Your road to success

LEVEL 5 BUYER AND CONSUMER BEHAVIOUR

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Contents

Using your study guide

Welcome to the study guide for **Level 5 Buyer and Consumer Behaviour**, designed to support those completing their ABE Level 5 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1 – Internal and external factors affecting consumer purchase behaviour	• Ability to identify the personal characteristics of consumers and recognise contemporary consumer behaviour • Ability to understand how consumer choices are influenced *Analytical, synthesis, reflection, evaluation, analysis of models, information retrieval*
Element 2 – The processes of consumer and industrial purchase decisions	• Awareness of consumer and industrial decision-making processes *Analytical, synthesis, reflection, evaluation, analysis of models, information retrieval*
Element 3 – Research methods used to gather data about consumer and industrial buying behaviour	• Ability to use methods to gather customer insights, including digital methods • Awareness of the importance of protecting customer data *Critical thinking, analytical, problem solving, problem posing, synthesis, planning, evaluation, decision-making, planning and implementing, using reporting skills, mapping, analysis of models, information retrieval, research, ethical appreciation*
Element 4 – The influence of buying behaviour theories on developing the marketing strategy	• Ability to apply consumer behaviour theories to the marketing mix • Ability to recognise a brand's ethical and social responsibilities *Critical thinking, analytical, problem solving, problem posing, synthesis, planning, evaluation, decision-making, planning and implementing, using reporting skills, mapping, analysis of models, information retrieval, research, ethical appreciation*

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcomes covered and the assessment criteria.

L5 descriptor

Knowledge descriptor (the holder...)	Skills descriptor (the holder can...)
• Has practical, theoretical or technological knowledge and understanding of a subject or field of work to find ways forward in broadly defined, complex contexts.	• Determine, adapt and use appropriate methods, cognitive and practical skills to address broadly defined, complex problems.
• Can analyse, interpret and evaluate relevant information, concepts and ideas. Is aware of the nature and scope of the area of study or work.	• Use relevant research or development to inform actions. Evaluate actions, methods and results.
• Understands different perspectives, approaches or schools of thought and the reasoning behind them.	

The study guide includes a number of features to enhance your studies:

- **'Over to you':** activities for you to complete, using the space provided.

- **Case studies:** realistic business scenarios to reinforce and test your understanding of what you have read.

- **'Revision on the go':** use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.

- **'Need to know':** key pieces of information that are highlighted in the text.

- **Examples:** illustrating points made in the text to show how it works in practice.

- **Tables, graphs and charts:** to bring data to life.

- **Reading list:** identifying resources for further study, including Emerald articles (which will be available in your online student resources).

- **Source/quotation** information to cast further light on the subject from industry sources.

- **Highlighted words** throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as at November 2017.

Chapter 1

The Major Influences on Consumer Choice

Introduction

Let's imagine that you need a new mobile phone; your old one is out of date and lacks the newest functions and features that you want. What is the first thing you do after making the decision to buy a new one?

Maybe you talk to family and friends to ask their opinion about the make and model they own, or maybe you go straight to the internet to start searching for the best-price deals.

Whatever your response, marketers know that you will behave in a certain way and go through a specific process as you recognise the need for a new phone and then start the search.

They strive to understand your buying decision-making behaviour, to anticipate how you will respond to marketing messages: what will motivate you to choose a particular brand and what will tip the balance in their favour?

Learning outcome

On completing this chapter, you will be able to:

1   **Analyse the major influences on consumer choice**

Assessment criteria

1   **Analyse the major influences on consumer choice**

    1.1   Analyse the personal characteristics of the consumer as an individual

    1.2   Analyse the concept of motivation and its role in customer decision-making

    1.3   Discuss the external forces that influence customer buying behaviour

    1.4   Explain aspects of contemporary customer behaviour

Level 5 Buyer and Consumer Behaviour

1.1 The personal characteristics of the consumer as an individual

Principles of consumer buying behaviour

Let's start with a definition of consumer and buyer behaviour. There are a great many to choose from, but a simple and effective one is:

> **"** *Consumer behaviour can be thought of as the actions, reactions, and consequences that take place as the consumer goes through a decision-making process, reaches a decision, and then puts the product to use.* **"**

Ling (2004)[1]

Consumer and buyer behaviour is central to marketing strategy; understanding how people behave in different situations and when they are given different stimuli ensures that marketers can effectively align their entire marketing mix to a specific target segment.

📄 CASE STUDY: A SOLUTION TO THE FOOD CRISIS … BUT IT'S NOT TO EVERYONE'S TASTE

How deep-fried crickets could be on the menu in the West

Entrepreneurial businesses are being launched almost daily to offer us an alternative source of protein to meat and vegetables. Chirps (Eat What Bugs You), Crik Nutrition and Flying SpArk are just a few who are trying to persuade their target consumers to eat insects; specifically, crickets.

They turn these tiny creatures into biscuits and flour, deep fry them and even liquidise them in their efforts to tempt us. Now, for many nations around the world this food form is nothing new, but in many Western countries there is very powerful aversion to the thought of eating insects.

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1 Ling, P. (2004), *An introduction to consumer behaviour*. ANZ: Oxford University Press

So how can marketers change the Western consumers' behaviour?

One research study suggests that packaging design has an important role to play in persuading consumers about the contents; it should avoid referencing the insects and focus on the end result of a delicious-looking food item.

Another approach is to get consumers to try the end product before revealing its ingredients. But the most effective strategy for brands is for them to identify brave and influential **early adopters**; those people who are courageous and willing to try new things, and who have the power to encourage others to do the same.

Tim Ferriss, best-selling author, and Stefanie Bishop, Death Race champion, are brand ambassadors for Exo; David George Gordon, chef and author, supports UK-based Big Grub.

It will take time to change consumer attitudes, opinions and behaviours, but when we see our heroes pioneer a product, we are likely to follow suit as it becomes the latest fashion or trend.

Source: www.cbinsights.com/research/11-cricket-insect-protein-startups

Our individual personalities, self-perception, values and beliefs all play a significant role in deciding what we buy and the process we go through to make a decision. Where we live, our education and even our friends and family all influence our decision-making process.

Everyone is different, but in the same way

Personality can be described as "the combination of characteristics and qualities that form an individual's distinctive character".

This definition from the *Oxford English Dictionary*[2] emphasises the uniqueness of the individual, and we can say that everyone has their own blueprint – their thought patterns and behaviours. But researchers in the field of human psychology tend to have two different beliefs about just how individual we all are.

- **The idiographic approach**: Psychologists who take this approach believe that everyone is different, possessing a unique combination of traits, so individuals cannot be compared, like for like, with each other.

- **The nomothetic approach**: The opposing theory is that individuals share common characteristics. Some people may display a stronger trait than others, but researchers in this field believe that we all share the same traits, but to a greater or lesser degree.

And it is this nomothetic approach, or trait theory, that is of most interest to marketers in helping them to find common characteristics, personality types and shared attributes that go towards defining a target consumer or buyer segment.

Dimensions of personality and how these influence human behaviour

There are a great many tests (such as **psychometric tests**) and theories relating to personality, behaviour and characteristics and these range from Sigmund Freud's (1856–1953) famous thoughts about our conscious versus our unconscious mind, to Carl Jung's (1875–1961) research into psychoanalysis and personality theory.

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2 OED (n.d.), *Personality* [online]. Retrieved from: www.psychologyunlocked.com/nomothetic-idiographic [Accessed on: 30 October 2017]

But it is important for us to focus on the most important aspects of personality theory that relate to how consumers and buyers behave and make decisions about a purchase.

Marketers know that consumer and buyers have "needs"; these are the physical requirement for goods and services. For example, we might need a new car. They also know that these purchasers have "wants", which are those products/services and brands that we feel best reflect our personalities and fit with our lifestyle and self-image.

These "wants" are driven by emotions which, in turn, are driven by personality. So, let's look at the dimensions of personality in more detail. The most widely accepted traits are known as "The Big Five" or the Five-Factor Model (Fiske, 1949)[3].

1   Openness: This relates to our attitude to trying new things; our openness to new experiences.

2   Conscientiousness: This trait relates to our levels of self-discipline and sense of duty.

3   Extraversion: This concerns our social behaviour and how we feel about being with others.

4   Agreeableness: This relates to warmth and kindness; agreeable people are compassionate.

5   Neuroticism: This trait describes a person's emotional stability and their tendency to worry.

✎ OVER TO YOU

Activity 1: Who do you think you are?

Personality tests can only tell us so much about ourselves.

A major issue with many popular psychometric tests is that they are self-administered; they capture our opinion about ourselves at a specific point in time.

This means they only reflect our own opinion and how we feel at the time we take the test.

Your challenge

- **Thinking about your personality, characteristics and preferences, read through the rating scale below and rank yourself on the Big Five traits.**

- **Now ask people who know you well to tell you what they believe are your characteristics, based on the same scale. Try to gather the opinions of at least six people from among friends, family, fellow students or even your tutor, if you are studying with a class.**

- **Explain the challenge to them and then ask them to rank you on a continuum, from 1 to 5. For example, if someone feels that you are somewhat of an extrovert, they may rank you as 2 on the scale.**

- **Finally, compare their assessments of you with your own. Note where they are similar and where they differ.**

To find out more about personality tests, visit www.opp.com/en/tools/MBTI/MBTI-personality-Types

Highly extrovert	①	②	③	④	⑤	Highly introvert
Very agreeable	①	②	③	④	⑤	Little interest in others
Highly conscientious	①	②	③	④	⑤	Very disorganised
Highly stressed	①	②	③	④	⑤	Very relaxed
Very adventurous	①	②	③	④	⑤	Very cautious

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3 Fiske, D.W. (1949), "Consistency of the factorial structures of personality ratings from different sources", *Journal of Abnormal Social Psychology*, Volume 44, pp. 329–344

The power of emotions in making purchase decisions

The greatest mistake that a marketer can make is to assume that consumers decide to buy a product or service based on a rational evaluation of the benefits. Why is this a mistake when, surely, we go through a logical process of evaluating our options and making our choices based on facts?

Well, our decisions are based on facts, but also on our past experience, and our emotions have a powerful influence on our choices: how we feel personally about a brand, its values and what it stands for in the market. For example, Patagonia (www.patagonia.com), White Stuff (www.whitestuff.com) and Body Shop (www.thebodyshop.com) are all brands positioned as being highly ethical.

These are organisations who explicitly demonstrate their corporate values and beliefs: they source ethical products, apply a fair work ethos, insist on diversity, and they avoid involvement with products or practices that could harm the environment or society. They communicate these values and beliefs to their consumers, public and stakeholders to reinforce their brand position as principled businesses.

So those consumers who are concerned with environmental or human welfare issues will feel positively about these brands and good about themselves for buying them, because they reflect their own personal values and beliefs.

It is how we feel, not what we think, that affects what we buy

The concepts of emotions in the buying decision-making process are firmly grounded in social and human psychology. Until recently, psychologists researched human behaviour, perceptions and the principles of learning to better understand consumer and buyer decision-making based on cognitive processes; that is, the practical, functional aspects of the brain.

But increasingly marketers are placing more emphasis on social psychology: the emotions and factors that lead to our behaviours.

The concept of human emotions is ancient and can be traced back to the first century AD when Chinese scholars documented seven basic feelings:

- joy
- anger
- sadness
- fear
- love
- dislike
- like

Once we begin to understand the range of emotions that influence our decisions, then we can begin to see how important they are in marketing strategy. For example, it can be argued that the "need" for a product or service does not have to exist for us to make a purchase decision; it is often based on impulse and the fact that we want something.

But there is an objectivity to our decision, and emotional drivers are often balanced with practical criteria:

- security
- profit
- utility
- health
- caution

The extent of the influence between emotional and rational decision-making is, in part, down to our physical make-up and the development of the left and right sides of our brains. The left-hand side of the brain influences how organised we are; our levels of self-discipline and logic. The right-hand side influences our degree of creativity, intuition and impulsiveness.

Many psychologists agree that emotions trump logic in the buying decision; it's what we want, not what we need that matters most.

One way of achieving a deeper emotional engagement with the target audience is to create a brand "story": the narrative that surrounds the brand. This enables the brand to start a relationship with the target consumer or buyer and to retain their loyalty. It may be that they set out to make us laugh or feel compassion; perhaps they make us desire something or shock us into an action, such as giving money to a charity.

📄 CASE STUDY: WHY BRANDS WANT TO GET EMOTIONAL

Brands appeal to different emotions, but all seek to change our behaviour

All brands want us to start, stop or continue to do something in response to the emotional message.

The Cancer Patients' Association wants to make smokers feel guilty about the harm they potentially do to themselves, their children and others.

Car giant Volkswagen wants to make us feel that other car brand parts can't be trusted, positioning VW to make us feel trust and confidence in its brand.

Pet giant Pedigree seeks to make us laugh through empathy; all dog owners can identify with the issue of their pet's bad breath. Presenting a solution by using emotive imagery helps us think about the brand as a helpful friend.

The influence that self-perception and personal values have on purchase decision-making

Imagine you are about to book a long-awaited summer holiday, money no object. Do you choose a beach resort with a lively nightlife, lots of bars and restaurants? Or do you want a safari where you can experience getting close to wild animals and see exotic sites? Or maybe you want to visit a city, to learn about its history and heritage?

Whatever your preference, your decision will be made based on who you think you are and who you want to be: your actual self-image and your ideal self-image. You may have a positive or negative perception of yourself. You may aspire to be taller, more handsome, prettier or more popular.

Marketers will seek to appeal to this aspirational self-image to persuade us that their brand can enhance our lifestyles and make us feel good about ourselves.

✏️ OVER TO YOU

Activity 2: Who do you want to be? The role of brands as self-perception symbols

Thinking about your "ideal self", what would your lifestyle look like?

Which brands would you want to be seen to own? What car would you drive? Where would you live and what clubs would you belong to?

Your challenge

• **Create a description of your "ideal self", a written pen portrait that describes the ideal you.**

• **Use mood boards as well as descriptive texts to illustrate the person you aspire to be.**

• **Include the brands you aspire to own, and describe your attitude to life: where you want to shop and so on.**

• **Share your pen portraits with the group to compare thoughts and ideas.**

We are who we think we are: the concept of the self and self-image

The scope of research into the human psyche is vast, with a huge body of evidence that supports many different theories. So, what exactly is "the self"? What is the conclusion that researchers have drawn from this data?

Common agreement is that the "self" is a psychological construct that is made up of values, perceptions, beliefs, attitudes and life experiences. Our self-image is the way we interpret this construct; it is the way we see and feel about ourselves as individuals.

To an extent this self-image is reinforced by our life experiences. For example, if you are good at sports as a child, you will have been praised for your skills; you would have experienced winning often and people will have told you that you have a talent. So you grew up believing that "sportiness" is one of your valuable characteristics.

But researchers also agree that there is more than one "self". In fact, who we are in public is not who we are in private. We do not always want others to know how we feel about ourselves, our levels of self-esteem (Ilaw, 2014)[4].

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4 Ilaw, A.M. (2014), "Who you are affects what you buy: the influence of consumer identity on brand preference", *The Elon Journal of Undergraduate Research in Communications*, Volume 5, Issue 2 (Fall)

So the image we seek to project is closely aligned with the "ideal self": how we want others to see us.

For example, if your self-image is of a sporty, energetic and successful individual you will buy brands that communicate this to the wider world because of their associations with these attributes.
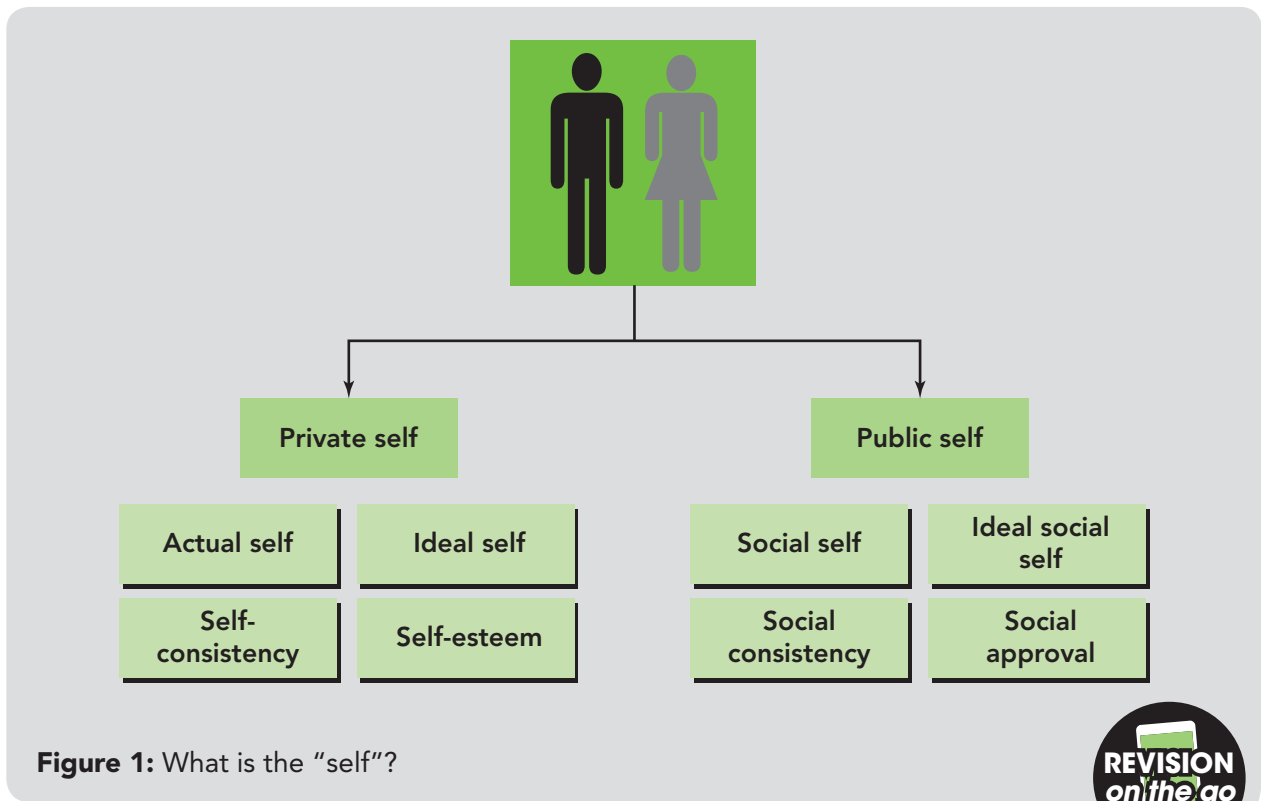
Figure 1: What is the "self"?

CASE STUDY: CELEBRITY POWER AND BRAND POWER

Combined they are a major force of influence on consumer behaviour

Marketers know that they can amplify their brand values by recruiting celebrity ambassadors to represent them and portray the image, personality and behaviours they want to attach to their brands. Footballer David Beckham is the face of Breitling watches, as was Hollywood actor John Travolta before him: both are celebrities selected for their "alpha male" rugged looks, professional success, personal achievements and exciting lifestyles.

Superstar Gwen Stefani is the face of Revlon for 2017, chosen because of her beliefs about peace and harmony (her music labels are named LAMB (Love. Angel. Music. Baby.) and Harajuku Lovers) as well as her image as an empowered, successful and creatively individual personality.

It's no surprise that drinks giant PepsiCo recruited British boy-band One Direction because of their youthful, energetic, clean-cut image and, of course, their huge following of young fans. They follow in the footsteps of pop stars Britney Spears, Michael Jackson and Beyoncé.

So the benefit flows both ways: the brand helps drive awareness of the celebrity and build their image and the celebrity provides the credibility and positioning that the brand wants to achieve through association.

Why are these relationships so successful? Simply, because we aspire to live the lives of these famous people; to be as popular, wealthy, talented and beautiful as they are. We may also feel passionate about their work as singers, actors and artists. These feelings are transferred to the sponsoring brand and we like to be seen to be associated with them ourselves. We wear them like badges: a signal to others about how we see ourselves and want to be seen.

Source: http://adage.com/article/cmo-strategy/marketing-celebrity-endorsements-push-product/146023

How attitudes and beliefs impact on our purchase behaviour

Now we have explored some of the personal factors that influence our purchase decisions, let's consider the cultural issues. These are our attitudes and beliefs, built up over our lifetime and entrenched by our families, peer groups and those around us.

Of course, as individuals, we all have our own opinions and attitudes, but there is a surprising amount that we learn because of where and how we grow up; it's the "way things are done around here".

Our attitudes to fashion, socialising and even money are largely driven by what our parents believed and how they taught us to behave. For example, people in Germany generally avoid owning a credit card, preferring to pay cash because of their beliefs that debt is bad, something not to be encouraged.

Similarly, many women in, say, Afghanistan would be offended by another woman wearing a miniskirt in public, because they have been brought up to believe that showing any part of their bodies is wrong. So our beliefs drive our attitudes which, in turn, drive our purchase behaviours (see Figure 2).

Your behaviour	**Your attitudes**
Behaviours you display; behaviours you hide	Social, work ethics, self-control

Your values	**Your beliefs**
Friends, family, profession, wealth, happiness	Culture, faith, education, experience, mentors
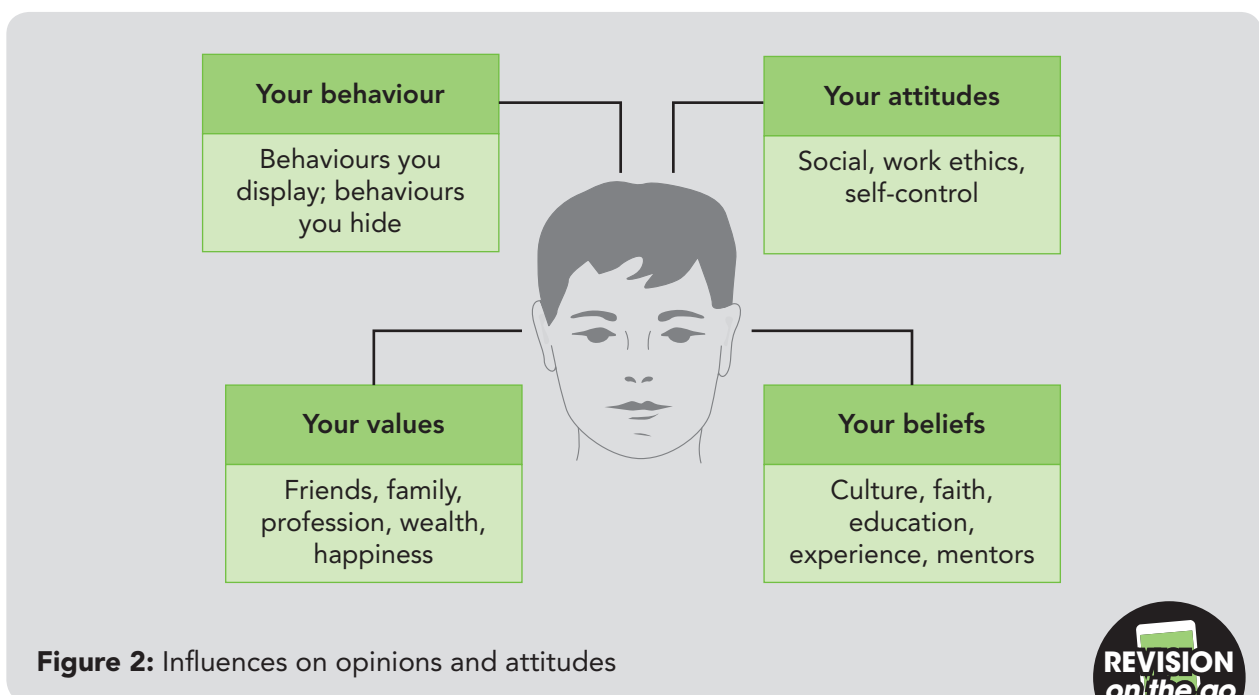
Figure 2: Influences on opinions and attitudes

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✏️ OVER TO YOU

Activity 3: What is your favourite brand?

