

MNM1505: Introduction to Consumer Behaviour

Lecturer:

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TOPIC 1:

Introduction to consumer behaviour



Learning Unit 1: The nature of consumer behaviour

- Overview of marketing

“**Marketing** is a process where an organisation, in its drive to meet its organisational goals, focusses on meeting customers’ needs and wants, by means of offering the right product, at the right price, at the right place, and by using the right marketing communication channels and which, in this process, strives to establish relationships with customers and to develop and grow these relationships with relevant stakeholders in an ever-changing environment.”

(Cant, van Heerden & Ngambi, 2013:3-4)

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- Marketing mix (4 P's)

The item being offered to customers to satisfy their perceived needs and wants; and will ultimately bring in the money for the organisation.

The price of a product should be a reflection of the value to the customer and the quality of the product.



Making the products and services available to the customer, when and where the customer wants them.

The marketing communication methods or channels used to inform the target market of the product offering, its benefits and differentiating factors.

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- Extended marketing mix (7 P's)
 - **People:** the individuals who serve the customer – the employees or staff members of the business who are in direct contact with the customers
 - **Physical evidence:** the physical environment where the exchange takes place
 - Visual or tangible cues of the service product
 - **Processes:** policies and procedures involved in serving the customer



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- Marketing concept
 - “an ethical code or philosophy that governs all marketing initiatives.”
 - Customer-orientation
 - Production-orientation
 - Sales-orientation
 - Marketing-orientation
 - Societal marketing orientation



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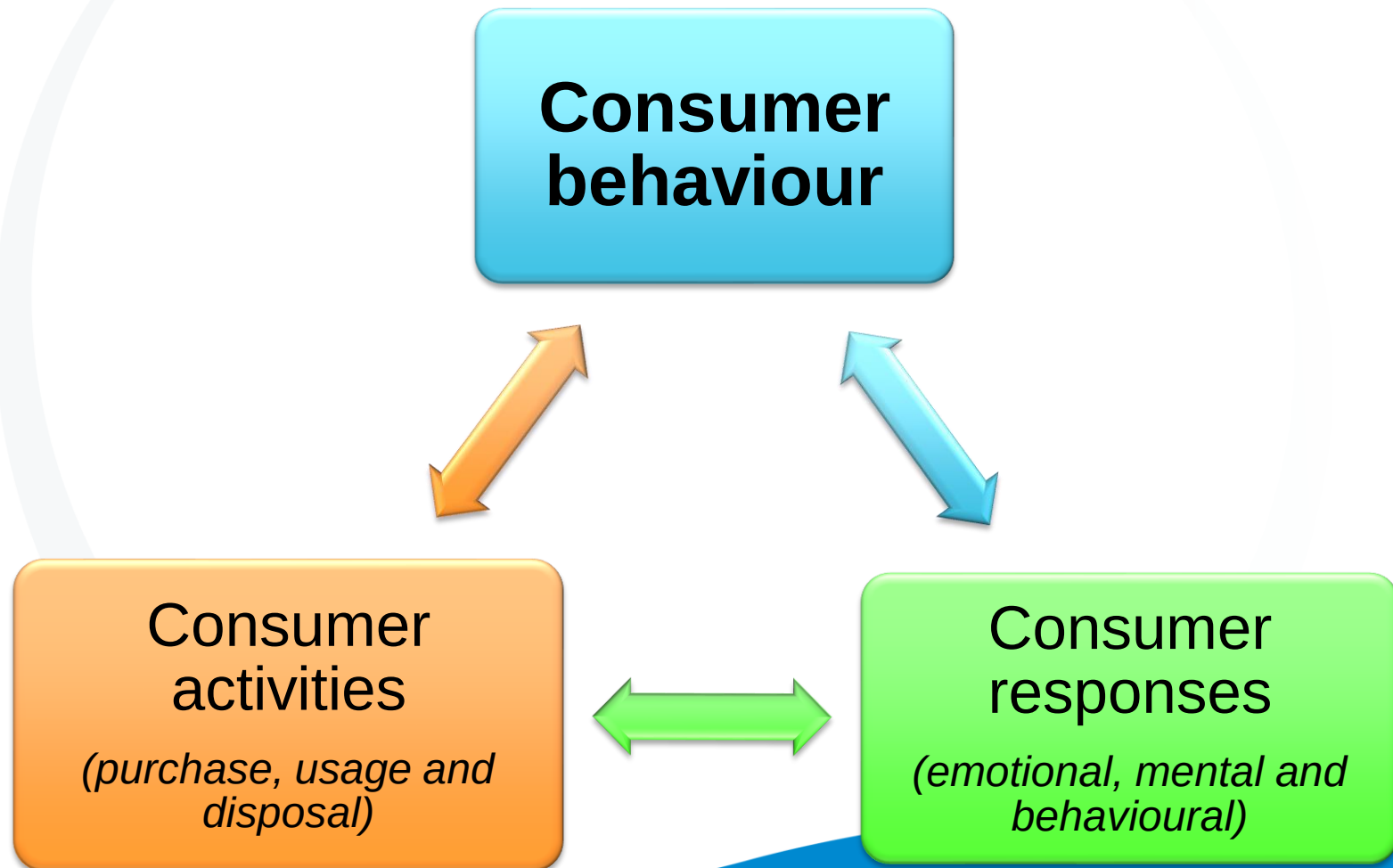
- Consumer Behaviour

