



Consumer behaviour

- Consumer behaviour consists of all the activities people undertake when obtaining, consuming and disposing of products and services.
- One of the most important areas of marketing
- Emphasis on customer centrality
- Large proportion of academic research
- The decision-making process: the Engel, Kollat and Blackwell model (EKB) or Consumer Decision Process (CDP)



Consumer behaviour

The Consumer Decision Process (CDP) stages:

- Need recognition
- Search for alternatives
- Pre-purchase evaluation of the alternatives
- Purchase
- Consumption
- Post-consumption evaluation
- Divestment



The Consumer Decision Process

1. Recognition by the consumer of a dissatisfied need.

Need recognition: a divergence between the persons' actual state and their desired state.

A wide variety of stimuli (internal or external) can activate needs or desires.

- Internal stimuli (hunger / thirst, pain, boredom)
- External stimuli, coming from the senses (visual, sensory, etc.)

**Marketing is: understand the needs that a product
can satisfy;
understand unfulfilled desires.**



Maslow's Hierarchy of Needs

- Self-Actualization
- Esteem
- Love
- Safety
- Physiological



Maslow's Hierarchy of Needs

**MOST NEEDS HAVE TO DO WITH
SURVIVAL PHYSICALLY AND
PSYCHOLOGICALLY**



PHYSIOLOGICAL OR SURVIVAL NEEDS



Maslow's Hierarchy of Needs

**ON THE WHOLE AN INDIVIDUAL
CANNOT SATISFY ANY LEVEL
UNLESS NEEDS BELOW ARE
SATISFIED**

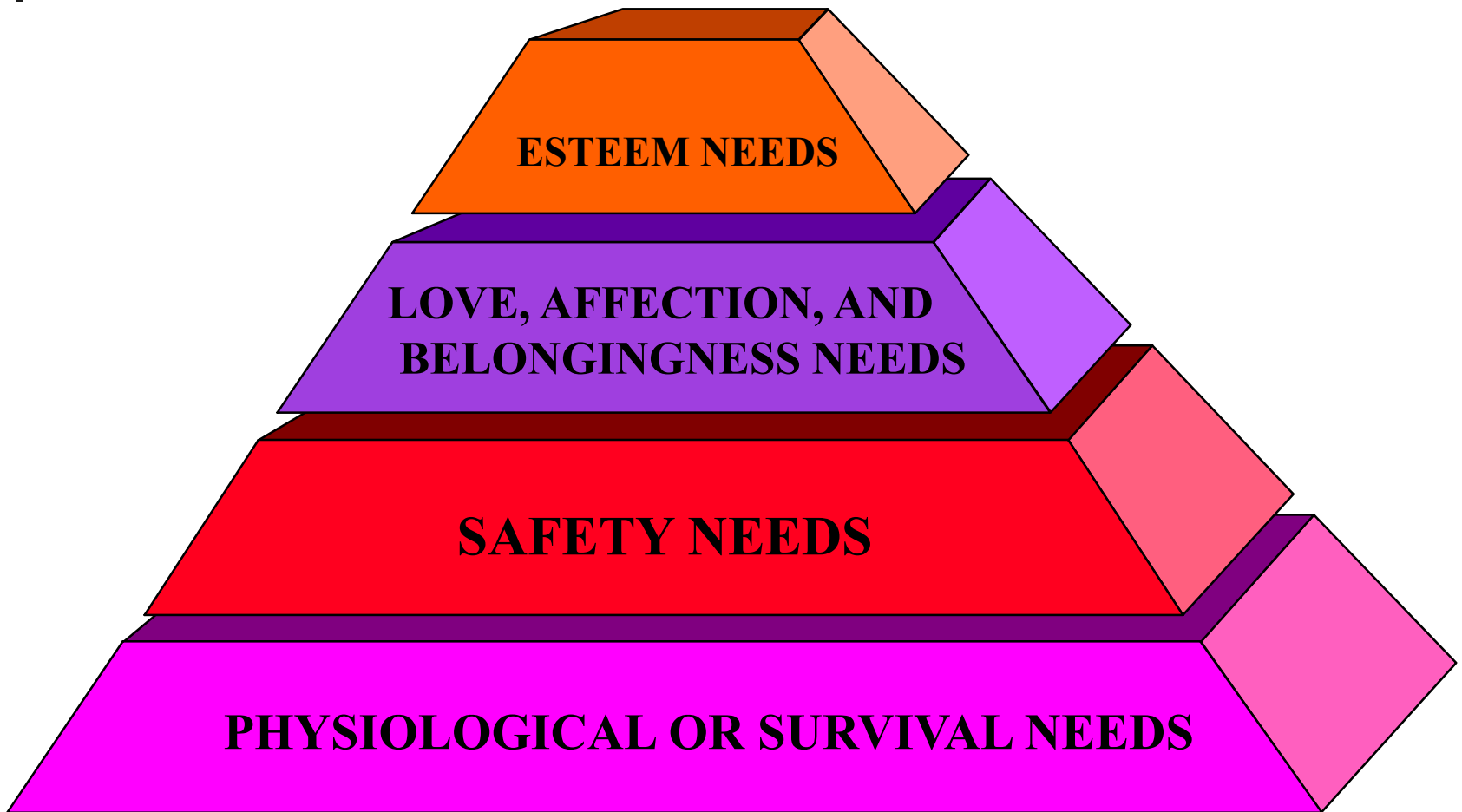




Maslow's Hierarchy of Needs



Maslow's Hierarchy of Needs



Maslow's Hierarchy of Needs

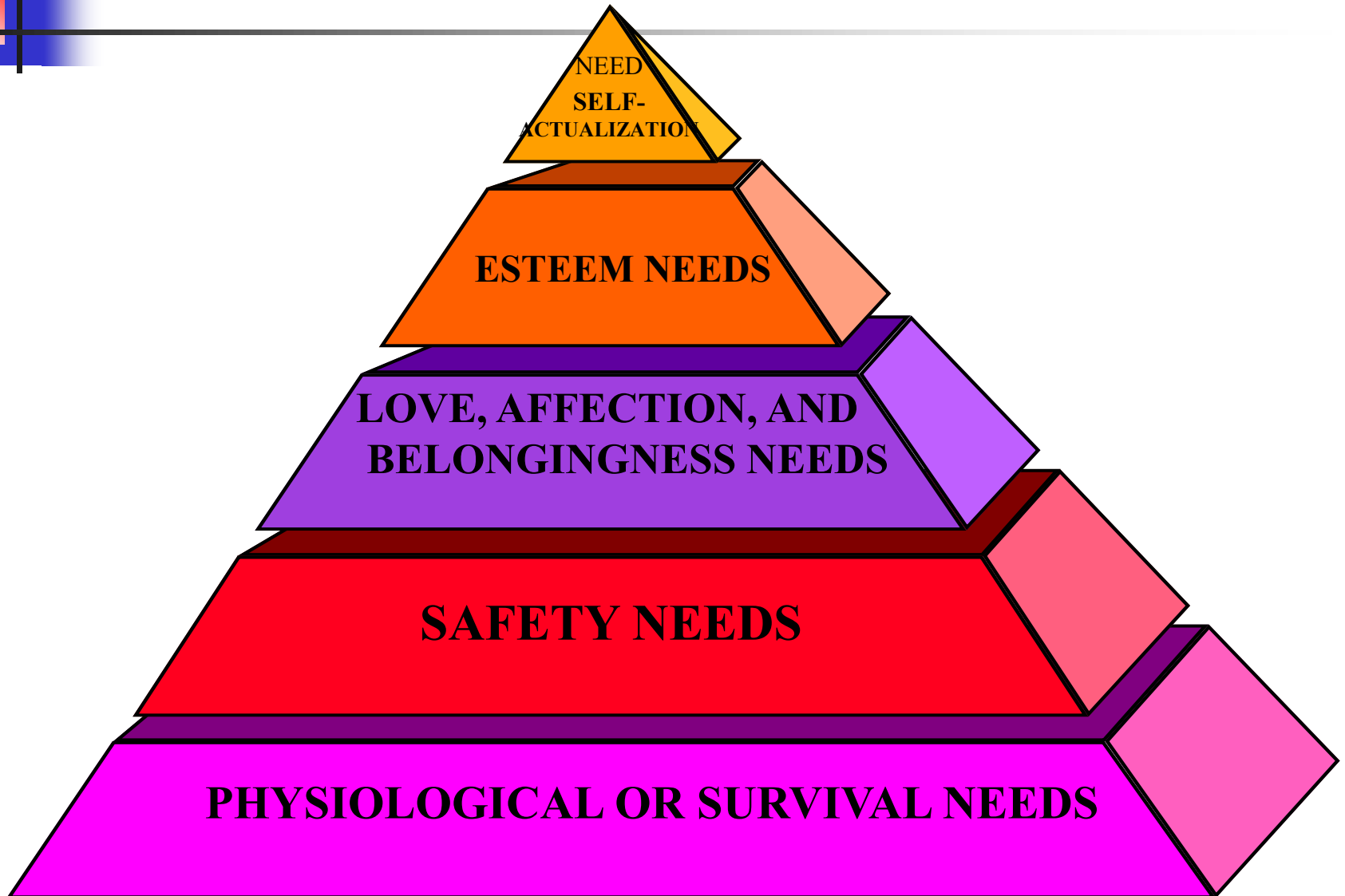




**MASLOW EMPHASIZES NEED FOR SELF
ACTUALIZATION IS A HEALTHY INDIVIDUAL'S PRIME
MOTIVATION**

**SELF-ACTUALIZATION MEANS ACTUALIZING
ONE'S POTENTIAL BECOMING ALL ONE IS
CAPABLE OF BECOMING**

Maslow's Hierarchy of Needs





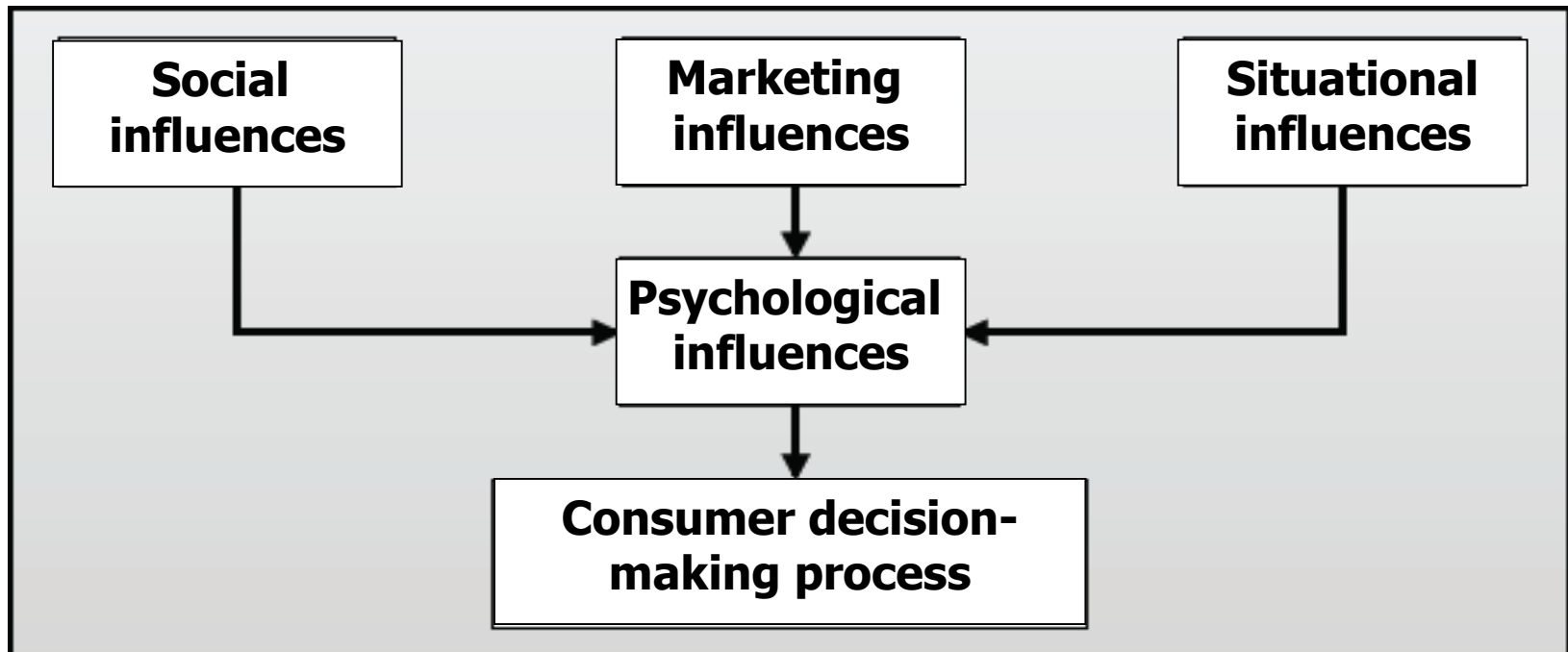
The Consumer Decision Process

2) Search for alternatives to satisfy needs (sources of information)

- Internal (knowledge / experience) => usual purchases
- Social (family / friends / known expert) => new purchases, changes
 - => consumer / prescriber (skimming the market)
- Marketing (advertising / sellers / label) => test purchases
- Public (magazines / sites / publications) => complex purchases
- Experience (exam / test) => expensive purchases

Consumer buying behavior

- *The explanation of consumer buying behavior is very complex.*
- *A schematization of the elements leading to the decision-making process is shown in the following diagram*





Consumer buying behavior

Social influences:

- Cultural systems
- Social class
- Reference group / person

Marketing influences:

- Product attributes (material and immaterial); appearance
- Price savings; value of quality
- Communication content;
- Distribution is easy to find; exclusive points of sale; sale on store

Situational influences (conscious and unconscious):

- Physical environment (place)
- Social environment (people)
- Time perspective (relative and absolute time)
- Definition of the task (buyer / user)
- Antecedent conditions (moods / conditions)