We have explored how brands seek to create a personality and image for themselves through strong associations with celebrities who they believe represent this brand self-perception. And we have discussed how brands create aspirational consumer personas to represent the ideal target segments.

Now let's examine how brands create a character and an image that they seek to personify.

Your challenge

Imagine you are the marketing manager for one of the brands listed below.

- **Tesla: motor car manufacturer (www.tesla.com)**
- **Chanel: premium fashion and fragrance house (www.chanel.com)**
- **Fanta: soft drinks (www.fanta.com)**
- **HSBC: banking services (www.hsbc.com)**

You are in the process of developing a brand positioning campaign and you need a really clear picture of the brand's personality and values before you can decide how this should be refined and enhanced.

- **Carry out research to find evidence and examples of your chosen brand's personality.**
- **Develop a persona for your chosen brand: describe them as a person – their characteristics, behaviours, beliefs and so on.**
- **Write a draft email to your CEO, making recommendations for three celebrities who you believe would help the brand to project its personality.**
- **Provide feedback for at least two other people about recommendations that they have made for their chosen brand.**

Aspects of learning and memory and how they are applied in marketing situations

What we learn and understand about a brand is one of the most critical success factors for marketers. If we learn from experience that a product doesn't deliver on any aspect of its promise, or if we are disappointed by a service, we remember and will probably not buy that brand again.

Even more important for marketers is to understand how we share those learnings with others and, in today's digital world, our experiences can be shared and spread instantly and widely via social media platforms. So it's important that brands manage consumer expectations by not over-promising and under-delivering.

But what if we have limited knowledge and experience of a product or service?

In this case, as with a modified new product or service, brands will encourage consumers to learn about them by developing specific awareness and trial strategies. For example, they will provide enough depth and detail about the product/service features and benefits, or they will give an incentive to trial such as a reward to test-drive a car, or a free sample.

! NEED TO KNOW

Repeating the pleasure – how we learn to learn in different ways

Two further forms of learning:

1 Repetition (or operant conditioning): Brands encourage consumers to repeat their purchase behaviours by giving a reward such as a free gift, loyalty points or money off the next purchase.

2 Classical conditioning: Brands try to create a positive consumer attitude through association: for example, eating chocolate and remembering how it made you feel; you have learned to associate that brand of chocolate with happiness and pleasure.

So memories are made through association and repetition, and the significance for marketers is that repetition of a marketing message will turn a short-term memory into a long-term memory with positive associations. Storytelling, engaging videos and repeated exposure to an advertisement are just some of the strategies that marketers use to stimulate our memories and ensure their brand is at the front of our minds.

REVISION on the go

📄 CASE STUDY: ADVERTISING SLOGANS AND TUNES

Why brands love us singing their songs

Advertising slogans and tunes ("jingles") are designed to be "sticky"; to get into even the most distracted minds and embed themselves in our memories so that we end up singing them repeatedly and blissfully unaware.

Love them or hate them, they make us remember the brand and sometimes sing along to the tunes. It is thought that we spend almost an hour a week humming or singing a catchy advertisement tune.

Brands that hit the marketing jackpot of becoming part of our everyday language include "Just One Cornetto" from Walls Ice Cream (Unilever), a take on the Neapolitan song "*O Sole Mio*", and "I Feel Like Chicken Tonight" from Ragú Sauces (also Unilever). You may know others that are specific to your home country.

But perhaps the best-known and maybe controversial jingle is "I'm Lovin' It" from McDonald's. It seemed that no matter where you went in the world, after its launch in 2003, people were singing this jingle in answer to every question.

It wasn't by accident that this jingle became part of our language; McDonald's paid the superstar singer Justine Timberlake thousands of US dollars to perform it, and it was initially widely attributed to him. But it was actually written by Pusha T (real name Terrence Thornton) and Pharrell Williams.

The jingle came about as a result of a competition that McDonald's organised between 14 advertising agencies. The winner was a small consultancy called Heye & Partner based in Munich, Germany. The original line was written in German "*ich liebe es*" and translated into the English "I'm loving it" which was then set to hip-hop music and abbreviated to suit its "street" style.

McDonald's spent US$1.37 billion in the first year of advertising and this helped to turn around its flagging sales. Timberlake went on to release the jingle as a full single that sold over 2.9 million copies.

Source: www.pitchfork.com

1.2 The concept of motivation and its role in customer decision-making

Everything we do is because of human motivation; we act or don't act based on our motivation to do so. We are motivated to get up in the morning because we need to go to work or college, to earn or learn. We are motivated to go to the gym because we want to be fitter or achieve a better shape.

But the concept of motivation is highly complex and there are many theories about how it works in different situations. For example, you might be motivated to work harder because you fear being reprimanded, or you might be motivated to work harder because of the rewards you can earn such as pay, a bonus and so on.

Theories of motivation and goal-directed behaviour

So there are different ways we can be motivated; a goal has **valence**, which means it can be either positive or negative. Both work, but one is far more effective in gaining the **discretional effort** that we will put to a task if we are positively motivated to do so, working that extra hour or taking on additional responsibility.

Maslow's hierarchy of needs and Herzberg's two-factor theory

Maslow's hierarchy of needs

Abraham Maslow (1943)[5] was an American psychologist who became famous for his theories about human motivation. He believed that people are moved through a specific process of motivation: a

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5 Maslow, A. H. (1943), "A Theory of Human Motivation", *Psychological Review*, Volume 50, Issue 4, pp. 370–396

hierarchy of needs where the most basic ones must be satisfied before we can move on to satisfy the others.

For example, the basic needs of hunger, thirst or warmth (physiological needs) must be met before we can be motivated effectively to learn or develop our skills (self-actualisation needs).

Self-actualisation
Morality, learning, creativity and self-development

Self-esteem
Confidence, achievement, respect and self-respect

Love and belonging
Friendship, family, memberships, community

Safety and security
Health, protection, employment, housing, social stability

Physiological
Food, water, warmth, shelter, sleep

Figure 3: Maslow's hierarchy of needs

REVISION on the go
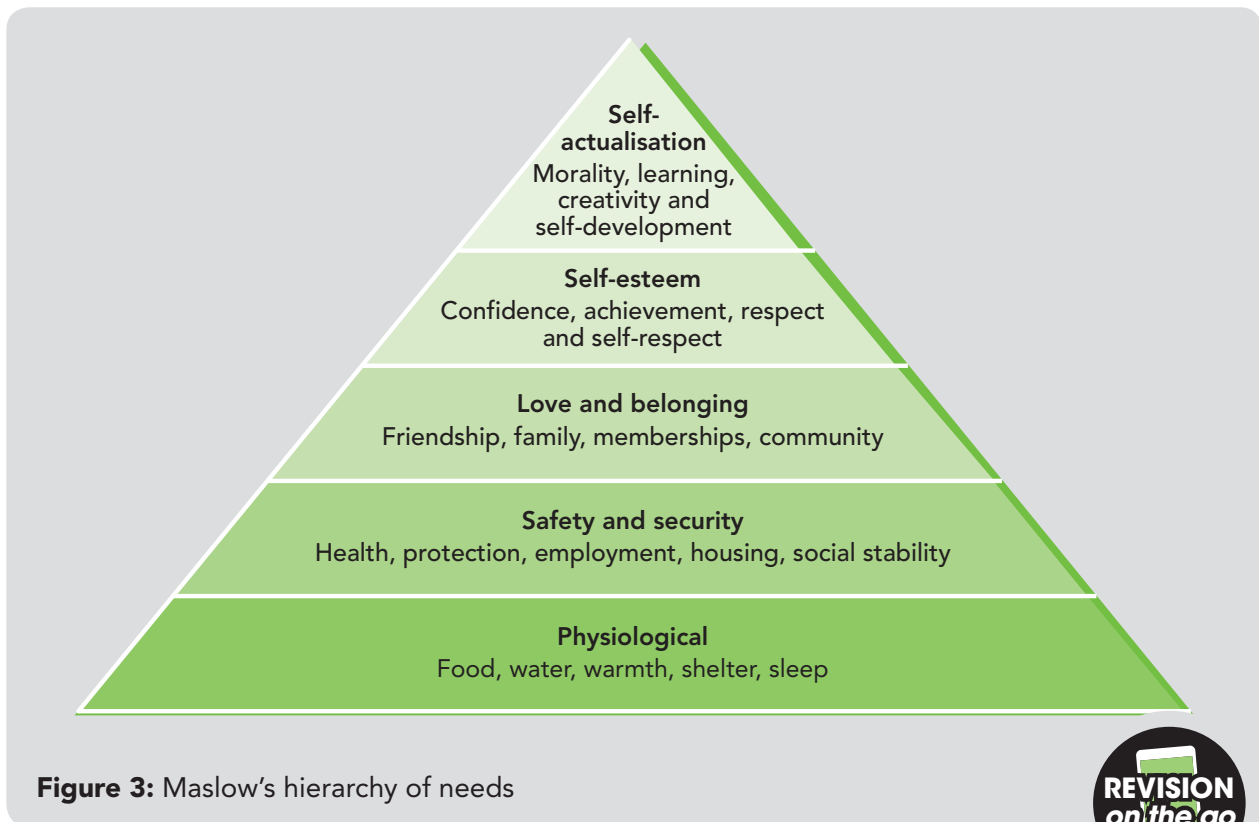
Herzberg's two-factor theory

Frederick Herzberg (1959)[6] was also an American psychologist, who followed Maslow's lead about the theory of human motivation. However, his theory was based on factors that make us feel satisfied and those that make us feel dissatisfied. His work was based largely on employee engagement studies, but his findings were influential in helping to shape our understanding of consumer behaviour.

He identified those things that make us feel dissatisfied (hygiene factors) and those that contribute to us feeling satisfaction (motivators). His conclusion was that the things which motivate us are incentives that encourage a positive response, whereas hygiene factors are those things we expect to receive; we may not be motivated by them but we will feel dissatisfaction when they are missing.

In a consumer/buyer behaviour context it is important for marketers to understand and distinguish between the two factors. For example, if you were buying a new car, you might expect it to have power steering and a central-locking system as standard. You would be dissatisfied if they were missing. If the car brand offered an in-car entertainment system, heated seats and a year's road tax as part of the deal, you might feel more motivated to buy that brand over another.

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6 Herzburg, F. (1959), *The Motivation to Work*. Wiley

Figure 4 illustrates the two types of needs: hygiene needs (things that we need but may lack, and things we want) and motivational needs.

Figure 4: Herzberg's two-factor theory
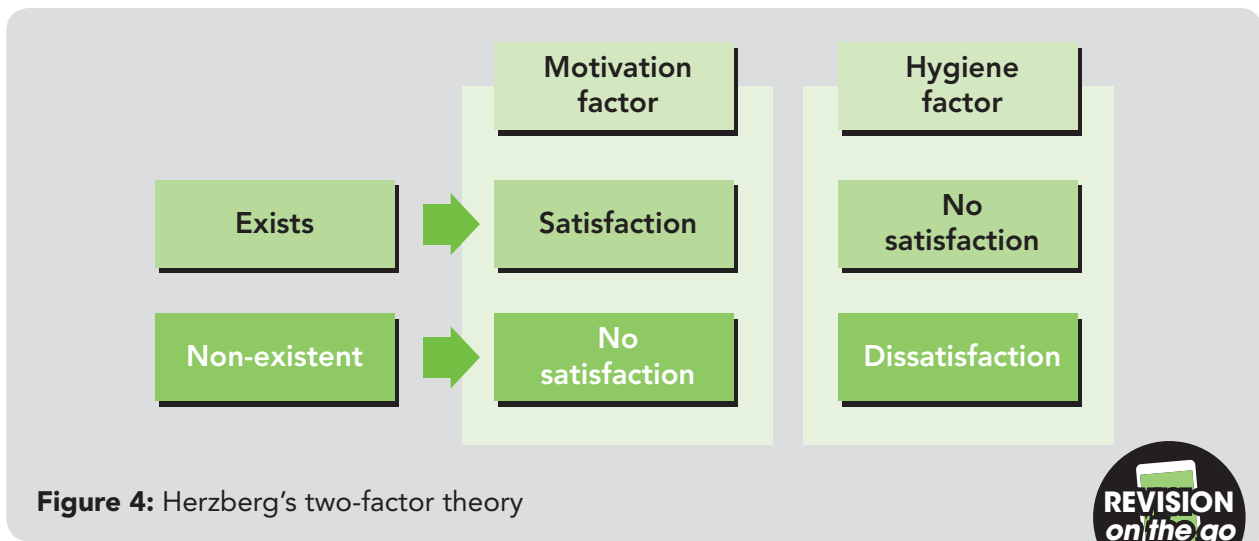
How does this concept help marketers?

Brands use these models to send the right message that will resonate with their target consumer and motivate them to act. For example, sportswear giant Nike appeals to our aspirations to be the best we can be. Fast-food brand Subway puts the product as the hero in every advertisement by illustrating a 12-inch baguette with substantial fillings: if you're hungry, it's a great motivation to choose its brand. And Coca-Cola's famous Christmas adverts featuring Santa Claus are designed to stimulate consumers' emotions about the importance of friends and family in the festive season. This is designed to motivate us to buy into the brand sentiment.

Motivators and hygiene factors, and McClelland's theory of needs

So we know that there are different types of motivation and that, as consumers, we seek to satisfy both what we need and what we want. But why do some people seem more motivated than others?

Psychologist David McClelland (1985)[7] built on Maslow's work to propose that there are four factors involved:

1 the need for achievement
2 the need to avoid failure
3 the need for power
4 the need for affiliation

He believed that our actions are based on the most dominant motivation and that this is heavily influenced by our life experiences, culture and education.

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7 McClelland, D.C. (1985), "How Motives, Skills, and Values Determine What People Do", *American Psychologist*, Volume 40, Issue 7, p. 812

📄 CASE STUDY: HAS HEALTH INSURANCE GOT US COVERED?

How Bupa makes us feel protected

Healthcare provider Bupa was founded in 1947 as the British United Provident Association. Its mission was, and still is, to cure, prevent and relieve sickness of all kinds across the world.

Today, the organisation claims to care for over 33 million people in 190 countries and offers private medical insurance, private hospital treatments and health screening, and has recently expanded its service to provide dental care.

The marketing strategy focuses on three core life-stage segments: (1) families, (2) the elderly and (3) corporations and their employees. The messages focus on the "care giver": parents looking after children, and children looking after parents.

Bupa's chief marketing officer, John Moore, believes that the priority should be in engaging with the main decision-maker and that this is largely the woman caring for other family members. "In our space, the biggest decision-maker is the female, who is also the worst at looking after herself," Moore states.

So Bupa's marketing approach is to motivate women by appealing to them on the emotional need for love and belonging; caring and protection. The brand aims to make her feel that she is doing her best to look after her family.

Sources: www.bupa.com

✏️ OVER TO YOU

Activity 4: Getting personal with motivation

What motivates you and what motivates other?

We can see how brands apply the theories of motivation to help them to develop effective marketing strategies. They appeal to different emotions; to illustrate how they can satisfy a need or a want.

Your challenge

Imagine you are a marketing tutor and your next lecture concerns consumer motivation theories and their influence on advertising messages.

Create a 10-minute presentation that gives one example of a brand appealing to each of Maslow's need states: for example, a food manufacturer seeking to satisfy our hunger needs, a golf club trying to recruit new members, and so on.

Produce one slide per advertisement and annotate it with some brief notes about the probable audience and how you think the brand sets out to motivate its audience.

Just to recap, find one example each for:

- **physiological needs**
- **safety needs**
- **love and belonging needs**

- **self-esteem needs**
- **self-actualisation needs**

Share your slides with your study partner, if you have one, to compare your approach and thoughts.

How motivation influences customers' brand and product choices

We have explored some of the ways that brands seek to influence our brand choice through appealing to different emotions. Now let's bring it all together by illustrating the scope of the power of motivation in marketing.

Motivation conflicts

Brands understand what our practical needs and our emotional wants are, and they also know that the motivation to satisfy these can sometimes come into conflict. For example, if we are hungry we will be motivated to buy something to eat. We may want a burger with potato chips and tomato ketchup, but if we are dieting our motivation will also be to lose weight.

This is where motivation conflict influences the marketing strategy and a food manufacturer might seek to appeal to both motivations: for example, a low-fat burger with fewer than 200 calories.

Figure 5: What we choose is all about balancing our motivations

There are three principal conflicts that we face in making a brand choice (Solomon, 2017)[8].

1 **Approach–Approach**: This conflict is simply causing us to choose between two very similar things. We might need a new mobile phone and our choice is between an Apple or an Android device. In this situation, we will make the decision based on our need for consistency and self-esteem; we don't want to make a wrong decision because of how that makes us feel about ourselves. So, Android developer, Google, seeks to convince us that its phone is the right choice. It's campaign "Be Together. not the same" addresses the fears that Android systems are fragmented by suggesting that, in fact, they offer much greater choice than Apple.

2 **Approach–Avoidance**: This is the conflict we considered earlier – how to find something you want to eat and balance it with the motivation to lose weight. So brands either seek to convince us that it's OK to indulge because we deserve it, or to satisfy both motivations (for example, with diet foods and zero-calorie soft drinks).

3 **Avoidance–Avoidance**: This is a conflict we face when we are motivated to take an action we don't want to. For example, we might need a new car because our existing one is beginning to have mechanical problems. The motivation is to buy a new car or repair the current one. Whilst it may be exciting to buy a new one, it's expensive and we face the cost–benefit dilemma. So car manufacturers try to ease the pain by highlighting all the features and benefits and offering easy payment terms: credit and trade-in promotions that encourage us to buy new.

1.3 The external forces that influence customer buying behaviour

We have seen how our personalities, values, beliefs and even our upbringing have a strong influence on our purchase decisions. Now let's consider some of the powerful external forces that impact on our decision and behaviours.

Social and cultural influences

We have discussed the influence that others can have on our decisions: not just our purchase behaviours but our lifestyles, values, beliefs and attitudes. Most societies are social networks, and the majority of people want to follow the norms of their social groups.

Culture is made up of:

- the language we use
- symbols
- rituals
- stories
- legends

The role of culture in marketing

Our culture sets the standards for these norms; it consists of those learned behaviours, societal codes and unspoken rules that shape the way a society lives. For example, in some societies it is considered rude to enter someone's home without taking your shoes off first; in some societies it is considered rude to show bare feet.

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8 Solomon, M.R. (2016), *Consumer Behaviour: Buying, Having, and Being.* Harlow: Pearson

Culture is learned and shared both consciously and subconsciously and it is dynamic: it changes over time. Consider attitudes to diversity: much of what was culturally acceptable even 50 years ago is not acceptable today, for example with regard to sexism, racism and employment rights.

These are customs that form our cultures and, mostly, we want to comply with these codes of conduct, the blueprint of acceptable behaviours. It is important for marketers to understand the cultures and societal values of its target consumers/buyers so that they ensure that marketing activities are effectively complying with them and that they are creating appropriate marketing strategies to appeal to a diverse group of people.

Subcultures are as powerful as cultures

Culture is territorial; it sets the behavioural norms for whole continents, as well as countries, regions, even towns, right down to the street we live on. There are subcultures that play a powerful role in driving our behaviours, choices and beliefs.

For example, take any large city: there will be districts, regions and pockets of subculture; some areas may be considered as being extremely upmarket while others are considered very downmarket. The cultural rules can change within the space of a few miles.

The influence of demographics and class

Demographic factors are used to describe who we are. They are closely linked to culture and sub-culture and are made up of those things that define our lifestyles.

Every population can be described for its physical and societal characteristics, quantifiable features that can be used to identify groups of people.

Demographic Profile

Gender: Female
Age: 25 to 35
Social Grade: B, C1
Regions: South East
Occupation: IT Manager
Salary: US$70,000 pa
Nationality: Canadian

Figure 6: Example of a target consumer

These characteristics are widely used by marketers to help understand and define the target consumers/buyer segments, and they are constantly tracking any significant trends and changes in all or some of the factors. These consist of:

- age
- gender
- marital status
- income
- religious beliefs
- nationality

- family status (mother, father, sister, etc.)
- occupation
- employment status (working full-time/part-time/retired, etc.)
- political beliefs
- education
- language

An example target consumer is shown in Figure 6, and you can see that she has a social grade as part of her profile. This is a way of describing class and standing in society. Class isn't always indicative of income and wealth, although it does have very close associations. But it is more concerned with one's social standing in society: our family, background, level of education and so on.

Class structures across the world vary greatly. They are affected mostly by our birth right: our ethnicity, nationality and so on.

In some regions there is a strong class system. For example, India has the caste system, which divides Hindus into four categories, from the Brahmins (e.g. priests and preachers) to the Dalits (e.g. street sweepers), who are considered outcasts. Do you know the classes in your country?

📄 CASE STUDY: EMERGING SOCIAL CLASSES

Are you a member of the young, upwardly mobile urban elite?

A major research study was carried out in the UK during 2013 that identified seven emerging social classes. The purpose of this study was to redefine the class system, not just in the UK, but in many other Western societies, building on the current structure.

The existing framework you can see here has been used by marketers for many years to help them to describe their target consumer/buyer. It is based on the occupation of the head of the household:

A: Upper middle class: higher managerial and professionals

B: Middle class: intermediate managerial and professionals

C1: Lower middle class: supervisory or clerical; junior professional

C2: Skilled working class: skilled manual workers

D: Working class: semi/unskilled manual workers

E: Non-working: pensioners; unemployed

The problem with considering people under these headings is that they are not a reliable indicator of someone's wealth, education and occupation. For example, a highly educated, wealthy and educated pensioner may have a disposable income many times greater than, say, a doctor or professor.

So this new research was needed to take a different view of social class. It found these seven segments:

1 The elite: the most privileged in society, defined by its wealth.

2 Established middle class: aspiring elite; scoring highly for **cultural capital**.

3 Technical middle class: a prosperous new group emerging from the technology industries.

4 New affluent: young, educated, upwardly mobile; **digital natives** with growing incomes.

5 Traditional working class: scores low for cultural capital with an older profile.

6 Emergent service workers: young, urban workers with rising income in service sectors.

7 Precariat/precarious proletariat: the poorest, most deprived class, scoring low for social and cultural capital.

This new study presents marketers with a new and more accurate description of the UK population's **demographics** and will enable them to develop tightly targeted marketing activities.

Source: www.bbc.co.uk/news/uk-22007058

Economic and political climate

Our lifestyle is dependent on the economic and political stability of the region we live in. The more stable and affluent the country's situation, the better our lifestyle will be. For example, levels of employment, and access to resources, housing and health-care provision all have an effect on our ability to purchase goods and services.

Making the money go around

In counties that are controlled by a democratic government, consumers and buyers are free to choose from a range of brands, products and services. For example, many countries in Western Europe, North America and Australasia experience political stability and relative economic growth.

This may not be the case in countries with communist or dictator governments, or where governments are chaotic and fragmented, or where conflict is present. Parts of Eastern Europe, North Korea and parts of Central Africa are examples of territories where political unrest, conflict and restricted choice influence purchase ability and behaviours.