“**Consumer Behaviour** entails the behaviour that customers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.

(Joubert, 2010:1)

- **What** they purchase – products and services
- **Why** they purchase – their needs and wants
- **When** they purchase – time, daily, weekly, monthly, yearly, per occasion, etc.
- **Where** they purchase – place (supermarket, wholesaler, garage shop, etc.)
- **How often** they purchase – time interval of purchase
- **How often** they **use** it – the frequency of use

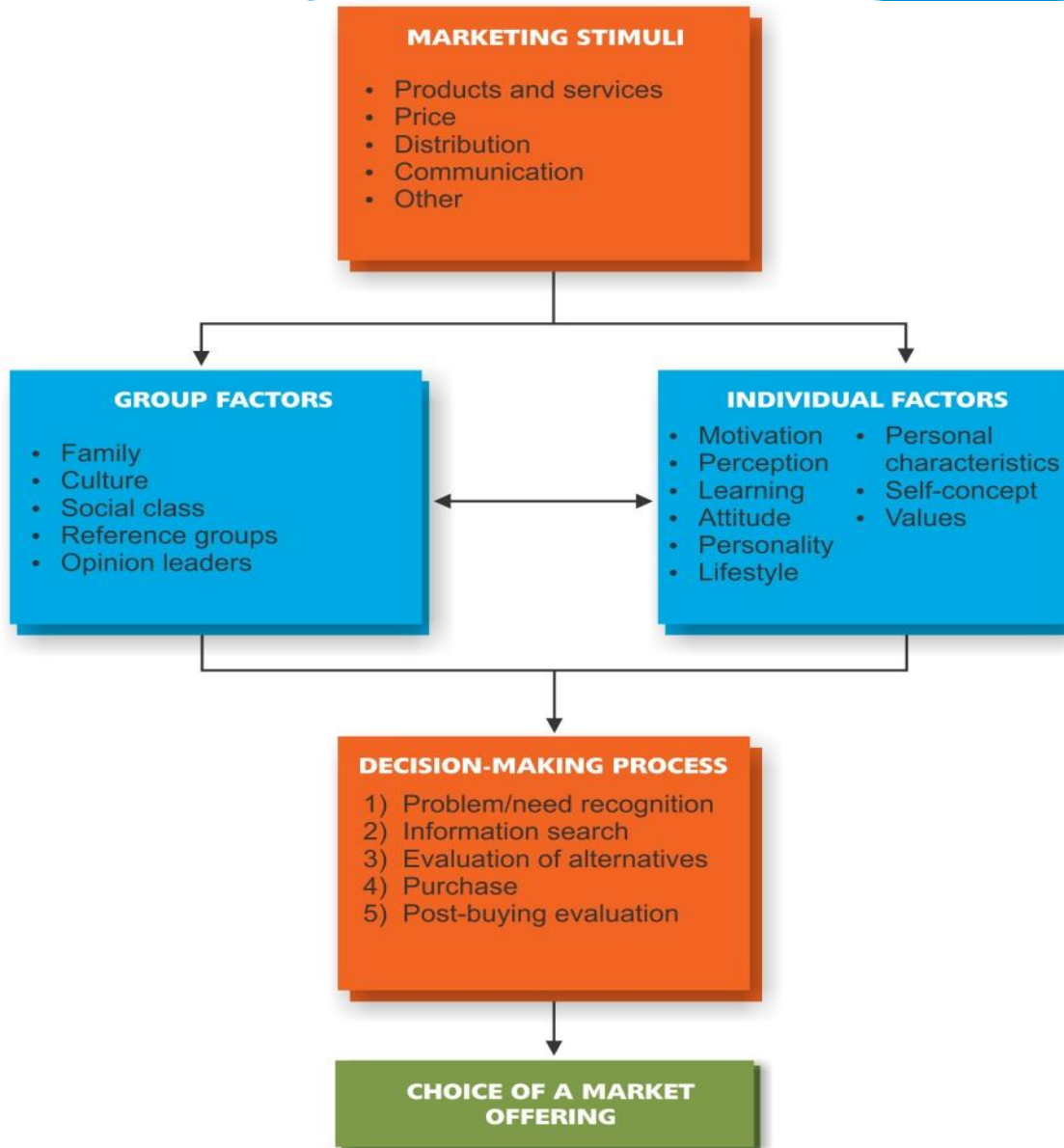
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- Consumer response:
 - **Emotional/affective response**
 - An individual's feelings, emotions and attitudes at the time of purchase/decision making
 - **Mental/cognitive response**
 - An individual's opinions, thought processes, beliefs, and intentions about products or services
 - **Behavioural response**
 - Individual's decisions, actions and activities during the purchasing, usage and disposal of the product and/or service

