

# CONSUMER BEHAVIOUR PSYCHOLOGY

Course Material - Knowledge required - for Certification

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## INTRODUCTION

Have you ever wondered why you buy one brand of cereal over another? Or why you might react to different types of advertising? Your decisions are motivated by a number of factors. The study of these factors is called consumer psychology. On this course you will explore what consumer psychology means and how it's related to the rise of a consumer society. You will be introduced to basic marketing concepts and you will understand how these concepts affect the relationship between customers and the companies. And you will reflect on how consumer psychology impacts the decisions you make every day. Psychological determinants of consumer behavior or the consumer's underlying motivation drive consumer action. This process can include information search and the purchase decision. The consumer's attitude to a brand (or brand preference) is described as a link between the brand and a purchase motivation. Consumer behavior psychology motivations may be negative: that is to avoid pain or unpleasantness. Motivations can also be positive: that is to achieve some type of reward such as sensory gratification.

One approach to understanding both types of motivations was developed by Abraham Maslow. Maslow's hierarchy of needs describes five levels of needs based on the level of importance. Maslow's approach is a generalized model for understanding human motivations in a wide variety of contexts. The application of Maslow's model to this field shows the close connection between social psychology and theories of consumer culture. Another approach proposes eight purchase motivations, including five negative motives and three positive motives.

In marketing literature, the consumer's motivation to search for information and engagement in the purchase decision-making process is sometimes known as 'involvement.' Purchase decisions are classified as 'low involvement' when consumers suffer a small psycho-social loss if they make a poor decision. A purchase decision is classified as high involvement when psycho-social risks are perceived to be relatively



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high. The consumer's level of involvement depends on several factors. These can include the perceived risk of negative consequences in the event of a poor decision, the product category, the social visibility of the product, and the consumer's prior experience with the category. Learn about the origins of consumer psychology and examine how consumer behavior can be influenced by a range of factors.

At the end of this course, you should be able to explain

1. What consumer psychology is
2. Consumer psychology and the consumer society
3. Consumer-oriented marketing
4. Consumer choice and decision making

## **SECTION 1:**

### **CONSUMER PSYCHOLOGY DEFINITION**

## **Lesson 1: What is Consumer Psychology?**

Consumer Psychology is the study of human behavior regarding their buying patterns, customs and preferences in relation to consumer products including their reactions and preferences to advertising, packaging and marketing of those products.

### **What is Consumer Psychology?**

Consumer psychology is a field of study drawing on many disciplines, including social psychology, marketing, behavioral economics, and other areas to assist with understanding consumers. Consumer psychology concepts aim to evaluate and understand consumers and the decision-making process. Psychological factors influencing consumer behavior such as demographics, personality, lifestyles, and behavioral variables like usage rates, usage occasion, loyalty, brand advocacy, and willingness to provide referrals are all studied in market research.

A consumer is an individual who purchases, has the capacity to purchase, goods and services offered for sale by marketing institutions in order to satisfy personal or household needs, wants, or desires." As will be noted from the definition above, referral is made to an individual. Therefore, one should first focus on human behavior, since consumer behavior, according to Walters, represents a subset of human behavior. Human behavior, therefore, refers to the total process whereby the individual interacts with his environment. Human behavior encompasses every thought, feeling or action by people. This implies that every thought, motive, sensation and decision that is made every day, is classified as human behavior. Belch & Belch provide a link between human behavior and consumer behavior, by stating that consumer behavior has been defined as the study of human behavior in a consumer role.

Consumer behavior, represents specific types of human actions, namely those concerned with the purchase of products and services from marketing organizations. Having defined human behavior and accepted that consumer behavior is founded in human behavior, the focus in Section 2.2.1 will be on consumer behavior.

Consumer behavior as the process whereby individuals decide whether, what, when, where, how, and from whom to purchase goods and services. Mowen provides a different definition by explaining consumer behavior as: "... the study of the buying units and the exchange processes involved in acquiring, consuming, and disposing of goods, services, experiences, and ideas". This definition focuses on buying units in an attempt to include not only the individual but also groups that purchase products or services.

## **Lesson 2: Product positioning**

Product positioning" is a marketing technique intended to present products in the best possible light to different target audiences. The method is related to "market segmentation" in that an early step in major marketing campaigns is to discover the core market most likely to buy a product—or the bulk of the product. Once segmentation has defined this group, the positioning of the product consists of creating the message likely to reach this group. Positioning involves symbol and message manipulation, including displays and packaging. Two expert definitions: Al Ries and Jack Trout, in their book *Positioning*: introduce the subject by saying: Positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect. So, it's incorrect to call the concept 'product positioning. As if you were doing something to the product itself. Not that positioning doesn't involve change. It does. But changes made in the name, the price and the package are really not changing in the product at all. Positioning is also the first body of thought that comes to grips with the problems of getting heard in our overcommunicated society. Product positioning refers to consumers' perceptions of a product's attributes, uses, quality, and advantages and disadvantages relative to competing brands. Marketers often conduct marketing research studies to analyze consumer preferences and to construct product position maps that plot their products' positions in relation to those of competitors' offerings."

Concepts like "segmentation" and "positioning" typically arise in the "large" rather than in the "small" business context. The underlying concepts apply to both, but access to the mass market requires substantially more preparation. These methods have thus developed of necessity and in order to save money. They do not represent some kind of "high sophistication" the small business has overlooked. Small business owners practice segmentation and positioning as much as the giants and multinationals—but the small business owners think of these things differently and do not use the phrases. The preparation of major product introductions and related packaging design, promotional and advertising campaigns, incentives for the supply channel, etc. can be very costly. Money can be wasted unless careful planning comes quite early. Market segmentation, an early step in the positioning of products, is intended both to limit the costs of sales and marketing and also to channel the money to the most cost-effective points in the communications network. Related market research, distinct from segmentation, is often used to set price points, identify competitive aspects of the product, etc.

Some product lines, of course, have obvious and built-in segmentation: the marketing of baby foods will be directed at young mothers; wheel-chairs will typically be advertised on TV channels watched by the elderly. A whole category of television drama is called the "soap opera" because these morning shows were watched by women who did the laundry. Lipsticks and cosmetics are rarely advertised on televised football games. And so on. Market segmentation is ultimately a highly developed extension of such quite common-sense linkages between social, demographic, income, and gender groups and the products these typically buy or shun. It might be argued that segmentation studies have gone too far, that the slicing and dicing of sub-sub-sub groups has reached rather silly extremes, but those who spend the money on highly elaborate market surveys and focus groups at least believe in the effectiveness of such techniques. And they have a certain scientific grounding. Segmentation studies invariably attempt to capture opinion and then to extrapolate it using statistical methods. Groups are selected and interviewed based on pre-selected characteristics to determine their reactions to products, features, packaging concepts, price-points, appearance, symbols, and message contents. It is vital in these studies that the participants be

"representative" of groups that can be measured objectively using census data, for example, urban working women between 30 and 45 with children in the home. To the extent that participants in the study meet the criteria, it is then assumed that the opinions of a small sample will be the same as the opinions of the total population in that category. Segmentation, therefore, is one category of opinion polling as a whole. Its effectiveness depends on the design of the research and is measured by results later much as political polling is upheld or falsified by election results. A rather vast body of knowledge, expertise, and interpretation has developed around this type of research in order properly to discern what consumers really mean, how their views and actions correspond, and so on. The amount of effort expended—and professional skills deployed is directly related to the very large amounts of money expended on persuasion generally. Product positioning is derived from segmentation and similar marketing studies. Research of this type will determine the different reactions of distinct and measurable groupings of consumers. Some will have a high level of enthusiasm; others will be indifferent. The largest grouping returning a favorable opinion is then selected as the target market; the marketing message is tailored to appeal most specifically to this group and will be shown most frequently in media this group routinely uses. Positioning, of course, may extend to several secondary groups as well, so that a product may be launched with somewhat different emphases and approaches in different media depending on who is watching, listening, or reading. Positioning becomes a very complex process in that attempts are made to coordinate all aspects of the symbology, to echo the very words people used in focus groups, and to select those images, packages, and lifestyle linkages identified earlier. Occasionally it happens, contrary to the opinion expressed by Ries and Trout, that the product itself may be significantly modified—especially if most consumer groups polled found fault with some features. Probably the biggest difference between mass marketers and small businesses is that small operations practice product positioning but without the very costly machinery of elaborate and formal segmentation, market research, and testing paid for by the big companies. To be sure, some small businesses (those of the larger kind and able to spend such dollars) do conduct studies quite similar to the majors. But in most small businesses the positioning of products is based on the opinions of the business owner, his or



her family, and selected friends and customers; they are the "sample." To some extent small businesses also conduct what might be called "experiential" studies once products are launched. They observe who buys most of the product, receive feedback from the market, and then later, in response, modify the ways in which they advertise, where they advertise, how they label, how they display product in the store, and even how they package. If the product is initially at least moderately successful, this type adaptation based on experience is much more effective because it reflects consumer behavior rather than consumer opinion.

### **Lesson 3: What is the Importance of Consumer Psychology?**

Understanding psychological factors affecting consumer behavior is a key challenge for marketers and business owners. Research on consumer behavior is concerned with understanding both how purchase decisions are made, who buys certain products, and how products or services are consumed or experienced. Research has shown that psychology's role in consumer culture may be difficult to predict, even for experts in the field. However, new research methods such as ethnography and consumer neuroscience are shedding new light on how consumers make decisions, especially in assessing the intention-action gap, i.e. the difference between what consumers say and what they actually do.

Social Marketing, Customized Marketing, brand-name shopping, and the consumer's perception of the price of the commodity (directly expressed as the consumer's sensitivity to price), are all main factors for understanding consumer attitudes and help explain the reaction of market demand to price changes. Furthermore, developing a good relationship with the target audience is essential for brand management. Tangible elements of brand management include the product or service itself; its look, price, and packaging, etc. The intangible elements are experiencing that consumers share with the brand, and also the relationships they have with the brand's products or services. This market research can help brand managers design the most effective and positive brand management and advertising strategy.

### **Lesson 4: History of Consumer Psychology**

Much of the connection between psychology and consumerism is attributed to Walter Dill Scott and his studies in the early 1900s. As director of the Psychological Laboratory at Northwestern, Scott was approached by an advertising executive looking to improve his marketing efforts. Scott first wrote about the conjoined subject in 1903 with his book *The Psychology of Advertising in Theory and Practice*, and continued to focus on the application of scientific knowledge in business problems. Scott devoted the latter part of his career in researching methods of social control and human motivation. Consumer behavior and psychology continued to emerge in the 1940s and 50s as a distinct sub-discipline in the marketing area. At the end of the 1950s, two important reports criticized marketing for its lack of methodological rigor, especially the failure to adopt mathematically-oriented behavioral science research methods. From the 1950s, mainstream marketing began to shift its reliance away from economics and towards other disciplines. This notably included the behavioral sciences, including sociology, anthropology and clinical psychology. This combination brought about a new emphasis on the customer as a unit of analysis. As a result, new substantive knowledge was added to the marketing discipline. This included such ideas as opinion leadership, reference groups, and brand loyalty.