Families earn wages

People buy goods and services

Government spends on public and welfare

Government earns taxes from firms and families

Firms create jobs

Firms produce goods and services
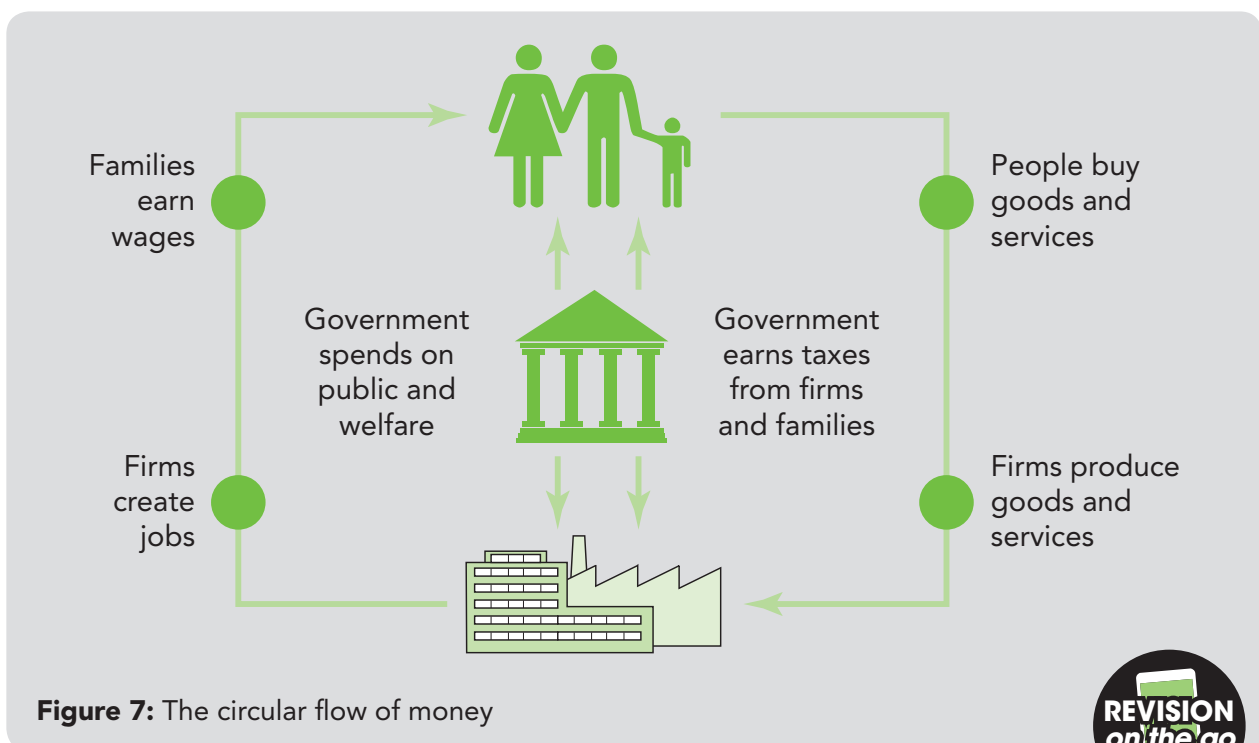
Figure 7: The circular flow of money

REVISION *on the* go

Politics and economics affect our ability to buy and sell goods and services, and our levels of confidence to make major investments. This is the fundamental principle behind the economic flow of money: people are employed, they earn money, they spend it on goods and services, and then businesses produce more goods and services and employ more people. In turn, governments are able to earn taxes and spend on public welfare and services.

When this economic flow slows down, for example during downturns and recession, people lose their confidence in their jobs and employment prospects; they stop spending as much on non-essentials and major purchases which, in turn, reduces employment.

So, marketers must be very aware of the current climates in all their target markets and develop strategies that reflect the likely consumer behaviours.

Behind a country's wealth are its people, policies, values and beliefs. These directly affect its potential to drive trade, enable travel and encourage investment. The **qualitative variables** that go to make up the standard of living and lifestyle in a country have been identified in a research study carried out by US News[9]:

- **Adventure**: Friendly, fun, pleasant climate, scenic.

- **Citizenship**: Cares about human rights, cares about the environment, gender equality, progressive, religious freedom, respects property rights, trustworthy, well-distributed political power.

- **Cultural influence**: Culturally significant in terms of entertainment, fashion, influential culture, modern, prestigious, trendy.

- **Entrepreneurship**: Connected to the rest of the world, educated population, entrepreneurial, innovative, provides easy access to capital, skilled labour force, technological expertise, transparent business practices, well-developed infrastructure, well-developed legal framework.

- **Heritage**: Culturally accessible, has a rich history, has great food, many cultural attractions.

- **Open for business**: Levels of bureaucracy, manufacturing costs, favourable tax environment, transparent government practices.

- **Power**: A leader, economically influential, politically influential, strong international alliances, strong military.

- **Quality of life**: A good job market, affordable, economically stable, family friendly, income equality, politically stable, safe, well-developed public education system, well-developed public health system.

📄 CASE STUDY: WHAT HAPPENS WHEN FRIENDS FALL OUT

The effects of Brexit on small businesses

In 2017 the people of the United Kingdom voted to leave the European Union: that is, to exit from its trade and economic agreements, to become independent from European laws, to restrict the free movement of people and to cease financial support. It is known as "Brexit".

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9 Garfield, L. (2017), *The 11 best countries to live in around the world* [online]. Retrieved from: http://uk.businessinsider.com/best-countries-to-live-in-2017-3 [Accessed on: 30 October 2017]

The outcome of this vote was highly emotive, and those who voted to remain in the EU did so, in part, to protect the economic stability of the UK and Europe as a whole. There are many predictions about the future of trade and industry during and after the exit negotiations.

But one sector that has already felt the effects of Brexit is small and medium-sized enterprises (SMEs). According to national UK newspaper, *The Guardian*, there will be a £3.6 billion shortfall in funding for SMEs by 2021, when major support from EU business initiatives will stop.

For now, it is the fall in the value of the pound that has affected many retailers; it is more expensive to buy goods and services from other countries, and for SMEs this can have a big impact.

Take the case of the Jolly Good Pie Company, a small business based in West Yorkshire, UK. It has been baking meat and vegetable pies at its bakery for over 50 years, but now it is struggling to survive because, says the firm's owner, Jack Forest, "the cost of ingredients has risen and my business isn't big enough to absorb the hit. I have to pass the increased cost on to customers." The business imports potatoes and meat ingredients from all over Europe. Jack continues, "So, for a low-value product such as a pie, my customers are simply going elsewhere and mostly to the High Street chains such as Greggs who have the buying power to keep prices low." Since Brexit and the slowdown in his trade, Jack has had to let two of his sales staff go.

It might only be a small impact on the local economy, but if all SMEs suffer the same fate, then this will have a big impact on the national economy.

Source: http://www.telegraph.co.uk/news/0/has-britain-left-eu-almost-every-single-brexit-question-answered

Customer behaviour in developing countries

Another important consideration for marketers is the stage of economic and political development in a country or region. Each one has its own subcultures that make it unique, and marketers need to understand these subtleties and how they influence consumer choice, behaviour and decision-making.

Some of the key features of consumer behaviour in developing countries include:

1   **Ethnocentric**: There can be a mistrust of Western goods and services that are seen as mass-produced, and possibly harmful to society and local economies.

2   **Price–quality equation**: In many developing countries, there is a limited number of consumers and buyers with the need and the means to buy goods and services that are not essential; prices are inherently high for the majority, so people must find other ways of defining quality because price cannot be a differentiator.

3   **Known brand loyalty**: This tends to be higher in developing countries, as consumers and buyers seek to minimise risk. If a purchase is perceived as a major investment, then consumers and buyers will seek the reassurance of a known and trusted brand.

4   **Less demand for data**: In some developing areas, consumers and buyers demand less information about a product or service because they don't have the experience or knowledge to seek it and even to challenge it; food ingredients and dietary data aren't always as crucial for developing nations as they are for the obsessive health/weight-conscious developed nations.

Power of peer groups, family members, colleagues and opinion leaders to shape buying behaviour

As consumers and buyers, our purchase decision behaviours can also be influenced by many things, and we have already explored some of these internal and external influences. But perhaps one of the greatest impacts is the power that others have over our behaviours.

Influence of friends and family

We might turn to friends and family for advice; canvassing opinion and seeking their views on a brand, product or service before we finally decide to act. And, no matter how old we are, we may also be asking for their permission. For example, by turning to our parents for their thoughts about a purchase decision we are, on some level, asking for their approval.

Different friends and family members have different levels of influence depending on their "area of expertise"; you might turn to a friend who works for an internet service provider for their advice on which broadband package to buy, but you wouldn't necessarily want their advice about shoes, clothing or music.

Influence of opinion leaders

We all have a role to play as friend, parent, son, daughter, aunt, uncle and so on. But we also turn to iconic figures to listen to their opinions and even copy their behaviours. We may have a specific person or group of people whom we admire for their expertise. For example, a football team or a business leader, a fashion icon or a music band, all have the power to influence our purchase decisions (Figure 8).

- Personal/Professional network
- Networking behaviours
- Social standing

Who you are

- Personality
- Status
- Emotional intelligence

Who you know

What you know

- Area of expertise
- Engagement/Involvement
- Contemporary knowledge

Figure 8: What makes an opinion leader?
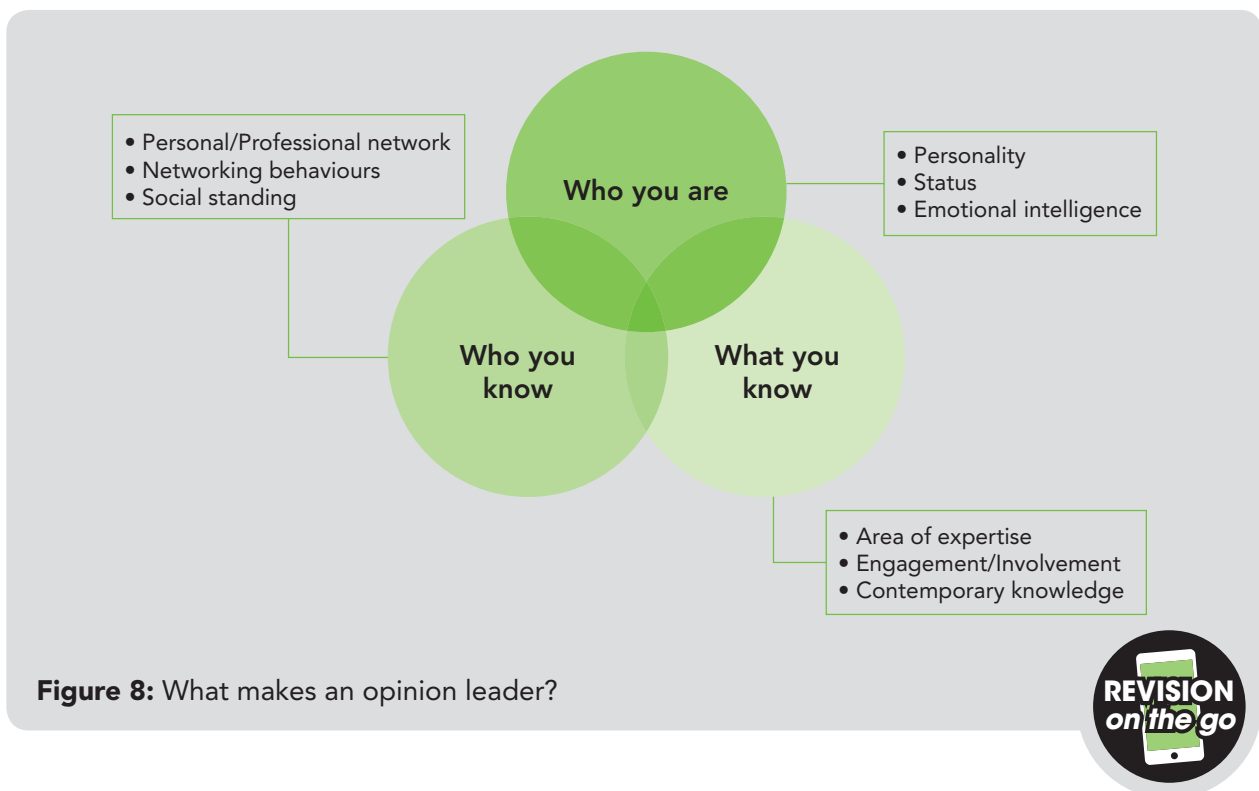
These are people who we turn to as role models because we acknowledge that they know more about a brand, product or service than we do. They are often early adopters who are keen to try new things or they may simply have a deep understanding of a topic. For example, a parent may seek the advice of a school teacher about the right college for their child.

High-profile opinion leaders are a marketing essential; brands know that consumers and buyers will look to their heroes to learn how to behave, what to wear and even where to go. So marketers seek to have their brand worn, used or consumed by key influencers as a way of validating it in the minds of the target consumer group. For example, sales of a blue jumper produced by children's clothing retailer Amaia sold out in a matter of hours having been worn by Prince George of the UK's royal family, on a visit to his newborn baby sister in 2015.

Of course, the young prince is not the opinion leader, but his parents Catherine and Prince William (the Duke and Duchess of Cambridge) are both highly aspirational figures, whose every move is followed by millions of people around the world.

📄 CASE STUDY: THE RISE OF THE 12-YEAR-OLD OPINION LEADERS

The internet has spawned a generation of young bloggers who are talking about everything from cakes to canaries

Nikki Christou, aged 12, has a rare disease that affects her facial features and causes severe disfigurement. She had to give up many of her hobbies and at the same time deal with some cruel comments from other children. So she started a new hobby, "vlogging" (video blogging), as a way of coping with her illness.

She has 200,000 followers on YouTube, 13,000 on Instagram and 61,000 subscribers to her posts. She writes about her life and her illness, gives tips for baking and making smoothies, and even gives advice on teenage romance.

Her video posts are engaging and informative, and Shauna Pomerantz, associate professor at the department of child and youth studies at Brock University in Ontario, Canada, says Nikki is a great role model for young girls.

In an interview with UK TV station, the BBC, she said, "Nikki is the champion of the not-perfect girl, and she is absolutely inspirational to watch. I can see why people love her – she is a hero to anyone who feels like an outsider."

It just goes to show that you don't have to be a CEO of a global conglomerate, an Olympic sports champion or even an adult to be an opinion leader.

Source: http://www.bbc.co.uk/news/technology-39641264

✏️ OVER TO YOU

Activity 5: Who do you influence?

What we know, who we know and who we are make us influential at different points in our lives, to different people and in different situations. So how would you position yourself as an opinion leader? Do you have expert knowledge or experience in a specific area that would help others to make a decision about a brand, a product or a service?

Your challenge

Consider your area of expertise – it can be anything from football to fashion, cooking to business leadership – and research the body of existing blogs and vlogs that are already in the public domain.

- Choose two that stand out for you because of either their good quality or their poor quality.
- Create content for an imaginary blog/vlog that critiques these posts and includes your opinion about who the target audience is and what the probable objective was for their content.
- Your blog/vlog should explain what you like and what you don't, what you think are their strengths and weaknesses and how you think they could be improved.
- Finally, explain what knowledge and experience you have that qualifies you to comment on your chosen blogs.

Your blog should be no more than 300 words or your vlog no more than five minutes long. Share this with your study partner, if you have one, to compare notes and learning points.

1.4 Aspects of contemporary customer behaviour

There is little doubt that the explosion of digital technologies that started to accelerate in the 1990s has had a huge influence on the purchase behaviour of consumers and buyers. Whereas we would previously have had to visit a bricks-and-mortar store to buy, for instance, a new pair of shoes, nowadays we may simply reach for our smartphone and order them online.

The erosion of brand trust

Trends and changes in customer behaviour

We have talked a lot about how mobile phones, the internet, social media and technologies are shaping consumer and buyer behaviour, and there is no doubt that this trend will continue at a pace. For example, in a White Paper published by consumer publication *Which?* magazine[10], it is predicted that by the year 2030 consumer trends will enable societies to exploit technology further.

- **Collaborative consumption**: New technologies will enable us to share, swap and barter products and services.

- **Home manufacturing**: The capability of 3D printing will grow, enabling consumers to "make" their own products, such as spare parts.

- **The end of the High Street bank**: There is decreasing demand for a personal banking service. Increasingly apps, websites and new artificial intelligence (bots) are able to perform all the services of the traditional bank branch.

Marketers are acting now to embrace and exploit new technologies as they emerge to shape consumer behaviour. The model for most brands now is SoLoMo (social, local, mobile). Add to that the preference for "personal" and this is the powerful combination that drives many marketing strategies.

For example, we use our smartphones for everything from searching and chatting to taking photos, and so on. We want instant gratification and we will look for local solutions, but before making a decision we will go to social media to find reviews about a potential brand or purchase. And we believe what we read on sites such as Facebook and Twitter far more than we do an advertisement or brand website.

The implication of consumer/buyer trends for marketers is that they need to reassess their retail and media channel strategies, to ensure that their **consumer value propositions** are still relevant and to anticipate how to best meet the needs and wants of the consumer now and in the future.

But with this great innovation comes the challenge that brands now face over declining consumer and buyer trust; computer database hacking, **ransomware** and the misuse of our personal data have resulted in an all-time low in terms of our confidence that brands are behaving legally, honestly and decently.

So marketers have to work hard to build their brands and maintain their values by being explicit in their efforts to protect our personal data, take action against cybercrime and be completely transparent about their pricing, products and services.

As consumers and buyers, we are all powerful influencers with the capability to engage with a brand how, when and where we choose. We turn to the reference groups we trust on social media and even to the wider population for their opinions and experiences.

All of this leads to a disruption in the traditional path to purchase. We can choose from multiple devices to access information and make purchases; we can instantly compare the price, features and benefits of a range of preferred brands; and we can share our thoughts about the brand experience with millions of people around the world (and they can share with us).

Consumers today have the ability to make or break a business simply by reaching for their smartphone.

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10 *Which?* (2013), "Consumers in 2030: Forecasts and projections for life in 2030", *Consumer Insight* [online]. Retrieved from: https://www.forumforthefuture.org/sites/default/files/project/downloads/future2030-finalreport.pdf [Accessed on: 30 October 2017]

📄 CASE STUDY: THE GROWING POWER OF THE REVIEW SITE

How TripAdvisor influences consumer travel choice

Consumers are increasingly relying on review sites to help them make a purchase decision and this has been acutely felt by the travel industry, which relies heavily on word-of-mouth recommendation. We wouldn't normally book a hotel room without first researching what people who have stayed there are saying about it.

Review sites help consumers to mitigate the risk of making a bad decision, and one of the most popular sources of travel-related opinion is TripAdvisor.com, with over 260 million visitors a month and 150 million reviews posted, covering more than 4 million destinations, hotels, restaurants, attractions and even cruises.

It's a powerful influence on consumer choice and behaviour because travellers look at the ratings and the reviews; by moving just a single point up the five-star rating scale a hotel can increase its revenue by 11.2%.

But how trustworthy are the reviews we read on TripAdvisor and similar consumer forums?

TripAdvisor claims to track the IP address of every computer that creates a review, and the site is alerted if multiple reviews are apparently coming from a single address. But the real test is the consumers themselves; most of us can tell a fake review from a genuine one because of these five tell-tale signs:

1 **Corporate speak**: Some reviews contain words and phrases that the ordinary person is unlikely to use such as "clean, consistent and comfortable rooms with a choice of firm or soft hypoallergenic pillows".

2 **Copy and paste**: Reviews that are too similar could have been written by the same person, sometimes using the exact same phrases.

3 **Absence of criticism**: Too many highly positive reviews, all posted around the same time, is a clear indication that a hotel is writing its own reviews in an effort to stimulate booking.

4 **Amateur advertising**: Reviews that contain too many superlatives, adverbs and lots of exclamation marks with phases such as "the complimentary breakfast is a tasty way to recharge" are not usually from genuine customers.

5 **Positives trump negatives**: If a highly positive review appears almost instantly after a very negative review and there is a clear pattern with many examples, the positive reviews are probably a fake attempt at damage limitation by a destination owner.

Trust and authenticity are the hallmarks of the TripAdvisor brand; without these two key characteristics, it would not be able to command the position it holds as the go-to site for all things travel. So the business takes great steps to find fake reviews and ban them from future participation.

Source: www.travelweekly.com/Travel-News/Online-Travel/The-growing-influence-of-TripAdvisor and www.bluemagnetinteractive.com/blog/2014/10/09/tripadvisor-fraud

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Summary

In this chapter we have explored the principles of consumer and buyer behaviour and discussed how important it is for marketers to understand their target audience; only then can they begin to predict the audience's probable response to their marketing strategies.

And this involves explaining simple demographics of age and geography, and defining personalities, characteristics lifestyles and preferences. External circumstances such as the economic climate, societies and cultures also influence the way a consumer or buyer will behave as they move through the purchase decision process.

The Principles of Purchase Decision-Making

Introduction

We may not be aware of it, but we all follow a process and a path to making a purchase decision. Some purchases require very little consideration, whilst others need a great deal of careful thought, the difference between buying a tube of toothpaste and a new laptop for example.

In this chapter we will explore this concept in more detail, discussing how individuals make complex decisions; how the process differs for business buyers, and how both buyers and consumers treat the decision to buy a service when the only reassurance we may have is a website, a company brochure or a brand's reputation.

Learning outcome

On completing this chapter, you will be able to:

2   **Discuss the principles of purchase decision-making in a variety of situations**

Assessment criteria

2   **Discuss the principles of purchase decision-making in a variety of situations**

   2.1   Discuss the theories of the purchase decision process followed by individuals

   2.2   Discuss the theories of the buying decision process in organisations and formal groups

   2.3   Compare how buyer behaviour may differ in the purchase of a service to that of a product

2.1 The theories of the purchase decision process

When we decide to purchase a product or service, we might like to think that decision is based on rational behaviours and a logical approach. This is known as **reasoned action** and, in a perfect world, that might be true, but marketers know that our decisions can be instinctive, impulsive and sometimes just plain senseless!

Garage/yard sales and thrift shops are full of products and clothing that people thought were a good idea to buy at the time; trends vary by country, but you often see certain unused kitchen gadgets or novelty items time and time again.

We explored some of the emotional drivers of purchase decision-making in Chapter 1, so now let's consider some of the rational, instinctive and situational decision-making concepts that help marketers to understand and therefore try to predict consumer and buyer behaviour.

We will explore business-to-business buying behaviour in more depth in Section 2.2, but for now we will examine consumer behaviours.

The DNA of the purchase decisions – why what we buy will influence how we decide to buy it

High-involvement vs instinctive decision-making

For both consumers and buyers, the higher the cost of a product or service, the more rational our decision will be. For example, buying a new car is a major investment for most people and they will widely research, discuss and carefully consider all the features and benefits, comparing performance and price, reliability and reputation, fuel consumption and so on.

This is an example of a highly involved purchase, but when shopping for an everyday, mundane item (such as toothpaste) we often give it little thought and our behaviour will be instinctive, picking up the brand we brought last time or simply the one right in front of us.

The theory goes that the amount of thought and mental effort we put into making a purchase decision is influenced by the level of importance we place on the product or service.

Compensatory vs non-compensatory

Consumers will consciously or subconsciously evaluate the features and benefits of a product/service and decide if there is a trade-off needed between some of the characteristics, including price. For example, the person buying a new car may be prepared to sacrifice fuel consumption performance for top-speed capability. This is known as compensatory, or trade-off, decision-making.

In non-compensatory decisions, consumers will put an equal importance on all features and benefits and so the decision is made on overall performance; if one feature doesn't meet the needs or wants of the consumer, then they will move on to the next brand and so on until they find precisely what they want.

Situational factors

The final consideration in consumer decision-making is the environment in which the choice is made. In some instances, consumers may have no choice; at the cinema, we can choose only the products that the venue offers and we must pay the price they ask, because we are a "captive audience". But in a supermarket we may be faced with a wide range of different products, brands and prices, so much so that we can suffer from **brand myopia** and simply defer the decision because we can't decide.

Similarly, we might need a product or service urgently, such as petrol when the fuel tank is running low or a painkiller when we have a headache. In these situations, we may make **distress purchases**, buying something we need immediately and giving little thought to price and brand.

Marketers who understand these cognitive and situational influences are better able to construct marketing strategies and messages that will resonate deeply with their target consumer segments.

Models of customer decision-making

We can now see how complex and unpredictable consumer behaviour is, and the more we understand about the human psychology that underpins many of the theories, the better able we are to forecast consumer and buyer responses to the marketing mix strategy.

📄 CASE STUDY: WHY BUY FROM ME?

How small convenience stores are winning in the retail space

Imagine that Anna and Alba run a small grocery store just outside the main shopping area in Valencia, Spain. Ten years ago, they decided to leave the corporate world to become self-employed and neither of them has looked back since. Their store sells a range of fresh produce, packaged goods and household products as well as newspapers and magazines, and a small range of beers, wines and spirits.

