

# MARKETING MANAGEMENT

4th European edition

Philip  
**Kotler**

Kevin Lane  
**Keller**

Mairead  
**Brady**

Malcolm  
**Goodman**

Torben  
**Hansen**

# **Marketing Management**

**Table 7.1** Understanding consumer behaviour

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Who buys our product or service?
Who makes the decision to buy the product?
Who influences the decision to buy the product?
How is the purchase decision made? Who assumes what role?
What does the customer buy? What needs must be satisfied?
Why do customers buy a particular brand?
Where do they go or look to buy the product or service?
When do they buy? Any seasonality factors?
How is our product perceived by customers?
What are customers' attitudes towards our product?
What social factors might influence the purchase decision?
How do customers' lifestyles influence their decisions?
How do personal or demographic factors influence the purchase decision?

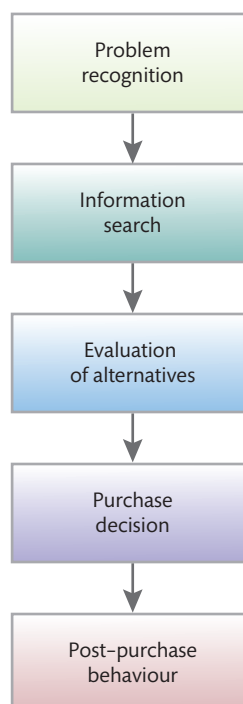
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Source: Based on G. Belch and M. Belch (2012) *Advertising and Promotion*, 9th edn, Homewood, IL: Irwin.  
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Smart companies try to fully understand the customers' buying decision process – all their experiences in learning, choosing, using and even disposing of a product.<sup>77</sup> Social media can give you a very quick gauge on things. Unilever uses social media, especially Facebook, to investigate consumer buying behaviour. 'Our job as marketers is to ask, "What are the key things that I need to look for?"', says Rachel Bristow, Unilever's marketing and communications buying director.<sup>78</sup>

Marketing scholars have developed a 'stage model' of the buying decision process (see Figure 7.5). The consumer passes through five stages: problem recognition, information search, evaluation of alternatives, purchase decision and post-purchase behaviour. Clearly, the buying process starts long before the actual purchase and has consequences long afterwards.<sup>79</sup>

Consumers don't always pass through all five stages in buying a product. They may skip or reverse some. When you buy your regular brand of toothpaste, you go directly from the need for

**Figure 7.5** Five-stage model of the consumer buying process

toothpaste to the purchase decision, skipping information search and evaluation. The model in Figure 7.5 provides a good frame of reference, however, because it captures the full range of considerations that arises when a consumer faces a highly involving new purchase.<sup>80</sup>

## Problem recognition

The buying process starts when the buyer recognises a problem or need triggered by internal or external stimuli. With an internal stimulus, one of the person's normal needs – hunger, thirst, sex – rises to a threshold level and becomes a drive, or a need can be aroused by an external stimulus – a person may admire a neighbour's new car or see a television ad for a Madeiran holiday, which triggers thoughts about the possibility of making a purchase.

Marketers need to identify the circumstances that trigger a particular need by gathering information from a number of consumers. They can then develop marketing strategies that trigger consumer interest. Particularly for discretionary purchases such as luxury goods, holidays and entertainment options, marketers may need to increase consumer motivation so that a potential purchase gets serious consideration.

## Information search

Surprisingly, consumers often search for limited amounts of information. Surveys have shown that for durables, half of all consumers look at only one shop, and only 30 per cent look at more than one brand of appliance. We can distinguish between two levels of involvement with search. The milder search state is called *heightened attention*. At this level a person simply becomes more receptive to information about a product. At the next level, the person may enter an *active information search*: looking for reading material, phoning friends, going online and visiting shops to learn about the product.<sup>81</sup>

### Information sources

Major information sources to which consumers will turn fall into four groups:

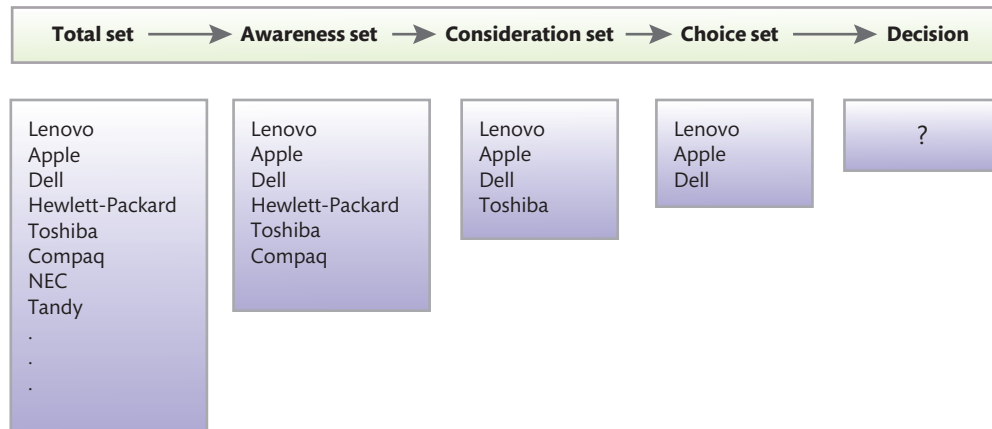
- **Personal:** family, friends, neighbours, acquaintances.
- **Commercial:** advertising, websites, salespeople, dealers, packaging, displays.
- **Public:** mass media, consumer-rating organisations.
- **Experiential:** handling, examining, using the product.