Market segmentation, especially demographic segmentation based on the socioeconomic status index and household life-cycle, also became fashionable. With the addition of consumer behavior and psychology, the marketing discipline exhibited increasing scientific sophistication concerning the development and testing procedures of consumer psychology theories. More recently, scholars have added a new set of tools including ethnography, photo-elicitation techniques and phenomenological interviewing.

Today, consumer behavior is regarded as an important sub-discipline within marketing and is included as a unit of study in almost all entry level marketing programs.

## **Lesson 5: The origin and importance of consumer behavior**

Consumer behavior is regarded as a relatively new field of study with no historical body of research of its own. The concepts of the development, therefore, were heavily and sometimes indiscriminately borrowed from other scientific disciplines, such as psychology (the study of the individual), sociology (the study of groups), social psychology (the study of how individuals operate in groups), anthropology (the influence of society on the individual) and economics. From a marketing perspective, consumer behavior most probably became an important field of study with the development of the so-called marketing concept. Assael emphasizes the influence of the marketing concept in marketing by stating that, according to the marketing concept, marketers first need to define benefits sought by consumers in the marketplace, followed by the drafting of marketing plans supporting the needs of consumers. The marketing concept was formulated during the 1950s and although it seems logical, marketers never considered the concept thereof earlier. Assael provides two reasons why marketers did not use the concept earlier.

The first is that marketing institutions were not sufficiently developed to accept the marketing concept prior to the 1950s. Advertising and distribution were geared for the mass production and mass marketing strategies of that time. The implementation of the marketing concept requires diverse facilities for the promotion and distribution of products that will meet the needs of small, diverse market segments. The production and marketing focus before the 1950s were therefore concerned with economies of scale. The second reason for not pursuing the marketing concept prior to the 1950s can be attributed to the lack of a need to do so. The effects of the Depression resulted in very little spending power of consumers, attributing to the lack of interest in consumer behavior.

The Second World War, immediately after the Depression, contributed to the lack of interest in consumer behavior since product scarcities were the order of the day. With the lack of competitive pressure, manufacturers could sell whatever products they manufactured. The marketing approach for this era, according is called a production orientation, where consumers purchased what was available, rather than waiting for what they wanted. The production orientation was followed by a selling orientation, where

marketers attempted to sell products that they unilaterally decided to produce. The assumption of this orientation was that consumers were not willing to purchase products, unless they were actively and aggressively persuaded to do so. The selling orientation did not consider consumer satisfaction, leading consumers to communicate negatively regarding the product by means of word-of-mouth if they were not satisfied with it. In the early 1950s marketers realized that they could sell more products more easily by offering products to those consumers they assumed would purchase them. Through this approach, organizations considered consumer needs and wants, leading to the formulation of the marketing concept. As can be seen from a historical perspective, it is important for any organization to acknowledge consumer needs as a key to success for both survival and profit generation in a modern economy with multiple products per competitor and multiple competing distribution points. The importance of understanding consumer behavior can most probably be summarized in a simple, yet powerful, statement by Assael. Consumers determine the sales and profits of a firm by their purchasing decisions. As such, their motives and actions determine the economic viability of the firm".

To be a successful seller of products and services (as can be concluded from the statement above), organizations need to understand consumer needs and behavior and draft their marketing strategies to incorporate such behavioral needs of consumers.

## **Lesson 6: Types of consumer behavior**

There are four main types of consumer behavior:

### **1. Complex buying behavior**



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This type of behavior is encountered when consumers are buying an expensive, infrequently bought product. They are highly involved in the purchase process and consumers' research before committing to invest. Imagine buying a house or a car; these are an example of a complex buying behavior.

## **2. Dissonance-reducing buying behavior**

The consumer is highly involved in the purchase process but has difficulties determining the differences between brands. 'Dissonance' can occur when the consumer worries that they will regret their choice. Imagine you are buying a lawnmower. You will choose one based on price and convenience, but after the purchase you will seek confirmation that you've made the right choice.

## **3. Habitual buying behavior**

Habitual purchases are characterized by the fact that the consumer has very little involvement in the product or brand category. Imagine grocery shopping: you go to the store and buy your preferred type of bread. You are exhibiting a habitual pattern, not strong brand loyalty.

## **4. Variety seeking behavior**

In this situation, a consumer purchases a different product not because they weren't satisfied with the previous one, but because they seek variety. Like when you are trying out new shower gel scents.

## **What affects consumer behavior?**

Many things can affect consumer behavior, but the most frequent factors influencing consumer behavior are:

## **1. Marketing campaigns**

Marketing campaigns influence purchasing decisions a lot. If done right and regularly, with the right marketing message, they can even persuade consumers to change brands or opt for more expensive alternatives. Marketing campaigns can even be used as reminders for products/services that need to be bought regularly but are not necessarily on customers' top of mind (like insurance for example). A good marketing message can influence impulse purchases.

## **2. Economic conditions**

For expensive products especially (like houses or cars) economic conditions play a big part. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities. Consumers make decisions in a longer time period for expensive purchases and the buying process can be influenced by more personal factors at the same time.

## **3. Personal preferences**

Consumer behavior can also be influenced by personal factors, likes, dislikes, priorities, morals, and values. In industries like fashion or food personal opinions are especially powerful. Advertisement can, of course, help but at the end of the day consumers' choices are greatly influenced by their preferences. If you're vegan, it doesn't matter how many burger joint ads you see, you're probably not gonna start eating meat because of that.

## **4. Group influence**

Peer pressure also influences consumer behavior. What our family members, classmates, immediate relatives, neighbors, and acquaintances think or do can play a significant role in our decisions. Social

psychology impacts consumer behavior. Choosing fast food over home-cooked meals, for example, is just one of such situations. Education levels and social factors can have an impact.

## **Lesson 7: Consumer Orientation**

Consumer (or customer) orientation is the focal issue (or central theme) in today's marketing practices. There are four pillars of the modern marketing concept – consumer orientation (may be said as consumer satisfaction), target market, integrated marketing, and profitability. Consumer orientation is a key to achieve business goals. A firm can achieve marketing goals by concentrating on customer satisfaction. Those companies who actualize consumer orientation can achieve better marketing performance. The consumer orientation is modern marketing philosophy and approach that guide the marketing managers to formulate marketing program (4Ps) in such a way that the firm can offer maximum possible satisfaction to target consumers. The consumer orientation is modern marketing philosophy that guides the practicing managers to carry out marketing efforts in a manner that result into maximum consumer satisfaction. The consumer orientation emphasizes on understanding consumers' real needs, and satisfying them better than any competitor. It requires the company to define the consumer needs from consumer's point of view. Company must do everything possible to meet expectations of the target consumers.

### **Mahatma Gandhi's Famous Passage:**

More than a half century back, Mahatma Gandhi, the Father of Nation, has expressed his views on customer orientation. A famous passage of Mahatma Gandhi emphasizes on the critical place of customers in business.

- ✓ A customer is the most important visitor in our premises.
- ✓ He is not dependent on us. We are dependent on him.
- ✓ He is not an interruption in our work. He is the purpose of it.

- ✓ He is not an outsider to our business. He is part of it.
- ✓ We are not doing him a favor by serving him.
- ✓ He is doing us a favor by giving us an opportunity to do so.
- ✓ A customer is not someone to argue with.
- ✓ Nobody ever won an argument with the customer.
- ✓ A customer is the person who brings us his wants.
- ✓ It is our job to handle profitably to him and to ourselves.”

Consumer orientation assumes the consumer satisfaction as a guiding philosophy. It is similar to devotion, dedication, and commitment toward consumer satisfaction.

**It makes the marketers think:**

- ✓ “Customers are king in our business.”
- ✓ “Satisfy customer needs to satisfy company’s needs.”
- ✓ “Customers are the best judges of our offers (goods and services).”
- ✓ “Customer is the most important person in our business.”
- ✓ “He never complains, but suggests. He complains for company’s benefits. He complains on behalf of product.”
- ✓ “Customer is not dependent on us...we are dependent on him.”



- ✓ “He is our business partner; he is our well-wisher. He is doing favor by giving us opportunity to serve him.”

Marketing efforts are directed to satisfy consumers. Every decision is aimed at satisfying needs and wants of the target consumers. Due to competition, the marketer tries to satisfy customers more effectively and efficiently than the competitors.

**Consumer orientation calls for following actions:**

1. Define the target market carefully and collect relevant information.
2. Find out customers’ needs and wants.
3. Produce products as per their expectations.
4. Ensure fair deal with customers and ensure commitment toward them.
5. Establish and maintain long-term relations with consumers.
6. Provide them correct information when demanded.
7. Safeguard their long-term interest/welfare.
8. Treat them as business partners.
9. Take care of consumers’ suggestions and tackle their complaints.
10. Find out the best way to entertain them, and meet their expectations.

**Benefits of Consumer Orientation:**

Note that consumer orientation is not a marketing philosophy only, but it is a dominant business philosophy and it deserves many practical implications for better managing. Company can achieve its goals effectively by practicing consumer orientation philosophy. Consumer orientation leads to consumer satisfaction. Consumer satisfaction offers several benefits to company.

The basic question is: Why is company interested to satisfy consumers?

**Company can have following benefits if it satisfies its consumers:**

1. Satisfied consumer buys more quantity of company's products.
2. Satisfied consumer buys the company's products more frequently.
3. Satisfied consumer talks favorably about the company and its products.
4. Satisfied consumer is not easily impressed or attracted by competitors.
5. Satisfied consumer tries and buys new products as and when the company introduces them.
6. Satisfied consumer extends necessary support during bad (adverse) time. He compromises with the company's offer and continues buying the product even at a little loss.
7. Satisfied consumer remains loyal to the company, gives valuable suggestions, and protects company's interest in all possible ways.
8. Satisfied consumer extends all possible support to the company to carry out its operations effectively.

## **SECTION 2:**

# **CONSUMER BEHAVIOR THEORY**

## Lesson 1: Models of Human Behavior

It is an extremely difficult task to uncover the reasons why people buy, as they are subject to many influences. One reason is that humans are greatly influenced by their psyche, which eventually leads to overt purchase responses. Runyon & Stewart explain the theory of human behavior by stating that it represents the beliefs held regarding the nature of human beings as well as the causes of their behavior. Human beings can therefore be viewed from many perspectives. If, for instance, human beings are viewed from an economic perspective, marketers may attempt to influence them with economic incentives. If, however, viewed from a social theory perspective, marketers may attempt to influence people through appeals to group norms, references and values. In discussing models of human behavior, it is important to note that the models proposed are viewed as being an incomplete description of human beings, where different models may be appropriate for different marketing situations. Despite the above view, models of human behavior provide valuable input to consumer behavior, since they attempt to provide insights into why human beings, and therefore consumers, rationalize purchase decisions. To provide a clearer understanding of human behavior, four models will be discussed together with marketing applications based on the findings of Kotler.

The models of human behavior discussed below are the

1. Marshallian economic model,
2. Pavlovian learning model,
3. Freudian psychoanalytical model and
4. Veblenian social-psychological model.

In addition to these four models, the theory of Maslow's hierarchy of needs will be discussed to provide a perspective on the importance of understanding the influence of needs and motivation on consumer behavior.