Sales have grown steadily since they first opened their shop and they continue to grow at a good pace, driven by a mix of both loyal shoppers and passing trade. They have time to talk to their customers and they often find that their store is a social "hub" for the local community.

Five miles away, Mannie is looking at the weekly revenue figures and wondering why they are, yet again, down against forecast performance. He has been steadily losing shoppers and revenue over the past ten years and is at a loss to understand why. Mannie is the manager of a large supermarket chain that has a presence in most towns across Spain; a struggling brand that is seeing its profits squeezed by online shopping.

Anna and Alba know that their success is due to being able to offer a local community a convenient walk-to store that will stock most of the things they need every day such as fresh bread, milk and cheese. Their customers know that they are paying a slightly higher price for these items than they would in a large supermarket, but they are happy to trade off price for convenience.

Shoppers know that they can just drop in when they have run out of an essential item or just want to buy the local newspaper. Anna and Alba make sure they never run out of "distress purchase" items, and they always have some good price promotions on impulse purchase products such as chocolate and snacks right by the checkout.

So the reasons to shop at a major supermarket – a decidedly impersonal process that mostly requires a car and some forward planning – are being diluted by online purchases and home delivery. And, of course, by stores like Anna and Alba's, where shoppers know they can top up between deliveries if they need to and stop to talk for a while too.

No matter what the purchase or shopping mission, consumers will go through a set of thought processes before finally deciding on a brand, product or service. This process is much the same for involved purchases as it is for impulse purchases; it's just the timescale that changes.

At its most basic, we can describe the purchase decision as involving four key stages of purchase intent.

1   We become aware of a need or a want.
2   We search for solutions.
3   We evaluate the alternatives.
4   We make the purchase.

This process can take seconds, such as when we are standing at the point of purchase and have the options in front of us; or it can take many months, such as when we are considering moving home or buying a car.

So let's explore some of the models and concepts that are based on these founding principles.

The Engel, Kollat, Blackwell model

The Engel, Kollat, Blackwell (EKB) model is a cognitive problem-solving model that focuses on the active research and evaluation of products and services. The EKB concept presents a five-stage process and the relationship between the stages.
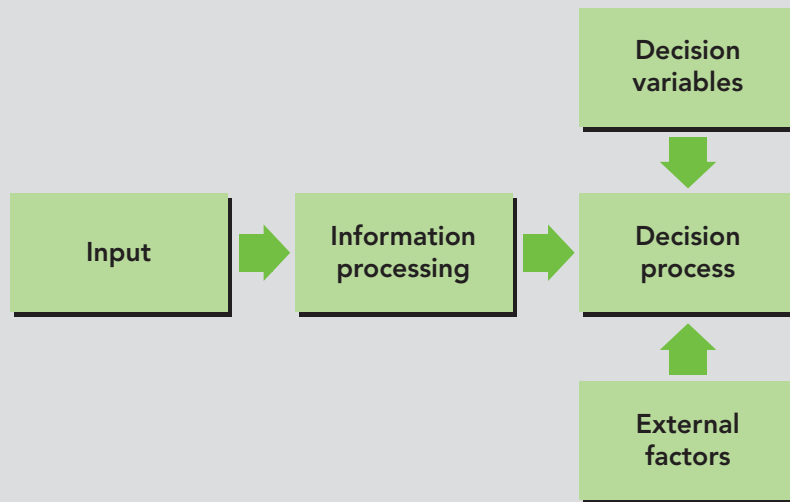
Figure 1: The EKB model of consumer decision-making

Inputs are the stimuli from all around us, but can include marketing messages such as advertisements.

Information processing involves consumers making sense of and interpreting the marketing stimuli.

The decision process is those actions that consumers and buyers take to reach a final decision.

This decision is influenced by external factors, which we explored in Chapter 1 (culture, economic climate and so on), and decision variables such as personal characteristics, motives and beliefs.

The Howard–Sheth model

This model assumes that the consumer and buyer will act in a rational way when making a purchase decision. It is also one that differentiates problem-solving behaviour from automatic or spontaneous responses.

Figure 2: The Howard–Sheth model of consumer decision-making

The inputs and perceptual constructs in this model are similar to those in the EKB framework above – in other words, those stimuli that start the process of researching and deciding on a brand, product or service and then the consumer's consideration of these triggers. The perceptual and learning contracts are known as **hypnotical constructs** and involve consumers' bias, attitudes and choice criteria.

The outputs are the responses both during and after a purchase that will indicate satisfaction levels. The key point of difference with this model is the inter relationship between variables such as attitudes driving preference and intention.

Avinash Kaushik's framework

The Howard–Sheth model is possibly the first to propose that the consumer decision process is not a linear set of behaviours where the consumer moves through a predetermined set of actions before reaching a final decision. To bring the concept of this idea into the current consumer environment, it is helpful to consider Avinash Kaushik's ideas about how marketers need to consider groups of consumers defined by their purchase intention stage (STDC; standing for "see, think, do, care").

Consumer segment

Purchase intention state		
See	All consumers who are becoming aware of a need or a want and who have the means to buy a solution
Think	All consumers with the need/want who are actively searching for solutions
Do	All consumers who are at the point of making the final decision
Care	All consumers who have purchased a brand more than twice

Figure 3: "See, do, think care"

REVISION on the go

This is a simple yet powerful concept initially developed to help marketers plan their digital content strategy but now widely adopted as a key marketing principle. It argues that brands can motivate consumers to move through the decision process given the right stimuli at each point, but that we can move around those states any number of times before finally making a purchase.

Post-purchase loyalty is paramount, and marketers need to construct powerful strategies to help keep the consumer in the brand.

✏️ OVER TO YOU

Activity 1: The right marketing message at the right time

We know that consumers exist in different purchase intention states during the purchase decision process, and Kaushik's STDC model is a simple concept that helps marketers understand that there are no longer straight lines in consumer behaviour because of our ability to move freely, often and easily through the internet; we are no longer confined to bricks-and-mortar stores.

Your challenge

- Select one of the brands from the list below, or think about one that you know well.

- Carry out some independent research to find examples of marketing communications that explicitly target consumer groups at each stage of the STDC model. For example, an advertisement that offers a reward for consumers who refer a friend (care) or an advertisement that aims to drive traffic to the website (think).

- **Create a presentation that displays these examples and gives some information about why you believe that each one represents a specific marketing message at a particular stage in the decision process.**

Brands you could choose from are:

- **Sony mobile (www.sonymobile.com)**

- **WWF (World Wide Fund for Nature) (www.wwf.org)**

- **Mercedes-Benz (www.mercedes-benz.com)**

Share your presentation with your study partner, if you have one, to gather feedback and compare what you have learned.

Watson's "black box" theory of behaviourism

Individualism plays such an important part in consumer and buying decision-making that it's no surprise that people will choose different solutions to meet the same need or want.

One way to make sense of all the personal factors and external impacts is to consider John Watson's black box concept (Tyagi and Kumar, 2004)[11]. Watson was one of the early psychologists, and his principle is that the black box is the mind of the consumer or buyer. The external stimuli from marketing and the environment are processed by each of us in a unique and highly personal way that is entirely based on how we think, who we are and how we developed.

Our responses (for example, the brands we buy, how often and when we buy them, how much we buy, our choice of brand) will be a direct result of the stimuli and our approach to making sense of them.

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11 Tyagi, C.L. and Kumar, A. (2004), *Consumer Behaviour*. New Delhi: Atlantic Publishing and Distributors

Marketing stimuli
Brand
Product
Price
Place
Promotion
Process
Influencers

External stimuli
Economic
Political
Social
Technological
Natural

Internal influences
Characteristics
Personality
Attitudes
Opinions

The black box
(Mind of the consumer)

The black box
(Mind of the consumer)

Consumer/Buyer response
Product
Brand
Retail channel
Timing
Volume
Frequency

Figure 4: Watson's black box concept

REVISION on the go

The basic principle of the black box brings together all the theories we have seen so far, and although it was first developed in the early 1900s, it still holds true today – although we need now to include the contemporary tools of the marketing mix to maintain its relevance. For example, the purchase experience can be a significant influence; can consumers/buyers buy a product or service their way? Online, offline, at midnight on a Sunday, with a smartphone, from a PC, in a physical store, etc?

We need also to include influencers and opinion leaders, as well as audience, who we turn to for brand and product/service advice.

And finally, we need to factor in the huge increase in brand choice that consumers and buyers are exposed to. The decision process is more complex today than it has ever been and, with the development of new technologies such as artificial intelligence and mixed realities, that complexity is likely to increase.

The benefits and drawbacks of these popular behaviour theories for marketers

We have explored some of the popular concepts in consumer and buyer behaviour, and there are many others that are helpful to marketers because of their foundations in human psychology. But, like many concepts and theories, they can only ever act as signposts to help us to develop marketing strategies.

If we approach them as conclusive or absolute then we run the risk of misunderstanding our consumers and buyers. The reality is that, in terms of human behaviour, marketers will never be able to predict with 100% accuracy what the reactions and responses will be to the marketing stimuli.

The emergence of **big data** enables marketers to get closer to the purchase behaviour "truth" than ever before. They can now gather huge amounts of data almost instantly and turn it into insights, test concepts and adjust the stimuli. But, even with all the information and technology to hand, purchase decisions are still made based on characteristics and the nuances of personality.

📄 CASE STUDY: NEW PRODUCT AND SERVICE FAILURES

Proof that marketers can't read consumers' minds

The world is littered with new product and service failures, innovations that their producers thought would be capable of disrupting whole markets and industries. After all, brands like Uber, AirBnB and Deliveroo are testimony to what can be achieved with a great idea that solves a consumer problem that isn't currently being addressed.

Trying to predict consumer behaviour and make major decisions based on a prediction may mean you come unstuck. Just some of the brands that tried and failed are:

- **New Coca-Cola**: In 1982, Coca-Cola's biggest rival PepsiCo was taking market share and damaging revenue. The "Pepsi challenge" campaign proved to be a powerful persuader that involved the public blind-tasting the two brands and claiming to prefer Pepsi. So Coca-Cola changed its recipe to taste more like Pepsi. Coca-Cola tested the concept; it researched the idea, **rebranded** and **pretotyped** the new recipe.

  It failed badly. The consumer response was so strong against the new product that it lasted only a few weeks before being withdrawn from the market. Why? Research can be wrong. Consumers may lie in research to tell you what you want to hear, and the majority of Coca-Cola fans were angry that their favourite brand had changed an iconic formula.

- **Coors**: The market for bottled spring water has grown hugely since the 1980s. Since Perrier first made fizzy water fashionable, most super-brands have been fighting for a piece of market share; Nestlé, Danone and Coca-Cola Company are just a few. So when lager giant Coors launched their Rocky Mountain Spring Water, it should have joined these others on the supermarket shelf, right? Wrong. Consumers wanted Coors to stick to what it does best, providing them with great lager. The mistake Coors made was to believe that the consumers' fondness for one product type can be transferred to another.

- **Google's short-sighted glass**: No product innovation case study would be complete without the Google Glass, a pair of glasses that enabled people to see the internet right in front of them wherever they were. They could search, browse, read emails – everything you can do on a smartphone. But this innovation is an example of a good idea for its own sake. In other words, consumers struggled to understand why they needed it. There were concerns about security and personal health; the price tag of US$1,500 was outside of most people's price range and it didn't do anything that a smartphone couldn't. So, Google thought that Glass was the future but it misunderstood that consumers' desire for faster, more powerful and problem-solving technology was grounded in practicalities of solving an authentic problem. To the target audience, it just didn't make sense in their black box consideration.

Source: http://uk.businessinsider.com/biggest-product-flops-in-history-2016-12/#1957-ford-edsel-1

2.2 The theories of the buying decision process in organisations and formal groups

So far, we have been exploring common theories of consumer behaviour and some of these are highly relevant to buying behaviour in organisations (B2B: business-to-business). But there are some significant differences between the way that consumers and buyers come to a purchase decision.

For example, buyers are usually spending their employer's money, not their own, and they are sometimes part of a wider team who go through a prescribed process to make a collective decision. Also, purchases for businesses can run to many millions of dollars, so the risk can be much higher, which makes it imperative that buying decisions are based on logic and rational evaluation of the options. For example, there is little room for human emotion in the decision to buy a new aircraft carrier!

So, we can start to explore these differences between the two behaviours in more detail by considering the type of purchase that buyers make and the direct relationship with the level of involvement required: in other words, the buying situation.

B2B buying behaviour
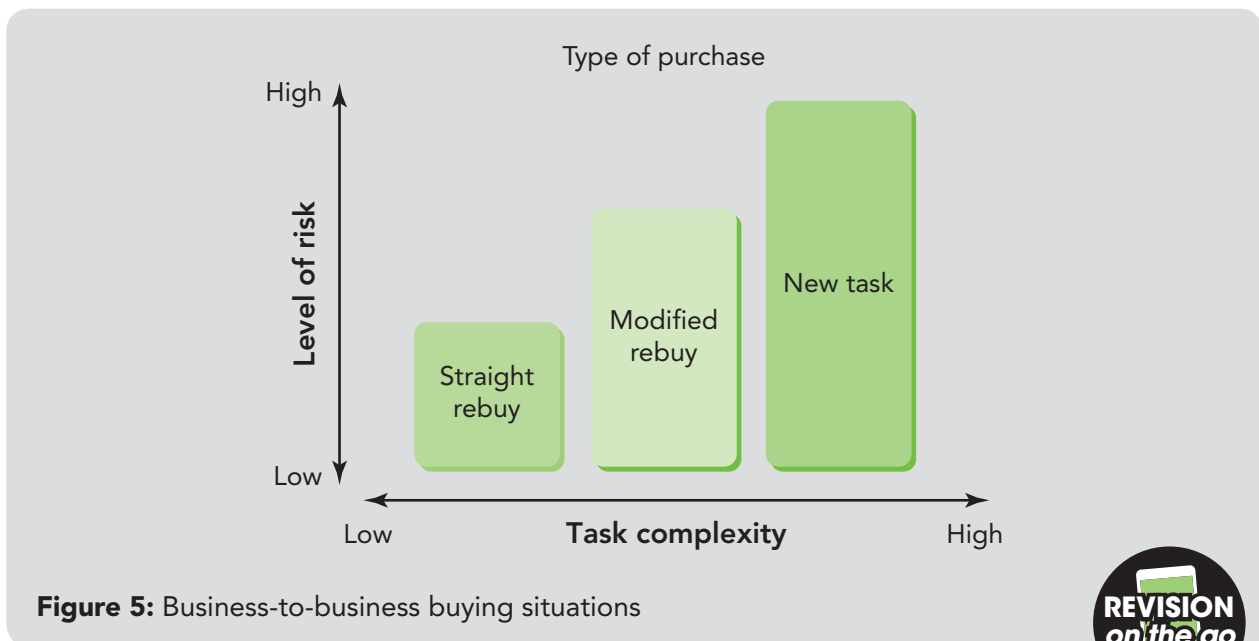
Figure 5: Business-to-business buying situations

The type of purchase

- The lowest risk and least involvement would be a routine purchase such as stationery, spare parts or repeat purchase of catering supplies.

- A medium level of risk and greater involvement in the decision process would involve making a purchase that was routine but that now needs modification. This could be in the specification of the product/service or deciding to buy from a new supplier.

- The maximum risk and highest involvement is required in a new purchase task; that is, buying a new product/service for the first time. The supplier may be known to the buyer, in which case this risk can be mitigated, but the buyer won't have the benefit of experience to guide their decisions.

Size and value of the purchase

Of course, the other major influencing factor in buying decision behaviour is the value and volume of the purchase; that is, the financial commitment that the buyer is making on behalf of the business. The greater that commitment, the higher the perceived risk and therefore the more rational and cautious the buyer or buying team may be.

The significance of the buying decision for marketers is that it helps to inform the marketing strategy, based on the different motivations of the buyers – for example, a high-risk, high-involvement

purchase will require a great deal more information, detailed descriptions of features and benefits, and more reassurance perhaps by personal sales teams, than a low-risk, low-involvement decision.

Source: Adapted from McKinsey & Co. (2015)

Figure 6: The organisational buying process
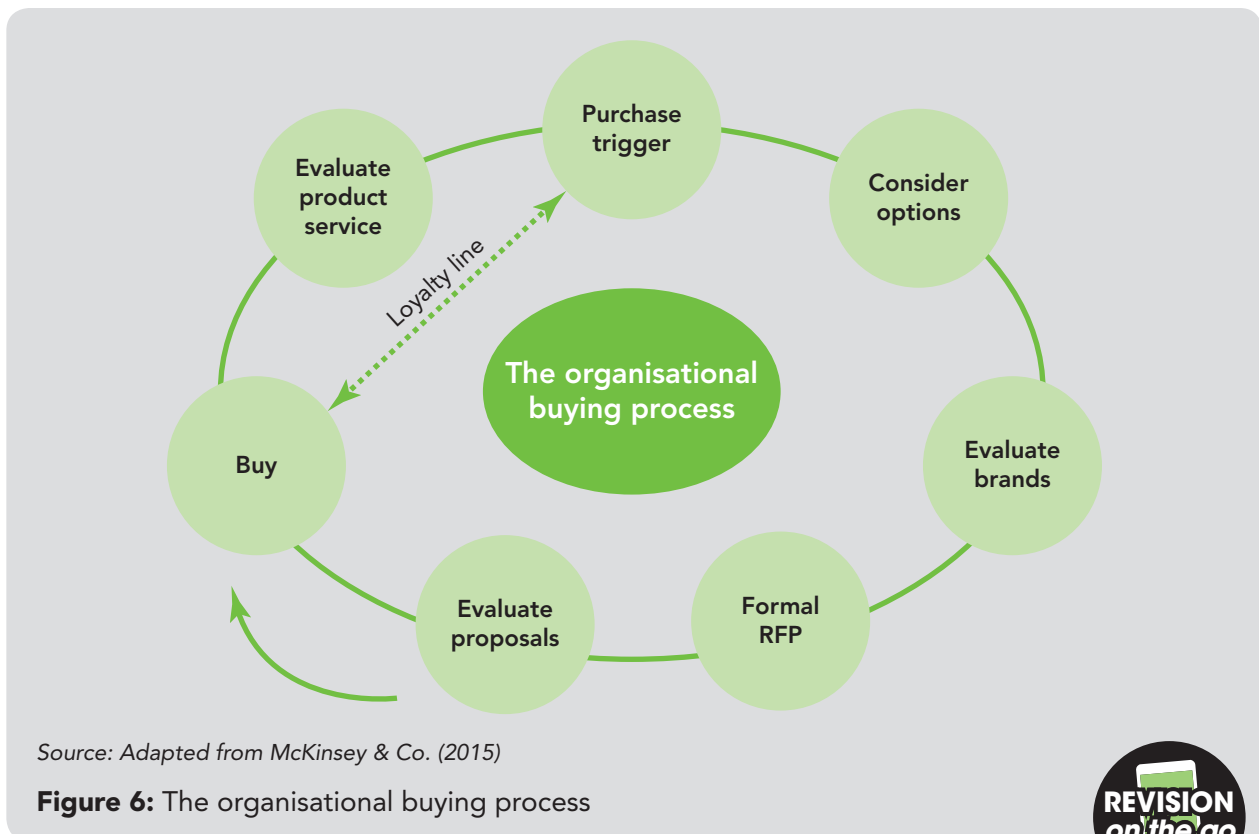
B2B buying starts in much the same way as consumer purchase behaviour: someone in the business highlights the need for a product or service and that starts a chain of events from consideration to purchase decision.

The two key process differences between this consumer behaviour are with regard to the number of people involved and the formality of the process. Once such process is the distribution of a RFP (request for proposal) – that is, a call for quotations, estimates and pitches from a variety of potential suppliers.

The other differences are almost entirely grounded in the different behaviours and approaches of business buying function, often made up of many different roles that are directly or indirectly involved. This team of people is known as the decision-making unit or DMU and typically includes the following.

- **The initiator**: The person who raises the original request: for example, a request for a new laptop. They may have little or no expert knowledge and little influence about brand and product class. These are people with the need but not the means or authority to make the purchase.

- **The influencer**: The person who develops the scope and specification and decides on the product/service that is needed. Influencers will have a degree of expertise in their field, such as the IT manager who considers the request for a new laptop. The purchase decision will be based on their recommendations.

- **The decider**: The person who makes the final decision about whether the purchase is the right strategic solution for the business and whether the investment can be made. This may be the commercial team or financial controller.

- **The buyer**: The person who actually makes the purchase, acting as an intermediary between the organisation and the supplier. Buyers negotiate the best value – the price paid for benefits received – from those suppliers chosen by the influencers and agreed to by deciders. They may have some knowledge and expertise in the product/service category, but will be led by the influencer about the specifications, features, benefits and so on.

- **The gatekeeper**: The person who controls the flow of information: for example, a personal assistant who decides upon and filters the information that is forwarded to the influencers and deciders.

The significance for marketers in understanding these roles is to ensure that they contact the right person with the authority and means to make the final selling decision or heavily influence it. They need also to be very mindful of the gatekeepers and their power to withhold information, often marketing directly to them to persuade them that theirs is the best solution to the organisation's problem.

📄 CASE STUDY: FINDING THE PERSON WITH THE MEANS, THE NEED AND THE INFLUENCE IN B2B BUYING DECISIONS

Who's who in this organisation?

It's nearly 5pm on a Friday afternoon and Claire is just about to leave for the evening. It's been a tough week, made worse because the organisation's IT system is so slow and poorly networked; people struggle to connect to the internet and information is still held in silos, which makes it hard to enable the right people to access the right information when they need it.

Claire makes a note to speak to her IT manager, Abioye, first thing on Monday. As CEO of a small furniture manufacturing business, she knows that investment in modern and reliable IT systems is crucial for the company's growth and survival.

Abioye understands the issues and talks with Claire the following Monday. Claire believes they need an entirely new IT system, one designed specifically for the business. But Abioye isn't so sure; he thinks he can solve all the issues in-house without the need for major investment.

Abioye calls his contact Grace at ProSystems, an IT specialist company he has worked with many times in the past, and explains the dilemma. "But Abioye," Grace says, sounding confused, "I sent through a link to our new website and brochure last week and left a message for you to give me a call. Didn't you get them?" Annoyed, Abioye apologises and explains that he didn't receive the email or attachments and invites Grace to visit to help find the right solution.

"Why didn't you tell me that Grace from ProSystems called last week?" Abioye asks the office manager, Gabe.

"I thought it was just another sales call that you wouldn't want to be interrupted with," he replies.

The following week Grace persuades Abioye that a new system is needed and they meet with Claire to explain the type of IT system they should install and the probable costs. They reach a price that they are all happy with, and Gabe is briefed by them to finalise the detail and timing and promises to pass on all future messages to people in the business.

✏️ OVER TO YOU

Activity 2: Who's who in this organisation?

Thinking about the different roles that people hold, their levels of expertise and decision-making power, read through the case study above to decide who holds the five key roles described earlier.

Your challenge

Write a brief review of the case that includes:

- **your thoughts about who plays each of the five roles in the decision-making unit;**

- **a recommendation for what you think Grace could have done differently to ensure the information reached Abioye.**

The external factors affecting B2B purchase behaviour

Market dynamics

The approach to purchase decision-making will, of course, vary greatly depending on the type of market, its organisational structure and its size. For example, a buyer working for a major public body such as the military or government will have a very specific procedure that must be adhered to and that may involve many different stakeholders and take months to process. However, a small start-up business in a high-tech industry may have more flexibility, a faster approach and far fewer people involved in the final decision.

From PEST to SLEEPT to PESTLE and beyond

You probably recognise at least one of these iterations of the powerful PEST model, an acronym that forms the framework for businesses to analyse the external operating environment. It's a popular concept that dates back many years, but is still very relevant today for all business managers.