Consumer buying behavior

The information provided by the social, marketing and situational aspects are elaborated by the psychological factors that modify the interpretation and the impact on the decision-making process

Two significant psychological factors in this regard are:

- **Product knowledge:** a set of information stored in the consumer's memory about particular classes and forms of product, brands, models and ways of buying them. It influences the speed of decision making
- **Product involvement:** a consumer's perception of the importance or personal interest of a good. Extend the decision-making process



Consumer buying behavior

Influences on the buying process:

- Product knowledge
- Product involvement
- Frequency of purchase
- => Familiarity



Consumer buying behavior

Influences of the type of product:

- Convenience goods
 - The customer knows the product very well
 - The product is purchased with the minimum effort (ordinary products)
- Shopping goods
 - Comparison in quality, price, styles; different points of sale
 - The customer does not have a complete knowledge of the product (complex product)
- Specialty goods
 - The customer knows the product perfectly
 - The customer is ready to support a considerable effort to buy a specific brand



The Consumer Decision Process

3) Evaluation of alternatives (logical sequence)

- knowledge of the alternatives
- selection of the alternatives of interest
- consideration of the attributes of the selected alternatives
- focus on attributes of interest
- identification of the alternative with the best attributes
- assignment of preference and desire to purchase



The Consumer Decision Process

4) Purchase decision

The passage from the identification of the best alternative to the purchase is conditioned by the perception of risk, considered from different points of view: a) economic, b) dissatisfaction result / use c) loss of image. The consumer tends to minimize the risk through three strategies:

- quantity reduction
- downsizing expectations
- acquisition of further information



The Consumer Decision Process

5) Post-purchase evaluation

Fundamental for the repetition of the purchase in the future.

The more satisfied the consumer is the more the "stimulus-response" sense of trust and loyalty => CUSTOMER LOYALTY

The consumer mechanism takes root which leads to the same decision and establishes and reinforces the experience or to a state of perplexity and uncertainty regarding the purchase, which can be determined by:

- financial and / or psychological implications
- presence of many alternatives with comparable characteristics
- (*cognitive dissonance*)

Confirmation / Disconfirmation Paradigm

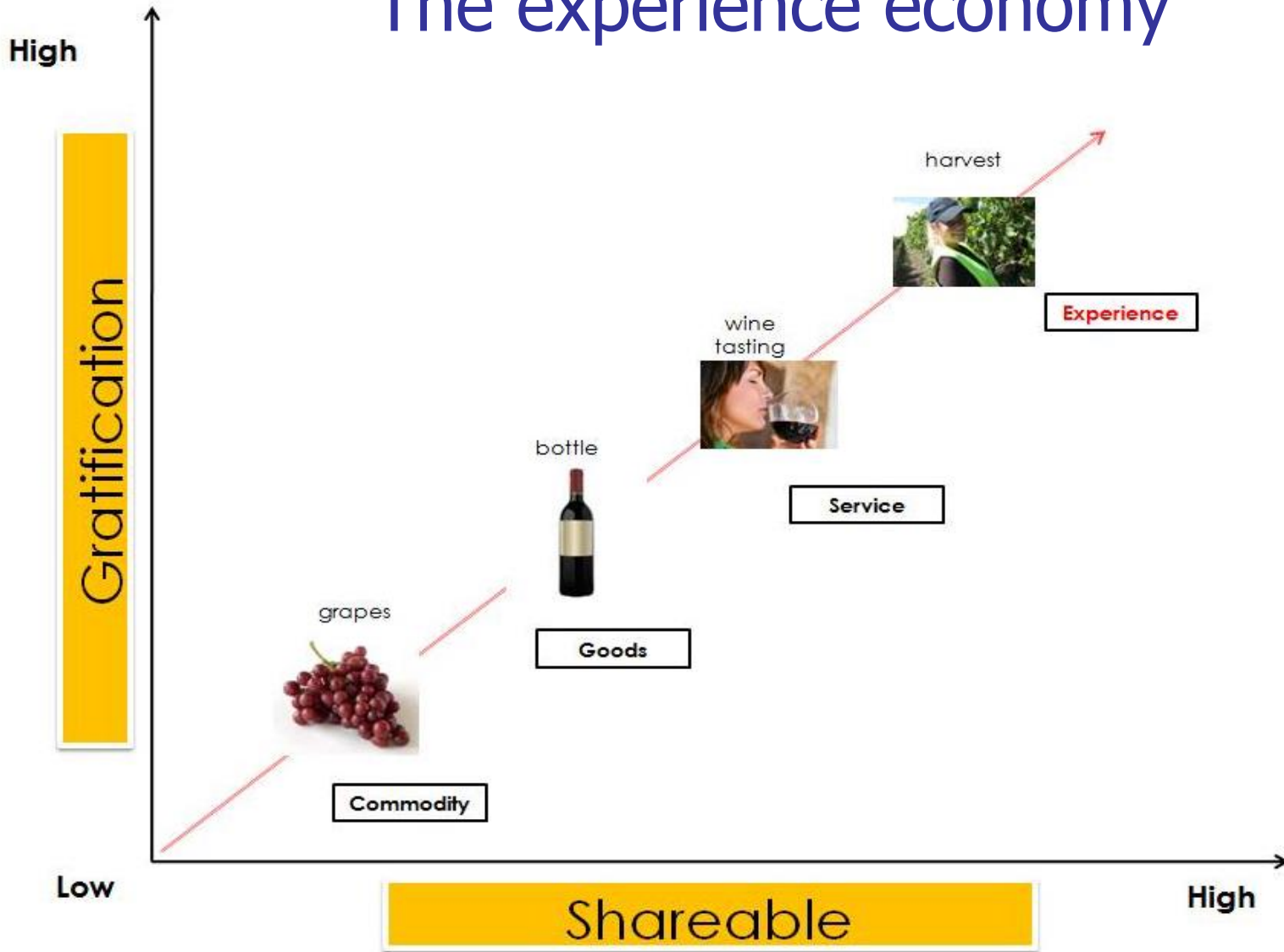
- Consumers expectations before the purchase
- Gap between expectation and product performances