## **Lesson 2: The Marshallian Economic Model**

According to the Marshallian economic model, individual buyers will spend their income on goods that will offer the greatest satisfaction, depending on their taste and the relative prices of goods. The antecedents for the Marshallian theory can be traced back to both Adam Smith and Jeremy Bentham. In accordance with a doctrine of economic growth developed by Smith, man is said to be motivated in all his actions by self-interest. Bentham, who viewed man as carefully calculating and weighing expected pains and pleasures of every contemplated action, refined this view. By the time Bentham's theory was applied to consumer behavior late in the 19th century, the "marginal-utility" theory of value was formulated independently and almost simultaneously by Walras in Switzerland, Menger in Australia and Jevons and Marshall in England. The theoretical work of Alfred Marshall, who was the consolidator of the classical and neo-classical tradition in economics aimed at realism, is founded in his method to examine the effect of change in a single variable, for example price, when all other variables were held constant, based on simplified assumptions. In the quest for greater realism, Marshall "reasoned out" consequences of the provisional assumptions and modified his assumptions in subsequent steps. Marshall's methods and assumptions have been refined to the Modern Utility Theory, where the economic man maximizes his utility and does this by carefully calculating the "felicific" consequences of any purchase. Marshall used money as the common denominator of psychological needs, where the value of satisfying a specific need could be equated and compared with other needs in terms of cost.

### **Marketing applications of the Marshallian model**

The value of the Marshallian model for the purposes of behavioral science can be viewed from a number of different viewpoints. One point of view is that the model is tautological and therefore neither true nor

false. The model is also not very informative because it simply portrays the buyer as acting in his best interest. A second view is that the model provides logical norms for buyers who want to be "rational", therefore it is a normative rather than a descriptive model of behavior. The consumer is not likely to employ an economic analysis for all purchases, but is rather selective in using an economic theory. A consumer may therefore not use the economic principles for choosing between two low-cost products but may apply an economic analysis when deciding to purchase a new house or car. A third view is that economic factors should be included in any comprehensive description of buying behavior, since economic factors operate, to a greater or lesser extent, in all markets. The Marshallian model provides a number of useful behavioral hypotheses. The first hypothesis offered is that the lower the price of a product, the greater the sales will be for that product. A second hypothesis is that the lower the price of a substitute product is than that of a specific product, the greater the sales of the substitute product will be. Third, the sales of a product will be higher, provided it is not an inferior product, if the real income is higher. The last hypothesis states that greater volumes of sales will follow as promotional expenditure is increased. It should be noted that these hypotheses are intended to describe the average effect and do not attempt to class all individuals' actions as continuously calculating the economic impact during purchase decisions. As a final comment to the Marshallian model, it can be concluded that economic factors alone cannot explain all variations in the sales and buying process and also that the fundamentals of how brand and product preferences are formed are ignored in this theory. The model offers a useful frame of reference for analyzing only a small portion of the consumer's psyche.

### **Lesson 3: The Veblenian Social-Psychological Model**

The Veblenian social-psychological model of human behavior is based on the findings of Thorstein Veblen, who received his training as an orthodox economist and evolved as a social thinker through the influence of the science of social anthropology. According to this model, man is perceived to be a so-called "social animal", where man conforms to norms of its larger culture and to more specific standards of subcultures

and face-to-face groups in which humans operate. In essence this implies that human behavior and needs are molded by present group memberships. Based on the theory of the model, Veblen hypothesized that, for the so-called leisure class, a great portion of economic consumption is influenced and motivated by prestige seeking and not on needs or satisfaction. Veblen placed specific emphasis on emulative factors that would influence people when purchasing conspicuous products, for example cars and houses or even less expensive items, such as clothes. The model is criticized as it is perceived by more modern perspectives to be overstated. For example, not all people consider the leisure class to be a frame of reference and many people aspire to the social class immediately above their current social class. In addition to the above, more affluent people of the society would rather underspend than overspend on conspicuous items since they would rather "fit in" than "stand out". A final comment on the model is that although Veblen was not the first investigator to comment on the influence of social class on human behavior, the incisive quality of his observations inspired further investigations.

### **Marketing applications of the Veblenian model**

The importance of the Veblenian model, to the marketer is that, in order to determine the demand for products, the most important social influences impacting on such product demands should be determined. Important for the marketer to consider is the impact of different social influences, which include social class, subculture, reference groups and face-to-face groups.

### **Lesson 4: The Pavlovian Learning Model**

The well-known Pavlovian theory of learning has its origin in the experiments of the Russian psychologist, Pavlov, who conducted his experiments by ringing a bell each time before feeding a dog. Pavlov soon discovered that he could induce the dog to salivate by ringing the bell regardless of whether or not food was offered to the dog. From this experiment, Pavlov could conclude that learning occurred due to a process of association and that a large component of human behavior was conditioned in this way. Experimental psychologists, focusing on rats and other animals and eventually human beings, continued Pavlov's mode

of research. The objective of laboratory experiments was to explore phenomena such as learning, forgetting and the ability to discriminate. The result of the research led to a stimulus-response model of human behavior, based on four central concepts, namely drive, cue, response and reinforcement. Before briefly discussing these concepts, it should be mentioned that O'Shaughnessy (1992: 116) explains that according to Pavlovian theory, also called classical conditioning, there has to be a connection between some stimulus and a true reflex reaction.

The four central concepts of the Pavlovian theory are briefly discussed below.

#### **a) Drive**

In the Pavlovian learning model, drive, also referred to as "needs" or "motives", implies strong stimuli internal to the individual, which activate action. Two types of drives are distinguished by psychologists, namely

1. Primary physiological and
2. Learned drives.

Primary physiological drives refer to basic individual factors, such as hunger, thirst, pain, cold and sex. Learned drives, which are derived socially, include factors such as COM operation, fear and acquisitiveness.

#### **b) Cue**

According to the model, a drive is very general and a particular response is impelled only in relation to a particular configuration of cues. Cues are furthermore perceived as weaker stimuli in the individual and the environment and will determine where, when, and how a subject respond. As an example, an advertisement for coffee may act as a cue, which stimulates the thirst drive. The response will be influenced by this cue as well as other cues, for example time of day and availability of other thirst-quenchers.



**c) Response**

Response implies the reaction to the configuration of the cues. It should, however, be noted that the exact configuration of cues will not necessarily generate the same response. The same response depends on the degree to which the experience was rewarding.

**d) Reinforcement**

A rewarding experience will result in the reinforcement of a particular response. It is therefore implied that the tendency is formed where the same response will be repeated when the same configuration of cues appears. If, however, a learned response or habit is not reinforced, the habit may eventually be extinguished, since the strength of the habit decreases. Important to note is that, in contrast to extinction, forgetting occurs when learned associations weaken due to non-use and not because of the lack of reinforcement.

**Marketing applications of the Pavlovian model**

The Pavlovian model makes no claim to provide a complete theory of consumer behavior due to the omission of interpersonal influences, perception and the subconscious influences considered to be important phenomena. The model does, however, contribute to marketing by providing insights to the marketer concerning consumer behavior and advertising strategy. An example of the usefulness of the model for the marketer would be the introduction of a new brand into a highly competitive market. The organization may attempt to form new habits for its new brand by extinguishing existing brand habits. A challenge to the organization will be to persuade consumers to try the new brand by deciding between using strong and weak cues. Although strong cues, for example samples of the product, may be the more expensive alternative, it often is the desired approach to target markets characterized by high brand loyalties. Also, of importance, considering the reinforcing component of the model, is that sufficient quality should be built into the brand to create a positive experience. In addition to the above, it may be useful to determine the most effective cues in leading brands. The second area in which the Pavlovian model offers insight is in the

form of guidance for advertising strategy. The model emphasizes the repetition in advertising since a single exposure is very likely to be a weak cue, hardly able to sufficiently arouse the individual's consciousness to inspire the drive as discussed in the model.

Repetition in advertising also has two desirable effects

Repetition (or frequency of association) firstly combats forgetting and secondly provides reinforcement since the consumer becomes selectively exposed to advertisements of the product after purchase. As closure to the value of the model offered to marketing, guidance is provided to advertising copy, since in order to be effective, an advertisement should arouse strong drives in a person. Marketers should therefore identify the strongest product-related drives, for example hunger may be identified for candy bars and status for motor vehicles.

### **Lesson 5: The Freudian Psychoanalytical Model**

The well-known Freudian model of human behavior is regarded to have a profound impact on 20th century thought, although it is labelled as being the latest in a series of philosophical "blows" to which man has been exposed in the past 500 years. Freud attacked the idea that man reigned over his own psyche, whereas preceding philosophical views by Copernicus and Darwin respectively destroyed the view that man was at the center of the universe and opposed the idea that man was considered a special creation. Freud assumed that the psychological forces shaping people's behavior are largely unconscious, resulting in people not being able to fully understand their own motivations. Kotler provides more detail on Freudian theory by explaining that, according to the theory, the child enters the world driven by instinctual needs that cannot be satisfied by itself. The child quickly and painfully realizes its detachment from the world and at the same time its dependence on it. Through blatant means, including supplication and intimidation, the child attempts to use others to satisfy its needs.

Freudian theory further propagates that, as human beings grow, their psyche (called the id) remains the source for strong urges and drives. The id is oriented toward immediate gratification, forming the "partly animal" portion of the brain. A second part, called the ego, develops into a conscious planning core where outlets for drives are uncovered, responsible for mediating between the id and the superego. The superego, the final concept of the model, is responsible for the channeling of instinctive drives into socially acceptable outlets in order to avoid the pain associated with guilt and shame, referred to by as the individual's conscience. The urges that human beings feel, especially sexual urges, cause shame and guilt and are therefore repressed from the conscious. A person therefore develops defense mechanisms, for example rationalization and sublimation, resulting in either the denial of such urges or the transformation thereof into acceptable social expressions. According to Freud, these urges are never eliminated or under perfect control and sometimes emerge, vigilantly, as slips-of the-tongue, in dreams, in neurotic and obsessive behavior or eventually in mental breakdowns where the ego is not capable to maintain the balance between the oppressive power of the superego and the impulsive power of the id. A possible impact of the model, in practical terms, is that since the individual is not able to understand its own behavior, it is even more difficult for the casual observer to understand such behavior. For example, if a person is asked why a certain expensive vehicle is bought, the reply may be that the deciding factors were speed, comfort and appearance. At a deeper level, the reasons may include to impress others or to be young again. At an even deeper level, the motive for the purchase may be attributed to an attempt to achieve substitute gratification for unfulfilled sexual urges. The Freudian model has been refined a number of times. Changes include the three parts of the psyche, where it is regarded as theoretical concepts rather than actual entities as well as the extension of the behavioral perspective to incorporate cultural and biological mechanisms. Kotler continues by stating that instead of focusing on sexual urges in psychic development, like Freud who focused on oral, anal and genital stages together with possible fixations and traumas, other philosophers refined the theories of Freud. For example, Adler focused on the desire for power and the manifestation thereof in superiority and inferiority complexes; Horney emphasized cultural mechanisms and Fromm and Erickson stressed

existential crises in personal development. In conclusion, it should be noted that the philosophical divergencies, as mentioned above, greatly enriched and extended the interpretative value of the Freudian model to a wide range of behavioral phenomena.