The relative amount and influence of these sources vary with the product category and the buyer's characteristics. Generally speaking, the consumer receives the most information about a product from commercial – that is, marketer-dominated – sources. However, the most effective information often comes from personal sources or public sources that are independent authorities. Each information source performs a different function in influencing the buying decision. Commercial sources normally perform an information function, whereas personal sources perform a legitimising or evaluation function. For example, doctors often learn of new drugs from commercial sources but turn to other doctors for evaluations.

### Search dynamics

Through gathering information, the consumer learns about competing brands and their features. The first box in Figure 7.6 shows the *total* set of brands available to the consumer. The individual consumer will come to know only a subset of these brands, the *awareness set*. Some brands, the *consideration set*, will meet initial buying criteria. As the consumer gathers more information, only a few, the *choice set*, will remain strong contenders. The consumer makes a final choice from this set.<sup>82</sup>

Marketers need to identify the hierarchy of attributes that guides consumer decision making in order to understand different competitive forces and how these various sets are formed. This process of identifying the hierarchy is called **market partitioning**. Years ago, most car buyers first decided on the manufacturer and then on one of its car divisions (*brand-dominant hierarchy*). A buyer might favour General Motors' cars and, within this set, a Saab. Today, many buyers decide first on the nation from which they want to buy a car (*nation-dominant hierarchy*). Buyers may first decide they want to buy a German car, then Audi, then the A4 model of Audi.



**Figure 7.6** Successive sets involved in consumer decision making

The hierarchy of attributes can also reveal customer segments. Buyers who first decide on price are price dominant; those who first decide on the type of car (sports, passenger, estate car) are type dominant; those who first decide on the car brand are brand dominant. Type/price/brand-dominant consumers make up a segment; quality/service/type buyers make up another. Each segment may have distinct demographics, psychographics and mediagraphics, and different awareness, consideration and choice sets.<sup>83</sup>

Figure 7.6 makes it clear that a company must strategise to get its brand into the prospect's awareness, consideration and choice sets. As another example, if a food shop owner arranges yogurt first by brand (such as Danone and Yoplait) and then by flavour within each brand, consumers will tend to select their flavours from the same brand. However, if all the strawberry yogurts are together, then all the vanilla and so forth, consumers will probably choose which flavours they want first, then choose the brand name they want for that particular flavour. Australian supermarkets arrange meats by the way they might be cooked, and shops use more descriptive labels, such as 'a 10-minute herbed beef roast'. The result is that Australians buy a greater variety of meats than UK shoppers, who choose from meats laid out by animal type – beef, chicken, pork and so on.<sup>84</sup>

The company must also identify the other brands in the consumer's choice set so that it can plan the appropriate competitive appeals. In addition, the company should identify the consumer's information sources and evaluate their relative importance. Asking consumers how they first heard about the brand, what information came later and the relative importance of the different sources will help the company prepare effective communications for the target market.

## Evaluation of alternatives

How does the consumer process competitive brand information and make a final value judgement? No single process is used by all consumers, or by one consumer in all buying situations. There are several processes, and the most current models see the consumer forming judgements largely on a conscious and rational basis.

Some basic concepts will help us understand consumer evaluation processes. First, the consumer is trying to satisfy a need. Second, the consumer is looking for certain benefits from the product solution. Third, the consumer sees each product as a bundle of attributes with varying abilities for delivering the benefits sought to satisfy this need. The attributes of interest to buyers vary by product – for example:

- **hotels:** location, cleanliness, atmosphere, price;
- **mouthwash:** colour, effectiveness, germ-killing capacity, taste/flavour, price;
- **tyres:** safety, tread life, ride quality, price.

Consumers will pay the most attention to attributes that deliver the sought-after benefits. We can often segment the market for a product according to attributes important to different consumer groups.

