BTEC UNIT Seventeen: Marketing Intelligence

Unit Code: K/601/0955

Customers and Markets

* Definition of 'Customer'
* An individual or business that purchases the goods or services produced by a business. The customer is the end goal of businesses, since it is the customer who pays for supply and creates demand. Businesses will often compete through advertisements or sales in order to attract a larger customer base.

MARKET

- **A set up where two or more parties engage in exchange of goods, services and information is called a market.** Ideally a market is a place where two or more parties are involved in buying and selling.
- The two parties involved in a transaction are called **seller and buyer**.
- The seller sells goods and services to the buyer in exchange of money. There has to be more than one buyer and seller for the market to be competitive.

* One "official" definition of consumer behavior is "The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

The following are Five stages in the Consumer Decision making Process

Stage 1

Need Awareness: Consumers recognise a problem as a need or want. Of course, the most frequent problem occurs when consumers realize they are out of the product. For example, when the gas tank gets near empty, or you run out of meat for your nights dinner , or when your car is due for maintenance. Problem recognition also occurs when a consumer receives new information about a good, service, or business. New fashions, for example, can make people recognize that their current clothing is not in style or up to date. Different circumstances can change and force a consumer to recognize a major buying problem. A mother going back to work after maternity leave may need a new wardrobe. A first year college student may need a personal computer. A recently retired couple may now have the time and money to take a European vacation

Stage 2

* **Information Search:** Consumers search for information that is helpful in making a purchasing decision. They may get this information in one or in many ways. Marketers are interested in the major information sources that consumers use and the influence each has on the final purchase decision. Consumer information sources typically fall into four groups:
  - personal sources;
* - commercial sources;
* - public sources; and
* - experience sources.
* The consumer receives the most information from commercial sources. These include advertisements, salespeople, catalogs, newspapers, and manufacturer-supplied direct mail. However, the most effective influence often comes from such personal sources as family members and friends. Effective marketers try to identify the information sources and their relative influence on customers. This means asking customers how they heard about the product, what sources of information they turned to, and what influences each source of information had on their purchase decision. This consumer information helps marketers plan advertisements, select information to give to customers, and choose other marketing techniques to meet consumer needs.

Stage 3

* **Evaluate Alternatives**: After the information search is done the next stage is usually consumers compare products with respect to their various features and benefits. They may compare product brands, styles, sizes, colors, prices, and related services. They may also compare products at various stores. The consumer may also evaluate the importance of certain information. For many consumers, perceived reliability is extremely important. For others, price, ease of operation, related services, or prestige may be important. Other information may be more important to consumers when evaluating services. While vacation, traveling, for example some consumers may want to only stay at a Sandals or some other Five star hotel, while others are more prone to lodging at the less expensive locations. Consumers generally evaluate goods and services by the features or benefits that are important to them. Retailers and other marketers often try to influence the type of criteria that consumers use in their product evaluations. They frequently use ads that compare the features of their products with those of their competitors.

Stage 4

- ***Purchase Decisions:*** At this stage in the decision making process, consumers have recognized a need, done some research on the product, and evaluated available alternatives. they are now ready to make a purchase decision, the actual buying of a specified product. Many factors influence the purchase decision. These include the cost of the product compared to how much money the consumer can afford to spend, the opinions of family or friends, and the sales and services policies of the marketer. Some customers may wish to try a product before making a major purchase.

Stage 5

- ***Post Purchase***: After customers make buying decisions, they often continue to evaluate them. Post-purchase evaluation occurs when a customer seeks reasons to support a purchase decision. retailers use the term ***buyers remorse*** to describe a customer's second thoughts after a purchase. Marketers use the term ***cognitive dissonance*** to refer to post-decision doubt that a customer has about an original purchase. This doubt stems from an awareness that in reaching a particular buying decision the individual may have rejected certain attractive alternatives. Doubt is created when the motive for buying the alternative overshadows the actual purchase. Marketers take positive steps to reduce doubt about the purchase and help the buyer feel good about their purchases. Successful marketers know that a satisfied customer is an excellent advertisement for the company and its products. They try to fulfill their customers needs and wants. Customer oriented practices usually result in customer recommendations, called word of mouth advertising, and customer loyalty and repeat business.

Buying Situations

* The Howard Sheth model, serves as an integrating framework for a very sophisticated comprehensive theory of consumer behavior. It should be noted that the authors actually use the term buyer in their model to refer to industrial purchases as well as ultimate consumers. Thus, it can be seen that their interest was to develop a unified theory useful for understanding a great variety of behaviors.
* The model attempts to depict rational brand choice behavior by buyers under conditions of incomplete information and limited abilities. It distinguishes three levels of decision making:
* 1) Extensive problem solving – early stages of decision making in which the buyer has little information about brands and has not yet developed, well defined and structured criteria by which to choose among products (choice criteria).
  2) Limited problem solving – in this more advanced stage choice criteria are well defined but the buyer is still undecided about which set of brands will best serve him. Thus, the consumer still experiences uncertainty about which brand is best.
  3) Routinized responses behavior – buyers have well defined choice criteria and also have strong predispositions towards the brand. Little confusion exists in the consumer's mind and he is ready to purchase a particular brand with little evaluation of alternatives
*

Buyer Behaviour

Need recognition: The buying process officially begins when a company identifies a need that can be resolved by acquiring a product or service.

Select Specific Product
Select a specific product to meet the need. For example a drink company must select which type of drink from the many types on the market meets the company need for the best drink.

Specify Technical Specifications
Arrive at a list of required technical specifications for the product to ensure it meets the company needs.

Research Potential Suppliers
Research the various product types that fit the need along with their suppliers to identify the most suitable at the best price. If the drink company decides to purchase sugar free sodas , research is conducted into which brand and manufacturer provides the most durable product for the price asked.