### **Marketing applications of the Freudian model**

The most important marketing implication of the Freudian model that marketers should note, is that consumers are motivated by both symbolic and economic-functional product concerns. For example, the change of a bar of soap from a square to a round shape has probably more a sexual than functional connotation. A more practical example may show that an advertisement for a cake mix, depicting little effort and labor involved, may alienate housewives since the easy life may cause a sense of guilt. The importance of the model can also be viewed from a research perspective. While direct observation and interviewing can be used to obtain more superficial characteristics, for example age, gender and family income, these methods of research cannot be used for establishing the mental state, which is believed to be deeply "buried" within an individual. A final benefit to marketing researchers is that motivational research can offer beneficial insights and inspiration in terms of advertising and packaging. Insights gained from motivational research can often be used as a basis for advertising messages aimed at deeply rooted feelings, hopes, aspirations and fears of consumers. Such emotional appeals are often more effective than rationally based appeals.

### **Lesson 6: Maslow's Hierarchy of Needs**

Maslow's well-known hierarchy of needs, although not classified as a model of human behavior, provides valued input to the theory of consumer behavior, since it provides theory on the motivation of human beings based on a hierarchy of human needs. The importance of motivation and needs within the study of consumer behavior will be noticed when the models of consumer behavior are discussed later in this course. Maslow's theory postulates five basic levels of human needs, ranging from lower-level (biogenic) needs to more important, higher-level (psychogenic) needs. Consumers, therefore, seek to first satisfy lower-level needs

before attending to higher-level needs. Only once a lower-level need is satisfied, will a new (higher-level) need emerge, motivating the consumer to fulfil such a need. The process continues, leading the consumer to aspire to the fulfilment of higher-level needs, each time higher than the need before. Loudon & Della Bitta support this view by Egoistic needs comprise inwardly-directed needs (for example concerned with the individual's need for success, independence, self-acceptance and personal satisfaction with something well done) and outwardly-directed needs (including, for example, the need for reputation, status and prestige). The final and highest level of needs is that of self-actualization, implying the desire to fulfil one's potential, becoming everything an individual is capable of becoming. Worth mentioning is that Maslow believed that most people do not satisfy their egoistic needs sufficiently, thereby keeping them from ever moving to the final, self-fulfillment needs. Comments on Maslow's hierarchy of needs. The major problem of Maslow's theory is that it cannot be tested empirically, implying that there is no means of measuring precisely how satisfied one need must be before a next, higher need becomes operative. The influence thereof on marketing is somewhat Simplistic since, according to the theory, consumers first need to satisfy basic needs before progressing to higher-level needs, where one product can satisfy a number of different needs. In addition to the above, Solomon argue that the theory may be culture-bound, perhaps restricting it to Western culture, or even only certain Western cultures, with other cultures possibly questioning the order of levels specified by the model. For example, Eastern cultures may regard the welfare of a group to be more valued than needs of an individual. Despite the criticism on the Maslow theory, Schiffman & Kanuk believe that it is useful in marketing strategy, since it provides an understanding of consumer motivations, primarily because consumer goods often serve to satisfy each of the need levels. In addition to the above, the hierarchy offers a comprehensive framework for marketers when developing advertising appeals for their products. The theory is adaptable in two ways, firstly enabling marketers to focus advertising appeals on a need level that is likely to be shared by a large segment of the intended audience and secondly, providing input to product positioning and repositioning. Solomon indicates the relevance of the hierarchy of needs by stating that, rather than viewing consumer needs as a progression to higher-level needs,

marketers should acknowledge that consumers have need priorities at different times. This view is supported by Walters who states that the importance of needs to marketers is founded in the fact that motives for purchasing are established by needs.

### **Lesson 7: Defining Models of Consumer Behavior**

Before providing a definition of models of consumer behavior, it may be useful to first define the term "model". Schiffman & Kanuk provide such a definition, namely: "A simplified representation of reality designed to show the relationships between the various elements of a system or process under investigation." Engel add to the above by explaining that a model is a replica of the phenomena it is intended to designate, meaning that it specifies the elements portrayed within the model and represents the nature of relationships among these elements. A model can therefore be viewed as a testable "map of reality" and its utility lies in the extent to which successful predictions and description of behavior, together with underlying influences, are made possible. A 'final definition, specifying models of consumer behavior, is offered by Assael: "Sequence of factors that lead to purchase behavior and hypothesizes the relationship of these factors to behavior and to each other." The definitions above should prove sufficient in an attempt to clarify the meaning of models, and more specifically, models of consumer behavior.

#### **Purpose and advantages of models of consumer behavior**

The purpose of a model, namely to guide researchers, cannot be overemphasized. A model provides the researcher with a range of appropriate variables, thereby preventing a problem often experienced, namely a narrow perspective when looking at problems. Comprehensive models of consumer behavior pose both advantages and disadvantages. The advantage of these models is that they describe complex decision-making processes, while the disadvantage can be attributed to its estimation, measurement and policy analysis. Comprehensive models are criticized by various psychologists by stating that models are primitive and ineffective in predicting behavior. In addition, models often consist of little more than elaborated flowcharts, designed to reflect the various factors influencing consumer behavior. These so-called

flowcharts do not adequately evaluate the relative importance of the variables involved in the models and borrow heavily, and sometimes indiscriminately, from behavioral sciences for their theoretical base. As a final criticism, Runyon & Stewart state that contemporary models of consumer behavior are inadequate for marketing needs. Although this expressed opinion may cause confusion regarding the relevance of consumer behavior models, it is important to view a different perspective on the relevance of models. Engel provides clarity regarding the relevance of models by stating that decision process models encompassing many variables cannot explain the details of consumer behavior in every specific situation. Engel therefore suggest that a workable model should delineate the variables associated with the consumer decision process, the general relations that exist among variables, and the general principles that express the model's ingression in particular purchase situations.

The purpose and advantages offered by models of consumer behavior are listed below:

- a) Explanations are provided for behavior: Engel list probably the most obvious advantage - that it is possible to visually grasp what happens as variables and circumstances change;
- b) Explanatory variables are specified: Every person has a model of consumer behavior in mind, whether implicit or explicit. This implies that each person has a concept of factors that shape motivation and behavior. Without a held concept, explanation and prediction will be impossible. The distinction is made with respect to the comprehensiveness of competing models and the accuracy with which predictions can be made;
- c) Systematic thinking is encouraged: Forcing theorists to define the relevant elements in behavioral theory, will result in systematic thinking. Kotler support this view by adding that all major variables that models comprise, are identified and measured;

- d} Fundamental relationships between variables and the exact sequence of cause and effect of variables are specified: This view by Kotler is supported by Runyon & Stewart, adding that by showing explicit relationships between variables, a tentative view of behavioral phenomena is offered;
- e} Research findings can be integrated into a meaningful whole: Most analysts of consumer behavior are familiar with behavioral sciences. A well-formulated model assists analyst to differentiate between relevant and irrelevant literature that is often a highly frustrating experience to examine;
- f} Evaluations are provided for performance of the system: Part of the requirements for a good model, according to Engel is that they describe the functional relationships between variables, resulting in the ability of the model to make behavioral predictions with some degree of accuracy;
- g) Avenues for fruitful research are revealed: Carefully designed models are often the source of researchable hypotheses, since gaps in existing knowledge are easily exposed. The nature of the researchable hypotheses identified is usually determined by the variables themselves and linkages between them. The gaps identified could possibly even establish research priorities;
- h) A foundation is provided for management information systems: Essential insights for marketing strategy are provided through the proper use of a model that discloses information required to understand consumer decision processes; and
- i) The final advantage, is that models sometimes permit sensitivity analyses and simulations of behavior so that the impact of changes in variables can be explored and the implications of the model observed under different sets of assumptions.

### **Some models of consumer behavior**

The objectives of discussing various models of consumer behavior are to attempt to indicate the evolution in thought patterns of different authors on the subject of consumer behavior over the past years as well as to show the relevance and importance of models of consumer behavior in the study of consumer behavior.



In an effort to achieve the objectives stated above, a number of models of consumer behavior will be discussed. Important to note is that the models discussed will include historic versions by the same authors, often attached in appendices, thereby attempting to show the change in thought patterns of authors as more research on the subject is conducted. The second, even more important, objective will be to indicate the relevance and importance of these models on the subject of consumer behavior.

This will be achieved by briefly discussing historic models on the subject of models of consumer behavior, as well as a detailed discussion on a more recent model, namely that of Engel, Blackwell and Miniard.

The detailed discussion of the Engel, Blackwell & Miniard (EBM) model will show the difficulty of understanding consumer behavior due to the many variables influencing the consumer decision process. Only by understanding the influences on consumer decision-making, will the marketer be able to draft effective strategies aimed at meeting consumer needs. Although the researcher considered a number of more recent models of consumer behavior, it was decided to focus on the EBM model, since the discussion will be based on this model. The discussion below will focus on four historic models of consumer behavior, namely

1. Bettman's information processing model,
2. Nicosia model,
3. HowardSheth model and the
4. Howard mode

As stated above, the Engel, Blackwell, and Miniard will be discussed in greater detail in an attempt to indicate the factors influencing consumer behavior.

### **Lesson 8: The BeUman Information Processing Model**

The Bettman information processing model, attempts to model a specific field of consumer behavior, namely information processing. The model provides an analytical 'framework for understanding consumer

behavior in an environment where choice is made by selecting between a set of alternatives. The model focuses on the information processing perspective by viewing the type of information used by consumers, how the information is evaluated and finally, how decisions are made. The Bettman information processing model is shown in function of prior experience and information obtained by the consumer. Attention, the second component, comprises voluntary attention (implying the consumer's allocation of the information-processing effort) and involuntary attention. The third component, information acquisition and evaluation, stipulates that attention is influenced by the goals pursued and therefore activates the search for information. The evaluation component of the model determines when sufficient information is obtained for the purpose of decision-making. The next component of the model, the decision process, is continuously active in the model by focusing on the comparison of possible alternatives. The final element of the basic hierarchy, namely consumption and learning, focuses on the purchase and consumption of the product and offer a new source of information to the consumer.

The final stage in the basic hierarchy will, therefore, affect the structure of future choices.

### **The intermediate process**

The intermediate processes, also referred to as modulating processes, focus on four elements, namely perceptual encoding, processing capacity, memory and external search and finally, scanner and interrupt mechanisms. The first component of the intermediate process, "perceptual encoding", comprises the interpretation process of an individual once being exposed to a stimulus. Bettman argues that this process is influenced by memory, implying the way things were, and by the stimulus itself, implying the way things are. The implications of processing capacity, the second component, are that capacity has to be allocated to a decision task since the complete information-processing process is limited by capacity. Capacity is furthermore positively related to effort and motivation.