Consumer Behaviour Model

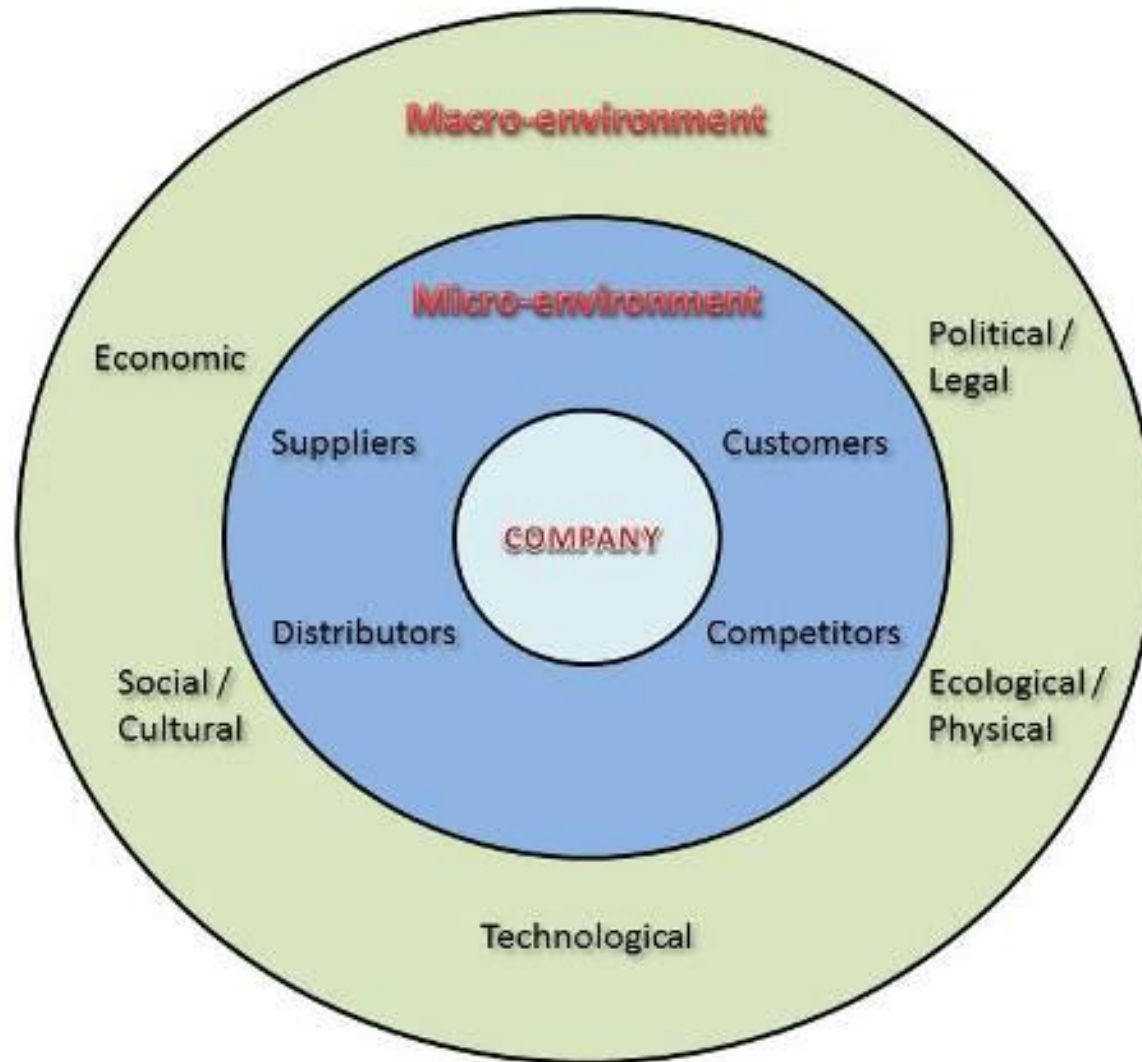


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- Importance of consumer behaviour
 - It helps the organisation to market and position its products and services correctly
 - Thorough understanding of our customers' purchasing habits as it allows us to have a competitive advantage
 - Gain a better understanding of why consumers buy what they buy, or why they respond to certain stimuli
 - So that businesses can satisfy the needs of customers, customer retention and, ultimately, long-term customer value
 - Improve business performance

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- What affects consumer behaviour
 - **Micro-environment**
 - Includes the management of the company
 - **Market environment**
 - Takes place in the organisation and includes aspects such as its competitors, suppliers, consumers and intermediaries
