

# Week 1B: Understanding Customer Behaviour

## Learning Outcomes

- Explain the consumer product acquisition process
- Explain the processes involved in human perception, learning, and memory in relation to consumer choice
- Understand the importance of personality and motivation in consumer behaviour
- Set out the main processes and stages associated with organizational buying and purchasing

# The Consumer Proposition Acquisition Process

- Motive development
- Information gathering
- Proposition evaluation
- Proposition selection
- Acquisition/Purchase
- Re-evaluation

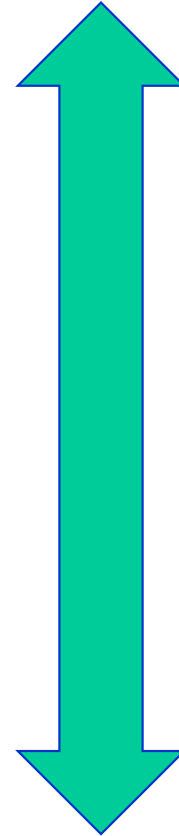


Figure 2

# Perceptions and Selective Exposure

- Perception
  - If we paid attention to all the messages we receive, rather than filtering out those we find meaningful, we would probably become overloaded, just like a computer when it crashes.
- We avoid exposure to certain messages and actively seek out others, e.g. particular newspapers, magazines, internet websites, or messages about particular product we are (not) interested in

# Learning and Memory

- **Classical Conditioning** – We learn by associating one thing with another. This approach to learning is frequently used in marketing through the use of:
  - 1) Jingles in advertising, e.g. Danone's 'mmm, Danone' sonic logo to indicate the lip-smacking 'goodness' of its offerings;
  - 2) Supermarkets include bakery sections to cause consumers to buy more as they associate the smell of warm bread with eating;
  - 3) Perfume and aftershave manufacturers (e.g. L'Oréal) place free samples of products in sachets in magazines so that when readers see an advert for a particular brand of perfume/aftershave they associate the image they see with the smell, and so are more likely to purchase the product when they see its image in the future.

# Learning and Memory

- **Operant Conditioning** - is learning through behavioural reinforcement. The behaviour would occur more readily in connection with a particular stimulus if the required resulting behaviour had been reinforced, through punishment or reward.
- **Social Learning** - we could learn not only from how we respond to situations but also from how others respond to situations, known as modelling. In social learning, we learn by observing the behaviour of others.



# The Memorization process

Our memories, as a system for storing perceptions, experience, and knowledge, are highly complex (Bettman, 1979). A variety of memorization processes can affect consumer choice, including the following:

- factors affecting recognition and recall;
- the importance of context;
- form of object coding and storage in memory;
- load processing effects;
- input mode effects;
- repetition effects.

# Personality

This approach to personality categorizes people into different personality types or so-called traits. It allows to identify relatively stable characteristics of individuals.

Researchers characterize personalities according to bipolar scales (Baines et al, 2017):

Sociable – Timid

Action-oriented – Reflection-oriented

Stable – Nervous

Serious – Frivolous

Tolerant – Suspicious

Dominant – Submissive

Friendly – Hostile

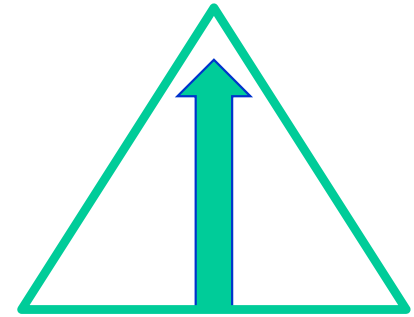
Quick – Slow

Masculine - Feminine



# Consumer Motivations

- Maslow's Hierarchy of Needs
  - Self-actualisation needs
  - Esteem needs
  - Belongingness needs
  - Safety needs
  - Psychological needs
- Social grade
  - Lifestyle
  - Life Stage
  - Ethnic groups
- Motivation
  - Pleasure orientation – Positive motivation
  - Problem orientation – Negative motivation