Runyon & Stewart continue by pointing out a relation between processing capacity and education, intelligence and previous experience. According to the memory and external search components,

information may be obtained, in a choice situation, through internal search of the memory and external search, where attention and perceptual decoding is focused on stimuli outside the consumer's memory. Runyon & Stewart continue by listing advertisements, other people and other sources external to the consumer as external sources. The cost of information search versus the benefits of the information, together with the availability of information, time pressure and the difficulty of the choice task, will determine the level of information search. The final component, scanner and interrupt mechanisms, indicates that consumers are interruptible and not single-minded when pursuing a goal. The scanner monitors the environment in an effort to note conditions that may warrant changes in current actions or beliefs. By reaching a theoretical scanner threshold, an interrupt mechanism is triggered, resulting in the generation of new responses. It is therefore suggested in the model that scanner and interrupt mechanisms affect virtually the entire decision-making process. Considering the Bettman information processing model, Kotler suggest that the model represents an attempt to develop a complete theory on the consumer choice process. Knowledge obtained from the model, beneficial for the development, presentation and timing of marketing communications, includes insight into the information consumers desire, how information is obtained and the probable processing of such information. In addition to the above, the model offers a broad view of purchase decisions, including choices among product classes as well as competing alternatives within a specific product class. The theory of the model is therefore perceived to position decision rules or choice heuristics within the broader concept of decision making. The main limiting factors to the model, are that the model is not directly operational and does not provide quantitative support for marketing decisions. While the schematic model suggests complex relationships involving interactions and feedback, these are not specified in the model and have not been empirically tested. Despite the limitations, the model provides insight in terms of the structure of the process and guidance on the kind of issues that can be expected to affect and influence consumer choices. The model has proven useful to managers concerned with effective communication with consumers and also as a guide for further research on consumer information processing.

The Nicosia model provides a sophisticated attempt to show the interrelationship between attributes of the consumer, the consumer decision-making process, the marketing communication of an organization and feedback of the response of the consumer to the organization. The model is interactive in design, where the organization attempts to influence consumers through marketing actions and the consumers in return influence the organization through their purchase actions (or lack of action if products are not purchased). If the reaction or attitude resulting from field one is favorable, the consumer will search for the product and evaluate it in terms of other alternatives. The output of the second field is motivation to purchase the organization's brand. The evaluation could, however, also lead to rejection of the brand although the model illustrates a positive response. The positive evaluation leads to purchase of the product, the third field of the model. The final field of the Nicosia model, field four, consists of two types of feedback from the purchase experience. The first type of feedback relates to the organization where sales data will be obtained and the second to the consumer in the form of experience, leaving the consumer either satisfied or dissatisfied. The experience obtained by the consumer relating to the product will affect the predisposition and attitudes with regard to future messages from the organization.

### **Limitations of the Nicosia model**

The questionable assumptions that the consumer has no prior knowledge or experience of the product, as well as inadequate understanding of subfield two, the influences and interrelationships among the consumer attributes. A final limiting factor is that, for repetitive decisions (considered a significant part of consumer purchases), the operation of the model is ambiguous. Engel, criticize the Nicosia model by claiming that the model never received the necessary elaboration and empirical support nor has it been revised to reflect changes. In conclusion to the Nicosia model, Runyon & Stewart express the opinion that despite the limitations of the model, it attempts to explicitly incorporate the marketing actions of the organization within a model of consumer behavior.

The Howard-Sheth model of buying behavior, presents a sophisticated integration of the psychological and various social and marketing influences on consumer choice, into a coherent sequence of information processing. The model attempts to explain rational brand choice behavior within the constraints of incomplete information and limited individual capacities, and also that it provides an empirically testable description of behavior in terms of cognitive functioning together with its outcomes. The Howard-Sheth model is a model that explicitly distinguishes between three different stages or levels of decision-making, also referred to as levels of learning, namely extensive, limited and routinised problem-solving. Extensive problem-solving implies that the consumer has very little or no knowledge and beliefs about brands. The consumer actively seeks information on a number of alternatives at this point due to the lack of a brand preference. In order to reduce brand ambiguity, the consumer is involved in a decision process and undertakes prolonged deliberation contemplating which brand to purchase or whether to buy at all. Limited problem-solving occurs when the consumer cannot fully assess the brand differences to arrive at a preference, since knowledge and beliefs about the brands are only partially established. Other factors to be considered in limited problem-solving are that consumers have formed choice criteria, know a few brands well and favor them equally because they have already tried several brands at this stage. price, service, distinctiveness and availability, while symbolic stimuli are portrayed by the mass media and sales people and influence the consumer indirectly. The third type of stimuli is provided by the social environment of the consumer and includes social class, family and reference groups. The three types of stimuli provide input to the consumer regarding the product class or specific brands. The second variable, perceptual and learning constructs, forms the central component of the Howard-Sheth model. At this stage of the model, psychological variables are assumed to operate when the consumer is contemplating a decision. Although forming the so-called heart of the model, these constructs are treated as abstractions that are not defined operationally or directly measured. The perceptual constructs are concerned with how the consumer receives and processes information obtained from input stimuli and other parts of the model, i.e. the function

of information processing. For example, if the consumer is unclear regarding information and its meaning received from the environment, stimulus ambiguity occurs, while distortion of information received by the consumer, to match established needs or experiences, results in perceptual bias. Learning constructs, the second component of this variable, includes the consumer's goals, preferences, criteria for evaluating alternatives, information regarding products in the evoked set and buying intentions. The proposed interaction between the perceptual and learning variables together with variables in other segments of the Howard-Sheth model ensures its distinct character. Runyon & Stewart provide additional information on the second variable, combining perceptual and learning constructs into a single term, called hypothetical constructs. These constructs are responsible for processing and interpreting input stimuli and are characterized by the fact that changes in them can only be inferred from output variables, since they are not observable. The third variable in the model, outputs, represents the possible response to stimuli by the consumer and includes five variables, namely attention, brand comprehension, attitude, intention and purchase. The final variable, exogenous variables, is not depicted in the model, since it is not perceived to be directly part of the decision-making process. The reason for mentioning this variable is that it should impact on the segmentation efforts of the marketer, since the consumer is influenced by external variables. Exogenous variables considered relevant in terms of impacting on consumer behavior include time pressure, consumer personality traits, financial status and importance of the purchase. The value of the Howard-Sheth model, is that the model attempts to identify and organize major variables that may influence consumer behavior. The model is also perceived to be dynamic in nature, since it reflects the complexity of consumer behavior in an attempt to understand it. The consumer is portrayed to form generalizations as a guide to decision-making through an active information search from the environment by employing past experiences. Criticism towards the model, is that the hypothetical constructs portrayed in the model are not operationally defined in unambiguous terms and the specific interrelationships are therefore somewhat speculative.

## Lesson 11: The Howard Model

The Howard model has been revised a number of times from the early 1970s to the current version published in 1994. It should be noted that the original model by Howard was based on revisions from the Howard-Sheth model. The model indicates the revisions that reflect insights gained from testing the Howard-Sheth model, as well as contributions of other authors who often approached consumer behavior from different theoretical perspectives. The 1974 version of the Howard model specifies 12 primary functional relationships in such a way that it can be tested empirically. The testable equations of the Howard model ensure that the model can be evaluated in two different, yet related, ways. The model can first be evaluated metatheoretically, implying evaluation in terms of the internal structure of the theory itself. Secondly, it can be measured empirically in terms of its utility in describing real life behavior. The 1974 version of the Howard model was revised by other authors, based on what was learned from the model. The revision was initiated due to some of the variables cited being difficult to define operationally, while other variables were difficult to measure, as well as the fact that the model presented a substantial measurement of error, resulting in a high level of noise. The result of the revision of the 1974 model by Howard was the 1977 model, showing a scant relationship to the 1969 Howard-Sheth model. The 1977 version is characterized by an increase in the predictability of the variables portrayed in the model, although noise of the data was still noted. According to the model, extended decision-making implies that the consumer has not formed a concept of either the product class or the product category. Limited decision-making implies that the consumer has a concept of the product category but has not formed a concept of new brands falling into a familiar product category. Once the consumer has formed a concept of both the product category and all the product brands within the category, routine problem-solving applies. As discussed above, it is clear that basic to all three decision categories is the concept of product category, defined as a group of brands viewed by consumers as close substitutes for each other. In view of the product category, Howard dismisses the

utility of the product life cycle for brands. The movement from extensive problem-solving to routine problem-solving, therefore, is a movement towards a state of total understanding of a brand, although not implying that the consumer becomes an expert on brands. The consumer does, however, know the physical characteristics of the brand, leading to brand recognition, and feels confident to judge the quality of a brand. In addition to the above, the consumer knows the strengths of a brand based on the benefits thereof, as manifested in an attitude towards a brand. This so-called understanding of brands by consumers, referred to by Howard as the ABC of marketing (comprising brand recognition, attitude and confidence), constitutes brand image, the Howard model portrays the consumer decision process, comprising six interrelated concepts, namely Information (F), Brand recognition (B), Attitude (A), Confidence (C), Intention (I) and Purchase (P). The six interrelated concepts will be briefly discussed to provide greater clarity on the Howard model.

Information (F) refers to the precept that is caused by stimuli, for example advertisements, where the precept is what the consumer perceives when exposed to stimuli. The precept is measured by recall, implying that information comprises of all that is recalled by the stimulus.

Brand recognition (B) involves categorization, resulting in the consumer needing information on both the functioning of the product and the form. Brand recognition is viewed as being causally linked to both Attitude (A) and Confidence (C).

Attitude (A) towards a brand refers to the measure of the extent to which consumers expect the brand to meet certain expectations. The measure of attitude is argued to be multidimensional, where each benefit is measured in terms of its importance to the consumer and the multiplication of each weighting by the corresponding envisaged performance of the brand, resulting in the overall sum being the measure of attitude. Attitude is viewed as being causally linked to Intention (I).

Confidence (C) refers to the degree of certainty experienced by consumers regarding the correctness of their judgements about a brand and its benefits. Confidence is suggested to be causally linked to Intention



(I), especially when Attitude (A) is high. Intention (I) to purchase represents the mental stage reflecting the consumer's intention to purchase a specified quantity of a particular brand within a specified period.

Intention (I) is viewed as a predictor of Purchase (P).

Purchase (P), the final interrelated concept of the Howard model, occurs once the consumer either has bought the brand or when the consumer has financially committed to purchasing the brand.

Intention (I) is influenced by Pr and PL, defined by Howard as Price (Pr) and Availability (PL). Price and availability, directly influencing Intention (I), represent the regular price of the brand and the Place (PL) where the brand can be purchased. Although price and availability are considered important influencing factors of the purchase process, these variables change often and Information (F) can therefore bypass the thinking process by directly influencing Intention (I).

Intention (I) is not only influenced by Price (Pr) and Place or availability (PL), but also by motives. Howard indicates that motives represent the motives operating in each specific situation. Drawing a conclusion from the Howard model, it should be noted that the variables impacting on consumer behavior changes for each of the three different stages of decision-making. The discussion above provided a general overview of all the variables that could impact on the model, implying that some variables would be omitted, not changed, in the different stages of consumer decision-making.