The Consumer Decision Process

- «Consumatore» (= consumer)
- «Consumat-tore» (= consumer + actor)
- Prosumer = Producer + Consumer (i.e. IKEA)
- Experience economy

The experience economy



The experience economy

The decommoditization cycle

Through the **decommoditization cycle** the consumer shifts from being just a **user** to enjoying an **experience** and being a **coffee expert**

Coffee as a commodity:

Coffee grounds are sold in bulk (wholesale)



Cost: 2-5€/kg (1kg = 140 servings)*

Coffee as a product:

Toasted coffee is selected, branded and marketed in retail as toasted with a special process



Cost: 4-7€ (500gr)

Coffee as a service:

Together with the coffee itself, the consumers buy the service at the café



Cost: 1€ per serving

Coffee as experience:

Consumers can stay at the café as long as they like, surfing the internet and working/studying



Cost: 3-5€

Course in coffee tasting

The single consumer is now a coffee expert



Cost: 100€ - 400€

FINAL RESULT:
complete transformation

The single consumer is now an **expert** and a coffee **evangelist**

* Some luxury roasting can go up to 20€/kg



Market segmentation

- **Segmentation** is about separating the overall market into groups of customers with similar needs.
- **Segmentation** can be defined as the grouping of individuals or organisations with similar needs, these needs being capable of being met by a single product offering.
- **Targeting** implies deciding which groups of customers are the best ones to aim for.
- **Targeting** is about developing variations on the basic product to meet the needs of these different groups.



Market segmentation

- The market segmentation process:
- Deciding the segmentation criteria (variables to use for separating the overall market into groups of customers)
- Identification and description of the segments
- Choice of the segment / segments (targeting)
- Application of a marketing mix for each selected target
- The target should be:
 - Consistent with the aims and the company's image
 - Consistent with the company's resources
 - Capable of generating sufficient sales volumes and profits
 - With limited competition



Market targeting

- **Undifferentiated marketing** targets the whole market with one offer
 - Mass marketing
 - Focuses on common needs rather than what's different
 - Application of a single marketing mix
- **Differentiated marketing** targets several different market segments and designs separate offers for each
 - Goal is to achieve higher sales and stronger position
 - More expensive than undifferentiated marketing
- **Concentrated marketing** targets a small share of a large market
 - Limited company resources
 - Knowledge of the market
 - More effective and efficient



Market targeting

- **Micromarketing** is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations
 - Local marketing
 - Individual marketing
- **Local marketing** involves tailoring brands and promotion to the needs and wants of local customer groups
 - Cities / Neighborhoods / Stores
 - *Benefits:*
 - Increased marketing effectiveness in competitive markets
 - More customer-specific offerings
 - *Challenges:*
 - Increased manufacturing and marketing costs
 - Less economies of scale
 - Logistics
 - Dilution of company image



Market targeting

- **Individual marketing** involves tailoring products and marketing programs to the needs and preferences of individual customers
 - Also known as:
 - One-to-one marketing
 - Mass customization
- **Mass customization** is the process through which firms interact one-to-one with masses of customers to design products and services tailor-made to meet individual needs. Has made relationships with customers important in the new economy.
 - Provides a way to distinguish the company against competitors



Market segmentation

Segmentation criteria

- **Geographic segmentation** divides the market into different geographical units such as
 - nations, regions, states, counties, or cities;
 - Urban / sub-urban / rural population
- **Demographic segmentation** divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality



Market segmentation

Segmentation criteria

- **Demographic segmentation**
- Age and life-cycle stage segmentation is the process of offering different products or using different marketing approaches for different age and life-cycle groups
- Gender segmentation divides the market based on sex (male or female)
- Income segmentation divides the market into affluent or low-income consumers
- Spending patterns

- **Geo-demographic segmentation**
- Households are classified with reference to micro-areas
- Specific characteristics are georeferenced, such as: demographic, working conditions, income, level of education, structure of households, etc.