### Beliefs and attitudes

Through experience and learning, people acquire beliefs and attitudes. These in turn influence buying behaviour. A **belief** is a descriptive thought that a person holds about something. Just as important are **attitudes** – a person's enduring favourable or unfavourable evaluations, emotional feelings and action tendencies towards some object or idea.<sup>85</sup> People have attitudes towards almost everything: religion, politics, clothes, music, food. Attitudes put us into a frame of mind: liking or disliking an object, moving towards or away from it. They lead us to behave in a fairly consistent way towards similar objects. Because attitudes economise on energy and thought, they can be very difficult to change. A company is often well advised to fit its product into existing attitudes rather than to try to change attitudes. For instance, Arla Foods ran an ad campaign with the slogan 'Good Food Deserves Lurpak' (a butter brand). To many, butter may not be interesting in itself but rather because of what it does to the taste experience of a well-prepared meal. Hence, the basic idea was to remind consumers of an existing attitude: namely, that Lurpak tastes better than competing brands and products.<sup>86</sup>

### Expectancy-value model

The consumer arrives at attitudes towards various brands through an attribute evaluation procedure.<sup>87</sup> She or he develops a set of beliefs about where each brand stands on each attribute. The **expectancy-value model** of attitude formation posits that consumers evaluate products and services by combining their brand beliefs – the positives and negatives – according to importance.

Suppose Swedish student Helena Olsson has narrowed her choice set to four laptop computers (A, B, C, D). Assume she's interested in four attributes: memory capacity, graphics capability, size and weight, and price. Table 7.2 shows her beliefs about how each brand rates on the four attributes. If one computer dominated the others on all the criteria, we could predict that Helena would choose it. But, as is often the case, her choice set consists of brands that vary in their appeal. If Helena wants the best memory capacity, she should buy A; if she wants the best graphics capability, she should buy B; and so on.

If we knew the weights Helena attached to the four attributes, we could more reliably predict her computer choice. Suppose she assigned 40 per cent of the importance to the computer's memory capacity, 30 per cent to graphics capability, 20 per cent to size and weight, and 10 per cent to price. To find Helena's perceived value for each computer, according to the expectancy-value model, we multiply her weights by her beliefs about each computer's attributes. This computation leads to the perceived values shown in Table 7.2.

$$\text{Computer A} = 0.4(10) + 0.3(8) + 0.2(6) + 0.1(4) = 8.0$$

$$\text{Computer B} = 0.4(8) + 0.3(9) + 0.2(8) + 0.1(3) = 7.8$$

$$\text{Computer C} = 0.4(6) + 0.3(8) + 0.2(10) + 0.1(5) = 7.3$$

$$\text{Computer D} = 0.4(4) + 0.3(3) + 0.2(7) + 0.1(8) = 4.7$$

An expectancy-model formulation predicts that Helena will favour computer A, which (at 8.0) has the highest perceived value.<sup>88</sup>

**Table 7.2** A consumer's brand beliefs about laptop computers

Computer	Attribute			
	Memory capacity	Graphics capability	Size and weight	Price
A	10	8	6	4
B	8	9	8	3
C	6	8	10	5
D	4	3	7	8

Note: Each attribute is rated from 0 to 10, where 10 represents the highest level on that attribute. Price, however, is indexed in a reverse manner, with a 10 representing the lowest price because a consumer prefers a low price to a high price.

Suppose most computer buyers form their preferences the same way. Knowing this, the marketer of computer B, for example, could apply the following strategies to stimulate greater interest in brand B:

- **Redesign the computer.** This technique is called *real repositioning*.
- **Alter beliefs about the brand.** Attempting to alter beliefs about the brand is called *psychological repositioning*.
- **Alter beliefs about competitors' brands.** This strategy, called *competitive depositioning*, makes sense when buyers mistakenly believe a competitor's brand has more quality than it actually has.
- **Alter the importance weights.** The marketer could try to persuade buyers to attach more importance to the attributes in which the brand excels.
- **Call attention to neglected attributes.** The marketer could draw buyers' attention to neglected attributes, such as styling or processing speed.
- **Shift the buyer's ideals.** The marketer could try to persuade buyers to change their ideal levels for one or more attributes:<sup>89</sup> for example, changing buyers' opinions regarding the ideal size for a computer.

## Purchase decision

In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form an intention to buy the most preferred brand. In executing a purchase intention, the consumer may make up to five sub-decisions: brand (brand A), dealer (dealer 2), quantity (one computer), timing (weekend) and payment method (credit card).

### Non-compensatory models of consumer choice

The expectancy-value model is a compensatory model, in that perceived good things for a product can help to overcome perceived bad things. But consumers often take 'mental short cuts' using simplifying choice heuristics. **Heuristics** are rules of thumb or mental short cuts in the decision process.