## **Lesson 12: The Engel, Blackwell, Miniard Model**

The Engel, Blackwell, Miniard model has its origin in decades of work on the subject of consumer behavior by Engel, Kollat, Blackwell, and Miniard. These authors were responsible for the evolution of the model from 1968 to its present form, namely the eighth edition of their book on the subject of consumer behavior. Important to note, as stated by Engel, Blackwell & Miniard, is that the name of the model is compiled from the names of the authors, and it can therefore be concluded that the Engel, Blackwell, Miniard model is based on the same model as that of Engel & Blackwell, and Engel, Kollat & Blackwell. The Engel, Kollat,

Blackwell model (referred to as the EKB model) was a revision of a previous version of the model and had several distinct purposes, namely:

- a) the interrelationship between stages in the decision-process and the endogenous and exogenous variables which are highlighted;
- b) to clarify the relationship between attitudes and behavior as well as the introduction of beliefs and intentions as explicit variables and the introduction of normative compliance; and
- c) to define variables with greater precision and specify functional relationship for the purpose of empirical testing.

Engel & Blackwell revised the 1978 version of the EKB model and listed the same reasons for the revision as stated above. Interesting to note is that both revisions listed 16 equations and variable definitions in an effort to compare the EKB model to that of the Howard-Sheth and the Howard models. According to the EBM model, the consumer decision-making process is influenced and shaped by a number of factors and determinants, categorized in three broad categories, namely individual differences, environmental influences and psychological processes. The three categories will be discussed below, based on the discussion provided by Engel together with the components associated with each category, in an attempt to explain the consumer behavior and decision processes suggested by the EBM model.

### **A) Individual differences**

The EBM model suggests that consumer behavior is influenced by five major categories of individual differences. These individual differences are consumer resources; knowledge; attitudes; motivation; personality, values and lifestyle.

#### **i) Consumer resources**

Each decision situation is characterized by the involvement of three different consumer resources. First, the consumer uses time, which is valued since time is often more important to

consumers than money due to the increasing lack of time in a modern society. The second resource is money or economic resource, and the third is information reception and processing capabilities. consumer's perception regarding the availability of these resources may affect the willingness to spend time and money on products, which causes the consumer to carefully allocate these resources due to the limited availability thereof.

ii) Knowledge

Knowledge, defined as the information stored in memory, encompasses a wide variety of information, including the availability and characteristics of products and services. Information contained in memory regarding products include awareness of the product category and brands within the product category, attributes and beliefs of both the product category and specific brands, and the availability of products in terms of the distribution channels and competitors selling products within these channels. In addition to the above, knowledge regarding products also includes when to purchase, since the consumer may be aware of specials at certain times during the year and may therefore delay the purchase decision. A final component of knowledge is the information contained in memory regarding the uses and requirements to use a product. Consumers may, therefore, be aware of the uses of products, although they are not able to actually operate them.

iii) Attitudes

An attitude can be defined as an overall evaluation of alternatives, ranging from positive to negative. Attitudes are considered important in viewing consumer behavior, since behavior is strongly influenced by attitudes towards a given product or brand. In addition to the above, attitudes influence future choice and are difficult to change, even though being a common marketing tool.

iv) Motives

Needs and motives, where need is a central variable in motivation, influence all phases of the decision process. Activated needs, defined as a perceived difference between an ideal and the present state that is sufficient to activate behavior, lead to energized behavior or drive that is channeled towards certain goals that have been learned as incentives. In addition to the above, it should be noted that needs fall within two categories, namely the utilitarian or functional category which has practical benefits, and the hedonic or subjective category with emotional benefits.

v) **Personality**

Personality, values and lifestyle encompass what is known as psychological research, where the emphasis is placed on individual traits, values, beliefs and preferred behavior patterns that combine to characterise market segments. Personality, defined as consistent responses to environmental stimuli, provides for orderly and coherently related experiences and behavior. Personality is also the component that makes one individual unique from all others and provides consistency of responses.

vi) **Values**

Values represent an individual's beliefs about life and accepted behavior, therefore expressing both the goals that motivate people and appropriate ways to achieve those goals. Values are classified as either being social, implying shared beliefs that characterize a group of people and thereby defining behavior for the group that will be acceptable as "normal", or personal, responsible for defining "normal" behavior for an individual.

vii) **Lifestyle**

Lifestyle, reflecting an individual's activities, interests and opinions, represents certain patterns in which people live and spend their time and money. Lifestyle can, therefore, be viewed as the result of all the economic, cultural and social life forces that contribute to an individual's human qualities.

**B) Environmental influences**

Environmental influences impacting on consumer behavior include culture, social class, personal influences, family and the situation.

**i) Culture**

Culture, from a consumer behavior perspective, implies the values, ideas, artefacts and other meaningful symbols assisting individuals to communicate, interpret and evaluate as members of society. According to the EBM model, the importance of culture 'from a consumer behavior perspective is that it provides people with a sense of identity and understanding of acceptable behavior within society. In addition to the above, culture influences attitudes and behavior, including the sense of self and space, communication and language, time and time consciousness, values and norms, food and feeding habits, relationships with family, organizations and government, dress and appearance, beliefs and attitudes, mental processing and learning, as well as work habits and practices.

**ii) Social class**

The second environmental influence, "social class", can be defined as divisions within society where individuals share similar values, interests and behaviors. Social classes are differentiated by socio-economic status differences, often leading to consumer behavior differences, for example the make of a vehicle or the favorite style of dress. The impact of social class on consumer behavior can often be observed when viewing consumer time spent, products purchased, where, and how they purchase products, especially since brands of products and services are associated with specific social classes.

**iii) Personal influences**

Consumers are often influenced by people they associate with, where they conform to the norms and expectations of others or simply value their opinions in the buying process. This

influence can either be the observation of others or alternatively the active seeking of advice, where the person providing the advice becomes an influential or opinion leader.

iv) Family

The family is often the primary decision-making unit with different roles and functions, often resulting in simultaneous co-operation and conflict. Two behavioral roles of the family can be distinguished, namely instrumental or functional roles, involving financial, performance and other "functional" attributes, such as conditions of purchase and expressive roles, involving the support of other family members in the decision-making process by expressing the family's emotional needs and upholding of family norms. At least five definable roles, assumed by the husband, wife, children, or other members of the household, can be distinguished in family consumption decisions. These roles are the initiator or gatekeeper, initiating family thinking about purchasing products and gathering information. There is the influencer, the individual determining the criteria to be used by the family when purchasing products as well as identifying products that would most likely meet the criteria. Then there is the decider, the person with the financial authority, determining how the money of the family should be used and on which products or brands. The buyer is the person responsible for visiting the store, purchasing the products and bringing it home. Finally, there are the users, the individuals in the family using or consuming the product.

v) Situation

The final environmental influence impacting on consumer behavior according to the EBM model is that of the situation, since behavior changes as the situation changes. The importance of considering the situation is due to changes impacting on consumers sometimes being unpredictable and erratic, for example retrenchments from work resulting in the postponement of purchases. Situational factors can be divided into three categories, namely communication, purchase and the usage situation. Communications situations influencing consumers are, for instance, affected by marketing messages,

where, for example, the impact of a television advertisement is in part determined by the program during which it is broadcast. The purchase situation includes elements of the information environment, for instance the availability thereof externally or internally in memory, the volume of information, determined by the number of choice alternatives as well as the number of attributes per alternative. Other aspects from the information environment influencing the purchase situation are the format, implying the manner in which it is organized, and form of information. In addition to information influences, the retail environment or store atmospherics also influence the purchase situation. Factors comprising the retail environment include music, layout, point of purchase material, colours and crowding caused by the density of shoppers in a store. The final situational influence, "product consumption", plays an important part in consumer behavior, since consumers may alter their purchase patterns due to usage situations. An example of the consumption situation is where it is acceptable to drink a certain brand of wine at home, yet when with friends it may be unacceptable.

### **C) Psychological processes**

The psychological processes in the EBM model comprise the decision-process behavior of consumers which, together with the environmental influences and individual differences, form an elaborated consumer behavior and decision model. It is important to consider the decision process documented by the EBM model, since the discussion on this element of the model not only completes the model but also provides insight into the influence of processing ability and the complexity thereof on consumers. The decision-making process in the EBM model comprises the following components: need recognition, search for information, information processing, pre-purchase alternative evaluation, purchase, consumption and post-purchase alternative evaluation as well as divestment.

#### **i) Need recognition**

The first stage of the decision-making process is that of need recognition, where the consumer senses a difference between what is perceived as an ideal state of affairs compared to the actual

state at any given time. Need recognition is therefore a state of desire, initiating a decision process that occurs throughout the interaction of individual differences and environmental influences.

ii) Search for alternatives

The second stage of the decision process is that of internal search into memory to determine whether or not enough is known about alternatives to make a decision without additional information searches. If there is not sufficient information contained in memory, consumers will engage in external search. Individual differences and environmental influences, influence external search. For example, some consumers are cautious and unwilling to purchase products without searching for extensive and detailed information, whereas others may purchase products without comparing alternatives. External sources used when searching for information are categorized as either being marketer dominated or other. Marketer dominated sources imply any activities by suppliers of products for the purpose of offering information or persuasion, including for example point of sale material and advertising. The "other" external source of information in the EBM model includes for instance word-of-mouth from others, product rating and consumer reports.

iii) Information processing

The information processing process commences when the consumer is exposed to an external search. In the information processing process, five distinctive steps can be identified, namely exposure, attention, comprehension, acceptance and retention. Exposure forms the first step of information processing since communication first needs to reach consumers, resulting in the activation of one or more senses and therefore the start of preliminary processing. Once exposed to information, consumers need to allocate information processing capacity to the incoming information, or alternatively decide not to allocate processing capacity. Attention to information will most likely occur if the incoming message and the contents thereof are



considered relevant. At this stage of the process, consumers may ignore marketing dominated messages, thereby exercising their capabilities of selective attention. During the third step of the information processing process, comprehension, the message to which attention was attracted, is further analyzed against categories of meaning stored in memory. At this point, the marketer wishes for accurate comprehension of the message. The goal of the marketer's message is to modify or change beliefs and attitudes held by consumers. At this stage of the information processing process, acceptance of an incoming message can be assumed if it has not been screened out as being unacceptable. Of importance to note with acceptance is that there will be, at least to some degree, changes in consumer beliefs and attitudes if the message was accepted. The final step in the process is that of retention, where the marketer will aim to not only achieve acceptance for its information but also the storing thereof in memory for future use. It should be noted in conclusion to the information processing process that attention to stimuli will be attracted and held only if the information is relevant to the needs and motives of the consumer. Due to the massive volume of competing messages to which consumers are exposed, only a small subset will be processed as a result of the selective information processing capabilities of consumers.

iv) Pre-purchase alternative evaluation

At the pre-purchase evaluation phase of the EBM model, the consumer will examine products in terms of their attributes as compared to personal standards and specifications, defined as evaluation criteria. The evaluation criteria, expressed in the form of preferred attributes, present the desired outcomes from the purchase and consumption of products. Evaluation criteria, influenced by individual and environmental influences, can therefore be perceived as becoming a product-specific manifestation of the consumer's needs, values and lifestyle.

v) Purchase

The purchase process occurs in either a retail-type environment or through inhouse shopping, and often requires the assistance of a highly skilled salesperson, although this does not necessarily imply that the decision and evaluation process is executed at the point of purchase.

vi) Consumption and post-consumption alternative evaluation

The consumption of products has traditionally not been the concern of marketers, since the primary objective used to be to sell the product. This view has changed since marketers need to remain competitive by ensuring consumer satisfaction with the purchase and the consumption of products in an effort to retain consumers. Marketers can, therefore, learn a great deal from consumers by examining how products are consumed, noting preferences and suggestions on how to improve on products, and finally to probe into reasons why products are returned. Dissatisfaction with the purchase and consumption of a product occurs when the consumer perceives the chosen alternative to be failing against the desired outcome. The consumer may also experience doubt with the purchase even before consumption, simply because of the presence of alternatives that also cater for the desirable features. This phenomenon is known as post-decision regret and may inspire the consumer to engage in further information search.

vii) Divestment

The final stage of the decision process model is divestment, where the consumer faces the options of disposal, recycling or re-marketing.