Market segmentation

Segmentation criteria

- **Psychographic segmentation** divides buyers into different groups based on social class, lifestyle, or personality traits
- **Behavioral segmentation** divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product
 - Purchase occasion
 - Benefits sought
 - User status
 - Usage rate
 - Loyalty status



Market segmentation

Segmentation criteria

- Purchase occasion
- Benefits sought
- User status divides buyers into ex-users, potential users, first-time users, and regular users of a product
- Usage rate divides buyers into light, medium, and heavy product users
- Loyalty status divides buyers into groups according to their degree of loyalty



Market segmentation

Family life cycle:

- Family life cycle marketing is a method of selling to consumers based on the stages of their lives.
 - Young and Single
 - Recently Married Households
 - Full Nest 1: families with babies
 - Full Nest 2 / 3: families with older children
 - Empty Nest: families have adult children who are no longer living at home
 - Solitary survivor



Market segmentation

Segmenting international markets

- **Segmenting international markets**
 - Geographic location
 - Economic factors
 - Political and legal factors
 - Cultural factors
- **Intermarket segmentation** divides consumers into groups with similar needs and buying behaviors even though they are located in different countries

Tabella 2.3 Principali variabili di segmentazione del mercato di consumo

Variabili	Suddivisioni tipiche
Variabili demografiche	
Età (anni)	Sotto i 6; 6-11; 12-19; 20-34; 35-49; 50-64; 65 o più
Sesso	Maschile; femminile
Membri della famiglia	1-2; 3-4; 5 o più
Ciclo di vita della famiglia	Ad alto livello di articolazione: a) giovane singolo, b) giovane coniugato senza prole, c) giovane coniugato con prole, d) giovane divorziato con prole, e) giovane divorziato senza prole, f) media età coniugato senza prole, g) media età divorziato senza prole, h) media età coniugato con prole, i) media età divorziato con prole, l) media età coniugato senza prole dipendente, m) media età divorziato senza prole dipendente, n) vecchio coniugato, o) vecchio non coniugato (vedovo, divorziato). A medio livello di articolazione: a) individui giovani non sposati, b) adulti non sposati, c) coppie giovani senza figli, d) giovani coppie con figli piccoli, e) coppie mature con figli a carico, f) coppie mature senza figli conviventi, g) pensionati
Religione	Cattolica, protestante, ebraica, musulmana, buddista, ecc.
Nazionalità	Italiana, americana, inglese, francese, latino-americana, asiatica, araba, ecc.
Occupazione	Imprenditori e liberi professionisti; dirigenti, funzionari e proprietari; impiegati e commercianti; operai comuni e agricoltori; pensionati; studenti; casalinghe; disoccupati
Istruzione	Scuola dell'obbligo; scuola media superiore; laurea
Reddito	fasce di reddito mensili: fino a 1.000 €, da 1.000 € a 2.000 €, da 2.000 € a 4.000 €, oltre 4000 €
Variabili geografiche	
Aree geografiche	Nazioni o gruppo di nazioni; regioni o gruppo di regioni; province, contee o altro; città; quartieri; isolati
Grandezza di centro	Fino a 5.000; 5.000-20.000; 20.000-50.000; 50.000-100.000; 100.000-250.000; 250.000-500.000; 500.000-1.000.000; oltre 1.000.000
Densità	Urbana; suburbana; rurale
Clima	Settentrionale; meridionale; continentale; marittimo
Variabili psicografiche	
Classe sociale	Inferiore-inferiore; inferiore-superiore; media-inferiore; media-superiore; superiore-inferiore; superiore-superiore
Stile di vita (modelli di consumo, geo-tipi, correnti socio-culturali,...)	Esempio di stili di vita (connesso alle attività ricreative preferite): orientato alle attività culturali, orientato alle attività sportive, orientato alle attività all'aria aperta, ecc.
Personalità	Coercitiva, passiva, autoritaria, ambiziosa

Market segmentation

Tabella 2.4 Principali criteri di segmentazione connessi al comportamento d'uso

Criteri	Segmenti
Status di utilizzo	Non-utilizzatori, utilizzatori potenziali, utilizzatori al primo acquisto, utilizzatori
Consapevolezza del prodotto	Non consapevoli, informati, interessati, intenzionati ad acquistare
Intensità d'uso	Utilizzatori saltuari, occasionali, deboli, medi, forti
Situazioni d'uso	In base alla identificazione della situazione d'uso In base alla identificazione dei soggetti più frequentemente coinvolti in specifiche situazioni d'uso
Attitudine nei confronti di un prodotto	Entusiasta, positivo, indifferente, negativo, ostile
Fedeltà alla marca	Nessuna, debole, forte, totale



