

Topic Overview	
Topic	BAFS Elective Part - Business Management Module – Marketing Management M08: Customer Behaviour
Level	S5/6
Duration	2 lessons (40 minutes per lesson)

Learning Objectives:

1. To understand customer decision-making process;
2. To analyse the factors which affect customer decisions;
3. To identify the major business customers; and
4. To distinguish between business and consumer markets.

Overview of Contents:

- Lesson 1 Consumer Decision-Making Process and Factors Affecting Consumer Decisions
- Lesson 2 Identifying Major Business Customers and Distinguishing Between Business and Consumer Markets

Resources:

- Topic Overview and Teaching Plan
- PowerPoint Presentation
- Student Worksheet

Suggested Activities:

- Brainstorming Exercise
- Case Study
- Debate

Lesson 1	
Theme	Consumer Decision - Making Process and Factors Affecting Consumer Decisions
Duration	40 minutes

Expected Learning Outcomes:

Upon completion of this session, students will be able to:

1. Understand the types of consumer buying decision and behaviour;
2. Understand *when, how, and why* people buy and the consumer decision-making process;
3. Apply the consumer behaviour theory to practical situations; and
4. Analyse the factors which affect consumer behaviour.

Teaching Sequence and Time Allocation:

Activities	Reference	Time Allocation
Part I: Introduction		
<ul style="list-style-type: none"> ◇ Teacher starts the session with a question relating to the <i>types</i> of consumer behaviour so as to highlight the theme of the session. 	PPT#1-2	2 minutes
Part II: Content		
<ul style="list-style-type: none"> ◇ Activity 1: Categorisation of Consumer Buying Decisions <ul style="list-style-type: none"> ■ Students should categorise a list of 15 products and services into 3 consumer buying decisions: <ul style="list-style-type: none"> ✚ Category 1: little time and effort needed ✚ Category 2: a moderate amount of time and effort needed ✚ Category 3: a considerable amount of time and effort needed 	PPT#3 Student Worksheet pp.1-3	5 minutes
<ul style="list-style-type: none"> ◇ Teacher explains the types of buying decisions and the situations in which people buy products or services. 	PPT#4-5	3 minutes

<p>◇ Activity 2: Brainstorming exercise</p> <ul style="list-style-type: none"> ■ Ask students to think about two unmet needs / unsatisfied wants of themselves, one at a very low cost and one at a high cost. Then compare the buying decision processes of these two items. ■ Teacher concludes that most low cost purchases require less time and effort and entail lower perceived risk and vice versa. <p>◇ Using buying a flat as an example, teacher illustrates how consumer decision process theory is applied in real-life situation.</p>	<p>PPT#6 Student Worksheet p.4</p> <p>PPT#7-8</p>	<p>8 minutes</p>
<p>◇ Teacher explains the definition of “consumer behaviour”.</p> <p>◇ Activity 3: Brainstorming exercise</p> <ul style="list-style-type: none"> ■ Ask students to explain with examples how consumer behaviour is affected by different factors. 	<p>PPT#9-11</p>	<p>5 minutes</p>
<p>◇ Activity 4: Case study - Factors affecting consumer buying behaviour</p> <ul style="list-style-type: none"> ■ Ask students to form groups to discuss the case about Jeffrey and Jennifer, then answer the questions in the worksheets provided. ■ Ask each group to share and explain their views. Teacher gives feedback on their answers. ■ Teacher provides and explains the suggested answers and then draws conclusion to the activity. 	<p>PPT#12-15 Student Worksheet pp.5-10</p>	<p>15 minutes</p>
<p>Part III: Conclusion</p>		
<p>◇ Teacher sums up the key points covered in the lesson.</p>	<p>PPT#16</p>	<p>2 minutes</p>

Lesson 2	
Theme	Identifying Major Business Customers and Distinguishing Between Business and Consumer Markets
Duration	40 minutes

Expected Learning Outcomes:

Upon completion of this session, students will be able to:

1. Identify the major business customers, including producers, resellers, governments and institutions;
2. Understand business buying decision process; and
3. Distinguish between business and consumer markets.

Teaching Sequence and Time Allocation:

Activities	Reference	Time Allocation
Part I: Introduction		
✧ Recap the concepts on consumer buying decisions covered in Lesson 1 and starts this lesson with the introduction of the major business customers.	PPT#17	3 minutes
Part II: Content		
✧ Teacher explains the definition, participants and situation of 'organisational buying' (or business buying) ✧ Teacher further explains the major factors on business buyers behaviour and different stages of a business buying process. ✧ Ask students to identify the similarities and differences between consumer decision-making process and business buying process. ✧ Teacher points out the main characteristics of organisational (or business) buying.	PPT#18-24	8 minutes

<p>✧ Activity 5: Differences between business markets and consumer markets</p> <ul style="list-style-type: none"> ■ Teacher asks students to compare consumer markets and business markets. ■ Ask students to express their views, teacher gives feedback on their answers. ■ Provide and explain the suggested answers. 	<p>PPT#25 Student Worksheet p.11</p>	<p>5 minutes</p>
<p>✧ Activity 6: Debate: ‘Business marketing is the same as consumer marketing.’</p> <ul style="list-style-type: none"> ■ Students are divided into 2 groups. One group is the affirmative side and the other as the opposition. ■ Give students 10 minutes to discuss and sum up their arguments. ■ Each group sends 2 representatives to participate in the debate. Each participant will have 2 minutes to present their viewpoints. After that, each group will have 2 minutes to draw conclusions. ■ Teacher gives comments and feedback. 	<p>PPT#26-28 Student Worksheet pp.12-13</p>	<p>22 minutes</p>
<p>Part III: Conclusion</p>		
<p>✧ Teacher concludes the session by reviewing the key concepts discussed.</p>	<p>PPT#29</p>	<p>2 minutes</p>