#### **D) Comparison of EBM and EKB models**

As indicated at the beginning of the discussion on the EBM model, a comparison between the different versions of the EBM model and the EKB model will show the manner in which the model has evolved over more than two decades. Important to note is that the EBM was revised twice between the 1986 and 1995 versions. The reason for comparing only the 1986 and 1995 versions is because the changes identified are

substantial, showing clearly the change in the model over the period of almost ten years. Differences noted between the 1986 version of the EBM model and the 1995 version, include the variables influencing the decision process being reduced from three in the 1986 version (individual characteristics, social influences, and situational influences) to two in the 1995 version (environmental influences including the situation, previously shown separately -, and individual differences). Secondly, in the decision process component in the 1995 version, pre-purchase alternative evaluation directly leads to purchase and purchase leads to consumption (replacing outcomes, the result in the 1986 version). Keeping the focus on the decision process, consumption feeds into three areas, namely dissatisfaction, satisfaction and divestment (not present in the 1986 version). Interesting to note is that in the 1995 version of the EBM model, as with the EKB model, dissatisfaction (although referred to in the EKB model as dissonance) only feeds back to external search and not, as with the 1986 version, to beliefs or evaluation criteria.

## **SECTION 3:**

### **FACTORS INFLUENCING CONSUMER BEHAVIOR**

## Lesson 1: Consumer Buying Behavior

Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. Many factors, specificities and characteristics influence the individual in what he is and the consumer in his decision-making process, shopping habits, purchasing behavior, the brands he buys or the retailers he goes. A purchase decision is the result of each and every one of these factors. An individual and a consumer is led by his culture, his subculture, his social class, his membership groups, his family, his personality, his psychological factors, etc. and is influenced by cultural trends as well as his social and societal environment. By identifying and understanding the factors that influence their customers, brands have the opportunity to develop a strategy, a marketing message (Unique Value Proposition) and advertising campaigns more efficient and more in line with the needs and ways of thinking of their target consumers, a real asset to better meet the needs of its customers and increase sales. Consumer behavior refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants. There are different processes involved in the consumer behavior. Initially the consumer tries to find what commodities he would like to consume, then he selects only those commodities that promise greater utility. After selecting the commodities, the consumer makes an estimate of the available money which he can spend. Lastly, the consumer analyzes the prevailing prices of commodities and takes the decision about the commodities he should consume. Meanwhile, there are various other factors influencing the purchases of Consumer such as social, cultural, personal and psychological.

The explanation of these factors is given below. Consumer s buyer behavior is influenced by four major factors:

- 1) Cultural,
- 2) Social,

4) Psychological.

These factors cause consumers to develop product and brand preferences. Although many of these factors cannot be directly controlled by marketers, understanding of their impact is essential as marketing mix strategies can be developed to appeal to the preferences of the target market. When purchasing any product, a consumer goes through a decision process.

This process consists of up to five stages:

Stage 1: Problem Recognition,

Stage 2: Information Search,

Stage 3: Evaluation of Alternatives,

Stage 4: Purchase Decision

Stage 5: Post Purchase Behavior.

The length of this decision process will vary. A consumer may not act in isolation in the purchase, but rather may be influenced by any of several people in various roles. The number of people involved in the buying decision increases with the level of involvement and complexity of the buying decision behavior. Consumers buyer behavior and the resulting purchase decision are strongly influenced by cultural, social, personal and psychological characteristics. An understanding of the influence of these factors is essential for marketers in order to develop suitable marketing mixes to appeal to the target customer.

## **Lesson 2: Cultural Factors**

Culture is crucial when it comes to understanding the needs and behaviors of an individual. Basically, culture is the part of every society and is the important cause of person wants and behavior. The influence

of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries. Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will teach him values, preferences as well as common behaviors to their own culture. For a brand, it is important to understand and take into account the cultural factors inherent to each market or to each situation in order to adapt its product and its marketing strategy. As these will play a role in the perception, habits, behavior or expectations of consumers. For example, in the West, it is common to invite colleagues or friends at home for a drink or dinner. In Japan, on the contrary, invite someone home does not usually fit into the local customs. It is preferable to do that this kind of outing with friends or colleagues in restaurant. While if a Japanese offer you a gift, the courtesy is to offer him an equivalent gift in return. McDonald s is a brilliant example of adaptation to the specificities of each culture and each market. Well aware of the importance to have an offer with specific products to meet the needs and tastes of consumers from different cultures, the fast-food giant has for example: a Baguette in France (with French baguette and Dijon mustard), a Chicken Maharaja Mac and a Masala Grill Chicken in India (with Indian spices) as well as a Mega Teriyaki Burger (with teriyaki sauce) or Gurakoro (with macaroni gratin and croquettes) in Japan. Sub-cultures A society is composed of several subcultures in which people can identify. Subcultures are groups of people who share the same values based on a common experience or a similar lifestyle in general. Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Marketers can use these groups by segmenting the market into various small portions. For example, in recent years, the segment of ethnic cosmetics has greatly expanded. These are products more suited to non-Caucasian populations and to types of skin pigmentation for African, Arab or Indian populations for example. It's a real brand positioning with a well- defined target in a sector that only offered makeup products to a Caucasian target until now (with the exception of niche brands) and was then receiving critics from consumers of different origin. Brands often communicate in different ways, sometimes even create specific products (sometimes without significant intrinsic difference) for the same type of product in order to

specifically target an age group, a gender or a specific sub-culture. Consumers are usually more receptive to products and marketing strategies that specifically target them.

**Social classes** Social classes are defined as groups more or less homogenous and ranked against each other according to a form of social hierarchy. Even if it's very large groups, we usually find similar values, lifestyles, interests and behaviors in individuals belonging to the same social class. Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Some studies have also suggested that the social perception of a brand or a retailer is playing a role in the behavior and purchasing decisions of consumers. In addition, the consumer buying behavior may also change according to social class. A consumer from the lower class will be more focused on price. While a shopper from the upper class will be more attracted to elements such as quality, innovation, features, or even the social benefit that he can obtain from the product.

**Cultural trends** Cultural trends or Bandwagon effect are defined as trends widely followed by people and which are amplified by their mere popularity and by conformity or compliance with social pressure. The more people follow a trend, the more others will want to follow it. For example, Facebook has become a cultural trend. The social network has widely grown to the point of becoming a must have, especially among young people. It is the same with the growth of the tablet market. Tablets such as iPad or Galaxy Tab have become a global cultural trend leading many consumers to buy one.

### **Lesson 3: Social Factors**

**Social Factors** It includes groups (reference groups, aspirational groups and member groups), family, roles and status. This explains the outside influences of others on our purchase decisions either directly or indirectly. Social factors are among the factors influencing consumer behavior significantly.

They fall into three categories:



1. Reference groups,
2. family and
3. social roles and status.

### Reference groups and membership groups

The membership groups of an individual are social groups to which he belongs and which will influence him. The membership groups are usually related to its social origin, age, place of residence, work, hobbies, leisure, etc. Reference groups have potential in forming a person attitude or behavior. The impact of reference groups varies across products and brands. For example, if the product is visible such as dress, shoes, car etc. then the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics). More generally, reference groups are defined as those that provide to the individual some points of comparison more or less direct about his behavior, lifestyle, desires or consumer habits. They influence the image that the individual has of himself as well as his behavior. Whether it is a membership group or a non-membership group. Because the individual can also be influenced by a group to which he doesn't belong yet but wishes to be part of. This is called an aspirational group. This group will have a direct influence on the consumer who, wishing to belong to this group and look like its members, will try to buy the same products. For example, even if he doesn't need it yet, a surfing beginner may want to buy advanced brands or products used by experienced surfers (aspirational group) in order to get closer to this group. While a teen may want the shoe model or smart phone used by the group of popular guys from his high school (aspirational group) in order to be accepted by this group. Some brands have understood this very well and communicate, implicitly or not, on the social benefit provided by their products. Within a reference group that influences the consumer buying behavior, several roles have been identified:

**The initiator:** the person who suggests buying a product or service

**The influencer:** The person whose point of view or advice will influence the buying decision. It may be a person outside the group (singer, athlete, actor, etc..) but on which group members rely on.

**The decision-maker:** the person who will choose which product to buy. In general, it's the consumer but in some cases, it may be another person. For example, the leader of a soccer supporters' group (membership group) that will define, for the whole group, which supporter s scarf buy and bear during the next game.

**The buyer:** the person who will buy the product. Generally, this will be the final consumer.

### Family

The family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, acquire values. But also develop attitudes and opinions on various subjects such as politics, society, social relations or himself and his desires. Buyer behavior is strongly influenced by the member of a family. Therefore, marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a particular product is influenced by wife then the marketers will try to target the women in their advertisement. Here we should note that buying roles change with change in consumer lifestyles. For example, if you have never drunk Coke during your childhood and your parents have described it as a product full of sugar and not good for health. There is far less chance that you are going to buy it when you will grow up that someone who drinks Coke since childhood.

### Social roles and status

The position of an individual within his family, his work, his country club and his group of friends etc. All this can be defined in terms of role and social status. A social role is a set of attitudes and activities that an individual is supposed to have and do according to his profession and his position at work, his position in the family, his gender, etc. and expectations of the people around him. For example, a consumer may buy a Ferrari or a Porsche for the quality of the car but also for the external signs of social success that this kind

of cars represents. Moreover, it is likely that a CEO driving a small car like a Ford Fiesta or a Volkswagen Golf would be taken less seriously by its customers and business partners than if he is driving a German luxury car. And this kind of behaviors and influences can be found at every level and for every role and social status. Again, many brands have understood it by creating an image associated with their products reflecting an important social role or status.

### **Personal factors**

It includes such variables as age and lifecycle stage, occupation, economic circumstances, lifestyle (activities, interests, opinions and demographics), personality and self-concept. These may explain why our preferences often change as our 'situation' changes. Decisions and buying behavior are obviously also influenced by the characteristics of each consumer.