With **non-compensatory models** of consumer choice, positive and negative attribute considerations do not necessarily net out. Evaluating attributes in isolation simplifies decision making for a consumer, but it also increases the likelihood that he would have made a different choice if he had deliberated in greater detail. We highlight three such choice heuristics here:

- 1 With the **conjunctive heuristic**, the consumer sets a minimum acceptable cut-off level for each attribute and chooses the first alternative that meets the minimum standard for all attributes. For example, if Helena decided all attributes had to rate at least a 5, she would choose computer C. She would not choose computers A, B or D since computers A and B rate only 4 and 3, respectively, on price, and computer D rates only 4 on memory capacity and 3 on graphics capability.
- 2 With the **lexicographic heuristic**, the consumer chooses the best brand on the basis of its perceived most important attribute (i.e. memory capacity). With this decision rule, Helena would choose computer A, which has the highest rate on this attribute.
- 3 With the **elimination-by-aspects heuristic**, the consumer compares brands on an attribute selected probabilistically – where the probability of choosing an attribute is positively related to its importance – and eliminates brands that do not meet minimum acceptable cut-offs.

Our brand or product knowledge, the number and similarity of brand choices and time pressure involved, and the social context (such as the need for justification to a peer or boss) may all affect whether and how we use choice heuristics.<sup>90</sup>

Consumers do not necessarily use only one type of choice rule. Sometimes they adopt a phased decision strategy that combines two or more. For example, they might use a non-compensatory decision rule such as the conjunctive heuristic to reduce the number of brand choices to a more manageable number and then evaluate the remaining brands. One reason for the runaway success of the Intel Inside campaign in the 1990s was that it made the brand the first cut-off for many consumers – they would only buy a personal computer that had an Intel microprocessor. Personal computer makers such as Lenovo, Dell and Gateway had no choice but to support Intel's marketing efforts.

### Intervening factors

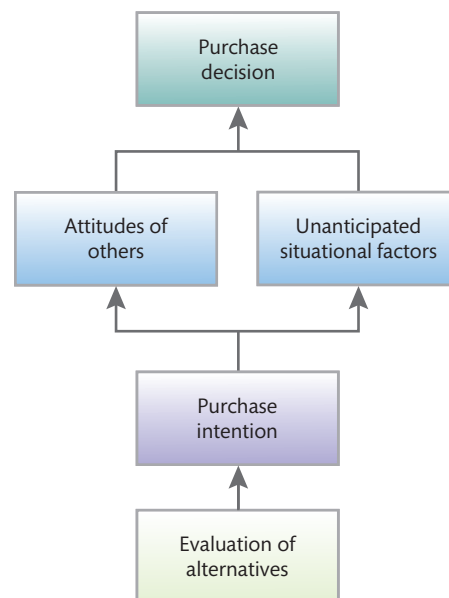
Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision (Figure 7.7).<sup>91</sup> The first is the *attitudes of others*. The extent to which another person's attitude reduces our preference for an alternative depends on two things: (1) the intensity of the other person's negative attitude towards our preferred alternative; and (2) our motivation to comply with the other person's wishes.<sup>92</sup> The more intense the other person's negativism and the closer the other person is to us, the more we will adjust our purchase intention. The converse is also true.

Related to the attitudes of others is the role played by suppliers of consumer and market information that publish their evaluations. Several consumer reports provide expert reviews of all types of products and services. Examples include J. D. Power, which provides consumer-based ratings of cars, financial services and travel products and services; professional film, book and music reviewers; customer reviews of books and music on Amazon.com; and the increasing number of chatrooms, bulletin boards, blogs and so on where people discuss products, services and companies. Consumers are undoubtedly influenced by these evaluations, as evidenced by the success of a small-budget film such as *Napoleon Dynamite*, which cost only €270,000 to make but grossed over €30 million at the box office thanks to a slew of favourable reviews by cinemagoers on many websites.

The second factor is *unanticipated situational factors*, which may erupt to change the purchase intention. Helena might lose her job, some other purchase might become more urgent, or a store salesperson may turn her off. Preferences and even purchase intentions are not completely reliable predictors of purchase behaviour.

A consumer's decision to modify, postpone or avoid a purchase decision is heavily influenced by *perceived risk*.<sup>93</sup> Consumers may perceive many types of risk in buying and consuming a product:

- **Functional risk:** the product does not perform to expectations.
- **Physical risk:** the product poses a threat to the physical well-being or health of the user or others.
- **Financial risk:** the product is not worth the price paid.
- **Social risk:** the product results in embarrassment in front of others.
- **Psychological risk:** the product does not conform to the consumer's perceived self-image.
- **Time risk:** the failure of the product results in an opportunity cost of finding another satisfactory product.



**Figure 7.7** Steps between evaluation of alternatives and a purchase decision