It was first developed as PEST (political, economic, social and technological), but as legal factors and the corporate social responsibility have become increasingly important in the business environment other elements have been added over time.

To recap on the most appropriate version for the subject of B2B buyer behaviour, Figure 7 shows a brief definition of the SLEEPT model.

S — **Sociological factors:** Demographics; cultural trends; public opinions

L — **Legal factors:** Existing and changing legislation affecting a specific industry

E — **Economic factors:** Cost of living; inflation rates and economic climate and stability

E — **Environmental factors:** Impact on the physical and human environment caused by any part of business or its sector

P — **Political factors:** Governments; political beliefs and constancy

T — **Technological factors:** Existing and emerging innovations; technology trends and changes

Figure 7: SLEEPT

Businesses use this acronym as a way of capturing all the significant opportunities and threats in the external (macro) environment. It is at its most powerful when used to inform a **SWOT analysis**.

Economic climate

Perhaps the two most important factors that affect B2B buying behaviour are economic and political climates. Business is becoming increasingly global, and trade agreements are in place across many countries and continents. Political influences, such as a general election or change in leadership, can have an impact on those agreements.

Political stability also has a direct impact on the economic climate and, although there are many other factors involved, in times of political change the uncertainty might cause the economy to slow down.

📄 CASE STUDY: THE TRUMP EFFECT

Has US president Donald Trump been good for business?

On Tuesday, 8 November 2016, Donald John Trump was elected as the 45th president of the United States of America. His appointment has been highly controversial and caused nervousness among many nations including Russia, China and, not least, North Korea. But has his mantra of "America First" had a positive impact on US business?

- He has pledged to spend more than US$500 billion on rebuilding the country's infrastructure to create millions of jobs.

- There is a promise of US$137 billion worth of tax credits for private firms willing to invest in construction projects.

- The Federal Corporation tax rate is to be cut from 35% to 15%, easing business finances.

But spending at this level requires the Trump administration to take the country into even greater debt when the country already has a deficit of US$20 trillion. That could mean interest rate increases that will slow consumer spending.

So the impact on businesses from this change in government, its approach and its beliefs may have a positive economic effect: construction and infrastructure sectors will benefit greatly from the new president's policies, and the corporation tax cut will boost business spending in the short term. The price of these economic policies may be a slowdown in the economy caused by inflation and interest rate rises that could reduce consumer spending power, hitting retail, **FMCG** and consumer goods sectors first.

Source: www.telegraph.co.uk/business/2016/11/09/qa-what-does-donald-trumps-presidential-victory-mean-for-the-eco

The internal factors affecting B2B purchase behaviour

Just as cultural and personal factors influence what we buy and how we buy it, these forces also impact on organisational buying behaviour.

Corporate culture

Along with market dynamics and structure comes organisational culture, once described by management guru Charles Handy, as "the way things are done around here": that is, an organisation's cultural climate, attitudes, accepted behaviours and so on. Some businesses are highly disciplined and built on a hierarchical structure; others are more flexible and fluid in their approach to buying decisions.

Corporate culture has a significant impact on decision-making as it controls a buyer's attitude to risk, the scope of their decision-making power and scope of their responsibility. It's a powerful force

that can have people working in a "blame culture", too afraid of making a mistake to take any risk, or in an "empowered culture", where mistakes are embraced and treated as part of the test-and-learn ethos.

There are many theories about corporate culture, what it is and how to change it, and most are based on four cultural typologies proposed by a pioneer of the subject, Charles Handy[12] (see Figure 8).
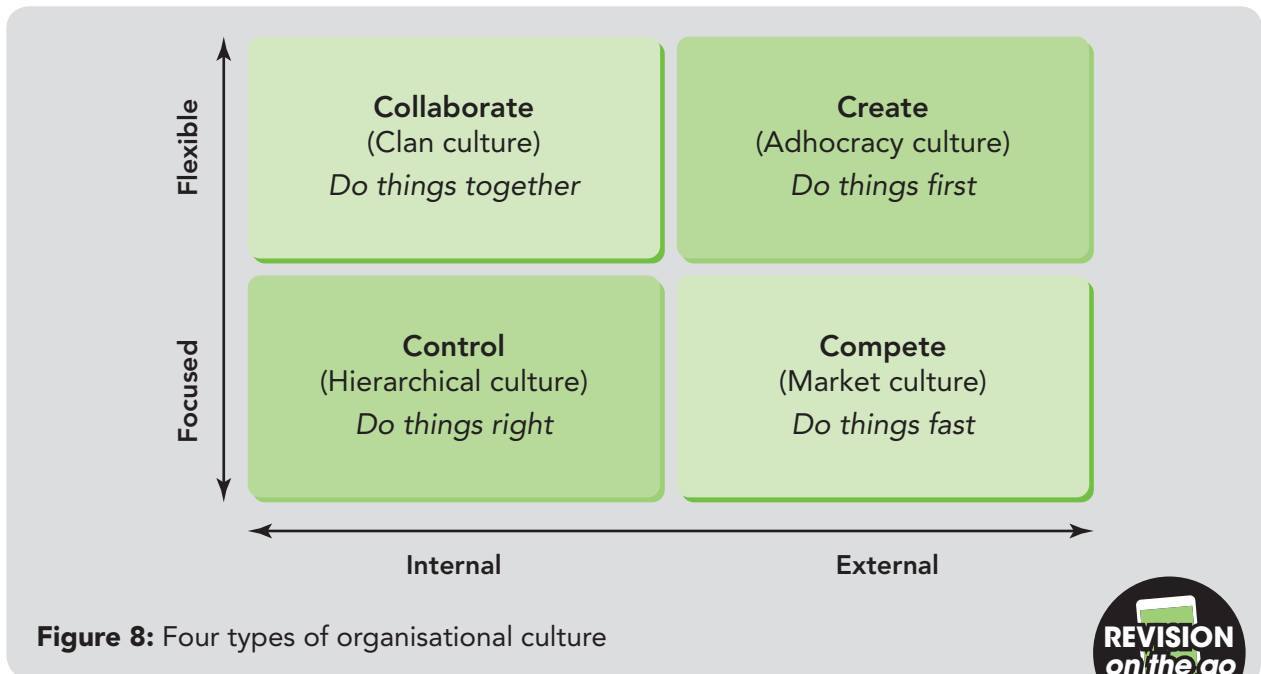
Figure 8: Four types of organisational culture

The more collaborative and creative a culture is the more flexible it will be about the way buying decisions are made.

Conversely, the more controlled and competitive the culture, and whether the business is internally focused, the less freedom a buyer will have to make purchase decisions.

✎ OVER TO YOU

Activity 3: Dare to be a Dyson

Dyson is a highly successful technology business that operates mostly in the consumer electronics industry. It is perhaps best known for its range of hi-tech appliances including vacuum cleaners, air cooling fans and hairdryers.

It was founded by British inventor James Dyson in 1978, when he introduced the world's first bagless vacuum cleaner. He has a powerful reputation as an entrepreneur, and the Dyson brand is known in many countries for its quality, innovation and reliability.

But Dyson is known to remain highly involved in even the most minute detail of the business.

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12 Handy, C. (1985), Gods of Management: *The Changing Work of Organizations*. Oxford University Press

Your challenge

- Visit the Dyson career website, https://www.careers.dyson.com/were-different, and explore the articles and information that is provided for potential job candidates. It gives a rich insight into the culture of the company.

- Consider the images that are used and the wording of some of the information. For example, "Dyson is far from ordinary or average: Dyson is different. Our culture is unique. It's not easy or comfortable. It's certainly not for everyone. But if you thrive on challenge and are excited by change – it could be for you …"

- Once you have thoroughly considered the content, make a list of the characteristics and personality traits that you believe the ideal Dyson job candidate would need to possess to be offered a position in the business. For example, would they be trustworthy or daring? Reliable or creative?

- Create what you believe would be the person specification (the essential personal attributes) of someone able to succeed in the organisation.

- Share your person specification with the group to compare your thoughts and what you have learned.

Personal factors

We cannot ignore the human influence on B2B buying behaviour because, no matter how disciplined we are, we will always bring part of our personality and emotional self to work, and that effects what we do and how we do it.

For example, we might be highly motivated and career-minded, confident in our decision-making and keen to perform to a high standard. On the other hand, we might be working only to pay the bills and have no ambition to move up the career ladder; we might be someone who lacks self-confidence and whose performance is adequate and good enough, but not someone who is seeking advancement, so not trying to impress anyone.

Age, level of education and interpersonal skills also impact on the way we do our jobs, and all these personal factors combine to form our attitudes, approach and behaviours at work.

The same is true for business buyers, who must balance their own emotions with the rational thought that is needed to make good purchase decisions.

How leadership affects buyer behaviour in an organisation

Many organisations will have a goal-orientated approach to decision-making; there will be a set of objectives and **KPIs** that will cascade down to individual employees to form part of their performance review.

Figure 9: Five styles of leadership
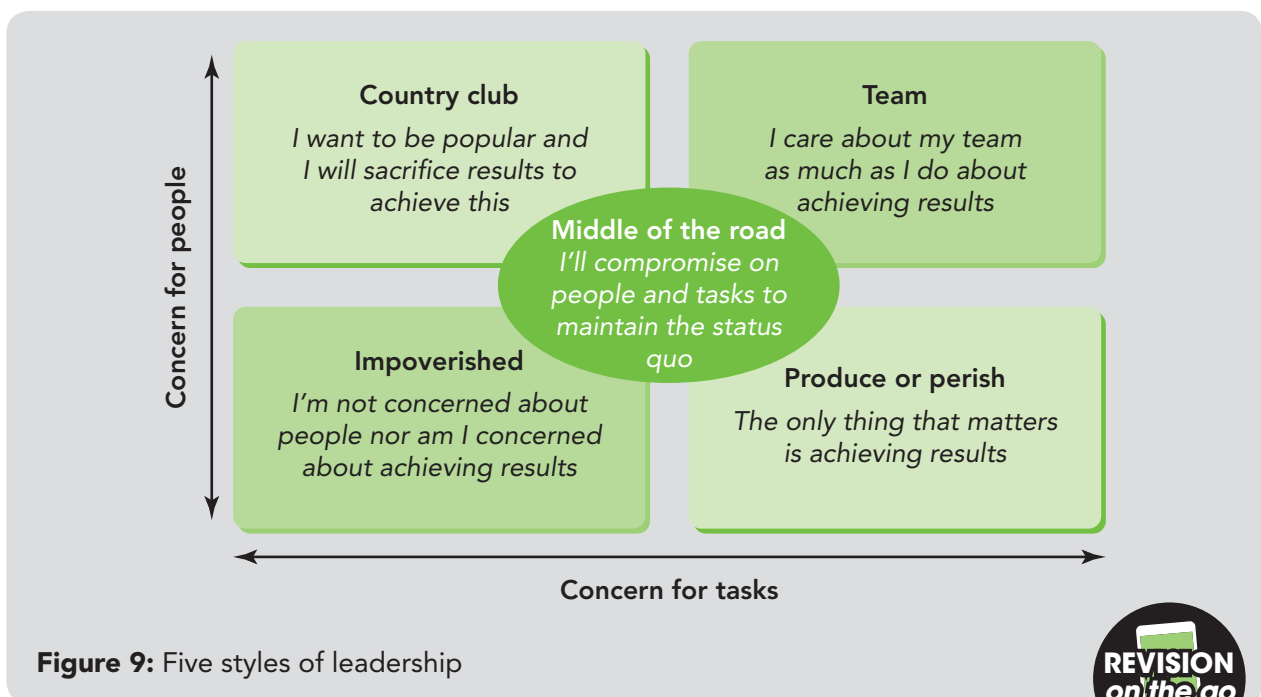
This is true of B2B buyers, who may be tasked with reducing prices through negotiation or achieving quality standards in the products/services that they buy. How we meet our professional objective can be a result of how we are managed and the leadership styles involved.

For example, a manager may demand performance or incentivise it; check every decision detail made or empower decision-making and therefore permit mistakes. Leadership approach and style are very much driven by organisational culture, which we explored earlier in this chapter, and there are many different studies and concepts regarding different types of leadership.

Perhaps one of the best-known and widely adopted models is the Blake–Mouton Grid (1964)[13].

The principle of this theory is that leadership styles fall somewhere on a continuum between being concerned about people and being concerned about meeting objectives and achieving results.

Too high a concern for people will result in objectives not being met, either because a leader allows people to underperform in the hope of becoming more popular or they take on tasks themselves in fear of overloading others.

Too much concern about task achievement results in an authoritarian leadership style, a do-as-you-are-told approach.

📄 CASE STUDY: LEADERSHIP LESSONS FROM A BRILLIANT BUSINESS LEADER

How Google manages people for success

Larry Page is somewhat of an icon when it comes to business leaders; he is quoted, referenced, cited and copied these days more times than Richard Branson, and his fame grows as Google continue to outperform everyone else in the market. The brand is so strong it has now entered the English language as a common term.

Page is intelligent, creative, highly driven and collaborative. These traits set the tone for leadership in the company and he goes to great lengths to enable others to bring good ideas into the business. He encourages his senior leadership team to do the same and he pushes them to enable teams to "build things that don't exist", taking on radical and seemingly impossible projects known as "Moon Shots".

His passion for the next big thing in innovation is infectious and he constantly reminds his team to aspire to do more and bigger things. His concern for achievement is matched only by his concern for people; employees at Google enjoy some of the best and most wide-ranging benefits.

Work for Google and you are encouraged to bring your dog to work, visit the in-house gym, enjoy free meals from a variety of campus cafes, take up to two years off for a sabbatical and even visit the company's chiropractor.

Page's philosophy is that looking after people attracts the best, and the best are encouraged, empowered and rewarded for performance. The upshot is that, as a buyer for Google, you would be incentivised to take risks, responsibilities and push the boundaries to achieve results, perhaps more than any other buyer in the sector.

Source: http://www.boothco.com/360-feedback-resources/inspiring-leadership-style-google-ceo-larry-page/

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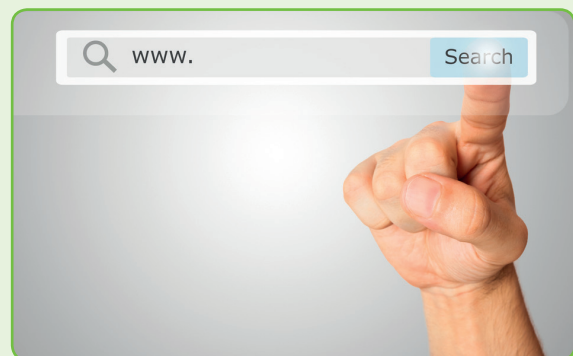
13 Blake, R. and Mouton, J. (1964), *The Managerial Grid: The Key to Leadership Excellence*. Houston: Gulf Publishing Co.

2.3 How buyer behaviour may differ in the purchase of a service to that of a product

It used to be true that marketing a product was so much easier than marketing a service because of its tangibility: consumers can feel it, see it and experience it for themselves, try it on and even smell it. But that's not as true today, with so many more purchases being made online; consumers are now more willing to take a chance on a product knowing, for the most part, that it can always be returned if it doesn't fit their requirements.

Most products have services attached. For example, buying a new kitchen appliance will come with a warranty, and we may take out extended insurance cover with the firm to cover any damage or repair beyond the life of the guarantee.

The key differences between a service and a product are shown in Table 1.

Ownership is not transferred	If we buy a sandwich, that sandwich is definitely ours; but if we buy a cinema ticket, we don't own the cinema.
Consumer and buyer involvement	We are more involved with a service than a product because we have to experience the service: for example, withdrawing money from a cash machine or buying home insurance.
Consistency	The uniformity of a product can be controlled by quality measures, but a service is more likely to be variable: for example, the service we receive in a hotel or on an aeroplane.
Evaluation variance	Because services are intangible and the consumer/buyer involvement is greater, it is arguably harder to determine the quality standards of the service.
Time limits	Services are consumed instantly; they don't last like products can do. For example, a holiday, taxi ride and even a telephone call are services that you pay for and consume simultaneously. But a product such as a fridge, microwave or food blender can last for many years.

Table 1: The differences between services and products

REVISION
on the go

How customers evaluate intangible services

The important point about the difference between a product and a service is that marketers must find ways to make a service more like a product in order to persuade us to buy it; the more tangible they make it, the more physical evidence they can create, the more consumers and buyers feel comfortable in making the purchase decision.

✏️ OVER TO YOU

Activity 4: The services marketing mix; it's all about proof

Exploring the extended marketing mix

You have probably heard of the 4Ps of marketing and maybe the extended 7Ps marketing mix that has been developed to reflect the growing importance of the service sector in today's marketplace. If you haven't come across these before visit www.cim.co.uk/media/4772/7ps.pdf for a brief overview.

Your challenge

The three service Ps of people, physical evidence/environment and process are important influencers in the decision process when buying a service.

- Read through the following case study and identify opportunities for this fictitious business to make improvements in the areas of these three Ps, with the focus on influencing customer behaviour and decision-making.

- Imagine you are a newly appointed marketing manager and you must persuade your senior leadership team to make three important improvements. Create a five-minute presentation that includes your reasoning and the benefits you would expect to see as a result.

Activity 4: The services marketing mix; it's all about proof

> ### 📄 CASE STUDY: THE IMPORTANCE OF CREATING A GREAT CONSUMER EXPERIENCE
>
> #### Travelwide
>
> Travelwide is a small, independent travel agency based in Vienna, Austria. It has been trading for over 50 years and is still family owned and run by Edith and Brian Weiss. Their revenue is reasonably consistent, but they seem to be struggling to convert new customer enquiries into sales. As the new marketing manager, you decide to spend a day observing the sales process in the agency and look closely at the website to explore what is and is not working well.
>
> That morning the first customer enters the agency, browses the shelves full of travel brochures for some time and finally turns to the travel adviser, Michelle, for help. She begins by taking some basic details from the customer before asking where he was thinking of going. As he begins to explain, the telephone rings and Michelle picks it up; it's an important call from one of their resort partners so she continues with the call. Eventually, she ends the call and turns back to the customer. It transpires that the customer was considering travelling to a destination that the agency is unable to book flights for, so Michelle apologises and the customer leaves the agency without taking any of the brochures or Michelle's contact details.
>
> Later that day, you go onto the Travelwide website to see how easy it is for you to navigate to various pages and experiment with the process involved in purchasing a flight or holiday. Your first task is to look for inspiration (as customers do not always have a predetermined destination), but there are no filters that enable you to do this.
>
> So you go through the process of purchasing two airline tickets and find that you must first enter all your personal and bank details before you can proceed to book preferred seats or upgrades. At the point where you are about to make the purchase you find you can't proceed without repeating your bank details. You have now seen enough of the operation and customer experience to understand the improvements and changes that need to be made to help improve the agency's sales conversion rates.

According to Armstrong and Kotler (2009)[14] consumers and buyers must make the purchase decision in relation to a service based on key variables:

- how well they believe the service will meet their needs and provide the right solution;
- how effectively the brand has been able to bring the service to life and make it tangible;
- how easy it is to access the service and the ease of purchase;
- the perception of value, benefits and features received for the price paid;
- the reputation of the brand compared to others in the category.

Managing customer expectations

Brands have often been accused of over-promising and under-delivering, making claims about their product or service that don't always reflect reality. And whilst there are laws and codes in many

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14 Armstrong, G. and Kotler, P. (2009), *Marketing: An Introduction*, 9th edition. Upper Saddle River: Pearson

countries that require advertisers to be honest and truthful and adhere to the law, there will always be cases where we feel disappointed by the standard of the service we have received.

But many marketers know that it is important to meet the expectations of the consumer or buyer, because anything less simply creates consumer/buyer "churn"; recruiting one new customer to replace another that has been lost from the brand franchise, usually due to a disappointing experience.

The simple equation is that a satisfied customer will become a loyal customer and promote the brand to their friends, family and reference groups, and you can see this in Figure 10. The two opportunities to meet the expectations of and delight the consumer/buyer are in the perceived quality and value of the service. The word "perceived" in this case is very important because it refers explicitly to the opinion of the consumer/buyer; if they do not think they have received best value then, no matter how the brand may seek to justify it, they haven't.

Source: Adapted from Reichheld (2003)

Figure 10: The Net Promoter Score®
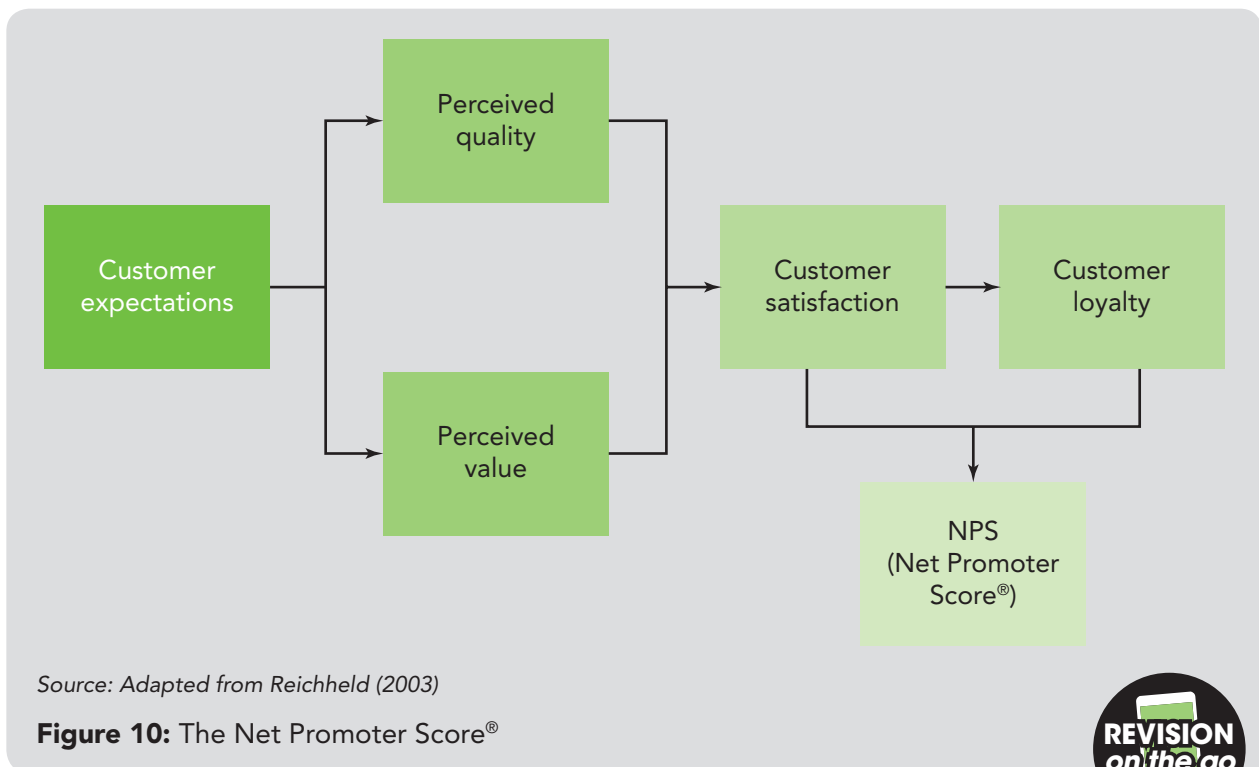
The Net Promoter Score®

One of the most common methods for a service brand to measure consumer/buyer satisfaction is through a research method known as the Net Promoter Score®, a larger consumer satisfaction pathway that can also involve gathering consumer insights from social media; live chat helplines and so on.

This is a simple concept, yet complex in its application; it is one of the most powerful techniques used to measure the readiness of consumers/buyers to recommend a brand to others. The scale ranges from −10 to +10, and the question asked is: "How likely are you to recommend our service to a colleague or a friend?"