### **Age and way of life**

A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and 57 consumer habits evolve throughout his life. Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc. which help marketers to develop appropriate products for each stage. For example, during his life, a consumer could change his diet from unhealthy products (fast food, ready meals, etc.) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems. The factors influencing the buying decision process may also change. For example, the social value of a brand generally plays a more important role in the decision for a consumer at 25 than at 65 years. The family life cycle of the individual will also have an influence on his values, lifestyles and buying behavior depending whether he is single, in a relationship, in a relationship with kids, etc. as well as the region of the country and the kind of city where he lives (large city, small town, country side, etc.) For a brand or a retailer, it may be interesting to identify, understand, measure and

analyze what are the criteria and personal factors that influence the shopping behavior of their customers in order to adapt. For example, it is more than possible that consumers living in New York do not have the same behavior and purchasing habits than the ones in Nebraska. For a retailer, have a deep understanding and adapt to these differences will be a real asset to increase sales. Lifestyle The lifestyle of an individual includes all of its activities, interests, values and opinions. The lifestyle of a consumer will influence on his behavior and purchasing decisions. For example, a consumer with a healthy and balanced lifestyle will prefer to eat organic products and go to specific grocery stores, will do some jogging regularly (and therefore will buy shoes, clothes and specific products), etc.

### **Lesson 3: Personality and Self-Concept**

Personality is the set of traits and specific characteristics of each individual. It is the product of the interaction of psychological and physiological characteristics of the individual and results in constant behaviors. It materializes into some traits such as confidence, sociability, autonomy, charisma, ambition, openness to others, shyness, curiosity, adaptability, etc. While the self- concept is the image that the individual has or would like to have of him and he conveys to his entourage. For example, since its launch, Apple cultivates an image of innovation, creativity, boldness and singularity which is able to attract consumers who identify to these values and who feel valued in their self-concept by buying a product from Apple. Occupation The occupation of a person has significant impact on his buying behavior. For example, a marketing manager of an organization will try to purchase business suits, whereas a low-level worker in the same organization will purchase rugged work clothes. Economic Situation Consumer economic situation has great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

### **Lifestyle**

Lifestyle of customers is another import factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc. and shapes his whole pattern of acting and interacting in the world.

### **Personality**

Personality changes from person to person, time to time and place to place. Therefore, it can greatly influence the buying behavior of customers. Actually, Personality is not what one wears; rather it is the totality of behavior of a man in different circumstances. It has different characteristics such as: dominance, aggressiveness, self-confidence etc. which can be useful to determine the consumer behavior for particular product or service.

### **Lesson 5: Psychological Factors**

Psychological factors affecting our purchase decision includes motivation (Maslow's hierarchy of needs), perception, learning, beliefs and attitudes. Other people often influence a consumer s purchase decision. The marketer needs to know which people are involved in the buying decision and what role each person plays, so that marketing strategies can also be aimed at these people. Among the factors influencing consumer behavior, psychological factors can be divided into 4 categories: motivation, perception, learning as well as beliefs and attitudes.

### **Motivation**

Motivation is what will drive consumers to develop a purchasing behavior. It is the expression of a need is which became pressing enough to lead the consumer to want to satisfy it. It is usually working at a subconscious level and is often difficult to measure. The level of motivation also affects the buying behavior of customers. Every person has different needs such as physiological needs, biological needs, social needs etc. The nature of the needs is that, some of them are most pressing while others are least pressing.

Therefore, a need becomes a motive when it is more pressing to direct the person to seek satisfaction.

Motivation is directly related to the need and is expressed in the same type of classification as defined in the stages of the consumer buying decision process. To increase sales and encourage consumers to purchase, brands should try to create, make conscious or reinforce a need in the consumer's mind so that he develops a purchase motivation. He will be much more interested in considering and buy their products. They must also, according to research, the type of product they sell and the consumers they target, pick out the motivation and the need to which their product respond in order to make them appear as the solution to the consumers need.

### Perception

Perception is the process through which an individual select, organizes and interprets the information he receives in order to do something that makes sense. The perception of a situation at a given time may decide if and how the person will act. Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In case of selective attention, marketers try to attract the customer attention. Whereas, in case of selective distortion, customers try to interpret the information in a way that will support what the customers already believe. **Selective Attention**

The individual focuses only on a few details or stimulus to which he is subjected. The type of information or stimuli to which an individual is more sensitive depends on the person. For brands and advertisers successfully capture and retain the attention of consumers is increasingly difficult. For example, many users no longer pay any attention, unconsciously, to banner ads on the Internet. This kind of process is called Banner Blindness. The attention level also varies depending on the activity of the individual and the number of other stimuli in the environment. For example, an individual who is bored during a subway trip will be much more attentive to a new ad displayed in the tube. It is a new stimulus that breaks the trip routine for him. Consumers will also be much more attentive to stimuli related to a need. For example, a consumer

who wishes to buy a new car will pay more attention to car manufacturers ads. While neglecting those for computers. Lastly, people are more likely to be attentive to stimuli that are new or out of the ordinary. For example, an innovative advertising or a marketing message widely different from its competitors is more likely to be remembered by consumers.

### **Selective Distortion**

In many situations, two people are not going to interpret an information or a stimulus in the same way. Each individual will have a different perception based on his experience, state of mind, beliefs and attitudes. Selective distortion leads people to interpret situations in order to make them consistent with their beliefs and values. For brands, it means that the message they communicate will never be perceived exactly in the same way by consumers. And that everyone may have a different perception of it. That is why it's important to regularly ask consumers in order to know their actual brand perception. Selective distortion often benefits to strong and popular brands. Studies have shown that the perception and brand image play a key role in the way consumers perceived and judged the product. Several experiments have shown that even if we give them the same product, consumers find that the product is or tastes better when they've been told that it's from a brand, they like than when they've been told it's a generic brand. **Selective Retention**

People do not retain all the information and stimuli they have been exposed to. Selective retention means what the individual will store and retain from a given situation or a particular stimulus. As for selective distortion, individuals tend to memorize information that will fit with their existing beliefs and perceptions. For example, consumers will remember especially the benefits of a brand or product they like and will forget the drawbacks or competing products advantages.

### **Learning**

Learning is through action. When we act, we learn. It implies a change in the behavior resulting from the experience. The learning changes the behavior of an individual as he acquires information and experience.

For example, if you are sick after drinking milk, you had a negative experience, you associate the milk with this state of discomfort and you learn that you should not drink milk. Therefore, you don't buy milk anymore. Rather, if you had a good experience with the product, you will have much more desire to buy it again next time. The learning theories can be used in marketing by brands.

### **Beliefs and attitudes**

A belief is a conviction that an individual has on something. Through the experience he acquires, his learning and his external influences (family, friends, etc.), he will develop beliefs that will influence his buying behavior. Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behavior therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard. To change the brand's marketing message or adjust its positioning in order to get consumers to change their brand perception.

### **Lesson 6: Stages of the Consumer Buying Process**

Six Stages to the Consumer Buying Decision Process (For complex decisions). Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. All consumer decisions do not always include all 6 stages, determined by the degree of complexity.

The 6 stages are:

1. Problem Recognition (awareness of need) --difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat.
2. Information search on Internal search, memory. o External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc. A successful information search leaves a buyer with possible alternatives, the evoked set. Hungry, want to go out and eat, evoked set is



- Chinese food
- Indian food
- burger king
- Klondike kates etc

3. Evaluation of Alternatives--need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest rank etc.

4. Purchase decision--Choose buying alternative, includes product, package, store, method of purchase etc.

5. Purchase--May differ from decision, time lapse between 4 & 5, product availability.

6. Post-Purchase Evaluation--outcome: Satisfaction or Dissatisfaction. Cognitive Dissonance, have you made the right decision? This can be reduced by warranties, after sales communication etc. After eating an Indian meal, may think that really you wanted a Chinese meal instead.

### **Types of Consumer Buying Behavior**

The four type of consumer buying behavior are:

1. Routine Response/Programmed Behavior--buying low involvement frequently purchased low cost items; need very little search and decision effort; purchased almost automatically. Examples include soft drinks, snack foods, milk etc.
2. Limited Decision Making--buying product occasionally. When you need to obtain information about unfamiliar brand in a familiar product category, perhaps. Requires a moderate amount of time for information gathering. Examples include Clothes--know product class but not the brand.
3. Extensive Decision Making/Complex high involvement, unfamiliar, expensive and/or infrequently bought products.

4. High degree of economic/performance/psychological risk. Examples include cars, homes, computers, education. Spend a lot of time seeking information and deciding. Information from the companies MM; friends and relatives, store personnel etc. Go through all six stages of the buying process. Impulse buying, no conscious

### **Lesson 7: Applied Consumer Psychology**

Applied consumer psychology is the application of theoretical knowledge from consumer psychology research to actual daily life, or in the case of brands, brand management and marketing activation. In marketing, brand management is the analysis and planning which relates to how a brand is perceived in the market. Developing a good relationship with the target audience is essential for brand management. Tangible elements of brand management include the product or service itself; its look, price, and packaging, etc. The intangible elements are the experiences that consumers share with the brand, and also the relationships they have with the brand's products or services. A brand manager oversees all aspects of the consumer's brand association, as well as relationships with members of the supply chain.

### **Marketers use of Consumer Psychology**

Market research into the psychological factors affecting consumer behavior can inform how marketers and brand managers invest their time and money. Brand managers create strategies to convert a suspect to prospect, prospect to buyer, buyer to customer, and customer to brand advocates. Brand management aims to create an emotional connection between the company, its products and services, and their customers and constituents. Brand managers & marketing managers may try to control the brand image, and understanding the importance of consumer psychology can inform these decisions. Consumer psychology aims to pinpoint exactly why people make the decisions they do. As a field of a study, it is driven by the realization that if businesses can understand why people make decisions, they can use this knowledge to hone their products

and marketing strategies, in effect increasing their attractiveness. Consumer psychology involves finding answers to a wide range of questions, including:

- ✓ How do consumers select between competing brands, and what makes them choose a particular option?
- ✓ How are consumers influenced by factors in their environment, including media and culture?
- ✓ How do consumers behave when shopping on the high street?
- ✓ What factors make a consumer switch brands?

The answers to these questions, and many more, help businesses make changes to their products and marketing strategies so that they become more attractive to consumers. For example, if a supermarket discovers through research that customers associate ‘freshness’ with positivity, they may pump the smell of freshly-baked bread through the store in order to entice customers in and encourage them to make purchases.

#### Example of marketing driven by consumer psychology

One of consumer psychology’s biggest benefits to companies is the ability to market in innovative and efficient ways. For example, without an insight into what drives consumer behavior, companies are restricted to selling the benefits of their products directly. So, for example, a company selling kitchen disinfectant may say that the product is cheaper than its competitors. A study may let them know that, for consumers, the safety of their families is the primary factor when purchasing a disinfectant. Telling consumers that the product is effective against most pathogens, including salmonella, may therefore be a more effective way to market the product. If they subsequently discover that consumers are also driven by environmental credentials, they could start using recycled plastic for packaging and advertise this fact widely. In this way they appeal directly to the needs of the consumers, based on research.

## Wrapping Up

Consumer psychology is a complex field, often involving expensive large-scale studies. Primary research, which would involve both quantitative and qualitative studies, is often used to produce cutting edge insights into consumer psychology. Because the field is often interlinked with neuroscience and neuropsychology, many studies involve the use of brain-scanning equipment to see which areas of the brain ‘light up’ when exposed to certain stimuli. Because of this, commissioning studies is largely out of reach for small companies due to the expense. The best ways that SMEs and start-ups can benefit from the field is to read published research and secondary studies, and apply the insights to their own products and marketing strategies.