 - **Macro-environment**
 - Conditions that exist in the economy as a whole, rather than in a particular sector or region



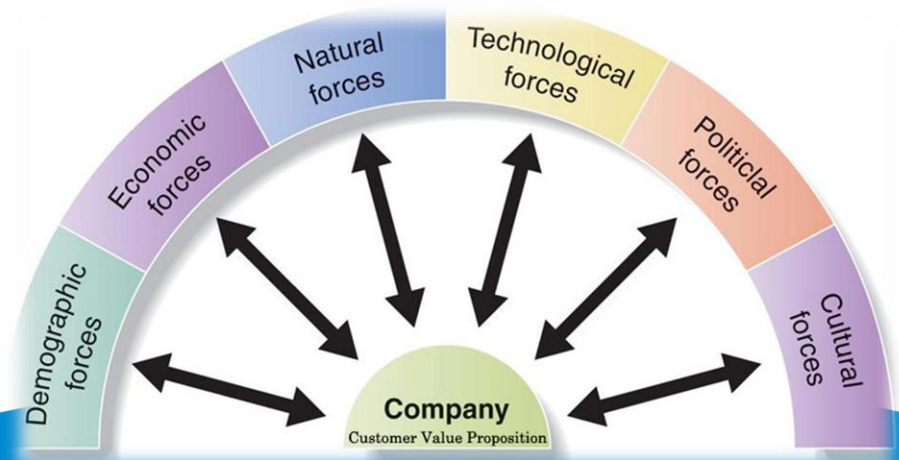
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- **Macro-environment**

- Collection of uncontrollable forces and conditions facing a person or a company

- Factors:

- Demographic factors
 - Economic factors
 - Government/legal factors
 - Physical factors
 - Social factors
 - Technological factors



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- **Macro-environment (cont.):**
 - Demographic factors
 - National population size
 - Age distribution
 - Physical distribution of the population
 - Education levels
 - Size of the labour market
 - Unemployment rate
 - Formal and informal sectors
 - Size of the foreigner labour market



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- **Macro-environment (cont.):**