Those who are very willing to do so (promoters) would score highly (between 9 and 10) and those who are unlikely to recommend the brand (detractors) would score at the bottom end of the scale

(0 to 6). Those who are neither willing nor unwilling to refer the brand (passives) would score somewhere in the middle (7 to 8). See Figure 11.
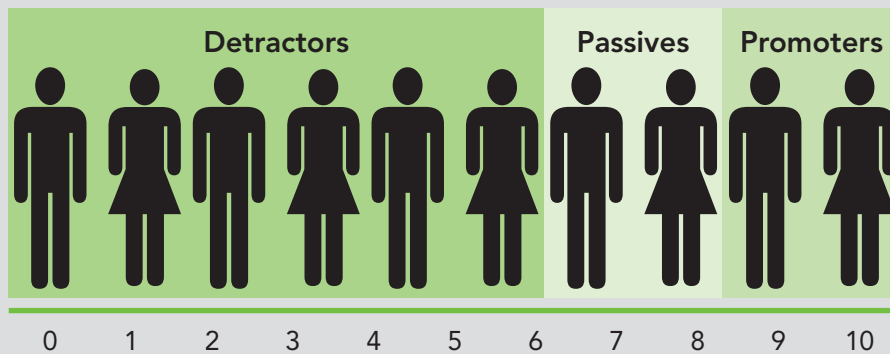

Figure 11: The NPS scale

Subtracting the percentage of detractors from the percentage of promoters indicates the Net Promoter Score®. This can be used as a measure of the customers' overall perception of the brand and customer experience.

📄 CASE STUDY: WHEN GOOD IS GOOD ENOUGH

Apple's lean approach to launching new products

One of the world's best-known and loved brands, Apple, takes a lean approach to getting new products to market quickly. In the fiercely competitive electronics sector, the brand must innovate quickly and effectively in order to be first-to-market with a breakthrough innovation.

So, what does it mean to be lean? For Apple, that means following a fast-track process to develop a product as quickly as possible and launching it with enough of the features and benefits that the target consumer expects – but no more and no less.

Take the Apple iPhone for example. It started life in 2007 with the launch of the first mobile phone with the distinctive "Home" button. Less than two years later, Apple added 3G capability to deliver the fastest internet speeds; 2009 saw the introduction of video features with the iPhone 3GS, and the brand continued iterating, adding features and benefits almost every year. After the launch of the iPhone 8, Apple introduced the first phone with facial recognition, the iPhone X, in 2017.

This brief snapshot of Apple's product launch history illustrates how the brand started with a product that met consumer requirements, but how it tested and learned quickly to iterate, developing new, improved versions with each model.

Apple used consumer responses and reviews to inform these developments and, with their product development timeline now reduced to under 18 months from product conception to sale, the brand is set to continue to dominate the consumer electronics market and maintain its iconic leadership position.

Source: https://www.t3.com/features/a-brief-history-of-the-iphone

The organisational buyers' process to make service purchase decisions

When organisations buy a service, they follow much the same path as when buying a product. But you can see from Figure 12 that the key difference will be a prior agreement to the standards, quality and service expectations.

Figure 12: The path of service purchase decisions for organisational buyers
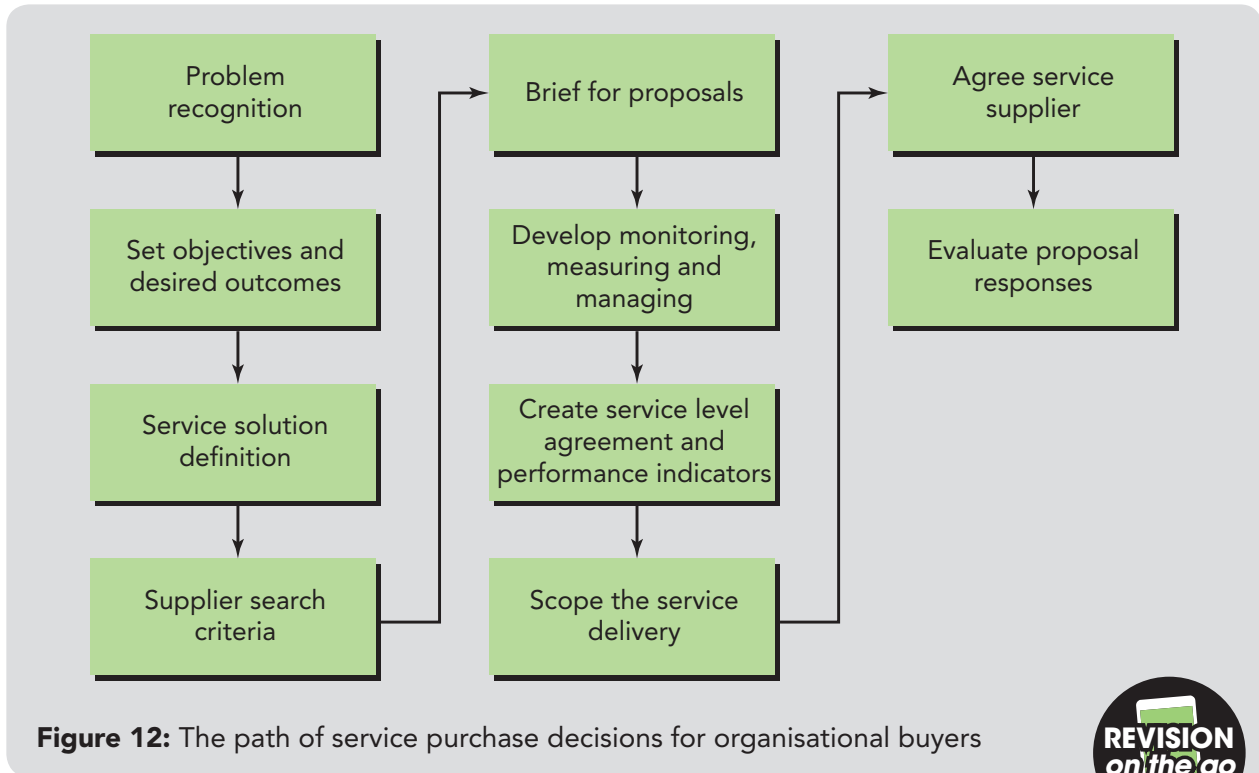
It could be argued that it is easier to evaluate the performance of a tangible product than it is an intangible service. So many organisations go to great lengths to set out and agree precisely what the service will be, how it will be delivered and the critical success factors that the firm needs.

For example, an organisation might employ a firm of accountants and it will agree the exact services that the accountancy firm will deliver for the price. The service level agreement will set out the timeliness of the service delivery, levels of client services and the size of the client services team who will be engaged with the organisation, and a set of deliverables such as tax returns, reports, accounts and so on.

Having this process in place helps to avoid disputes between the client and the service provider, and it helps to manage performance expectations.

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Summary

In this chapter we have seen how marketers have a range of tools, theories and constructs that they can use to try to predict and model consumer and buyer behaviour. The black box theory; Kaushik's STDC framework that considers purchase intention states to understand consumer decision-making; Howard Sheth and the EKB model are all helpful in planning the marketing strategy.

Digital has disrupted the traditional buying process. Other situational variables need to be considered, as do the levels of perceived risks and involvement needed to make the purchase, and the challenges involved in buying a service which can't be experienced prior to purchase. All of these factors go to make the path to purchase bumpy and full of potholes.

The Value of Research in Providing Insights into Buying Behaviour

Introduction

We can make many inferences about how consumers and organisations might behave as they move through the **buying cycle**, but research insights are vital in helping marketers to make informed, data-driven decisions.

This chapter examines the types of consumer data and methods of gathering it, and how it is turned into meaningful insights that can illuminate the present and even predict future purchase behaviours.

We will examine the valuable role of "big data" and the capability that organisations now have to gather, analyse and apply more data, more accurately, more often to help understand their target consumers' likely behaviours. But the term "big data" is widely misunderstood, so we will define its meaning and how it applies to both quantitative and qualitative behavioural insights.

Learning outcome

On completing this chapter, you will be able to:

3   **Analyse the value of research in providing insights into buying behaviour**

Assessment criteria

3   **Analyse the value of research in providing insights into buying behaviour**

   3.1   Analyse the methods used to gather customer insights research data

   3.2   Assess digital methods of gathering customer information

   3.3   Discuss the importance of protecting customer data

3.1 Methods used to gather customer insights research data

The ways in which marketers gather research insights has changed greatly since the 1980s. The introduction of technologies has enabled researchers to track eye movements, thought patterns and even emotions.

But even with all the advancements and innovations, research rightly remains a method of gathering helpful indications: a signpost to probability and not conclusive answers that can stand alone to be acted upon.

📄 CASE STUDY: THE TRUE LIES OF THE RESEARCH SURVEY

Why respondents don't always tell the truth to researchers

Have you ever filled in an online survey and given false data? If you have, it was probably because you wanted to protect your privacy or because you wanted to get through the process as quickly as possible; ticking the first box that comes up is easier than scrolling down to the correct one.

Ironically, up to 50% of respondents don't tell the truth when answering research surveys. The implication for marketers is that the data they are gathering is likely to only ever be 50% accurate.

But why do consumers lie to researchers?

- Most people give false data to protect their identity and privacy, fearing unwanted emails and telephone calls from sales firms if they tell the truth.

- 77% of respondents in the research said they gave false data because they felt that the questions were intrusive: for example, asking how much they smoked, drank or ate.

- Many respondents said they gave false data because they felt the information being asked for was irrelevant.

- Some respondents said that they gave false data because they didn't want to upset the researcher. These mostly involved product preferences, likes and dislikes, where respondents thought it would be rude to say they didn't like the brand being researched.

So, marketers can only believe 40% of what they hear – if the research is to be believed!

Source: www.marketingweek.com/2015/07/08/consumers-are-dirtying-databases-with-false-details

There are many reasons why marketers commission research studies. They may want to quantify a market sector to understand its volume and value; they may want to test a new product, packaging design or advertising campaign.

For the purposes of this study guide, we will be focusing on the role of consumer and buyer research as a method of being able to better understand buying and decision-making behaviour.

An overview of the marketing research process

Let's start with an overview of the process so that we can put behavioural research into context. And it is important that all research projects follow a planned approach; after all, it is still a scientific study that must provide valid and reliable results through a defined process and rigorous approach for it to meet its objectives.

You can see the five broad stages illustrated in Figure 1.

Figure 1: The five-stage research process
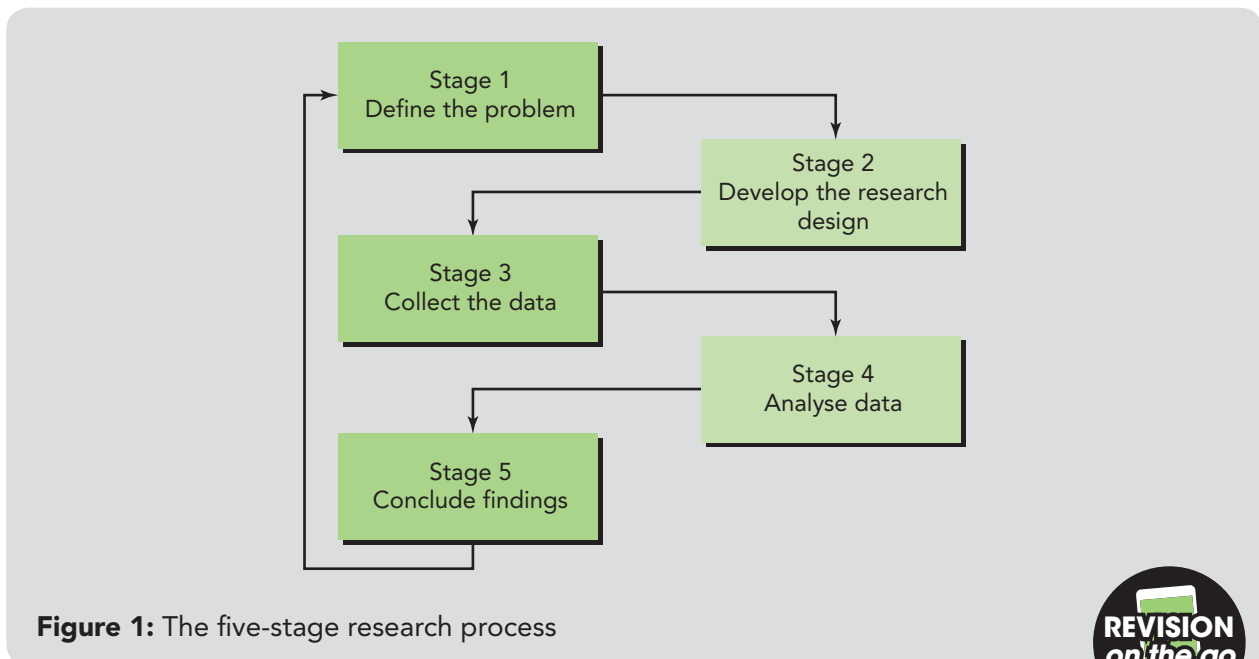
Stage 1 – The research problem: This concerns the issue that marketers want to know more about. Perhaps that is a fall in sales, or rising consumer/buyer dissatisfaction, or they may want to test the acceptability of a new price, product or other marketing variable that could potentially impact on consumer behaviour.

Stage 2 – The research design: This is a description of how research data will be gathered; who will be asked to participate; where and when.

Stage 3 – Data collection: Researchers have a variety of methods through which they can gather information, and the skill is to choose the right method for the type of information needed.

Stage 4 – Data analysis: How we interrogate the data will depend on how we gathered it and the nature of the information: whether it is numerical or interview insights.

Stage 5 – Research conclusions: Arguably, this is the most important stage to get right; even the best research projects will fail to provide the right information if researchers misinterpret the findings.

Answering the problem before asking the question

Marketers need to fully understand the issues and to clearly define them before beginning to design the most effective research solution.

There are three key components to the **research question** that marketers need to describe.

1 **Background and context**: Putting the issue into context will enable researchers to better understand the history and current situation. For example, how did the issue come about? When was it identified and why does it represent an issue to be researched?

2 **The problem statement**: Creating a concise but specific statement that explains the problem helps researchers to focus on the right research design and methods. It is best developed by a group of people who all have some form of involvement or experience of the problem. A helpful construct to focus the development of the statement is the five Ws: Who? What? Where? When? Why?

   The problem statement will be at its most effective when it is focused on a single issue and is no more than a paragraph long. It should not attempt to define a solution, just the issue at hand.

3 **Justification for the study**: This important consideration defines what the marketer hopes to achieve with the study; it is the outputs, outcomes and expected benefits. For example, if the research statement addresses the issue of declining consumer or buyer brand preference, then the expected outcome will be a clear identification of the cause. If the issue is put right by the insights provided by the research then marketers can improve brand preference and therefore improve commercial performance.

Core problem Lack of consumer response to marketing campaign	
Why?	Why do we think the problem exists? Evidence of the problem including missed sales target; poor retail channel responses and negative consumer reviews.
What?	What was the campaign about? Encouraging trial of our new men's aftershave fragrances.
Who?	Who was the campaign talking to? The target audience: All: adult millennials; early adopters; urban dwellers; mostly male.
Where?	Territories: Mostly in our core regions USA, China, S. Africa, and UK. Retail channels: Through major supermarkets; chemists and convenience stores.
When?	Latest advertising campaign that broke in June and ended in November. Negative creative reviews began in July.

Figure 2: Example of the five Ws problem statement

REVISION on the go

The tools we use to gather research information will be completely dependent on this research statement, from which the research question is developed. These tools will be used to gather the two types of data: quantitative data, which is usually needed to answer questions about *what* is happening, and qualitative data, which is usually needed to answer the question about *why* it is happening.

Qualitative methods of gathering research data

As its name suggests, this type of data focuses on the issues, thoughts, attitudes and opinions of a consumer or buyer group. It does not seek to quantify them and explain their prevalence, but simply to reveal the insights that can help marketers to better understand consumer and buyer behaviours.

Qualitative research methods usually involve either **unstructured** or **semi-structured** questioning among a small number of people and use **open question** styles.

Here are the most common methods of gathering this data.

- **Focus groups**: Small groups of people (8 to 10) who all represent the target audience, gathered together to discuss the research topic. The group is guided by a research facilitator, but conversation is encouraged to flow freely and is recorded for later analysis.

- **Individual interviews**: Direct contact with individuals who are asked to talk about the research topic. For example, this could be face to face in the street or store, at the buyer's desk or over the telephone. Again, these are usually recorded for later analysis.

- **Action research**: This involves providing a tangible experience that needs to be tested by the target consumer or buyer. Many marketers will give respondents a product to trial over a period of time and then ask them to reflect on its performance. This can be anything from a new model of laptop to a new type of pasta sauce. Data is captured by the tester in a diary for later analysis.

- **Observational techniques**: These methods can involve watching the behaviours of the target group as they perform a task. For example, researchers might observe shoppers as they explore and select a type of product in a store or they might watch a group of people using a new kind of factory machine.

📄 CASE STUDY: IS EVERYONE HOME FOR BREAKFAST THIS EVENING?

How Kellogg's® decided to market cereals as an evening snack

Many **millennials** have stopped eating breakfast cereal as a morning meal. They are turning increasingly to breakfast bars, smoothies and yogurts – things that can be quickly consumed while they are on the move.

This is bad news for traditional cereal producers such as Kellogg's®, who must now try to revive the popularity of its heritage brands such as Rice Krispies®, Corn Flakes® and Fruit Loops®.

To understand this phenomenon better, the company commissioned extensive research into the consumer behaviours of this important target audience, and through qualitative methods they came to some conclusions that would help them to re-energise their flagging sales.

Researchers found two interesting behaviours.

1   Millennials were sitting down in the evening eating a bowl of cereal whilst watching their favourite TV programme. This is when they were most likely to have time to relax. They preferred a hand-held breakfast on the go in the morning when time was tight.

2   Millennials were eating some cereals straight from the packet, as they would do a packet of potato crisps or chips.

This research gave Kellogg's® some clear indications of how it could respond to these new insights and it first developed an advertising campaign that encouraged young adults to consider cereal as an evening snack. Their product development teams set about creating a range of breakfast and snack products that would meet the needs and wants of these time-poor consumers.

The solution was a new range of cereal mixes and packaging formats trialled in key regions that included a more appealing mix of cereals, nuts and fruits and were designed to be eaten straight from the bag without milk.

Sources: http://fortune.com/2016/03/30/kellogg-cereal-snacks and www.kelloggcompany.com

Qualitative data analysis

Qualitative insights are usually analysed through the study of what has been said, how it was said and by whom. For example, the researcher will be seeking to understand the meaning behind what has been said, not just the words spoken.

Quantitative methods of gathering research data

The research described in the case study about Kellogg's investigation into consumer behaviours will undoubtedly have included a mix of qualitative and quantitative techniques. There is a strong argument that marketers should start to explore the research problem by first understanding the issues through qualitative methods, and then using quantitative methods to measure the issues' size or frequency.

Researchers set out to measure phenomena through data-gathering techniques. Quantitative research methods usually involve asking **closed questions** in a **structured format** to a large number of people (usually over 1,200 for there to be statistical significance).

The most commonly used methods include:

- **Research surveys**: A set of questions usually asked by a researcher to a representative **sample**. For example, you might be stopped in the street by a researcher asking you about a specific brand, product or service.

- **Self-completion questionnaires**: These are questions created remotely by the researcher, usually online these days, that respondents complete on their own.

- **Digital analytics**: Powerful tools such as Google Analytics enable marketers to track and study online behaviours in great detail and quantity. For example, marketers can identify the most popular search terms associated with their brands, how effective online display advertisements have been at driving website traffic, and how the audience explored the site and where they went next (e.g. which competitor sites were visited and sales conversion rates).

Quantitative data analysis

Marketers interrogate quantitative data, seeking to turn it into meaningful statistics from which insights can be drawn. For example, if a research survey reveals that 60% of all respondents say they hate queuing at supermarket checkouts, then the insight is that people hate to waste time needlessly when out shopping.

Primary vs secondary research

So far, we have considered only primary research – that is, gathering data that doesn't exist anywhere else because no prior research studies into the problem have been carried out. But there is a huge body of data available from current sources: for example, journals, research reports, internal commercial records and **syndicated data**, as well as internet searches, and so on.

The first rule of research for many marketers is to research the research before embarking on an independent study, otherwise they risk wasting time and money answering a question that has already been asked.

✏️ OVER TO YOU

Activity 1: Putting the problem down on paper

Can you suggest a research approach for a packaging supplier?

Now we have explored the two main methods of gathering data, let's put that knowledge into practice.

Your challenge

Imagine you are a marketing researcher brought in to a fictitious packaging supplier to help it to solve its sales problem. You have been asked to investigate and return with recommendations for a research project.

At this stage, you are not concerned with budget or timing restraints, simply the approach and design of the project.

- **Read through the case study below to understand the issues that business is facing.**

- **Formulate a research approach that would enable the business to solve the problem. This should include a statement of what you believe is the problem that the business faces, the methods you would use to gather data, the type of data you will need to collect, and why you believe your approach will provide the right answers.**

- **Create a report of no more than two pages of A4 paper for discussion with the company's senior leadership team.**

- **Share your report with your study partner, if possible, to gather feedback and share what you have learned.**

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📄 CASE STUDY: THE DANGERS OF NOT KEEPING PACE WITH CHANGE

Pride Packaging Co.

Pride Packaging Co. (PPC) is a large packaging producer with some big brand names as customers. Many of these are food companies that require PPC to provide specialist packaging materials capable of keeping liquids secure from contamination and leakage.

But the senior leadership team has noticed a decline in its sales of milk cartons, and one of its biggest customers, confectioner MilcoChoc, seems to be going elsewhere for its packaging solutions. PPC has asked the customer why it has chosen an alternative supplier, but it has received only a vague response about the drive for innovation and meeting the milk consumers' needs.

PPC has focused its efforts on replacing this customer with new business and hasn't spent any more time exploring the issue surrounding MilcoChoc. But it has only been successful in winning smaller customers needing limited quantities of packaging.

Recently, the senior leadership team has been made aware that even these smaller businesses are not returning after they place their first order. PPC knows that it is very competitive in its pricing, that it has a 100% reliability record and that customers say they like dealing with PPC.

It has now reached a point where it must decide either to cease production of milk packaging or to continue to invest in business development and new business acquisition. It's a tough decision to make because this has previously delivered 45% of the company's revenue and had accounted for US$13 million of their annual profits just a few years before.

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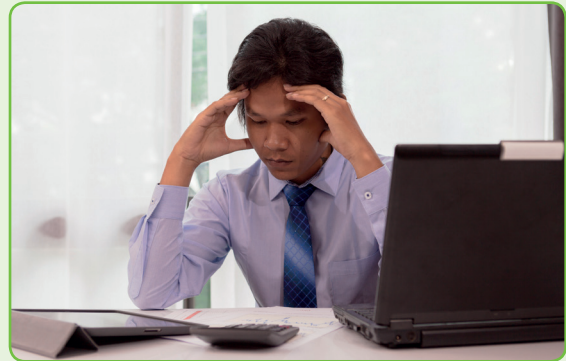
3.2 Digital methods of gathering customer information

Marketers today have many more ways of accessing information, analysing it and developing robust insights. Mostly, this is because they have powerful digital tools that are capable of quickly gathering vast amounts of data and turning it into meaningful information.

Do marketers gather data, information or knowledge?

In fact, they collect all three because, in research terms, each one is a completely different component with a unique role to play in order to formulate a **research hypothesis** and create new knowledge and learning. For example, raw data is just that: numbers and words that are meaningless without interpretation and conversion to information.

Once we have all the information, then we can start to understand the meaning and turn that into knowledge through insights. Applying insights helps business to improve performance across the entire marketing mix and business strategy.

So this is the fundamental principle of marketing research and here you can see an example of the difference between each component and how data flows through a process to become applied wisdom or "the point" of the research.