Buyer Behavoiur

- **Solicit Bids**
- Solicit bids from the manufacturers and suppliers of the identified product that meets all the required technical specifications.
- **Award Contract**
- Select a supplier from the bids submitted and award the purchase contract.

Stimulus response model; models of purchase behaviour

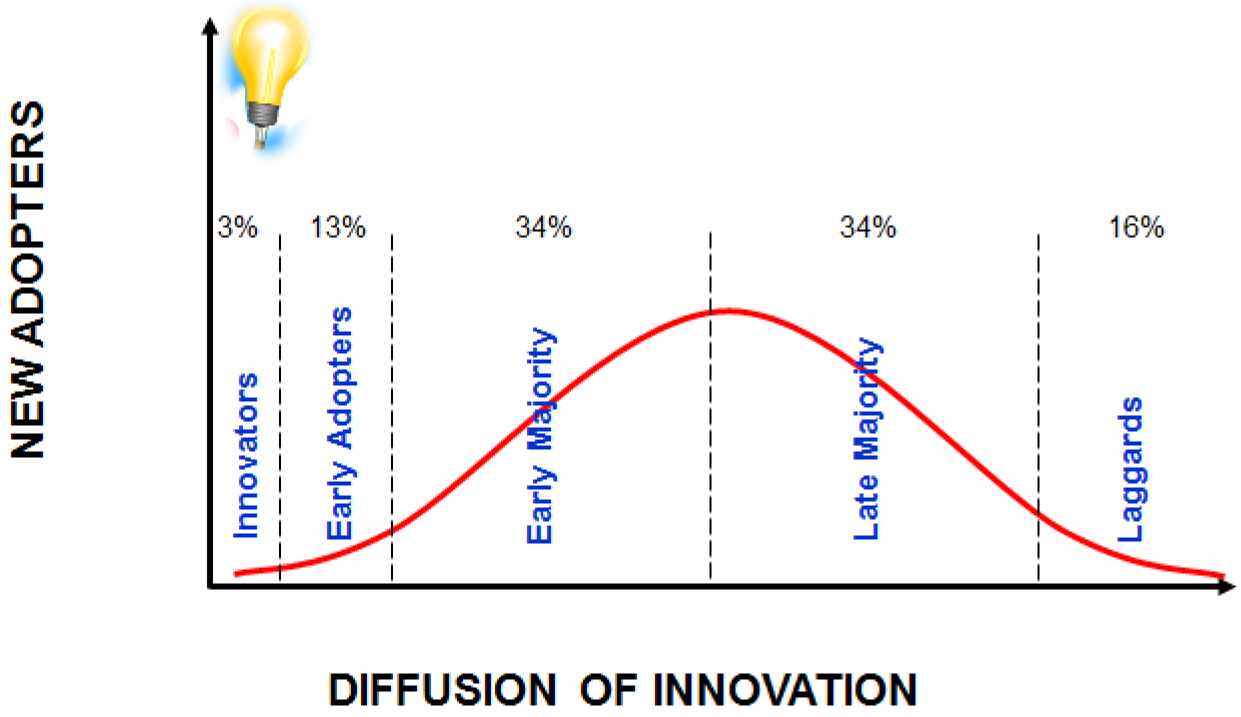
* The central question for marketers is: How do consumers respond to various marketing efforts the company might use? The starting point is the stimulus response model of buyer behavior shown in figure. This figure shows that marketing and other stimuli enter the consumer's "black box" and produce certain responses. Marketers must figure out what is in the buyers' black box.
* Marketing stimuli consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces and events in the buyer's environment: economic, technological, political, and cultural. All these inputs enter the buyer's black box, where they are turned into a set of observable buyer responses: product choice, brand choice, dealer choice, purchase timing, and purchase amount.
* The marketer wants to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts. First, the buyer's characteristics influence how he is she perceives and reacts to the stimuli. Second, the buyer's decision process itself affects the buyer's behavior. We look first at buyer characteristics as they affect buying behavior and then discuss the buyer decision process.

Diffusion and Innovatioon

* Theory that every market has groups of customers who differ in their readiness and willingness to adopt a new product. And, that an innovative product spreads (diffuses) through a market not in one straight course but in successive, overlapping waves. Most populations show the following pattern in the adoption of new consumer goods:

* Innovators: These are persons who will try the product first.
* Early adopters: These person represent opinion leaders.
* Eearly majority: These are rarely leaders but will adopt to changes before the average persons
* Late majority: These persons are skeptical about changes.
* Laggards: These are bound by traditions.

Diffusion graph



Decision making unit

- **Participants in the Business Buying Process**
- The decision-making unit of a buying organization is called its buying center: all the individuals and
- units that participate in the business decision-making process. The buying center includes all
- members of the organization who play any of five roles in the purchase decision process.
- **Initiators** are the players who recognize That there is a need to be satisfied or a problem to be solved. This might come from a drive fro efficiency due to the fact some equipment will need replacing.
- · **Users** are members of the organization who will use the product or service. In many cases,
- users initiate the buying proposal and help define product specifications.
- · **Influencers** often help define specifications and also provide information for evaluating
- alternatives. Technical personnel are particularly important influencers.
- · **Buyers** have formal authority to select the supplier and arrange terms of purchase. Buyers
- may help shape product specifications, but their major role is in selecting vendors and
- negotiating. In more complex purchases, buyers might include high-level officers
- participating in the negotiations.
- · **Deciders** have formal or informal power to select or approve the final suppliers. In
- routine buying, the buyers are often the deciders, or at least the approvers.
- · **Gatekeepers** control the flow of information to others. For example, purchasing agents
- often have authority to prevent salespersons from seeing users or deciders. Other
- gatekeepers include technical personnel and even personal secretaries

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