- Economic factors:

- GDP
 - GNP
 - Interest rate
 - Inflation rate
 - The economic cycle
 - National debt
 - Unemployment



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- **Macro-environment (cont.):**
 - Government/legal factors:
 - Exert pressure on the country, steering agricultural and economic policy in a particular direction
 - Make the “laws of the land” and defines the legal parameters
 - Interferes in the annual budget, taxation, import control, export incentives, price control, health regulations, and other incentives to encourage development in a specific direction or region



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- **Macro-environment (cont.):**
 - Physical factors:
 - the natural environment and factors such as the weather, global warming, pollution, the ozone layer, the greenhouse effect and lack or depletion of natural resources that affect the behaviour of consumers



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- **Macro-environment (cont.):**
 - Social factors:
 - Population growth and size
 - Geographical location and shift of population
 - Level of education
 - Household and disposable income
 - Family structure
 - Male-female composition



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- **Macro-environment (cont.):**
 - Technological factors:
 - Technology is changing and evolving at an incredible speed and has a massive influence on how consumers gather and evaluate information
 - Advancements of computer applications, communications and electronics cannot be denied

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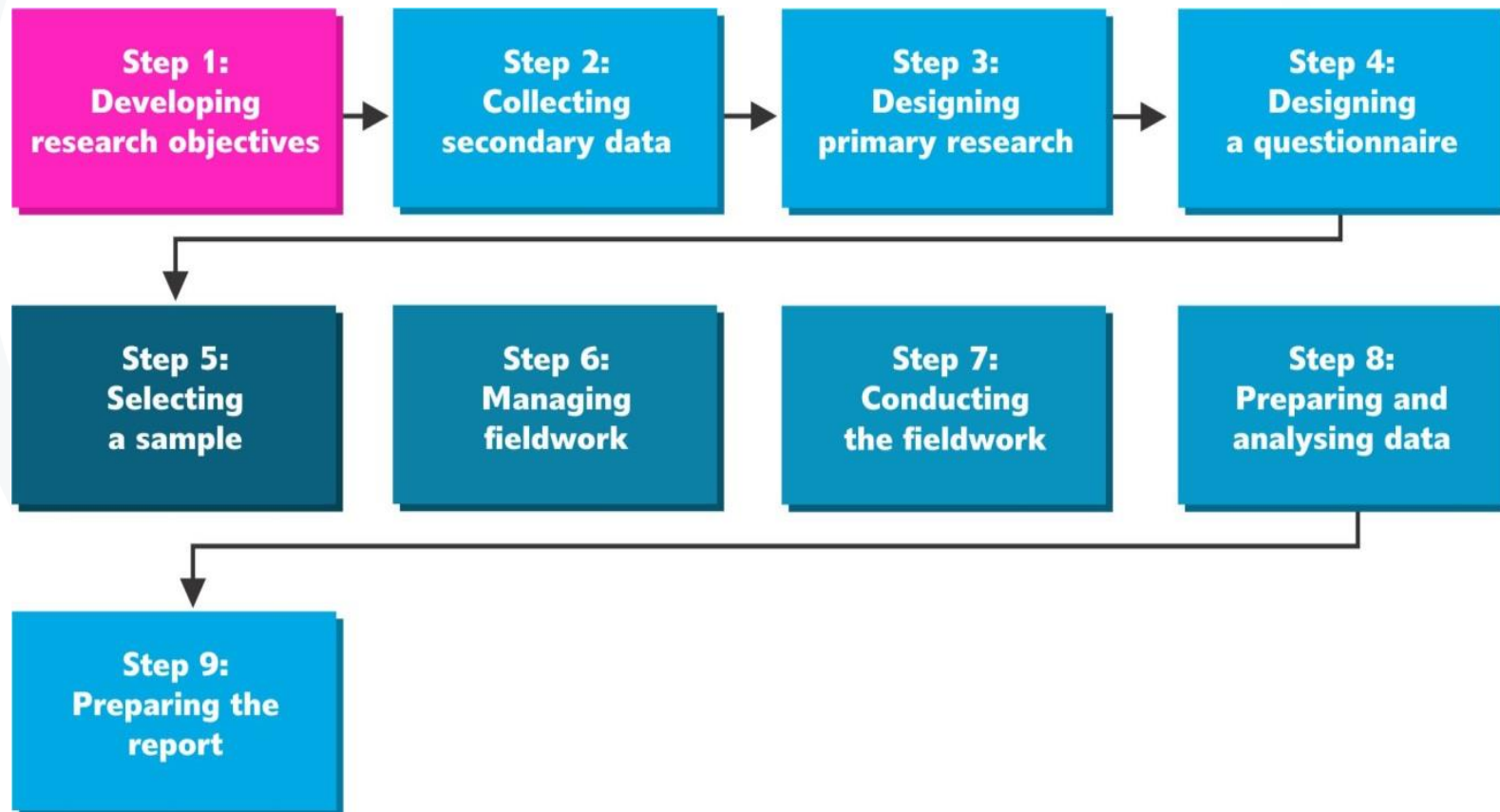
- Consumer research