# Membership of the Decision Making Unit

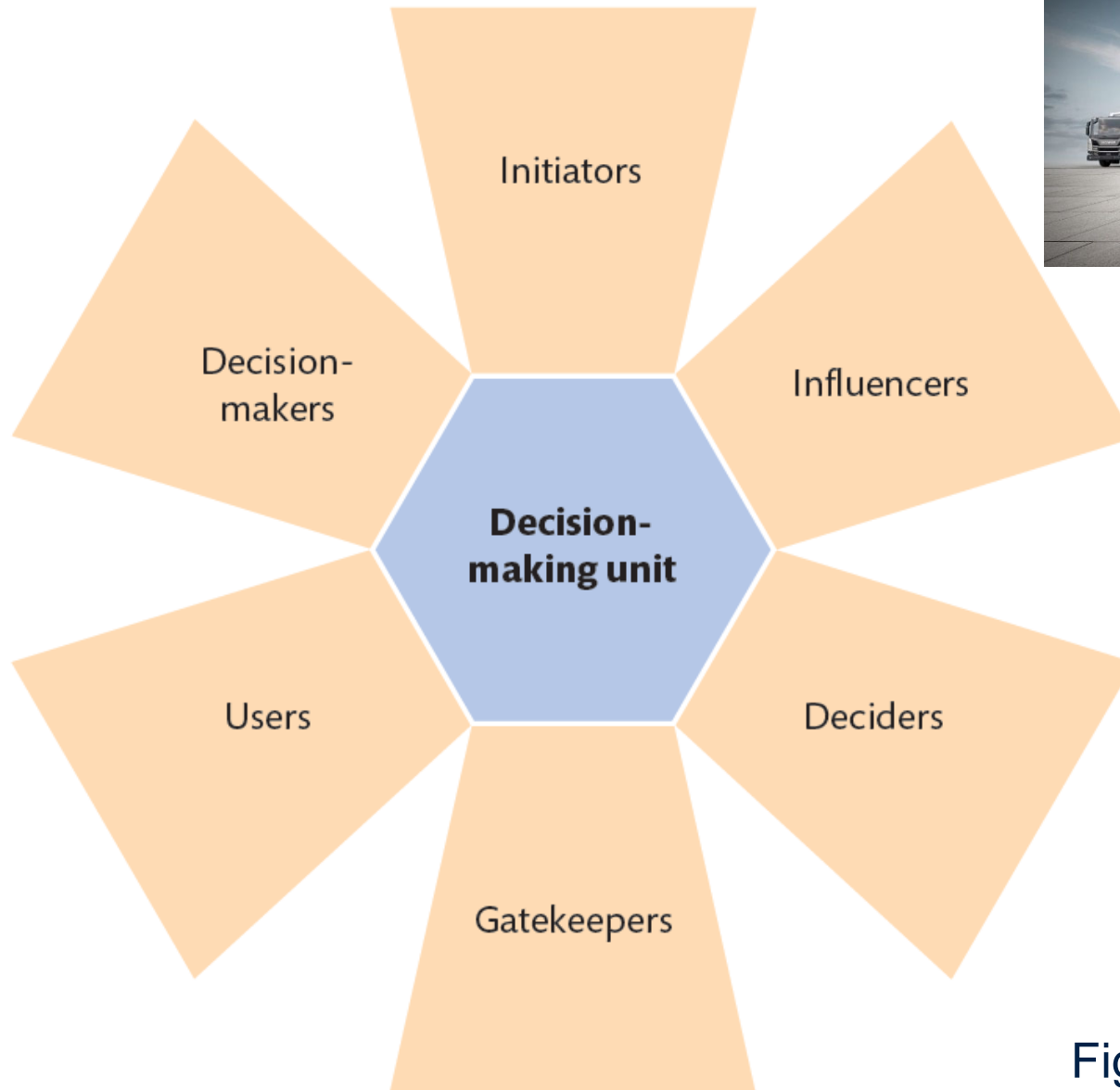


Figure 3

# The Decision Making Unit - Processes

**BuyClasses** — New buy, modified rebuy, straight rebuy

**BuyPhases** — Need/problem recognition

Product specification

Supplier and product search

Evaluation of proposals

Supplier selection

Evaluation

# Summary

- Explain the consumer product acquisition process
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# Market Research and Customer Insight

## Learning Outcomes

- Define the terms 'market research', 'marketing research', and 'customer insight'.
- Describe the customer insight process and the role of marketing research within it.
- Explain the role of marketing research and list the range of possible research approaches.
- Discuss the importance of ethics and the adoption of a Code of Conduct in marketing research.

# The Difference between 'Marketing Research' and 'Market Research'

'Whereas **market research** is conducted to understand markets - customers, competitors, and **industries** - **marketing research** also determines the impact of marketing strategies and tactics. Marketing research thus subsumes market research.'

# Definitions of Customer Insight

**‘Customer insight’** refers to actionable knowledge about customers gained through research.



# The Marketing Research Process

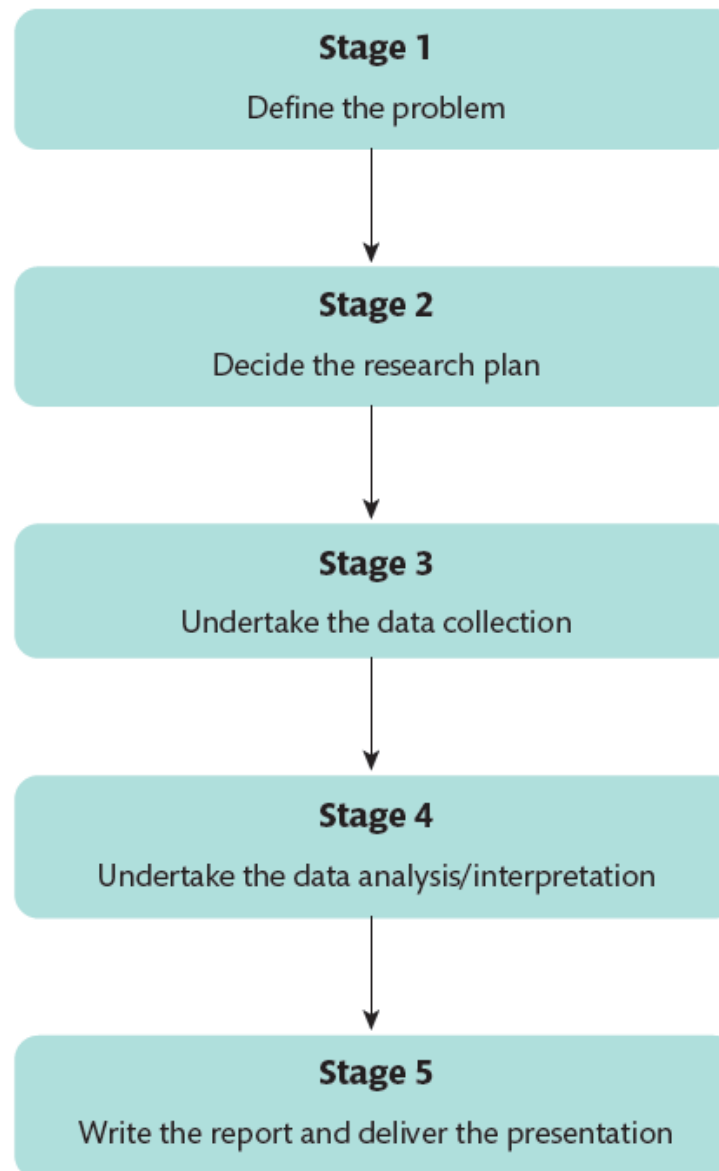


Figure 4

# Type of Marketing Research: Objectives

- **Exploratory research:** enable the development of hypotheses or in developing new concepts.
- **Descriptive research:** describing key variables such as market characteristics or spending patterns.
- **Causal research:** determine whether one variable causes an effect in another variable.

# Type of Marketing Research: Sources

- **Primary research:** research conducted for the first time.
- **Secondary research:** gaining access to results of previous research projects (desk research) including:
  - Government sources such as export databases, government statistics, social trend databases.
  - The Internet including search engine sources, blogs and microblogs, and discussion groups.
  - Company internal records, from CRM systems or in reports.
  - Professional bodies and trade associations, via their databases, magazine articles and research reports.
  - Market research companies, e.g. Mintel, ICC Keynote, Google.

# Type of Marketing Research: Methodology

- **Qualitative research:** research methods relying on small samples, using open and probing questions that set out to uncover underlying motives and feelings. The data gathered is then interpreted focusing on meanings and typically quite hard to replicate.
- **Quantitative research:** research methods relying on pre-determined standardized questions from many respondents. This involves collecting information, quantifying the responses as frequencies or percentages, and descriptive statistics, and analyzing them statistically.

# Marketing Research Proposal Outline

The basic structure and contents of a typical research proposal should include the following.

- ▶ **Executive Summary**—A brief summary of the research project including the major outcomes and findings. Rarely more than one page in length. It allows the reader to obtain a summary of the main points of the project without having to read the full report.
- ▶ **Background to the Research**—An outline of the problem or situation and the issues surrounding this problem. This section demonstrates the researcher's understanding of the management problem.
- ▶ **Research Objectives**—An outline of the objectives of the research project, including the data to be generated and how this will be used to address the management problem.
- ▶ **Research Design**—A clear, non-technical description of the research type adopted and the specific techniques to be used to gather the required information. This will include details of data-collection instruments, sampling procedures, and analytical techniques.
- ▶ **Personnel Specification**—The details of the people involved in the collection and analysis of the data, providing a named liaison person and outlining the company's credibility in undertaking the work.
- ▶ **Time Schedule**—An outline of the time requirements with dates for the various stages to completion and presentation of results.
- ▶ **Costs**—A detailed analysis of the costs involved in the project is usually included for large projects or simply a total cost for the project.
- ▶ **References**—Typically, three references are outlined, so that a client can be sure that an agency has the requisite capability to do the job in hand.

# Marketing Research and Ethics

The MRS (2019: 3) requires the following of its members:

- 1) Ensure that their professional activities can be understood in a transparent manner
- 2) Be straightforward and honest in all professional and business relationships.
- 3) Be transparent as to the subject and purpose of data collection.
- 4) Ensure that their professional activities are not used to unfairly influence views and opinions of participants.
- 5) Respect the confidentiality of information collected in their professional activities.
- 6) Respect the rights and well-being of all individuals.

# Marketing Research and Ethics (cont.)

7. Ensure that individuals are not harmed or adversely affected by their professional activities.
8. Balance the needs of individuals, clients, and their professional activities.
9. Exercise independent professional judgment in the design, conduct, and reporting of their professional activities.
10. Ensure that their professional activities are conducted by persons with appropriate training, qualifications, and experience.
11. Protect the reputation and integrity of the profession.

# Summary

- Defined the terms ‘market research’, ‘marketing research’, and ‘customer insight’.
- Described the customer insight process and the role of marketing research within it.
- Explained the role of marketing research and list the range of possible research approaches.
- Discussed the importance of ethics and the adoption of a Code of Conduct in marketing research; and

# Key Activities within a Marketing Plan



Figure 9

# Week 2B: Marketing Environment and Strategy

## Learning Outcomes

- Describe the key characteristics associated with the marketing environment.
- Explain the environmental scanning process and show how PESTLE analysis can be used to understand the external environment.
- Analyse the performance environment using Porter's Five Forces industry analysis model.
- Analyse an organization's product/service portfolio to aid resource planning.
- Conduct a SWOT analysis
- Analyse current conditions and formulate marketing strategies.
- Explain the different types of strategic marketing goal and associated growth strategies.

# The Three Marketing Environments

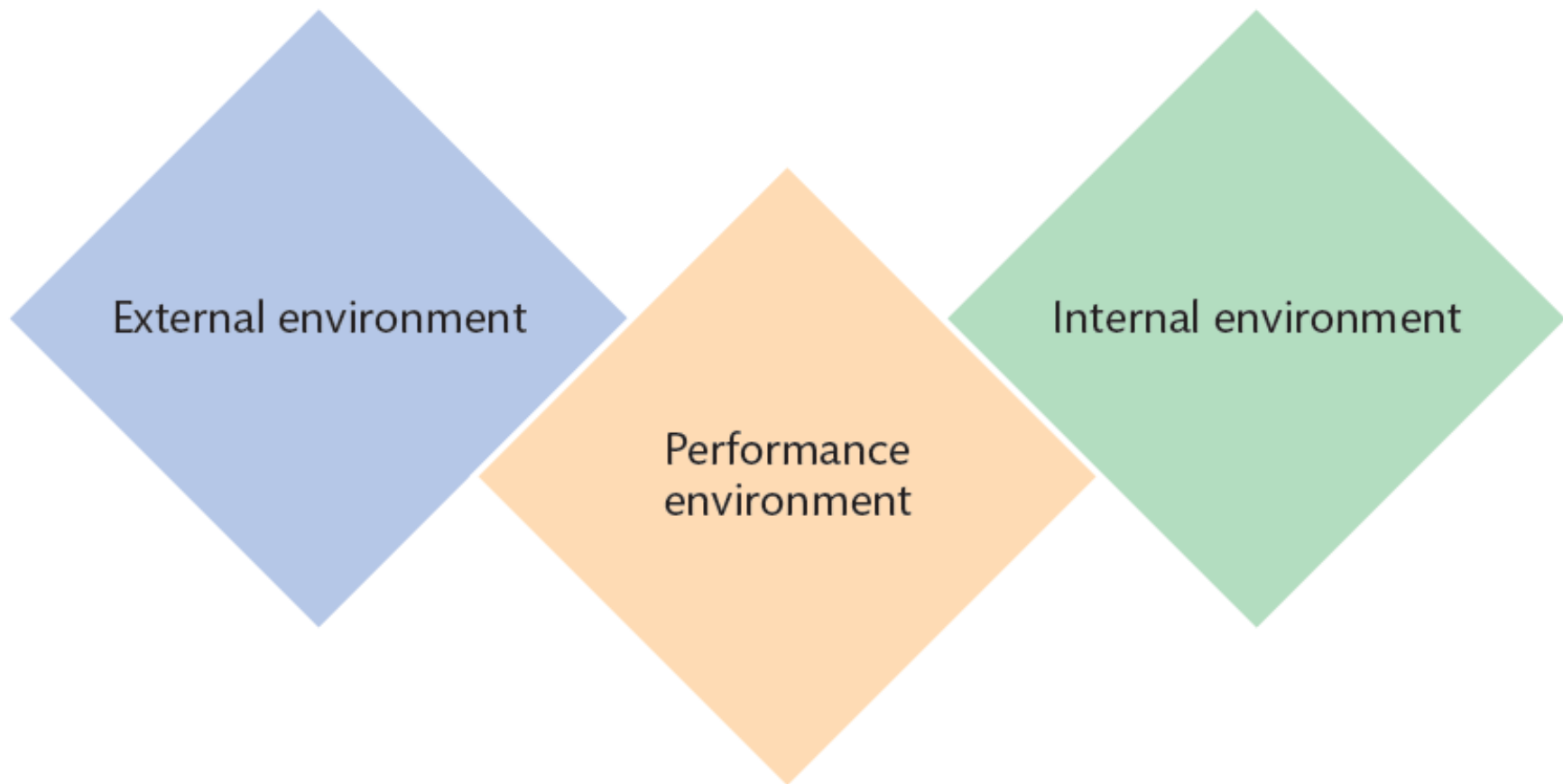


Figure 5

# The External Marketing Environment- PESTLE

- Political
- Economic
- Socio-cultural
- Technological
- Legal
- Ecological

# The Political Environment: Business-Government Relations

Several ways marketers conduct business–government relations in various countries include through using:

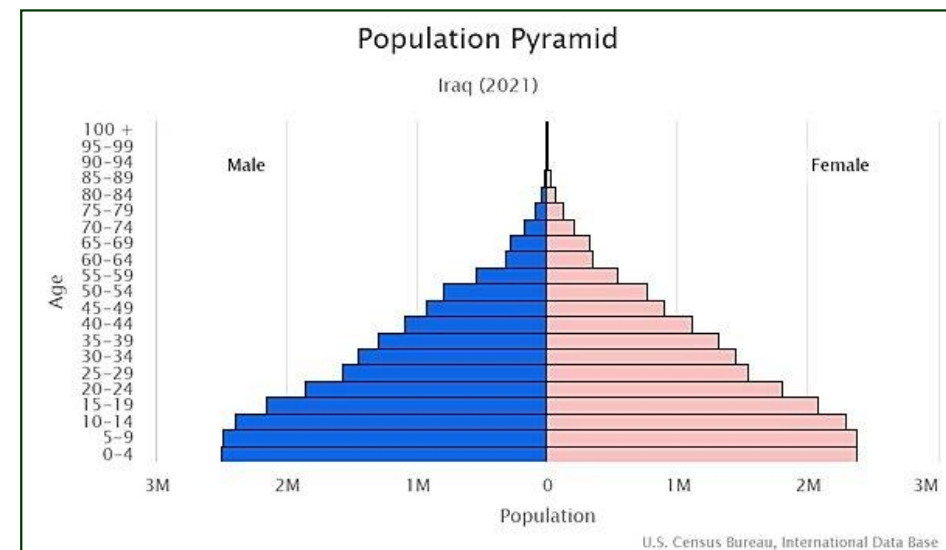
- **Lobbyist firms**, with key industry knowledge, are engaged either permanently or as needed.
- **Public relations consultancies**, e.g. Weber Shandwick, can be commissioned for their political services.
- A politician can be paid a fee to give **political advice** on matters of importance to an organization, where this is legal within that particular jurisdiction, and that politician is not serving directly within the government in question on the same portfolio as that on which they are advising.
- **An in-house public relations** manager might handle government relations directly.
- **An industry association can be contacted to lobby** on behalf of members (e.g. in the European financial services industry, groups include the Banking Federation of the EU, the European Savings Bank Group, and the European Association of Co-operative Banks).
- **A politician may be invited directly to join the board of directors**, board of trustees, or board of advisers of an organization.

# The Economic Environment

- **Wage inflation** – annual wage increases in a particular sector will depend on the supply of labour in that sector. Where there is scarcity of supply, wages usually increases (e.g. doctor).
- **Price inflation** – how much consumers pay for goods and services is dependent on the rate of supply of those goods and services.
- **Gross domestic product per capita** – combined output of goods and services in a particular nation determines relative wealth between countries when comparisons are calculated per member of the population.
- **Income, sales, and corporation taxes** – typically operating in all countries around the world usually at different levels, substantially affecting how we market goods and services.
- **Exchange rates** – the relative value of a currency vis-à-vis another currency impacts on businesses operating in foreign markets or holding financial reserves in other currencies.
- **Export quota controls and duties** – there are often restrictions placed on the amounts (quotas) of goods (and services) that any particular firm or industry can import into a country, depending on to which trading bloc or country a company or firm is exporting.

# The Socio-Cultural Environment: Demographics and Lifestyles

- Notably, some countries' populations are set to fall (e.g. Japan and Russia). There is to be an increasing number of people in the relatively large proportion of people in the 65-year-old-plus group.
- In Europe, the trend is towards marrying later and a greater tendency to divorce than in previous generations.
- Trend of work-life-balance shifts focus away from professional achievements towards personal growth
- There are also changes taking place within society that affect the way that consumers now interact with an organization's marketing activity (e.g. crowdsourcing, co-creation).



# The Technological Environment

- New technology changes the way companies go to market through moves towards more email and web-based marketing and greater efficiency in direct and database marketing techniques (Sclater, 2005).
- Changes in technology particularly affect high-technology industries, where firms must decide whether they wish to dominate that market by pushing their own particular technology standards, and especially where new technology renders existing standards obsolete.
- In scanning the technological environment, we are particularly interested in research and development (R&D) trends, and our competitors' R&D efforts. For example, in the pharmaceutical and chemical industries, companies have for a long time developed new compounds based on modifications of compounds registered for patents by their competitors in a process known as '**reverse engineering**'.
- Innovation becomes a necessary condition in the strategic marketing decision-making of high-technology firms. For less technology-intensive firms, innovation of some form, whether it is process- or product/service-focused, or at least rapid adoption of new product/service variants based on competitors' offerings, is still usually necessary to stay ahead of the competition.

# The Legal Environment

Laws and regulation are enacted in most countries ranging from the transparency of pricing, the prevention of restrictive trade practices, product safety, good practice in packaging and labelling, and the abuse of a dominant market position, to codes of practice in advertising, to take just a small selection.

- **Product Safety, Packaging, and Labelling** – Generally, in the EU, product labelling regulation tends to relate to recycling of packaging and waste to ensure it complies with environmental regulations, whereas in the USA, for example, packaging and labelling regulations are more concerned with fair practice and ensuring that packaging does not contain misleading advertising statements.

# The Ecological Environment

In the 1990s, companies became concerned with the concept of 'green' marketing, and later in the 2000s with the concept of marketing sustainability. Increasingly, consumers are worried about the impact of companies on their ecological environments. They are demanding more 'organic' food, incorporating principles of better welfare for the animals they consume as food products and less interference with the natural processes of growing fruit and vegetables (e.g. the use of pesticides and chemical fertilizers).