Figure 3: The market research process
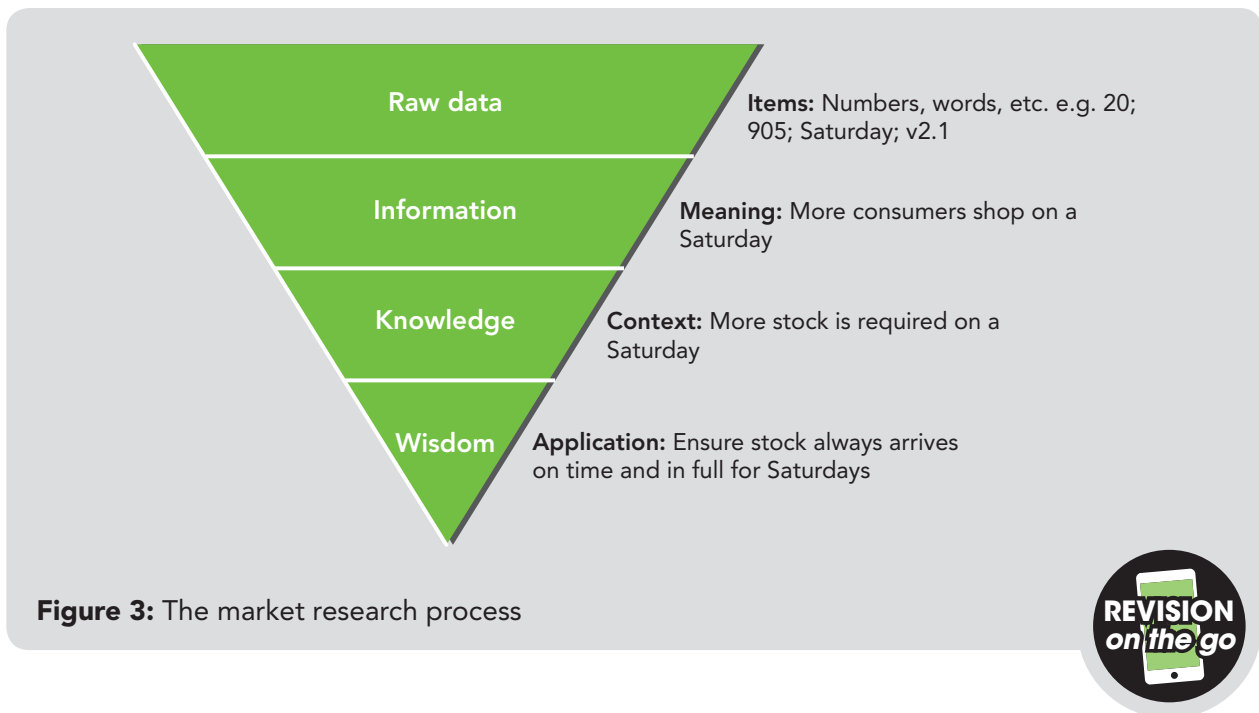
The scope of digital analytics

Understanding the full power of digital data and data analytics is complex even to the most seasoned practitioner; the sheer volume, variety and source of data are both a benefit and a curse. The benefit is that, as marketers, we can now gather more consumer behaviour data than ever before; the curse is trying to understand what is the most important data to capture.

This section aims to provide only a brief overview of what can be achieved and how to use digital data-gathering tools.

The measurement plan

Marketers work with others in the business to develop a plan that defines and prioritises the data they will need to capture. This invariably reflects the corporate and marketing objectives and KPIs. For example, if the objective is to drive 20% more traffic to a website, then it will be important to measure website traffic, understanding where it has come from and why.

The data plan will include a segmentation of the information to be gathered: for example sales, awareness or customer acquisition.

The implementation plan

Having defined the data that is needed to measure performance against objectives, the next stage is to identify the best tools and techniques to gather it. These tools are available from most search engine providers such as Yahoo and Bing, but by far the most popular and widely used is Google because of the volume of traffic that it handles and its range of analytical tools.

Marketers can measure the performance of their own digital marketing activities as well as learn about other consumer behaviours.

- **Google Analytics** provides data about the brand's own digital marketing activity: the website, its search engine advertising (pay per click), its optimisation and how easily assets can be found (search engine optimisation), and website behaviours such as the number of **unique visitors**, frequency of visits, duration, favourite pages and search terms.

- **Google Trends** provides real-time data about general online consumer behaviour, identifying the most popular keyword search terms along with their timing and frequency, the most popular sites visited and so on.

- **Google Insights** provides research tools that enable marketers to create surveys, identify patterns of search behaviours and compare these across time and territories: for example, the most popular search terms in winter in Japan compared to those in Poland.

📄 CASE STUDY: CHANGING CHANNELS BY UNDERSTANDING TRENDS

How one private college used digital data to identify missed opportunities

ProLearn is a (fictional) leading online learning provider based in Sweden. It offers a wide variety of vocational courses ranging from photography to bricklaying, dog grooming to floristry. It attracts mostly women aged between 18 and 35 and it recruits them through a range of **direct response** advertising tools such as direct mail and email, although it had no idea about which students were coming to the college through which channel.

This meant that the college was unable to identify which campaigns worked well and which didn't. It also meant it couldn't be sure that it was using the right media channels to reach the target audience.

It set about creating a data plan and implementation strategy that could give it this information, and the first task was to understand how to use the tools that Google provides to help it.

The marketing director, Finlay, decided to go to the Google Digital Garage – an online learning platform provided specifically to help people like Finlay to understand how to gather and interpret digital data.

Three months later, Finlay reported his conclusions to the board. "Not only are we using the wrong media channels," he said, "but we're sending the wrong messages at the wrong time. Our potential students want to learn a new skill and most of them work full time. So an online course fits around their working lives. They are searching for courses like ours mostly in the evening and using their smartphones to find what they want. According to Google Trends, our target audience is multitasking. That is, they are watching TV, chatting online and searching all at the same time. This means we have to radically rethink our marketing approach."

Today ProLearn has invested heavily in TV advertising, as well as digital display ads and search engine advertising, all scheduled to appear in the evenings when the potential learners are engaging with these channels.

Finlay added, "We now know where our enquiries are coming from, even how effective our TV commercials have been at driving potential learners to the website." The result has been an increase in student numbers and a reduction in wasted marketing budget.

Predictive analytics

Marketers are using these tools to understand consumer behaviours, sometimes in an effort to understand past behaviours, but also to predict future actions as accurately as possible. Online analytics go a long way to enabling this, but digital data needs to be integrated with traditional data to be really effective.

Predictive analytics and predictive research are tools used by marketers to find patterns or trends in the information they gather that might help them to predict future events or behaviours. For example, if a marketer identifies a trend that the target consumer segment is aging, they may predict that this will continue, and change their marketing strategy accordingly.

Predictive techniques have been around for many years, and researchers still use surveys and questionnaires today to ask the question about consumer and buyer intentions. Today, there is a large amount of technology – both hardware and software – that can help researchers use past behaviours to predict future ones with more accuracy than ever before.

Predictive analytics can provide the answer to three key marketing questions:

1   Which consumers are most likely to buy the product or service?

2   How likely are they to buy it for the first time?

3   How likely are they to make repeat purchases?

The models that help predict behaviour are complicated yet highly powerful algorithms that predict the impact of changing one variable against changing another. If Brand X increased its price of widgets by 10%, what would be the impact on sales? If it changed the number of widgets in a pack, would that have a greater or lesser impact on sales than changing the price?

Marketers can then assess whether the business can maintain its profits by selling fewer widgets.

The role of "big data"

Big data is a term used to describe huge volumes of data that can be gathered from anywhere at any time, in real time, by anyone. Every time we search and buy online or use a social media site, data can be gathered by our smartphones and our TVs.

Everybody wants to use big data, but not everyone is sure what it really is. To illustrate how much of a "buzz word" it has become, Google returns millions of results when you type "big data" into the search box.

But what is the difference between big data and marketing research?

Well, big data is just that: a huge amount of raw data that by itself is meaningless. Marketers use big data, in conjunction with the other research methods that we have explored, to help answer research questions and make sense of their consumers' or buyers' behaviour.

So big data is the raw material, a commodity that marketers can use as the building blocks of consumer/buyer insights.
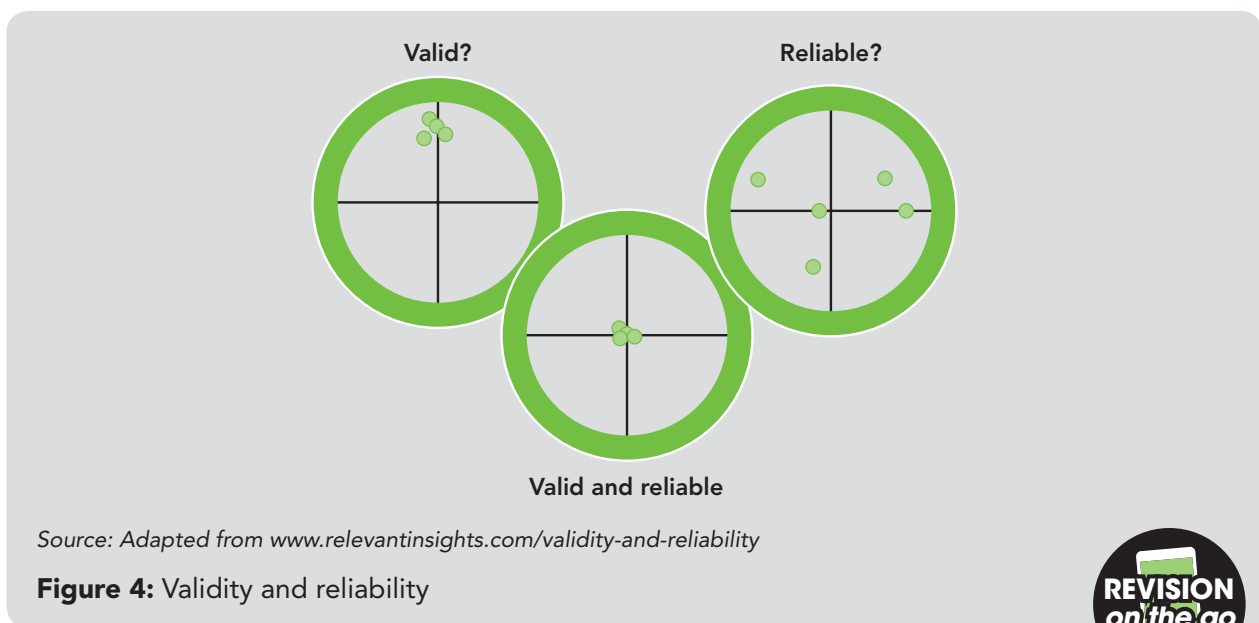
Research projects must be handled with care

There are two questions that marketers must answer before they can claim that their marketing research is effective.

1   Was the research method reliable?

2   Was the research valid?

Reliability and validity are sometimes assumed if the research process has been followed, but even when this is the case, there is still room for error.

1 **Reliability** is concerned with the consistency of the research results when carried out under exactly the same conditions each time. It relates to the uniformity with which an issue is measured. For example, is the wording exactly the same throughout the study? Have the questions been asked in the same order? What level of judgement is the respondent being asked to make?

2 **Validity** is concerned with the accuracy of the measurement itself and the research design. It relates to whether the researcher has asked the question they think they have asked. There are three types of validity.

- **Content validity**: This means that the questions being asked will answer the question accurately. For example, if we ask how many times a person has visited the cinema in the past month, we miss the occasions they have visited over a longer period and perhaps any seasonality attached to cinema-going.

- **Internal validity**: This relates to the ability of the research questions to explain the issue being researched, the relationship between two variables. For example, asking people what kind of feature film they enjoy watching the most will not tell us if they enjoy visiting the cinema.

- **External validity**: This refers to the research respondents: whether they have been selected accurately; and whether they are representative of the target audience. For example, if we need to know whether parents with young children are more likely to visit the cinema than young adults, the research sample would not involve anyone without children and over the age of 45.

3.3 The importance of protecting customer data

Source: Adapted from www.relevantinsights.com/validity-and-reliability

Figure 4: Validity and reliability

With so many methods of collecting data these days, it comes as no surprise that governments are putting controls in place to ensure that organisations respect the public's privacy and protect them from fraud.

Without you even knowing it, search engines and social media gather personal information about you: beyond simple demographics such as your age, gender, location and so on, they know when your friendships are good and bad from your posts on Facebook, Instagram and so forth; they know your advert preferences and which products you are searching for, and so on.

Different countries have different legislation to control the use of personal data, but almost all stipulate what marketers must have in place to ensure that their audience are protected.

- **The right systems**: Either owned or **outsourced**, systems must be fit for purpose, gather data that is relevant and do so in a non-intrusive way. For example, a car dealership whose system tracks our online banking behaviour would be both inappropriate and invasive.

- **The right storage**: Once this data base been captured, it has to be stored securely. This must be somewhere where it can't be tampered with or decay, because both of these events will render the data less effective at best and useless at worst.

- **Protecting privacy**: In some countries, this is a legal requirement and firms must show that they have taken adequate steps to protect against hacking and cybercrime that could be used to access personal information.

✏️ OVER TO YOU

Activity 2: Big data – a big opportunity or a big problem?

Considering both sides of the research data argument

Have you heard the saying that "knowledge is power"? Well, the more data you gather the more knowledge you can gain, and marketers have the potential to develop some very powerful strategies based on the understanding provided by big data.

But it has its benefits and its drawbacks, as we have seen in recent cases where data has been hacked and used inappropriately by cybercriminals who have held some of the biggest organisations in the world to ransom by taking over their entire computer systems.

Your challenge (for learners studying with a class)

- **Stage a debate about the advantages and disadvantages of big data with your group, in the context of its use as a tool to help inform consumer and buyer behaviour research.**

- **From a marketer's perspective decide whether you would support it or not, and give the reasons for your beliefs and opinion. For example, you may believe that it is limited in its ability to provide anything but raw data that is not always needed and wanted; or you may think that it is ethically wrong and so on.**

- **The debate can last for up to 30 minutes and should include arguments for both sides.**

- **Appoint someone to be an unbiased facilitator who can control the conversation to ensure everyone has a fair and well-mannered hearing.**

- **To help you understand all the benefits, usage and drawbacks, read through Hofacker et al. (2016)[22], which can be found in your online student resources.**

- **Make some notes in preparation that you can share with others after the event to help gather feedback.**

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15 Hofacker, C.F., Malthouse, E.C. and Sultan, F. (2016), "Big data and consumer behavior: imminent opportunities", *Journal of Consumer Marketing*, Volume 33, Issue 2, pp 88–97.

READING LIST

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Summary

In this chapter we have explored the value of marketing research in helping marketers to understand consumer behaviour, and we have identified the different types of data that's available to them. We also considered the methods of gathering data, from online surveys to observation, and focus groups to census data.

The final and arguably the most important point, is that marketers must have a purpose when gathering data; it shouldn't be the case that consumer and customer data is gathered just because it's possible. They have a responsibility to the consumer and their employer to ensure that marketing data is protected from misuse, to comply with local legislation and to observe the organisation's own policies and procedures.

Chapter 4

How Consumer Behaviour Theories Influence the Marketing Mix

Introduction

The concept of the marketing mix has been greatly extended since it was first published by E. Jarome McCarthy in 1960. Whereas marketers would consider the four "marketing Ps" of product, price, place and promotion that were highly effective for product marketing strategies, we now know that we have to consider the important features of marketing services and the specific demands of the internet. So, the four marketing Ps have become eight, to also include people, physical evidence, process and partners.

This chapter examines the influence that consumer and buyer behaviour has on each of these components; from the moment we decide to buy, to the point where we reflect on that decision, and our post-purchase actions.

Learning outcome

On completing this chapter, you will be able to:

4 **Discuss how consumer behaviour theories influence the marketing mix**

Assessment criteria

4 **Discuss how consumer behaviour theories influence the marketing mix**

   4.1   Discuss elements of the marketing mix and the impact of buyer behaviour on marketing mix decisions

   4.2   Discuss the effect of post-purchase behaviour on the customers' brand loyalty

   4.3   Explain the brand's ethical and social responsibilities in applying customer behaviour

4.1 The impact of buyer behaviour on the marketing mix

Marketing strategies are designed to reinforce or change our behaviours; marketers want us to start, stop or continue to do something. Whether that's starting to buy their brand instead of the competition's, or to stop smoking or drinking, or to continue to be loyal and buy more, more frequently. There is always an action or reaction that marketers seek to provoke.

📄 CASE STUDY: NUDGING THE CROWD IN THE RIGHT DIRECTION

How nudge marketing is used by marketers

You may have heard of the "nudge" marketing theory. It became popular around 2008 when Richard Thaler and Cass Sunstein published the theory in their book, unsurprisingly titled *Nudge*[24]. Their concept involves brands deliberately manipulating how choices are offered to consumers and buyers by gently steering them towards the responses they want to achieve.

Let's look at some examples of how retail brands put this theory into practice.

- Some fashion retailers place mirrors at strategic angles in changing rooms that are deliberately designed to make the consumer look slimmer; the lighting is dimmed and the environment subdued, creating the right atmosphere for a positive decision.

- Some grocery stores pump the smell of fresh bread around the store (don't be fooled, it's just a fragrance); it makes shoppers go to the fresh bread aisle, and bread sales have been shown to increase by 34% when the smell is released.

- Many retailers will place the most popular items at the back of the store, forcing shoppers through the other areas and deliberately past special offers to encourage impulse purchasing.

- Walking around the pharmacy, the retailer might place sun cream on a promotional shelf right next to the sunglasses display, or hang anti-inflammatory medication packs next to sports bandages.

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16 Thaler, R.H. and Sunstein, C.R. (2008), *Nudge*. New Haven: Yale University Press

And digital marketing now enables retailers to nudge consumers even further.

- If you haven't installed ad-blocking software, you might have noticed how brands appear to follow you around online: you searched for shoes and within seconds a shoe retailer advert appears as a display advert in the search engine.

- Maybe you searched for restaurants in your area and immediately there appears an advert for a special "meal deal" offered by the local supermarket on main meal items, beers and wines, and desserts.

- All of these examples are intended to encourage us to make decisions we didn't know we needed to make, such as buying that extra loaf of bread or "going large" at the ordering point in the McDonald's restaurant.

Source: Dholakia, U.M. (2016) "Why nudging your customers can backfire", Harvard Business Review, https://hbr.org/2016/04/why-nudging-your-customers-can-backfire

An overview of the integrated marketing mix

The integrated marketing mix is a concept that has been around for many years, yet it is still highly relevant and applied by many marketers today, albeit in a modernised form that brings it into the digital world.

We explored some of these elements in Chapter 3, so let's consider the impact of different customer behaviours on the marketing mix elements and how marketers develop strategies for products and services to appeal directly to the target consumer.

From four to six, then seven and now eight Ps of marketing

It is helpful to recap on the existing model and to explore how this has changed over time because it demonstrates first the importance of the service sector, and latterly the changes in consumer and buyer digital behaviour.

- **1960: The four Ps** concept is published by E. Jerome McCarthy (2002)[17]. It is based on marketing strategies for manufacturers and involves the right product being produced at the right price, promoted through the right methods and sold through the right retail channels (place).

Product	Place
Price	Promotion

Figure 1: The four Ps

17 Perreaut W.D. and McCarthy E.J. (2002), *Basic Marketing. A Global-Manageral Approach.* New York: McGraw-Hill

- **1981: The seven Ps** are published by Booms and Bitner in their work *The Extended Marketing Mix*[18] to reflect the growing importance of marketing services. They add people (those involved in delivering the service), process (the purchase system and approach) and physical evidence (and environment that is part of the evidence).

Product	Place	People	
Price	Promotion	Process	Physical Evidence

Figure 2: The seven Ps

- **2015: The eight Ps and beyond** are the result of people in different industries adding their own elements, such as productivity and quality for manufacturers, production, prototype and so on. But in our digital world perhaps the most relevant is the P that is partnerships: brand ambassadors, brand partners and suppliers and so on. Without robust partnerships, Beyoncé couldn't have launched her own fragrance, nor could actress Kate Hudson have created her own fabrics line[19].

Product	Place	People	Physical Evidence
Price	Promotion	Process	Partnerships

Figure 3: The eight Ps

The concepts of behavioural segmentation

Segmentation is one of the most powerful concepts in marketing strategy. It involves finding commonalities among consumer and buyer groups; shared characteristics that enable marketers to cluster audiences and create targeted and well-positioned products and services. For example, Lynx Deodorant targets young, smart, adult males by appealing to their common goal of looking and smelling as attractive as possible.

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18 Booms, B.H. and Bitner, M.J. (1981), "Marketing strategies and organization structures for service firms", *Marketing of Services.* American Marketing Association, pp. 47–51
19 Kimmel, A.J. (2010), *Connecting with Consumers: Marketing for New Marketplace Realities.* Oxford: Oxford University Press

The benefits are clear: segmented and targeted campaigns enable marketers to develop more effective and cost-efficient strategies by focusing on a single-minded audience, and consumers and buyers receive more relevant, engaging marketing messages that they can identify with.

Behavioural segmentation

Consumers and buyers can be grouped by a variety of variables including:

- **geography**: which continent, country region, and even district they live or operate within;

- **demographics**: age, gender, occupation, marital status and so on;

- **psychographics**: lifestyle, hobbies and interests, attitudes and opinions;

- **benefits sought**: convenience, reliability, safety, speed and so on;

- **behavioural**: the relationship that consumers/buyers have with the brand, loyalty, product/ service, occasion, frequency and volume of usage and so on.

An example of behaviour segmentation is the case of Kellogg's breakfast cereals that we explored in Chapter 3. To rescue its falling revenues, the brand appealed to young adults who wanted breakfast on the go and an evening TV snack.

Of course, brands don't use only one of these segmentation strategies in isolation, but a mix of all or some depending on the brand and the job to be done.

📄 CASE STUDY: OSCAR'S DILEMMA

Segmentation success for a small delicatessen

Oscar's Wine & Delicacies sits on the corner of South Street, right next to the main square in town. Oscar started his business because of his love of fine wines and unusual delicatessen goods. Five years after opening, the store was trading steadily, but then Oscar faced a difficult decision: his landlord increased the rent for the shop and was asking more than Oscar could afford to pay.

He either needed to increase sales and profits or move to cheaper premises. He thought about all the stress involved in packing everything up and moving, but then he thought of all the stress of having to make the rent each quarter.

Sitting in his shop after closing time one night he picked up the phone to talk to his good friend Janetta, who worked in marketing for a big food manufacturing company. He explained the dilemma and she sensed that he lacked the confidence to increase revenue; after five years of relying on passing trade and a group of loyal customers, he simply didn't know how to go about it.

"OK," said Janetta, "the first thing we have to do is to segment your customer targets to decide who they are and how to reach them." Oscar had no idea what Janetta meant by this, but he agreed to take her to dinner the next night and they would create a plan.

Oscar began to understand that his customers buy wine either for themselves, because it is one of their interests, or for someone else on a special occasion. Together, Oscar and Janetta decided that two marketing strategies were needed to target two separate groups:

1 those people who simply love good wine (they nicknamed this group "Wine Buff Winnie");

2 those occasional buyers who want to impress others with fine wine gifts (this group they nicknamed "Social Sam").

"What you need to do," said Janetta, "is to encourage Wine Buff Winnie to buy more from you and visit more frequently. How about launching a loyalty scheme to incentivise this group to come more often? You could produce a newsletter that offers them priority deals on new arrival labels." Oscar started to get excited at these possibilities. It would mean he might have to reduce his profit margin, but he would sell more bottles.

"So how do I go about attracting Social Sam?" Oscar asked Janetta.

"How about focusing on seasonal occasions and festivals? You could also offer special promotions of delicatessen hampers and wine packages for business events and house parties. Let's look at some local marketing …"

Four months later, Oscar's turnover was up 35% on the previous year and he knew that he understood who his customers were and what was important to them.

The diffusion of innovation

Another consideration for marketers is how consumers and buyers behave when faced with a new product or service. Not everyone is keen to try an innovation as soon as it is launched. Some like to wait until others have tried it, whilst other people want to be first in the queue. For example, when Apple launched its new iPhone 7 in 2016, it sold out in 37 countries within 2 days.