BAFS Elective Part Business Management Module – Marketing Management

Topic M08: Customer Behaviour

Technology Education Section
Curriculum Development Institute
Education Bureau, HKSARG
April 2009



Introduction

This session provides students with a fundamental understanding of consumer behaviour, in particular the customer decision-making process, and the factors affecting customer decisions. (including personal factors, interpersonal factors and economic/situational factors)

Duration

Two 40-minute lessons

Contents

- Lesson 1 -- Consumer Decision-Making Process and Factors Affecting Consumer Decisions
- Lesson 2 -- Identifying Major Business Customers and Distinguishing Between Business and Consumer Markets

When purchasing a product or a service,
do you spend a lot of time considering
your decision?



- TV
- dental service



It will require:
(1) little
(2) a moderate amount of
(3) a considerable amount of
**time and effort to make a
buying decision...**



- car
- surgical operation



- drinks
- food

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Customer Behaviour

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Learning and Teaching Example

Lesson 1

Teacher begins with a question: “When purchasing a product or a service, do you spend a lot of time considering your decision?”

Activity 1 (Student Worksheets pp. 1-3)

Students are required to categorise a list of products and services into 3 types of buying decision:

Category 1: It requires little time and conscious effort.

Category 2: It requires a moderate amount of time and effort.

Category 3: It requires a considerable amount of time and effort.

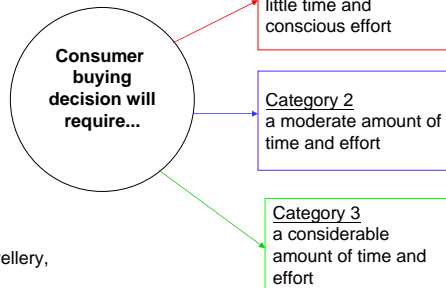
Go to the next slide for the answers.

Remarks

The word ‘customer’ is sometimes used interchangeably with ‘consumer’, but formally it is reserved for the designation of those who directly buy from an organisation (*The New Penguin Dictionary of Business*, 2002 ed., p. 90). Throughout this session we shall use these terms interchangeably.

Activity 1: Categorisation of Consumer Buying Decisions

- Fruits
- DVD's
- University courses
- Computers
- Facial services
- Cosmetic surgeries
- Sports shoes
- Reference books
- Houses
- Tissue packs
- Soft drinks
- Cars
- Candies
- Magazines
- Luxury goods (e.g. jewellery, Hermes hand bags)



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Learning and Teaching Example

Activity 1: Suggested answers

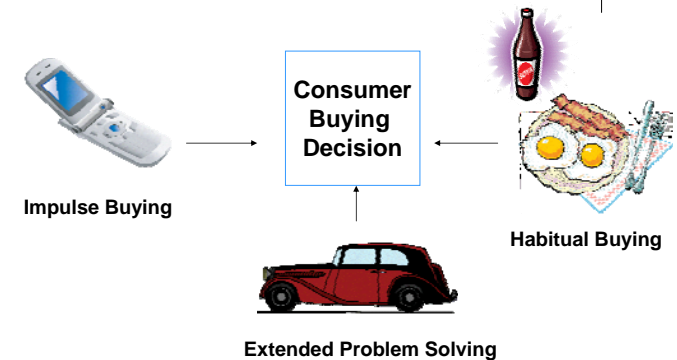
Category 1: (1) fruits; (10) tissue packs; (11) soft drinks; (13) candies; (14) magazines

Category 2: (2) DVD's; (4) computers; (5) facial services; (7) sports shoes; (8) reference books

Category 3: (3) university courses; (6) cosmetic surgeries; (9) houses; (12) cars; (15) luxury goods (e.g. jewelry, Hermes hand bags)

Ask students what they have learned from this activity after checking the answers. Students should notice that 'the time and effort a consumer spends making a purchasing decision' **depends on the product or service being purchased**. This leads to the "types" of consumer buying decisions in the next slide.

Types of Consumer Buying Decisions



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Learning and Teaching Example

In relation to Activity 1, teacher explains:

1. A common type of problem solving is **impulse buying**, a buying decision made by consumers on the spot when they see the merchandise. The **perceived purchase risk is moderate**. (i.e. category 2 products in Activity 1).
2. **Habitual decision making** describes a purchase decision process in which consumers engage with little conscious effort. The **perceived purchase risk is low**. (i.e. category 1 products in Activity 1).
3. When buying a car or a house, usually customers will devote **considerable time and effort** to analysing the alternatives. This is an example of **extended problem solving** and they are usually purchases with **higher risk** (i.e. category 3 products in Activity 1).

Remarks

Perceived risk is the negative or unexpected consequences that may occur as a result of making a purchase decision. A high-priced, complex, durable good, like an automobile or personal computer, has a higher perceived risk than a low-priced, consumable commodity product like hand soap (*Dictionary of Marketing Terms*, 3rd ed., p. 414).

Source: Grewal, Dhruv and Levy, Michael (2008) "Consumer Behaviour", *Marketing*, ch. 5, McGraw Hill, New York, pp. 116-144; Hawkins et al. (2004) *Consumer Behaviour: Building Marketing Strategy*, McGraw Hill, NY, p. 604.

When does a buying decision process begin?



When there is...



an unmet need

an unsatisfied want

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BAFS Elective Part
Learning and Teaching Example

Marketing emphasises the importance of *customer satisfaction*. Satisfying customers requires an *analysis of their behaviours*. Providing superior customer value requires that the organisation to accurately anticipate and react to **customer needs** better than competitors.

Consumers generally start the buying decision process by first recognising that they must satisfy a need or a want or, as some marketing literature describes, by recognising that a problem needs solving.

Remarks

A **need** occurs when a person feels deprived of basic necessities such as food, clothing and shelter. A **want** is shaped by a person's knowledge, culture, and personality. But in general, these terms are used interchangeably.

Source: Kerin, Roger, Hartley A., Hartley, Steven W., and Rudelius, William (2007) *Marketing The Core*, 2nd ed., McGraw Hill, New York, p. 11; Imber, Jane and Toffler, Betsy-Ann (2000) *Dictionary of Marketing Terms*, 3rd ed., Barron's, New York, p. 129 & p. 152.

Activity 2: Brainstorming Exercise



An unmet need at a very low cost...
An unmet need at a high cost...



An unsatisfied want at a very low cost...
An unsatisfied want at a high cost...

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Learning and Teaching Example

Activity 2 (Student Worksheet p. 4)

1. Ask students to think about an unmet need/unsatisfied want for themselves, one at a very low cost and one at a high cost.
2. Ask students if their buying decision process is the same or different? How?

Suggested Answers

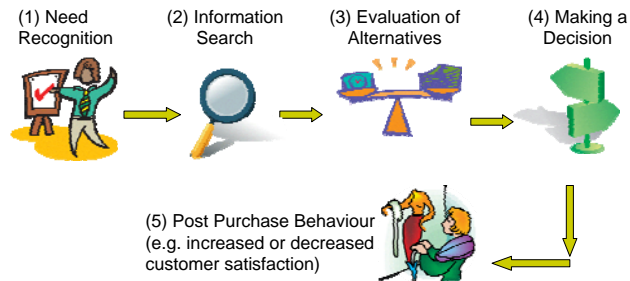
An unmet need or an unsatisfied want at a **very low cost** may include a bottle of distilled water, a pack of paper tissue, an apple, a pair of socks, painkillers (e.g. Panadol®), toothpicks, a hair-grip, etc.

An unmet need or an unsatisfied want **at a high cost** may include a packaged tour to Europe, a university course in the UK, cosmetic surgery (using laser technology) to remove warts or freckles, a 60-inch LCD TV set, a large flat in Repulse Bay, etc.

Students would probably know that their buying decision processes for the low cost and high cost purchases are different. The low cost purchase requires very little time and conscious effort and that will have **low perceived risk** whereas the high cost purchase requires a considerable amount of time and conscious effort and entails **higher perceived risk**.

Consumer Decision-Making Process

It generally goes through a sequential process as follows:



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Learning and Teaching Example

Teacher explains:

1. A typical decision-making process begins with an unmet need or an unsatisfied want.
2. The second stage is the awareness stage in which the consumer looks for information relating to the need or the want.
3. The third stage starts when the consumer first sees a particular product or service they are interested in. Then, the consumer will carefully evaluate the alternatives.
4. The fourth stage begins, after searching for alternatives, comparing and evaluating, then a purchase decision is made when the consumer chooses a product or service to buy.
5. After purchase, the consumer act based on their purchase satisfaction or dissatisfaction. This is post purchase behaviour. For example, with higher-than-average coffee cup prices, customers expect fast and precise service from Starbucks. If Starbucks is not meeting these customer expectations, in terms of speed and service, customers are dissatisfied. As such, customers choose not to visit Starbucks again.

Most marketers would agree that many major purchases result in discomfort caused by post-purchase conflict (which, in marketing terms, is known as "cognitive dissonance"). For example:

After buying an expensive pair of lafuma ® shoes, Johnny felt unsatisfied because they were uncomfortable to wear in terms of 'value' (which is the ratio of benefits to costs). Johnny thought that he made the wrong decision because he did not buy the Timberland ® shoes which could be more comfortable (more 'benefits') and less expensive (less 'costs').

Source: Kotler, Philip and Armstrong, Gary (2006) "Consumer Behaviour", *Principles of Marketing*, 11th ed., ch. 5, Pearson Prentice Hall, Upper Saddle River, New Jersey, pp. 129-150.

Application of Consumer Decision Process Theory

Example: Tommy and his family's current flat is too crowded, so they decide to buy a new flat.

Decision-Making Process

(1) Need or want recognition

(2) Information search

(3) Evaluation of alternatives

(4) Making a decision

(5) Post purchase behaviour

Decision on Buying a Flat

Want a larger flat

Internet, newspaper, property agencies, etc.

The flat in the mid-levels, Heng Fa Chuen or Tin Shui Wai?

The flat in Tin Shui Wai...

He was unsatisfied because of high traveling expense and low resell value

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Learning and Teaching Example

In this example, after the evaluation of alternatives, Tommy decided to buy the flat in Tin Shui Wai. What was his rationale for his decision?

Consumer decision rules are the set of criteria that consumers use consciously or subconsciously to quickly and effectively select from several alternatives.

The buying decision criteria varies per person based on the product and service. Very often, consumers will consider the following criteria:

- **Price (or costs):** Consumers might choose the more expensive option, thinking that "you get what you pay for" or choose the one priced in the middle, thinking that "it is a good compromise between the two extremes", or choose the cheapest one to save money.
- **Brand:** Consumers buy brand name goods or purchase a national brand, even though more expensive because of the perception that it is 'value-for-money'.
- **Product presentation:** For example, two comparable homes that are comparatively priced will be perceived quite differently if one is presented in perfectly clean and uncluttered condition while the other appears messy and has too much furniture.

In this particular example about Tommy's buying flat, he might consider 'size', 'location', and/or 'newness' of the flat as the criteria for making the buying decision.

However, when more than one factor is considered --- consumers may experience a tradeoff. For instance, a good price but a remote location. So, Tommy might buy the Tin Shui Wai flat if 'price' was his major concern and outweighed all other attributes.

Source: Grewal, Dhruv and Levy, Michael (2008) "Consumer Behaviour", *Marketing*, McGraw Hill, NY, pp. 127-130.

What is Consumer Behaviour?



Broadly speaking, it can be defined as:

- the study of individuals, groups, or organisations,
- 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 [or customer] and society.

Source: Hawkins, Best and Coney (2004, p. 7)

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BAFS Elective Part
Learning and Teaching Example

Teacher explains that:

Consumer behaviour, as a branch of marketing, focuses on the 'purchasing' of goods and services in which 'purchasing' is considered broadly to include attitude formation prior to purchase, expectations, and intentions, as well as the act of purchasing itself, and usage, consumption, satisfaction following purchase (*The New Penguin Dictionary of Business*, 2002 ed., p. 75).

Putting all these together, a definition of 'consumer behaviour' is formulated as shown in this slide.

This leads us to examine direct and indirect **factors and influences** on consumer [customer] decisions.

Source: Hawkins, Del I., Best, Roger J. and Coney, Kenneth A. (2004) *Consumer Behaviour: Building Marketing Strategy*, 9th ed., McGraw Hill Irwin, NY, p. 7.

Activity 3: Brainstorming Exercise



- ✚ Can you suggest examples explaining how the following factors affect consumer behaviour:
- A person's occupation, education, age and family life-cycle stage
- A person's national culture and attitude



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Learning and Teaching Example

Brainstorming Exercise

Teacher asks students to suggest examples to explain how consumer behaviour is affected by different factors.

The following examples are suggested for reference:

- 1. Occupation:** Blue-collar workers tend to buy more rugged work clothes, whereas executives buy more business suits. Technicians tend to buy more jeans, whereas white-collar employees buy more shirts and skirts.
- 2. Education:** Education has a strong influence on one's tastes and preferences in areas such as clothing (e.g. YSL® or Durban® vs. Baleno® and G2000®), leisure activity (e.g. golf or fencing vs. basketball or soccer), and automobiles (e.g. Hundai® or KIA® vs. BMW® or Mercedes Benz®). A lawyer, who graduates from law school, earning HK\$400,000 a year will have a different lifestyle from a blue-collar worker, who finishes Secondary 3, earning HK\$70,000 a year.
- 3. Age and family life-cycle stage:** Taste in cloths, furniture, and recreation is age related. For example, Levi's® SILVERTAB® brand is designed and marketed to reach the 15- to 24-year-old male consumer who is influenced by urban styles. Vacation tours with destinations in the Caribbean Sea, for instance, target at retired middle-class couples.
- 4. Consumers from cultures** that differ on individual/collective value differ in their reactions to many marketing activities such as reactions to fast-food restaurants, foreign products, luxury goods, advertising, etc. For example, such themes as "be yourself", "don't be one of the crowd," are often effective in the US but generally are not in Japan, Korea, or China. Variation in **attitudes** in different countries toward children (e.g. "one-child" policy in China) also implies different influences children have to the purchase of products.

Source: Kotler, Philip and Armstrong, Gary (2006) "Consumer Markets and Consumer Buyer Behaviour", *Principles of Marketing*, 11th ed., ch. 5, Pearson Prentice Hall, Upper Saddle River, NJ, pp. 128-155; Hawkins et al. (2004) *Consumer Behaviour*, 9th ed., McGraw Hill, NY.

Activity 3: Brainstorming Exercise (Cont'd)



Name some examples demonstrating how the following factors affect consumer behaviour:

- Product
- Price
- Place
- Promotion



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BAFS Elective Part
Learning and Teaching Example

Activity 3 (Cont'd)

Marketers can use the 4Ps to influence consumer behaviour:

1.Product: Marketers can add product features or functions to satisfy customer needs, while not adding price, to provide “value for money” so as to affect consumer buying decisions. For example, in the Chinese computer market, Legend® dominates all competitors because they have understand Chinese customer needs. These insights have been translated into bundling software products for first-time buyers (most of the market) into its computers. These include tutorials on topics such as using the computer, using the Internet, and organising home finances.

2.Price: Price sometimes serves as a signal of quality. If the product or service is priced too low, consumers may think that the product or service is of “poor” quality. Sometimes, price plays a symbolic (psychological) role for the product meaning that owning expensive items (e.g. Rolex®, LV®, Hermes®) would mean ‘status’ and that is a desirable feature to some customers.

3.Place: Where a product is placed/distributed, if used in concert with other marketing mix elements such as price, is essential for segmentation, targeting, and positioning. This, in turn, affects customers’ buying decision. For example, LV® products, which target at middle-high class customers, are only selling in TST, Causeway Bay, and Central (the most expensive shopping areas in Hong Kong) rather than Wanchai, Nam Tin, or North Point.

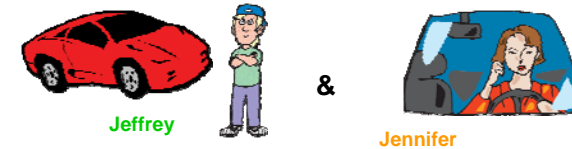
4.Promotion: Promotional programmes such as “buy-1-get-1 free” sales, “buy 1 at \$26.9; buy 2 at \$39.9” sales are tactically useful to attract consumer attention so as to increase sales.

Source: Collated from Hawkins et al. (2204) *Consumer Behaviour*, 9th ed., McGraw Hill, NY, ch. 1, pp. 19-23

Activity 4: Case Study on Factors Affecting Consumer Buying Behaviour



- Form groups of four or five
- Read the case in the Student Worksheet (pp. 5-10)



Jeffrey
I like driving this powerful car
...ha!

Jennifer
I like competitive activities!

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BAFS Elective Part
Learning and Teaching Example

Activity 4:

Ask students to **form groups of 4-5**.

Read the **case study** on factors affecting consumer behaviour in the Student Worksheet (pp. 5-10) and answer a few questions.

Factors Affecting Consumer Buying Behaviour

■ **Personal & psychological factors** e.g. occupation, education, age, personality, attitudes, motivation, etc.



■ **Interpersonal & social factors** e.g. culture, sub-culture, social classes, reference groups, roles and status, etc.



■ **Economic factors** e.g. state of economy, purchasing power, interest/tax rates, etc.



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BAFS Elective Part
Learning and Teaching Example

Before discussing the case study, teacher asks: "What factors affect consumer buying behaviour?"

According to marketers and psychologists, personal & psychological factors, interpersonal & social factors, and economic factors all have an impact on consumer buying behaviour.

1. Personal & psychological factors: Typical personal factors include the buyer's age and life cycle stage, occupation, lifestyle, and personality and *self-concept* (how she views herself; how she would like to view herself; how she thinks others see her). Typical psychological factors include motivation, perception, learning, belief and attitudes, etc.

2. Interpersonal & social factors: Interpersonal and social factors include culture (the set of "shared" meanings, values, norms, motives, attitudes and beliefs held by a majority of people that can be used to describe and predict people's behaviour), *sub-culture* (e.g. nationalities, religions, racial groups), social classes, reference groups (e.g. family, friends, neighbors, co-workers, etc.), roles and status, etc.

3. Economic factors: Economic factors include but not limited to state of economy, purchasing power, interest rates, tax rates.

Source: Kotler, Philip (2003) "Analysing consumer markets and buyer behaviour," *Marketing Management*, 11th ed., ch. 7, Prentice Hall, Upper Saddle River, NJ, pp. 183-198; Bannock et al. (2002) *The New Penguin Dictionary of Business*, Penguin Books Ltd., London.

Activity 4: Case Study (cont'd)

- Present your group answers



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Learning and Teaching Example

Activity 4: Suggested answers:

1. It is because consumers often use products to bolster an area of their **personality**. Thus, a timid person, like Jeffrey, might drive a powerful car. While driving the car, this person might feel less timid and more powerful.
2. (a) It is because many customers, like Jennifer, have a **strong need for accomplishment and esteem (motivation)**. Fulfilling this need often involves competitive activities such as sports. (b) "swim faster" or "swim more quickly" or "fast swimmer"; "bike harder" or "bike faster" or "bike stronger".
3. It is because many consumers, like Jeffrey and Jennifer, are concerned with 'snob appeal' or status (motivation) and, in this connection, Perrier emphasises quality, usage situation, exclusive taste, high price. Perhaps, in light of safety need (motivation), customers are concerned with health and fitness and Perrier emphasises purity and taste, no additive or treatment, which match well with consumers' psychological needs.
4. I would position Rolex luxury watches as "a tribute to elegance," or "an object of passion", or "a symbol for all time" and charge prices to match. As such, those **customers who have lots of money** (mostly from upper middle to upper social classes) would be my target customers.
5. (a) **Fast food industry** could still make money during the economic downturn. It is because most consumers would be more cautious in their spending. As such, fast-food meals consumed per person would be rising. (b) **Auto industry**, on the other hand, got lost during the economic downturn. It is because many people's wealth, earnings, and purchasing power were reduced. As such, the sales of luxury goods (like autos) would drop.
6. (a) **Global targeting** with a blend of "local adaptation and "global reach", by integrating the 4Ps' strategy, could be appropriate for the client. (b) This implied that, for those countries, marketers shall **put more weight on marketing masculine**, rather than feminine, sports and exercise related products and services. (c) The marketing implication, while taking culture into consideration, was that this factor created huge industry for both male and female sportswear, sports shoes, exercise equipment, more-natural foods, and a variety of diets.

Conclusions on the Case Study



Broadly speaking, the case reflects that:

Consumer buying decision process can be affected by the following factors:

- **Personal/psychological factors** e.g. occupation, education, age, personality, attitudes, motivation, etc.
- **Interpersonal/social factors** e.g. culture, family/social influences, roles and status, etc.
- **Economic factors** e.g. state of economy, purchasing power, interest/tax rates, etc.
- **4Ps**

Teacher draws conclusions on the case study:

1. Consumer behaviour can be affected by the following factors:
 - Personal/psychological factors.
 - Interpersonal/social factors.
 - Economic factors.

2. And marketing stimuli also include the 4Ps, which marketers can use to affect consumer behaviour. Global targeting with a blend of “local adaptation” and “global reach”, **by integrating the 4Ps’ strategy**, could be appropriate for the client– a large international sportswear firm.

Remarks

Research has shown that, if 4Ps’ strategy is used in concert with other aspects of a retailer’s strategy, music, scent, lighting, and even color can positively influence the decision process, particularly in restaurants, steakhouses, and coffee shops. Promotions (e.g. “buy-1-get-1 free” sales) and in-store demonstrations can influence consumer decisions.

These are referred to as ‘situational’ factors, in addition to the major factors as above-mentioned, where the 4Ps’ are coming into play–marketing stimuli.

Source: Grewal, Dhruv and Levy, Michael (2008) “Consumer Behaviour”, *Marketing*, McGraw Hill, NY, ch. 5, pp. 139-141.

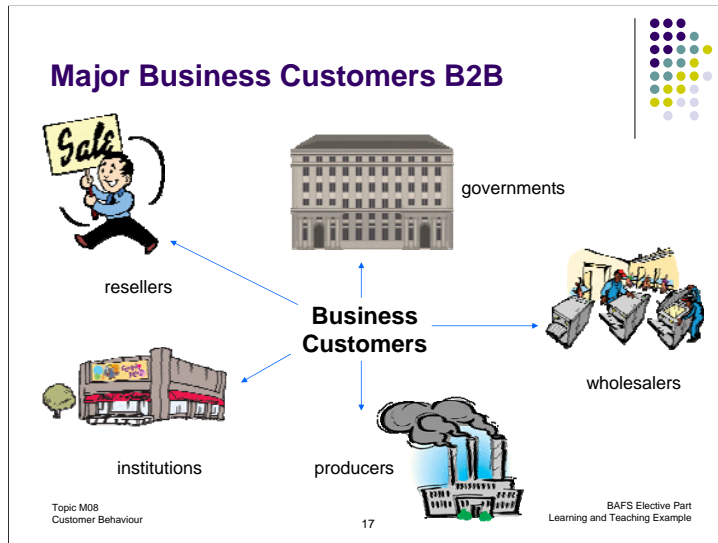
Summary



- Satisfying consumers, by providing greater customer value, requires an analysis of their behaviour.
- Consumer decision making process: (1) need recognition, (2) information search, (3) evaluation of alternatives, (4) making a decision, and (5) post-purchase behaviour.
- Factors affecting consumer decision making include, but not limited to, the following:
 1. Personal or psychological
 2. Interpersonal or social
 3. Economic

Teacher concludes this lesson by summing up the key points covered in this lesson.

End of Lesson 1



Lesson 2

In lesson 1, the focus was on consumer behaviour. In this lesson, the emphasis is on business or organisational customers: B2B

Business customers are producers, wholesalers, resellers (retailers), governments (government agencies), and institutions that buy goods and services for their own use or for resale.

Having known about business customers, do you know what is organisational buying? Go to the next slide for details.

What is Organisational Buying?

Organisational buying refers to as:

1. the *decision-making process* by which formal organisations establish the need for purchased products and services; and
2. identify, evaluate, and choose among alternative brands and suppliers (Webster & Wind, 1972, p. 2).

Organisational Buying

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Customer Behaviour

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BAFS Elective Part
Learning and Teaching Example

Teacher provides the definition of 'organisational buying' to students.

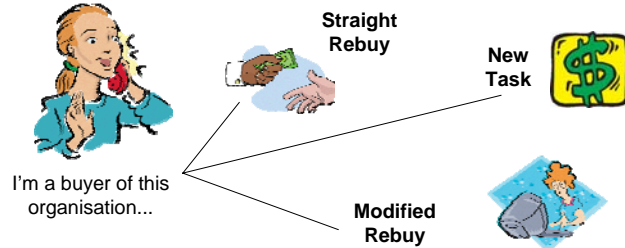
It can be seen that organisational buying refers to the decision process made by **formal organisations** whereas consumer buying refers to the decision-process made by individuals or 'ultimate users of a product or service' (*Dictionary of Marketing Terms*, 3rd ed., Barron's Series, NY, p. 129 & p. 152).

Then, in light of the differences between consumer markets, teacher outlines the characteristics of organisational or business buying.

Source: Webster, Frederick E. and Wind, Yoram (1972) *Organisational Buying Behaviour*, Prentice Hall, Upper Saddle River, NJ, p. 2; Imber, Jane and Toffler, Betty-Ann (2000) *Dictionary of Marketing Terms*, 3rd ed., Barron's Educational Series, Inc., NY.

Organisational Buying Situations

There are three types of organisational buying situations:



What buying decisions do business buyers make?

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Learning and Teaching Example

The business buyer faces many decisions in making a purchase. The number of decisions depends on the buying situation. There are three types of buying situations:

1. Straight rebuy: This is a buying situation in which the purchasing department reorders on a routine basis (e.g. office supplies, bulk chemicals) from suppliers on an "approval list".

2. Modified rebuy: This is a buying situation in which the buyer wants to modify product specifications, prices, delivery requirements, or other terms. The modified rebuy usually involves additional decision participants on both sides (seller and buyer sides).

3. New task: This is a buying situation in which a purchaser buys a product or service for the first time (e.g. office building, new security system). The greater the cost or risk, the larger the number of decision participants and the greater their information gathering.

Source: Kotler, Philip (2003) "Analysing Business Markets and Business Buying Behaviour", *Marketing Management*, 11th ed., ch. 8, Pearson Education International, Upper Saddle River, NJ, p.219.

Participants in the Business Process

Who does the buying of goods and services needed by business firms?



(4) deciders: managers, general managers



(2) influencers: technical personnel



(3) buyers



(5) gatekeepers: purchasing agent, technical personnel, secretaries



(1) users

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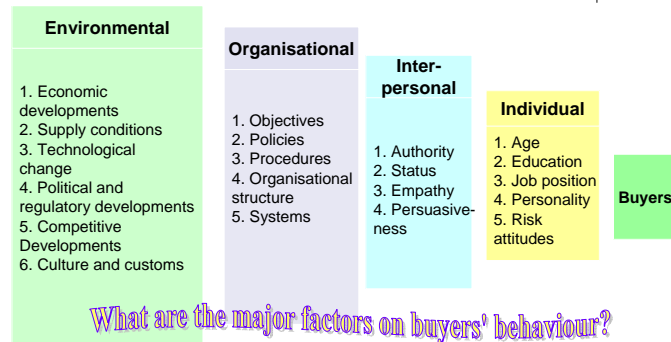
BAFS Elective Part
Learning and Teaching Example

Teacher explains to students the 5 main roles all the participating individuals and units play in the business decision-making process.

- 1. Users:** Persons who consume or use a product or service (*Dictionary of Marketing Terms*, 3rd ed., p. 568).
- 2. Influencers:** people in an organisation who affect the buying decisions; they often define specifications and also provide information for evaluating alternatives (e.g. technical personnel are important influencers).
- 3. Buyers:** the people who make an actual purchase.
- 4. Deciders:** people in the organisation who have formal or informal power to select or approve the final supplier. In routine buying, the buyers are often the deciders, or at least the approvers. In more complex purchases, the deciders might be the purchasing managers or even the general managers.
- 5. Gatekeepers:** people in the organisation who 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.

Source: Kotler, Philip and Armstrong, Gary (2006) "Business Markets and Business Buyer Behaviour", *Principles of Marketing*, 11th ed., ch. 6, Pearson Prentice Hall, Upper Saddle River, NJ, pp. 165-167; Imber, Jane and Toffler, Betty-Ann (2000) *Dictionary of Marketing Terms*, 3rd ed., Barron's Educational Series, Inc., NY.

What are the major factors on buyers' behaviour?



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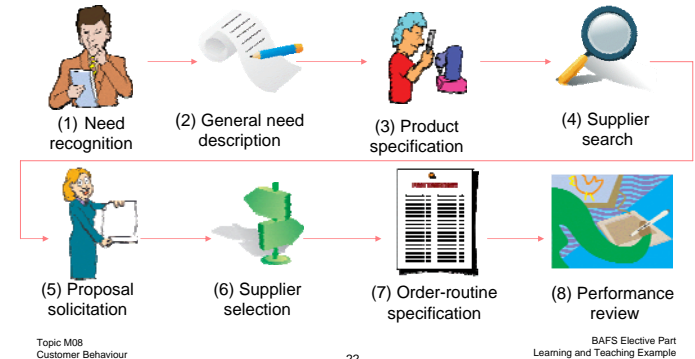
Similar to the case in the consumer markets, there are a number of factors affecting a business buyer in making a purchase decision:

- 1. Environmental factors:** The economic environment such as economic outlook and interest rates heavily influences the business buyers. Business buyers are also affected by technological, political, and competitive developments in the environment. Culture and customs can strongly influence business buyer reactions to the marketer's behaviour.
- 2. Organisational factors:** Each buying organisation has its own objectives, policies, procedures, structure, and systems, and the business marketer must understand these factors well.
- 3. Interpersonal factors:** There are many participants (see slide#19) who influence each other. So interpersonal factors (such as authority, status, empathy, and persuasiveness) also influence the buying process. There is a need for business marketers to understand these subtle interpersonal factors.
- 4. Individual factors:** Each participant in the business buying-decision brings in personal motives, perceptions, and preferences. These individual factors are affected by personal characteristics such as age, income, education, professional identification, personality, and attitude toward risk.

Source: Kotler, Philip and Armstrong, Gary (2006) "Business Markets and Business Behaviour", *Principles of Marketing*, 11th ed., ch. 6, Pearson Prentice Hall, Upper Saddle River, NJ, pp. 168-169.

How do business buyers make their buying decisions?

A typical business buying process has the following stages:



Teacher briefly explains the stages of the business buying process:

- 1. Problem recognition:** Someone in the company recognises a problem or a need that can be met by acquiring a good or a service.
- 2. General need description:** The company describes the general characteristics and quantity of a needed item.
- 3. Product specification:** The buying organisation decides on and specifies the best technical product characteristics for a needed item.
- 4. Supplier search:** The buyer tries to find the best vendors in terms of technical specifications, price, terms, delivery lead time, etc.
- 5. Proposal solicitation:** The buyer invites qualified suppliers to submit proposals.
- 6. Supplier selection:** The buyer reviews proposals and selects a supplier or suppliers.
- 7. Order-routine specification:** The buyer writes the final order with the chosen supplier/suppliers.
- 8. Performance review:** The buyer assesses the performance of the supplier and decides to continue, modify, or drop the arrangement.

Source: Kotler, Philip and Armstrong, Gary (2006) "Business Markets and Business Buyer Behaviour", *Principles of Marketing*, 11th ed., ch. 6, Pearson Prentice Hall, Upper Saddle River, NJ, pp. 170-173.