“Consumer research forms part of market research in which the preferences, motivations, and buying behaviour of the targeted customer are identified through direct observation, mail surveys, telephone or face-to-face interviews, and from public sources” (Business Dictionary, 2016).



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- Consumer research process



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- Qualitative vs quantitative research

Qualitative research is not subject to quantification and refers to the exploring of a situation as well as understanding underlying reasons and motivations (Wiid & Diggines, 2013:59).

Qualitative research methods include:

Mystery shopping
In-depth interviews
Focus groups
Projective techniques

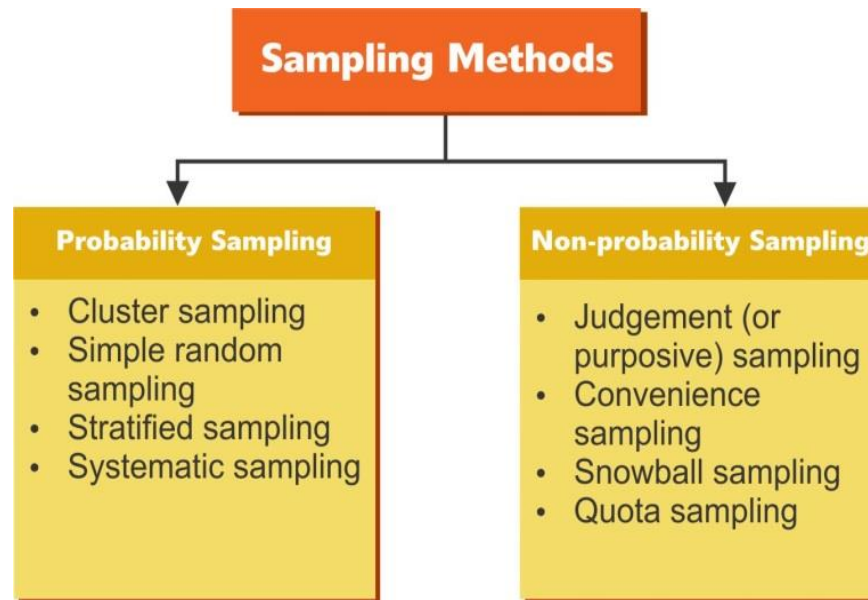
Quantitative research focuses on addressing the research objective through empirical assessments involving mathematical analysis (Zikmund & Babin, 2010:133).

Quantitative research methods include:

Observational research
Experimental research
Survey research

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- Sampling techniques



Learning Unit 1 outcomes:

- You should be able to define marketing and consumer behaviour.
- You should know what the marketing mix comprise of and be able to practically apply each P.
- Know the difference between the marketing mix and marketing concept.
- Know the difference consumer responses and be able to practically apply each to and example.
- Know the consumer behaviour model.
- You should know the different environments within the marketing environment, as well as what comprise each environment and be able to practically apply each to an example.

Learning Unit 1 outcomes (cont.):

- You need to know and understand all the steps in the consumer research process as well as the content discussed under each step.
 - Know the different sources of data.
 - Differentiate between qualitative and quantitative research and know the various methods of each.
 - Know the different question formats one can use in surveys.
 - Differentiate between probability and non-probability sampling, and know the different techniques one can use under each sampling method.