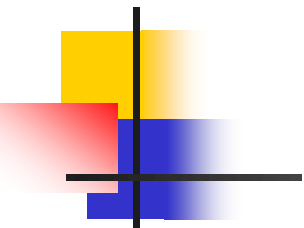


Tabella 2.2 Stili di vita connessi al consumo di vino

Tipologia		Consumatori socializzanti orientati al piacere	Consumatori orientati all'immagine	Appassionati appariscenti orientati alla ritualità	Consumatori occasionali	Consumatori poco appariscenti di vino di alta qualità
Quota di mercato (in %)		14	19	18	25	24
Caratteristiche socio-demografiche	Età (prevalente)	25-54	18-44	Meno di 34	Oltre 45	35-54
	Genere	Prevalenza donne	Sia uomini che donne	Soprattutto uomini		Soprattutto uomini
	Status	Soprattutto single		Sia partner di coppia che single		
	Reddito (in Aus \$)	Inferiore a 40.000	Circa 50.000	Più frequente superiore a 70.000	Inferiore a 40.000	Circa 100.000
	Istruzione		Soprattutto educazione universitaria	Educazione superiore		
Comportamenti di consumo	Consumo settimanale (in bottiglie)	1,6	1,8	1,8	0,6	1,4
	Prezzo medio/bottiglia	11,5	13,5	16,5	10,6	17,5
	Occasioni di consumo	Bevono vino soprattutto nei week end	Bevono vino soprattutto in occasione di eventi sociali	Consumo domestico ed extradomestico di vino	Consumi irregolari	Negli eventi sociali fuori casa
Orientamento		Apprezzano la vita sociale ed andare in un locale e bere vino in compagnia	Sono interessati alla propria immagine più di ogni altro segmento e bevono vino perché è trendy	Vogliono apparire degli esperti di vino ed amano la ritualità legata al suo consumo	Scarso coinvolgimento e nel vino e nella conoscenza dello stesso	Non bevono vino per modificare l'umore, ma perché socialmente accetto
Fonte: Johan Bruwer, Elton Li, and Mike Reid. "Segmentation of the Australian wine market using a wine-related lifestyle approach". Journal of Wine Research 13.3 (2002): 217-242.						



Market segmentation

To be useful, a market segment should be:

- **Measurable:** examples include the size, purchasing power, and profiles of the segments
- **Accessible:** refers to the fact that the market can be effectively reached and served
- **Substantial:** refers to the fact that the markets are large and profitable enough to serve
- **Differentiable:** refers to the fact that the markets are conceptually distinguishable and respond differently to marketing mix elements and programs
- **Actionable:** refers to the fact that effective programs can be designed for attracting and serving the segments



Market segmentation

Evaluating Market Segments

- Segment size and growth
 - Smaller versus larger segments
 - Growth potential
- Segment structural attractiveness
 - Competition
 - Substitute products
 - Power of buyers
 - Power of suppliers
- Company objectives and resources
 - Competitive advantage
 - Availability of resources
 - Consistent with company objectives

