

Consumer Behavior: We must ask why people buy good or services?

The Consumer Decision Processes

- Need Recognition: occur when consumer recognize they have an unsatisfied need and want to go from their actual, needy state to a different desired state
 - o Three *Need* classifications
 - Functional: the performance of a product or service
 - Psychological: pertain to the personal gratification consumers associate with a product and/or service
 - Both: the key to marketing success is determining the correct balance of functional and psychological needs that best appeals to the firms target market
- Information Search: the length and intensity of the search are based on the degree of perceived risk associated with purchasing the product or service
 - o Two types of searches
 - Internal: the buyer examines his or her own memory about the product or services, gathered through past experiences
 - External: the buyer seeks info. outside his/her personal knowledge based to help his/her buying decision
 - o Factors Affecting Consumers Search Process
 - perceived benefits vs. perceived costs
 - locus of control
 - internal: consumers believe they have some control over the outcomes of their actions thus they generally engage in more search activities
 - external: consumer believe that fate or other external factors control all outcomes
 - actual or perceived risks
 - performance risks: danger inherent in a poorly performing product or service
 - financial risk: associated with a monetary outlay and includes the initial cost of the purchase as well as the costs of using the item or service

- social risk: fear other might not regard purchases positively
 - Physiological/Safety risk: fear of harm should the product not perform optimally
 - Psychological risks: the way people will feel if the product or service does not convey the right image
- Alternative Evaluation: must sift choices and evaluate alternatives
 - o Attribute sets-categorization
 - Universal set- all possible choices for a product category
 - Retrieval sets - those brands or store that can be readily brought forth from memory
 - Evoked set- the alternative brands or stores that the consumer states he or she would consider when making a purchase decision
 - o Evaluative Criteria - important attributes about a particular product
 - o Determinant attributes - product or service features that are important to the buyer and on which competing brand/stores are perceived to differ
 - o Consumer decision rules: the set of criteria that consumer use consciously or subconsciously to quickly and efficiently select among several alternatives
 - Compensatory
 - Compensatory decision rule: when evaluating alternatives, the consumer trades off one characteristic against another, such that good characteristics compensates for bad ones.
 - Multi-attribute model- a comp. model of customer decision making based off the notion that the customers see a product as a collection of attributes of characteristics. The model uses weight avg. score based of the importance of various attributes and performance of these issues

- Non-compensatory: customer chooses a product/service on the basis of one characteristic, regardless of its other attributes
- Purchase and Consumption
 - o Conversion rate- measure how well they have converted purchase intentions into purchases. Measuring the number of real or virtual abandoned cart in retailer store or website
 - Higher for internet stores
- Post Purchase
 - o Customer satisfaction
 - Build realistic expectations
 - Demonstrate correct product uses
 - Provide money back guarantees
 - Engage customer feedback
 - Periodically thank customers for there support
 - o Post purchase cognitive dissonance: the psychologically uncomfortable state produced by an inconsistency between beliefs and behaviors that in turn evokes a motivation to reduce the dissonance; buyers remorse
 - o Customer loyalty (disloyalty)
 - o Undesirable Consumer Behavior
 - Passive customers: those who don't repeat purchase or recommend the product to other
 - Negative word of mouth

Factors Influencing the Consumer Decision Process

- The marketing Mix
- Psychological factors
 - o Motives: a need or want that is strong enough to causes the person to seek satisfaction
 - Maslow's Hierarchy of needs
 - Physiological - food, drink, shelter
 - Safety - secure employment, health
 - Love - friendships, family
 - Esteem - confidence, respect
 - Self-actualization - completely satisfied
 - o Attitude: