

Quadrant II - Notes

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Module Name : **Factors Influencing Consumer Buying Behaviour**
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“Consumer behavior is the actions and the decision processes of people who purchase goods and services for personal consumption” – Engel, Blackwell, and Mansard,

Consumer buying behavior refers to the study of customers and how they behave while deciding to buy a product that satisfies their needs. It is a study of the actions of the consumers that drive them to buy and use certain products.

Study of consumer buying behavior is most important for marketers as they can understand the expectation of the consumers. It helps to understand what makes a consumer to buy a product. It is important to assess the kind of products liked by consumers so that they can release it to the market. Marketers can understand the likes and dislikes of consumers and design base their marketing efforts based on the findings.

Consumer buying behavior studies about the various situations such as what do consumers buy, why do they buy, when do they buy, how often do consumers buy, for what reason do they buy, and much more.

For example, consumer buying behavior is studied by consumer researchers and their aim is to know why women buy moisturizers (to reduce skin problems), the most preferred brand (Olay, L'Oréal), how often do they apply it (twice a day, thrice a day), where do the women prefer to buy it (supermarkets, online) and how many times do they buy it (weekly, monthly).

It's insightful to listen to some of the first cut opinions on Vocalley from consumers on how they think about various brands and their expectations, when it comes to electronic products and gadgets.

IMPORTANCE OF CONSUMER BEHAVIOR

Understanding consumer behavior is essential for a company to find success for its current products as well as new product launches. Every consumer has a different thought process and attitude towards buying a particular product. If a company fails to understand the reaction of a consumer towards a product, there are high chances of product failure.

Due to the changing fashion, technology, trends, living style, disposable income, and similar other factors, consumer behavior also changes. A marketer has to understand the factors that are changing so that the marketing efforts can be aligned accordingly.

1. Consumer Differentiation:

In marketing, consumer differentiation is a way to distinguish a consumer from several other consumers. This helps to make a target group of consumers with the same or similar behavior. Though you have a targeted customer demographic in your business, you can still have variations between individual customers. Each group of consumers are different and their needs and wants differ from other groups. When a marketer is knowledgeable about differentiation of each group of consumers, he can design separate marketing programmes.

Consumer differentiation will help to tailor your strategies to the needs of varying customer groups. When consumer differentiation is done, you can expand the width and breadth of your services. You will be able to effectively serve a wider group of people.

2. Retention of Consumers:

“Consumer behavior is of most importance to marketers in business studies as the main aim is to create and retain customers” says Professor Theodore Levitt (Kumar, 2004).

Consumer behavior is not just important to attract new customers, but it is very important to retain existing customers as well. When a customer is happy about a particular product, he/she will repeat the purchase. Therefore, marketing the product should be done in such a way that it will convince customers to buy the product again and again.

Thus, it is very evident that creating customer and retaining them is very important. This can be done only by understanding and paying attention towards the consumer’s buying behavior.

3. Design Relevant Marketing Programme:

Understanding consumer behavior allows you to create effective marketing campaigns. Each campaign can speak specifically to the separate group of consumers based on their behavior.

For example, while targeting kids market, you may have to look out for venues such as TV ads, school programmes and blogs targeting young mothers. You will need to take different messaging approaches for different consumer groups.

A study of consumer behavior enables the marketers to understand what motives consumers to make purchases. Furthermore, the same motive can be utilized in advertising media to stir the desire to make a purchase. Moreover, marketers should take decisions regarding the brand logo, coupons, packing and gifts on the basis of consumer behavior.

4. Predicting Market Trend:

Consumer behavior analysis will be the first to indicate a shift in market trend. For example, the recent trend of consumers is towards environment friendliness and healthy food. This changing market trend was observed by many brands

including **McDonalds**. Based on the consumer behavior, McDonald's brought healthy food options.

By conducting consumer behavior study, a company saves a lot of resources that might otherwise be allocated to produce a product that will not be sold in the market. For example, in summer a brand will not waste its resources for producing a product that will not sell in summer. Based on consumer behavior the company decides on production strategy which will save on warehouse costs and marketing costs.

5. Competition:

One of the most important reasons to study consumer behavior is to find out answers to some of the questions:

- Is the customer buying from your competitor?
- Why is a consumer buying from your competitor?
- What features attracts a consumer to your competitor products?
- What gaps are your consumers identifying in your products when compared to your competitors?

Studying consumer behavior facilitates in understanding and facing competition. Based on consumers' expectations, your brand can offer competitive advantages.

6. Innovate New Products:

We all know some of the big names such as New Coke, Crystal Pepsi, Colgate Kitchen Entrées, Earring Magic Ken Doll, and Wheaties Dunk-a-Balls Cereal. Can you see the similarities in these products? Yes, they all failed!!

The sad truth is that most new products and new ideas end up in failure. There is an estimate of new product failures – *they range from 33% to 90% based on the kind of industry.*

Companies consistently strive hard to improve the success rate of their new products or new ideas. One of the most important ways is to conduct sound and thoughtful consumer behavior study.

With the help of consumer behavior analysis, Nike realized that most of its target audience is not professional athletes, but many of them were striving to be more like them. So at the 2012 Olympics in London, Nike introduced a campaign to encourage athletics called 'Find Your Greatness'. It aimed to promote the aspirations of being an athlete, not just with high-performing athletes, but wanted to include all people regardless of their physical capability. The campaign was well planned and was data-driven, of course, carefully analyzed before taking any action. This message inspired many consumers and had enormous appeal for target consumers.

7. Stay Relevant in the Market

When the world is changing as rapidly as it is happening today, the biggest challenge we all face is staying relevant to our target market. And do you know what is the main reason behind the rapid changes? It is the ever-changing behavior of our customers.

Today's consumers have greater choices and opportunities, which means they can easily switch to a company that offers better products and services.

"The pre-eminent skill required to shift ahead in the twenty-first century is the ability to see and seize." -Adamson and Steckel, authors of Shift Ahead.

Losing relevance will only cost the company its market share. Haven't we seen *Sony Walkman* failing to stay relevant in the digital music era, and the taxi industry doom with no preparedness to battle the UBER uprising!!

8. Improve Customer Service

Consumers require different levels of customer service, and understanding the differences within your customer base will help you provide the most appropriate service for individual needs.

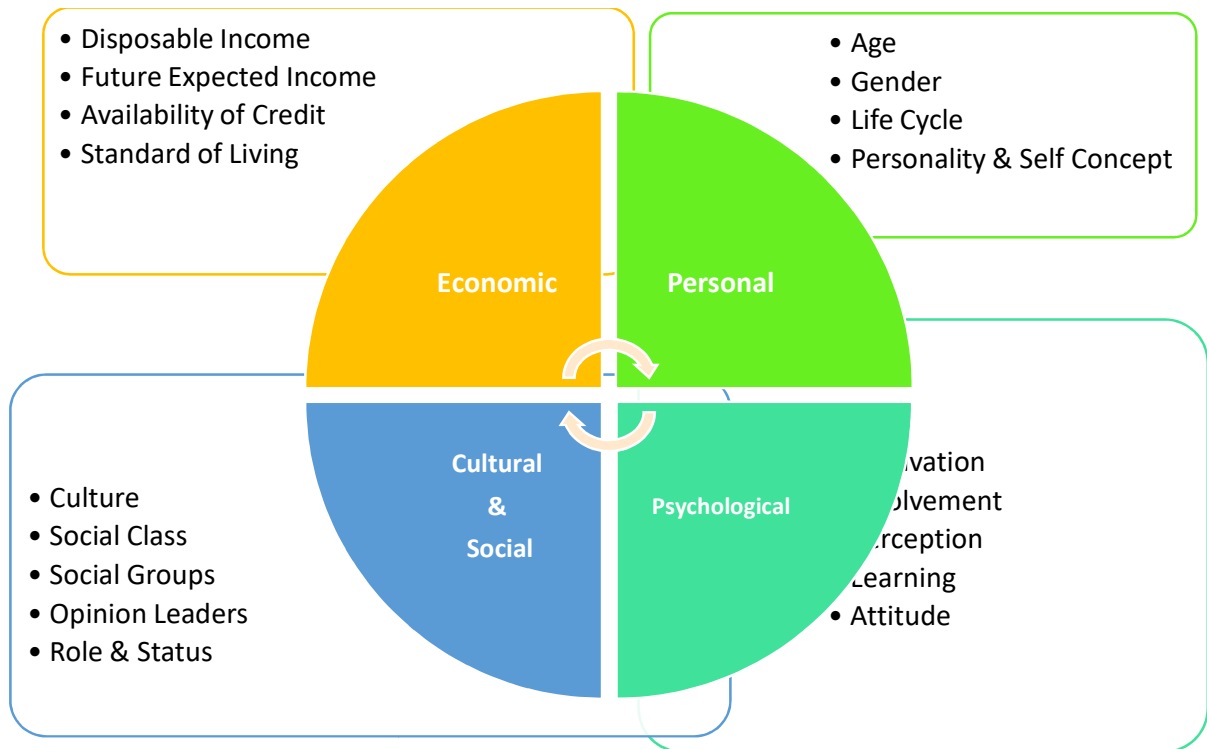
For example, if you own an electronics store, high school or college students who buy a new laptop are more likely to understand the features they're looking for than a person buying his first computer. With the first demographic, your service goal will be to provide information about the latest trends in technology, while with the second demographic, you'll need to spend more time educating the customer, finding out what his specific needs are, and even teaching him how to use the features of his new electronic device.

FACTORS INFLUENCING CONSUMER BUYING BEHAVIOUR:

Broadly, there are four factors which influence consumer buying behaviour



There are various sub factors within these broad parameters that affect the consumer buying behaviour. The following figure will depict the relationship:



Conclusion

Consumer behavior analysis has emerged as an important tool to understand the customers. By looking into consumer psychology and the forces behind customer buying behavior, companies can craft new products, marketing campaigns and increase profitability. Companies should talk to consumers, watch out for frustrations, and most importantly, identify their needs and expectations so as to convert the threats as opportunities in the marketplace.