Our behaviour in response to innovations says a lot about us and our personalities; the more eager we are to try new things, the more adventurous we are likely to be. Marketers rely on these "early adopters" to spread the innovation among their reference groups to help the speed of its adoption.

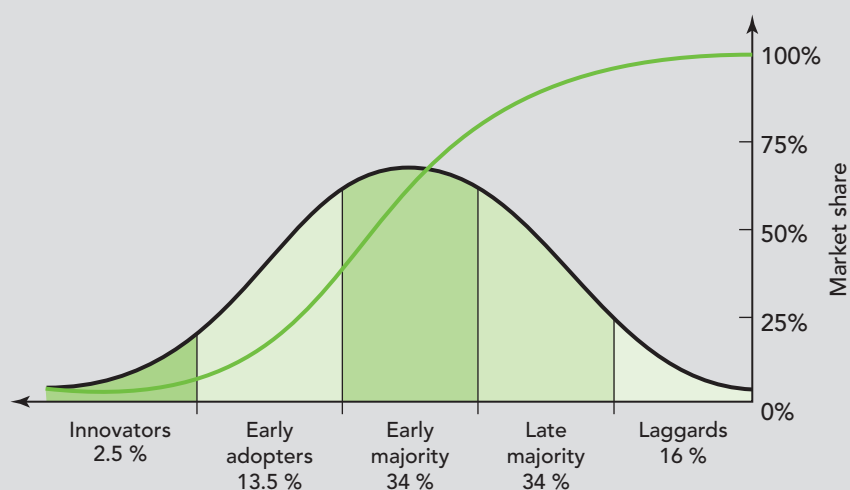For example, look at Roger's Diffusion of Innovation theory (2003)[20] in Figure 4.

Figure 4: Diffusion of innovations

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20 Rogers, E.M. (2005), *Diffusion of Innovations*, 5th edition. New York: Free Press.

In Figure 4 you can see how the innovators and early adopters are the smallest groups of consumers and buyers, and how the early and late majority account for most of the sales post-launch. The early majority are those who wait, perhaps watching how well a product or service performs, reading reviews and canvassing opinion before committing to a purchase. The late majority and laggards are those who are reluctant to try new things and may be forced to accept change. For example, Windows software users were encouraged to switch to Windows 10 and then eventually forced to do so because of the constraints of carrying on with their existing versions.

The significance of these attitudes to innovation for marketers is that they can target consumers and buyers based on these behaviours by providing the right messages with the right motivations at the right time.

✏️ OVER TO YOU

Activity 1: Are you an innovator or a laggard?

Take the test to find out what your behaviours and attitudes are towards innovation.

Are you one of those people who is first in the queue to try new things or are you happy to wait until others have taken the risk?

Your challenge

Answer these questions as honestly as you can to find out what your preferred behaviours are.

1 Which of the following items do you own or would you like to own?

(a) A 3D TV

(b) iPad or other tablet

(c) A virtual reality headset

(d) A high-definition TV (HDTV)

2 Compared to others, which one of these statements best describes you?

(a) I tend to be cautious about trying new experiences. I like to wait and see.

(b) I like trying new experiences that have been recommended to me.

(c) I am always the first to try something new and I love to tell people about it.

(d) I'm always nervous about trying new experiences. I try to avoid the unknown.

3 If you find out about something new and exciting, what do you do?

(a) Tell everyone; that's what social media is for!

(b) Tell your immediate friendship group knowing that they'll tell everyone else.

(c) Tell those closest to you; you don't want to look foolish if they have already heard about it.

(d) Nothing – you don't tend to hear about new things before others do.

4 Do you believe that new technology:

(a) definitely makes life better;

(b) makes life harder and more complicated;

(c) makes life somewhat easier;

(d) is overrated – you try not to use it.

5 Do you influence others more than they influence you?

(a) Yes. People come to me for advice and value my opinion.

(b) Somewhat. People do come to me occasionally for my opinion.

(c) No. I am influenced by others: what they think and how they feel.

(d) Somewhat: I ask people's opinion but I may not always follow their lead.

How did you score?

Put a ring around your answers and then add up the number of rings in each column. Are you mostly an Innovator or a Laggard, or somewhere in-between?

	Q1	Q2	Q3	Q4	Q5
Innovators	>3 items	(c)	(a)	(a)	(a)
Early adopters	>2 items	(b)	(b)	(c)	(b)
Early/Late majority	>1 item	(a)	(c)	(b)	(d)
Laggards	0	(d)	(d)	(d)	(c)

4.2 The effect of post-purchase behaviour on customers' brand loyalty

Imagine that you bought that new smartphone, flat screen TV or pair of shoes. Your purchase may have met your needs or it may not; it may even have delighted you because it exceeded your expectations. How you feel about the brand post-purchase is crucial for its reputation and ability to thrive and survive.

Mostly, the larger the investment we make in a product or service, the more we will seek evidence to confirm that we have made the right decision; we look for positive reinforcements. But sometimes the experience is so far below our satisfaction levels that we begin to doubt our judgement. This feeling is called post-purchase (or cognitive) dissonance. For example:

"I love having a new car. It's really exciting; it's the first time I have owned one that wasn't second-hand. And I got a really good price with a two-year warranty and free insurance. But I think if I had spent longer looking I wouldn't have gone for this make and model. The trunk is too small and I'm not getting the fuel performance they promised. I wish I had spent more money and got exactly what I wanted."
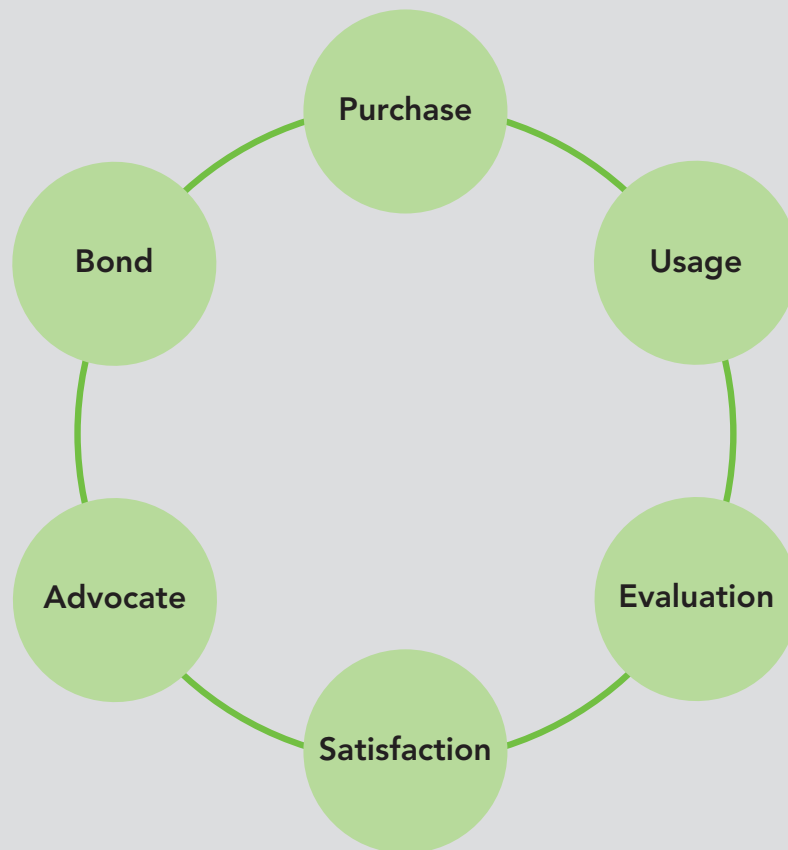
Figure 5: The customer loyalty loop

The importance for a brand to maintain high levels of customer satisfaction is grounded in the fundamental principle of marketing, which is to start and maintain profitable consumer/buyer relationships.

You can see in Figure 5 how the loyalty loop turns satisfied consumers/buyers into brand advocates; telling others and spreading positive opinions about it.

At this stage, consumers/buyers have bonded with the brand; they feel they have a relationship with it and will become repeat purchasers who are loyal to the brand.

Conversely, when consumers/buyers are dissatisfied, they can fall out of the loyalty loop. This is a critical time for the brand because it may have an opportunity to bring the purchaser back into the loop or lose them forever. Mostly, this will depend on how the brand manages a complaint.

The greatest problem is that dissatisfied consumers/buyers do not always complain directly to the brand; they spread negative feedback to their reference groups and through online reviews, thus becoming the brand Detractors that we explored in Chapter 2.

Many brands have specific "listening" activities: monitoring social media and reviewing sites to capture negative feedback so that they have the opportunity to respond with the aim of limiting the damage and/or bringing the consumer/buyer back into the loop.

CASE STUDY: SORRY ISN'T THE HARDEST WORD

Three fictional stories about the good, the bad and the ugly of post-purchase customer service

1 **The case of the dragon-breathing phone**. Shane is a loyal Samsung customer; he has an LCD TV, mobile phone and laptop. But when his latest purchase of the new Blu-ray player failed to meet his expectations (it simply didn't live up to the brand's claims), he went on Twitter to complain to the company. He even drew a picture of a fire-breathing dragon to illustrate his anger at having spent so much money on something that didn't do what it said it would.

Did Samsung respond by simply apologising or sending him a replacement Blu-ray player? No. They sent him the new Galaxy S3 mobile phone, complete with a customised case displaying his dragon drawing on the cover. Samsung knew that Shane was unhappy with the performance of the Blu-ray player, so why send him another one? The phone was a far more appropriate way of apologising and reversing the negative social media chatter.

2 **The case of the dripping aeroplane**. May was flying long-haul in economy class with a very well-known airline. Two hours into the flight, she called the stewardess because water was dripping onto her head from the air conditioning unit above her seat. Did the stewardess respond by moving May to another seat or even reseating her in Club or First Class? No. She told May that it was a technical problem that she couldn't do anything about and offered to fetch her a towel.

As soon as she arrived at her destination, wet and uncomfortable, she sent a complaint to the airline, hoping at least for an apology. The airline took 10 days to respond to her email and when it did it pointed to the firm's terms and conditions, explaining that, under its policies, May had no rights to a refund. May hadn't asked for one; she simply wanted a heartfelt "sorry".

3 **The case of the crying child**. Brad and Wendy had taken their three-year-old son, Zee, to the zoo; they had a great day but the child was now tired and hungry so they stopped at a well-known restaurant chain for something to eat. Zee sat in his highchair playing with a toy they had bought at the zoo, but soon became bored and fractious. The family's food order was taking a long time to arrive, so Brad asked the waiter how much longer it was going to be.

Zee, sensing his parents' frustration, began to cry even louder. After 30 minutes of waiting, the food did finally arrive but it was cold. Brad complained to the waiter that the food had taken too long to arrive and now it was inedible. Did the waiter apologise and put the problem right immediately to calm the situation down? No, he shouted at the child to stop crying and then told the family to leave because they were disturbing the other guests.

Of course, Brad and Wendy went onto social media and the restaurant's own review site, but their complaints mysteriously disappeared after only a few hours.

Strategies for managing consumer relationships

The benefits of managing the consumer/buyer relationship are clear.

- It costs a firm more money to recruit a new consumer/customer than it does to maintain an existing relationship.

- It is inefficient and ineffective to tolerate high levels of consumer/buyer "churn", and it's damaging to a brand's reputation.

- Brand advocates become a form of positive marketing as they spread their opinions on social media.

- **Brand equity** is higher for respected brands with high levels of consumer/buyer loyalty.

- Employees who work for highly respected and well-liked brands are more engaged and productive.

Many organisations have specific CRM (consumer relationship management) systems and strategies. The term "CRM" is used to describe any process or system that a brand develops to help engage with its consumers/buyers. The more consumers/buyers and different segments a brand must manage, the more complex this system has to be.

CRM systems are designed to ensure that the brand is engaging with its consumer/buyer base at key points in the purchase journey and, most importantly, maintaining that relationship post-purchase. That might be as simple as an email newsletter or a greetings card that arrives on the consumer's or buyer's birthday.

In some B2B firms, CRM means regular personal contact with a sales team member, and many firms have the specific role of the customer relationship manager. So there are three key components of an effective CRM system:

1 **process**: embedding consumer/buyer triggers into the system to ensure the right action occurs at the right time;

2 **technology**: integration of the brand's **touchpoints** and data-gathering to develop a deep understanding of the consumer's or buyer's behaviours, needs, wants and preferences;

3 **people**: customer-centric thinking from the top down; customer service training; customer satisfaction performance objectives, incentives and empowerment.

✏️ OVER TO YOU

Activity 2: Blogging for B2B best practice

Making the case for CRM

There are many very valuable benefits for brands that invest in good CRM systems, thinking and technologies. But how might B2B firms use new digital methods and media to enhance the practice?

Your challenge

You may already have a blog page or perhaps you are thinking about starting one. Here, you are going to create some content aimed at persuading senior managers to invest in CRM systems, by providing a fact-based argument about its benefits for the brand and the customer.

- **Read through the business case in Lipiäinen (2015)[29], which is available in your online student resources.**

- **Based on the three case studies from this article, write a 500-word mock blog post that aims to persuade and convince B2B organisations to invest in more digital methods of CRM.**

- **Provide a balanced argument, supported by fact-based research evidence.**

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21 Lipiäinen, H.S.M. (2015), "CRM in the digital age: implementation of CRM in three contemporary B2B firms", *Journal of Systems and Information Technology*, Volume 17, Issue 1, pp. 2–19

- **Ensure you give your audience a clear set of recommendation for actions that they can take to improve their CRM performance.**
- **Share your blog content with your study partner, if you have one, to gather feedback and lessons learned.**

4.3 Ethical and social responsibilities in applying customer behaviour

Brand responses to post-purchase dissonance

Marketers have a responsibility to provide information to their consumers/buyers that is legal, decent, honest and truthful; in other words, brands must have an explicit moral compass that is made public and obvious to its audience.

Why? The public is becoming less tolerant of brands that behave badly. There have been some very high-profile cases of brands that have been proven to be dishonest and unethical. The famous Nestlé baby food scandal, Barclays Bank's illegal trading and UK retail brand Sports Direct's poor treatment of their warehouse staff are just a few examples of brands that weren't paying attention to public opinion.

The scope of the ethical audit

The scope of ethical behaviours extends far beyond the marketing message and claims. Marketers have a responsibility to ensure that their brands are behaving ethically in every aspect of their operations, and this has some far-reaching implications. Ethical marketing should be a philosophy that marketers apply to every element of the marketing mix. Here are some examples.

- **Products** and services must be sourced from ethical suppliers who are regularly audited to ensure they are meeting ethical standards including paying a living wage, ensuring good working conditions and taking care of the welfare of their employees.

- **Prices** must be fair, transparent and equitable. Prices must not penalise vulnerable groups who have less choice, such as the poor, elderly or unwell.

- **Retail** distribution (place) must not deliberately make specific products and services too available. For example, gambling, tobacco and alcohol should be available only to consumers of the legal age in countries where it is permitted.

- **Promotion**, involving the entire marketing communication mix, should be legal, decent, honest and truthful, adhering to standards such as those set by the Advertising Standards Authority Code of Practice in the UK or equivalent control bodies in other countries.

- **Physical environment** must be safe for consumers/buyers when they visit the brand's premises.

- **Processes** that are used to capture, store and use consumer/customer data must be secure and protect the public's privacy.

The principle is that marketers should be carrying out continuous and rigorous audits to ensure that the brand and the business are behaving ethically.

The power of public opinion and pressure groups

Consumerism, marketing, advertising: each term has its supporters and critics, but in a free society there is no doubt that they are powerful tools that help the circular flow of money which we explored in Chapter 1.

High-profile accusations about marketing promoting an unrealistic body image, making childhood obesity worse and penalising the poorest in society by producing substandard or overpriced essential goods have all damaged the discipline's reputation.

There are laws and codes of conduct that many governments have in place to protect the public from dishonest or illegal marketing practices, and we will consider these in the following sections. But one of the greatest controls on a brand's behaviour is public opinion.

Different societies have different tolerances of ethical behaviours, and what seems unacceptable in one culture may not be in another. For example, bribery is thought to be unacceptable to some Western societies, but to others it's simply a normal part of doing business.

> ### 📄 CASE STUDY: MCDONALD'S STORY-TELLING DOESN'T HAVE A HAPPY ENDING
>
> **How one brand didn't manage to keep pace with changing public opinion**
>
> Fast-food giant McDonald's has long been trying to change the public's perception of its brand. It started life back in the 1970s when it launched as a simple fast-food restaurant selling mostly burgers, potato chips and soft drinks.
>
> Public opinion changed over time and high-fat, high-sugar foods and drinks were becoming unacceptable; childhood obesity became a major issue in many countries. Schools, hospitals and other institutions were encouraged to clean up their menus and start serving healthier foods.

But McDonald's failed to recognise the sea change that was on the horizon and some might say that they did too little too late to stem the backlash of public opinion.

The issue has been compounded by a series of food hygiene scandals that affected the brand, including serving meat that was beyond its use-by date in McDonald's Hong Kong restaurants.

In its efforts to clean up its brand image, McDonald's embarked in an ambitious programme of reinventing its food menus to offer healthy options, and initiating a supplier auditing process. But it failed to consider its own staff, and in May 2014 a series of riots and protests began outside its restaurants with the public and employees demonstrating against the firm's minimum wage policy. Some workers were being paid less than US$10 an hour in the USA and only US$3 in some parts of Asia.

When it seemed that all this was behind it, there was a public protest over McDonald's behavior early in 2017 and it was forced to withdraw its TV advertising. The commercial in question told the story of a grieving boy whose father had recently died. The film shows the boy asking his mother what he and his dead father had in common. After much discussion, it turns out that they both enjoyed the same McDonald's burger, a Filet-O-Fish. The public backlash was caused by what was perceived as the brand's attempt to exploit grief as a method of selling fast food.

This catalogue of issues suggest McDonald's hasn't been listening hard enough to its consumers. This does raise a couple of questions: what happens in the next chapter of McDonald's history, and will there ever be a happy ending?

Sources: www.telegraph.co.uk/news/2017/05/16/mcdonalds-pulls-exploitative-grieving-child-advert-screens and www.marketingweek.com/2017/05/19/brands-axe-ads-backlash

Key customer legislation

So the public is a powerful judge and jury. But there are laws that protect the public, and most countries have some form of marketing legislation. For example, in the UK and much of Western Europe there are laws that govern the following:

- **Consumer protection**: Laws designed to maintain safety and protect the public from goods that might cause harm and unfair pricing.
- **Trades descriptions**: Laws that prevent brands from making exaggerated or dishonest claims.
- **Data protection**: Laws that protect people's personal data from being used or exploited without their knowledge or express consent. Brands must ask permission and provide explicit "opt in" choices rather than set this as the default.

There are other bodies that protect consumers on a global scale, recognising that business is increasingly crossing continents. The International Consumer Protection codes of practice are gaining strength and increasingly policed by the Federal Trade Commission[22]. This body is a USA-based association, but has latterly taken on the global role of policing brand behaviour.

22 Federal Trade Commission (n.d.), *International Consumer Protection* [online]. Retrieved from: www.ftc.gov/policy/international/international-consumer-protection [Accessed on: 30 October 2017]

✏️ OVER TO YOU

Activity 3: Putting it all together

What can you say about consumer and buyer behaviour?

Now that you are armed with some insights into the power of consumer and buyer behaviour, how can you pass that knowledge on to others?

Your challenge

Imagine you have agreed to be interviewed by a reporter working for the *International Journal of Marketing*. The magazine wants to publish an article about the latest ideas and thinking concerning consumer and buyer behaviour.

Your interview will last for about 10 minutes, so you will have to compact a lot of knowledge into a short space of time. The journalist has sent you the questions that he will be asking and you are carefully preparing what you will say during the interview.

Write notes for your interview that answer the following questions. Be sure to give some good examples that help support your key points.

1 How would you describe consumer/buyer behaviour?

2 What are the latest developments in the way brands gather and use behavioural data?

3 How do brands use information about consumer/buyer behaviour?

4 What are the key concerns over how brands use this information and market themselves to their audience?

Share your script with others in your group, or even hold some mock interviews to gather feedback and lessons learned.

Activity 3: Putting it all together

READING LIST

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Summary

In this chapter we have explored how marketers develop marketing mix strategies that are designed to reinforce or change our behaviours. Marketers want us to start, stop or continue doing something.

One of the principal tools to help them achieve this is segmentation: grouping consumers/buyers together based on five powerful differentiators that help marketers to send the right messages and cues. But it isn't enough to recruit new consumers. Marketers must also retain their loyalty and the ultimate objective is to convert loyal consumers/buyers into brand advocates. We have explored the power of consumers/buyers to influence others, and marketers strive to use that power to promote, not denigrate, the brand.

Glossary

Big data A popular term used to describe vast amounts of complex data that can only be analysed by modern computer programs.

Brand equity The value of a brand to the business including financial value; consumer awareness levels and reputatio.

Brand myopia Consumers are faced with so many different brands to choose from that they focus only on the ones they know or like and visually "block out" the rest.

Buying cycle A process that buyers go through to make the decision to purchase.

Closed question Requires only fact-based answer such as "yes" or "no": or a respondent's age, address and so on.

Consumer value propositions The offer that brands make to consumers that provides the reason why they should buy a particular product or service.

Cultural capital The social assets of a person that promote social mobility in a stratified society.

Demographics Statistical data relating to the population and particular groups within it.

Digital natives Those who have been born into the digital era; those born after the 1990s.

Direct response Advertising designed to encourage an immediate response directly to the brand without the use of intermediaries.

Discretional effort Effort that people are motivated to make and that goes beyond what is contractually required e.g. working unpaid overtime; carrying out tasks that are not within a person's job role etc.

Distress purchase A purchase made out of necessity rather than pleasure.

Early adopter A person who is the first to use a technology; product or service as soon as it is available.

FMCG An acronym that stands for fast-moving consumer goods and refers to those products that consumers buy regularly, usually household and food products such as shampoo; toothpaste or chocolate bars.

Hypnotical constructs Stimuli that start the consumer's process of researching and deciding on a brand, product or service and their consideration of these triggers.

KPIs An acronym that stands for Key Performance Indicators; measurable targets that are set by organisations to evaluate how well an objective has been met.

Millennials Millennials (also known as Generation Y) are the demographic cohort following Generation X. There are no exact dates for this generation. However, they are typically categorised as those born between the early 1980s and the mid-1990s to the early 2000s.

Outsourced Brands contracted people and organisations outside the business to carry out specific tasks rather than recruiting their own teams.

Pretotype Involves the creation of an extremly simplified version of a product or service so that it can be quickly tested with the target consumer groups and adjusted prior to launch.

Psychometric tests A branch of physchology that addresses the design, administration and interpretation of test meassuring personal factiors such as intelligence, personality and aptitude.

Qualitative variables Those factors that describe our lifestyles and standard of living but that cannot be measured in a conventional way. For example, our feelings of security, wellbeing and so on.

Ransomware A form of malicious software designed to currupt or block a computer system until an amount of money is paid.

Reasoned action When we decide to purchase a product or service, and that decision is based on rational behaviours and a logical approach.

Rebrand Involves changing the name of an existing brand.

Research hypothesis The statement created by researchers when they speculate upon the outcome of research or an experiment.

Research question The fundamental question that research sets out to answer. This forms the focus of the study and determines the research approach and methods.

Sample The group of people identified as the being representative of the target population of the research project.

Structured format Refers to a set process that the research follows; a systematic approach to gathering responses that doesn't enable researchers to deviate from the flow and structure of the questionnaire.

SWOT analysis Acronym for matrix that analyses strengths, weaknesses, opportunities, and threats facing an organisation, project or business venture.

Syndicated data Data that is gathered and published, usually by a research company, and then sold as a publication to any interested party.

Touchpoints All those points where the consumer comes into contact with the brand, from advertising to packaging; staff uniforms to transport livery designs and logos.

Unique visitor An individual person visiting a website, regardless of how often they visit that site.

Valence Relating to motivation; a goal that has either positive or negative psychological value.