The Long Tail Model

Popularity / usefulness

HEAD

LONG TAIL

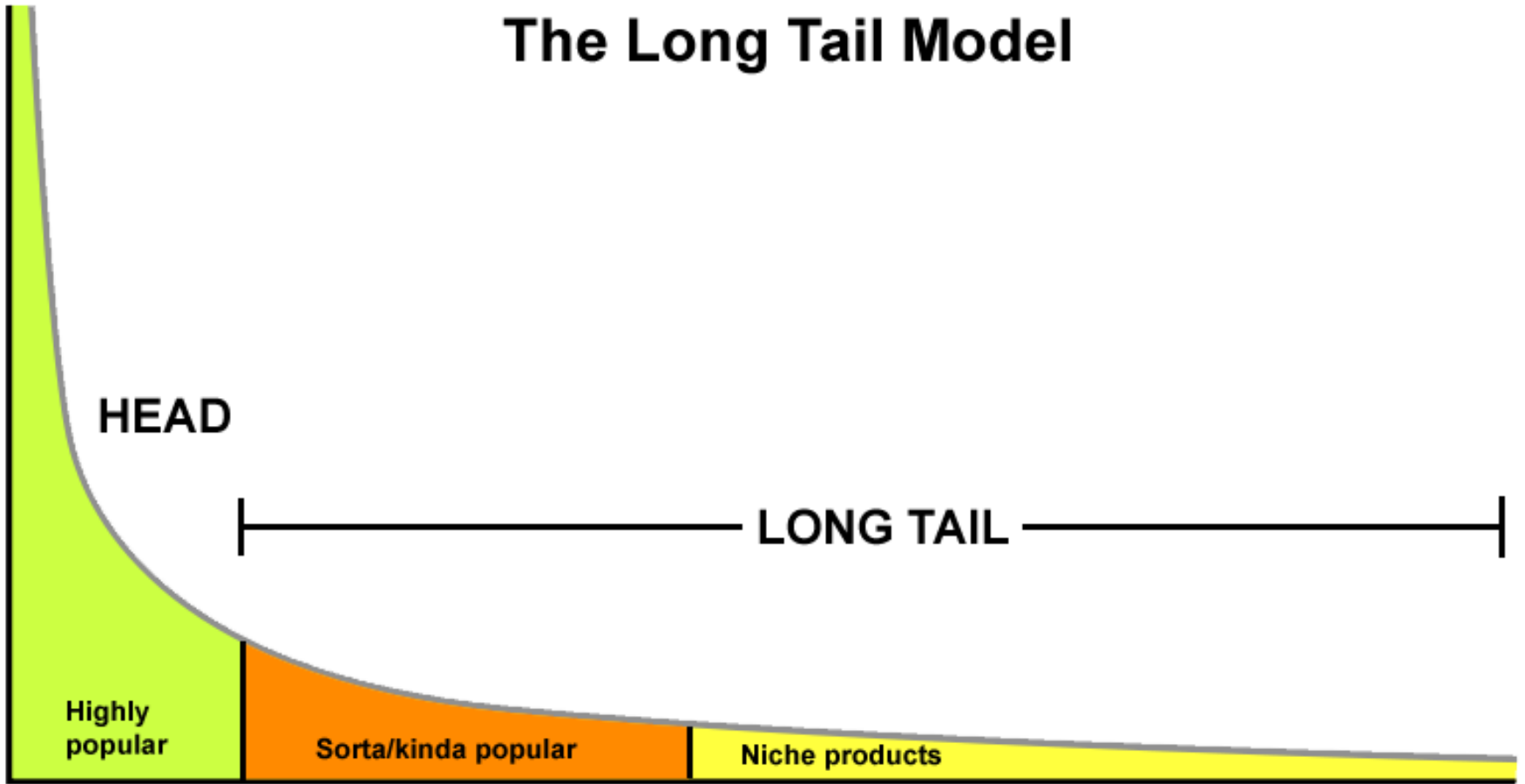
Highly popular

Sorta/kinda popular

Niche products

of unique products

The Long Tail





Market research

- The collection information on the target market is realized through the market research.
- Market researches can be realised in two main ways:
 - Desk analysis (**secondary data**): collection and elaboration of existing data (magazines, data banks, sectoral analysis, etc.)
 - Field researches (primary data): direct collection of data and information through personal interviews (qualitative researches) or interviews to a representative sampling (quantitative researches)
 - **Focus group** (qualitative researches): panel talks (i.e. for **product research** = testing new products ideas on potential customers)
 - **Questionnaire**: (quantitative research): survey towards a representative sample of potential customers (**customer research**: motivations and behaviour of customers, etc....)



Market segmentation

Target choice

- Definition of the segmentation criteria
- Segments identification and description
- Choice of the segments (targeting)
- Design and application of the marketing mix for each target (**Product, Price, Place, Promotion**)
- Positioning



Differentiation and Positioning

Product position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products

- Perceptions
- Impressions
- Feelings

Positioning maps show consumer perceptions of their brands versus competing products on important buying dimensions

- Price and orientation



Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

- Identifying a set of possible competitive advantages to build a position
 - Product differentiation
 - Service differentiation
 - Channels
 - People
 - Image
- Choosing the right competitive advantages
- Selecting an overall positioning strategy



Differentiation and Positioning

Identifying Possible Value Differences and Competitive Advantage

Competitive Advantage is the advantage over competitors gained by offering greater value either through lower prices or by providing more benefits that justify higher prices

A difference is worth establishing to the extent that it satisfies the following criteria:

- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable



Differentiation and Positioning

Selecting an Overall Strategy

Value proposition is the full mix of benefits upon which a brand is positioned

- More for more
- More for the same
- Same for less
- Less for much less
- More for less

Developing a Positioning Statement

Positioning statement states the product's membership in a category and then shows its point-of-difference from other members of the category.



The marketing strategy

- Starting from the customers' needs in the target market segments the **critical success factors** have been identified
- In relation to competitors a **competitors' profile** has been identified and competitors have been grouped in strategic groups.
- Through the **positioning** the company defines the place the product occupies in consumers' minds relative to competing products
- The company has to develop a **competitive advantage** over competitors: the capacity of developing with higher intensity one or more critical success factors.