# Understanding the Performance Environment

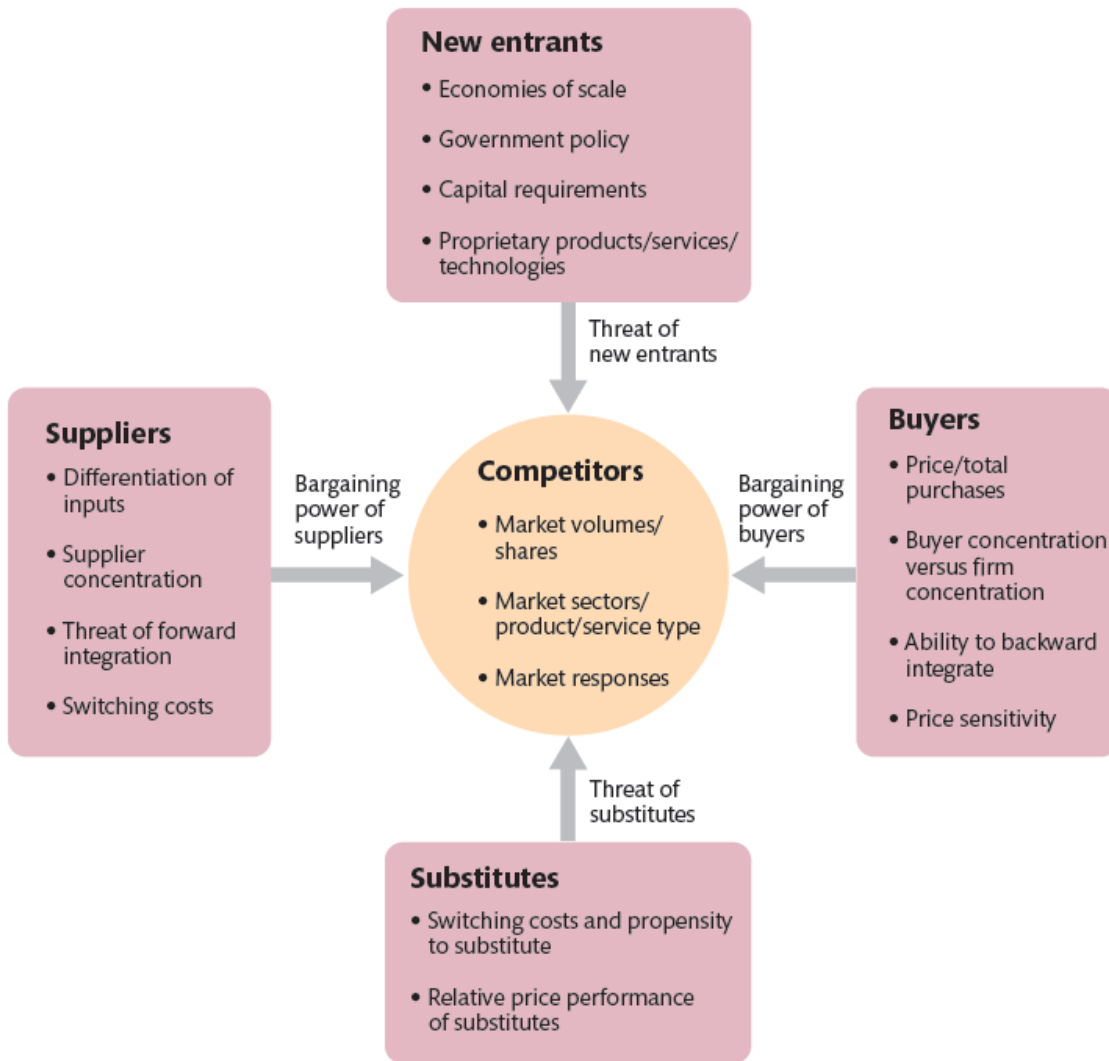
The performance environment consists of those organizations that either directly or indirectly influence an organization's operational performance. There are three main types:

1. Those companies that compete against the organization in the pursuit of its objectives.
2. Those companies that supply raw materials, goods, and services and those that add value as distributors, dealers, and retailers, further down the marketing channel.
3. Those companies that have the potential to *indirectly* influence the performance of the organization in the pursuit of its objectives. These organizations often supply services such as consultancy, financial services, or marketing research or communication agencies.

# Industry Analysis: Porter's Five Forces

1. Threat that new competitors will enter the market.
2. Threat posed by substitute products.
3. Bargaining power of buyers.
4. Bargaining power of suppliers.
5. Intensity of rivalry between current competitors.

# Industry Analysis: Porter's Five Forces



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Figure 6

# Understanding the internal environment: SWOT Analysis

## Strengths

Quick to respond to changes in the marketing environment

Flat management encourages fast decision-making

Use of contractors enables flexibility—lowers employment costs/finance and improves customers' perception of expertise

## Weaknesses

Too much work from a few clients and at non-premium rates

Few project management skills

High office and finance costs

Low customer base

## Opportunities

Emerging markets such as professional services (e.g. dentists, lawyers, surveyors)

New distribution channels

Tax incentives to encourage e-commerce

## Threats

Larger media houses buying business

Speed of technological advances

Contractors have low levels of loyalty

### ST (Strengths–Threats)

#### Strategies:

- Use internal strengths to counteract or mitigate external threats.

### WT (Weaknesses–Threats)

#### Strategies:

- Minimize internal weaknesses and avoid or reduce the impact of external threats.

### SO (Strengths–Opportunities)

#### Strategies:

- Use internal strengths to capitalize on external opportunities.

### WO (Weaknesses–

### Opportunities) Strategies:

- Address internal weaknesses by leveraging external opportunities.