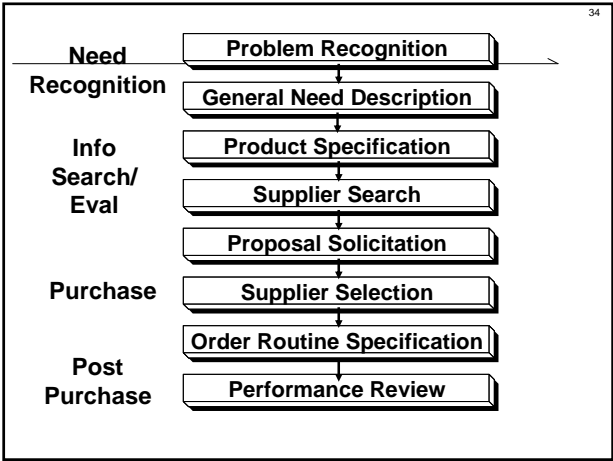




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Categories of business buyers

- Keep It Simple buyers
- Own Expert buyers
- Want The Best buyers
- Want Everything Done buyers



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Buyer grid framework

		Buy classes		
		New Task	Modified Rebuy	Straight Rebuy
Buy phases	Problem Recognition	Yes	Maybe	No
	General Need Description	Yes	Maybe	No
	Product Specification	Yes	Yes	No
	Supplier Search	Yes	Maybe	No
	Proposal Solicitation	Yes	Maybe	No
	Supplier Selection	Yes	Maybe	No
	Order-Routine Specification	Yes	Maybe	No
	Performance Review	Yes	Yes	Yes

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Some really interesting papers

- Homburg, C.; Koschate, N. and Hoyer, W. (2005), Do Satisfied Customers Really Pay More? A study of the Relationship Between Customer Satisfaction and Willingness to Pay, Journal of Marketing, Vol. 69 (April), 84-96.
- Anderson, E.; Fornell, C. and Mazvancheryl, S. (2004), Customer Satisfaction and Shareholder Value, Journal of Marketing, Vol. 68 (October), 172-185.
- Gurley, T.; Spencer, L. and Ballou, S. (2005), Consumer decision process modelling: how leaders can better understand buyers' choices, Strategy and Leadership, Vol. 33 (3), 30-40.
- Arnett, D.; German, S. and Hunt, S. (2003), The identity salience model of relationship marketing success: the case of nonprofit marketing, Journal of Marketing, Vol. 67 (April), 89-105.