Comparison between Business Buying Process and Consumer Decision-Making Process



Consumer Decision-Making Process (B2C)	Business Buying Process (B2B)
1. Need Recognition	1. Need Recognition
=====	2. General Need Description
=====	3. Product Specification
2. Information Search	4. Supplier Search
=====	5. Proposal Solicitation
3. Evaluation of Alternatives	6. Supplier Selection
4. Making a Decision	7. Order-routine Specification
5. Post Purchase Behaviour	8. Performance Review

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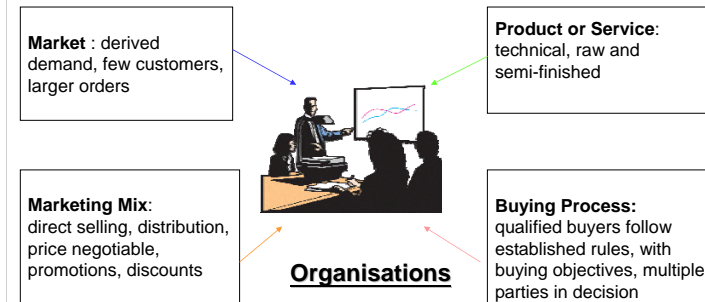
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Learning and Teaching Example

Teacher explains that a business buying process (slide # 21) is quite similar to the typical consumer decision making process (slide # 7).

Ask students to identify the **similarities** and **differences**. Some suggested similarities and/or differences are as follows:

- The two processes are **quite similar** in that they start with 'need recognition', require information/supplier search, go through evaluation of alternatives or supplier selection, make a decision or write the final order with the chosen supplier/suppliers (order-routine specification), and finish with post purchase behaviour (increased/decreased customer satisfaction) or performance review (assessment of performance).
- However, business buying process is **different** from consumer decision-making process in that it involves more procedures in terms of general need description and product specification before doing supplier search. In addition, because of its formality, the former requires a stage of 'proposal solicitation' procedure in which qualified suppliers are invited to submit proposals.

Characteristics of Organisational or Business Buying



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Learning and Teaching Example

Having addressed organisational buying situations, participants in the business buying process, major influences on business buyers, and stages of the business buying process, teacher now summarises the key characteristics of *organisational or business buying behaviour*:

- Market characteristics**: Demand for industrial products and services driven by demand for consumer products and services. Few customers typically exist, and their purchase orders are large.
- Product or service characteristics**: Products or services are technical in nature and the purchases are typically based on specifications. Many, but not solely, goods purchased are raw and semi-finished. Emphasis is placed on delivery lead time, technical assistance, and after-sale service.
- Buying process characteristics**: Qualified buyers follow established purchasing policies and procedures including, but not limited to, quotations, samples and specification approval, terms of payment, prototyping, and delivery lead time. Buying objectives and criteria are well-defined, multiple parties in purchase are participated (e.g. buyers, senior buyers, superintendents, purchasing managers, vice general managers, and the like), and negotiation between buyers and sellers are involved.
- Marketing mix characteristics**: Direct selling is common, distribution is important, advertising and other forms of promotion are popular, price is often negotiated, discounts and payment terms are generally offered.

Question raised

Are there any differences between business and consumer markets?

Source: Kerin et al. (2007) "Organisational Market and Buyer Behaviour", *Marketing The Core*, 2nd ed., ch. 6, McGraw Hill Irwin, New York, pp. 122-128.

Activity 5: Differences between Business Markets and Consumer Markets



	Consumer Market	Business Market
1. Number of buyers	More	Fewer
2. Size of buyers	Smaller	Larger
3. Supplier-customer relationship	Less Close	Closer
4. Demand is derived from	Ultimate Users	Consumer Goods
5. Elasticity of demand	Elastic	Inelastic
6. Professionalism of purchasing	Layperson	Professional
7. Product complexity	Less Complex	More Complex

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Activity 5

Students now compare the differences between the 2 markets.

Suggested answers are as follows:

- More vs. fewer buyers:** The business marketer normally deals with far fewer buyers than the consumer marketer does.
- Smaller vs. larger buyers:** A few large buyers do most of the purchasing in business markets.
- Less close vs. more close supplier-customer relationship:** Relationships between customers and suppliers are closer and more integrated.
- Demand is derived from ultimate users vs. consumer goods:** The demand for business goods is ultimately derived from the demand for consumer goods. The demand for consumer goods is derived from ultimate users.
- Elastic vs. inelastic demand:** The total demand for many business goods and services is inelastic— that is, not much affected by price changes. For example, shoe manufacturers are not going to buy much more leather if the price of leather falls, nor will they buy much less leather if the price rises, unless they can find satisfactory substitutes.
- Professional vs. layperson purchasing:** Business goods are purchased by trained purchasing personnel, who must follow their organisation's policies, constraints, and requirements. Many people influence the decision— from the purchasing agent and company president, to technical professionals and end-users.
- Less complex vs. more complex products:** Business products can be technically complicated, and can include industrial product category. Consumer products can also be very complicated, but often are not as difficult to sell because the uses they are put to and their benefits are obvious to the end customer.

Source: Kotler, Philip (2003) "Analysing business markets and business behaviour" *Marketing Management*, 11th ed., ch. 8, Prentice Hall, Upper Saddle River, NJ, pp. 216-217; Cramer, Dave (2002) "Industrial, Consumer, or Business-to-Business Marketing— Which one Do You Need?" *The Business Monthly* (Howard County, Maryland), Vol. 10, No. 6, June Issue.

Activity 6: Debate

Business marketing is the same as consumer marketing



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Customer Behaviour

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Learning and Teaching Example

Whether 'business marketing is the same as consumer marketing' has always been the subject of a marketing debate. For a number of reasons, some marketers assert that selling products and services to a company is *fundamentally different* from selling to individuals. Others disagree, arguing that, with some adaptation in the marketing tactics, many of the traditional marketing concepts, theories, and principles are still valid.

Activity 6

Divide students into two groups and assign one group as the **affirmative** side and the other as the **opposition** side.

Students have 10 minutes to discuss among themselves and sum up their arguments. Then:

- Each group sends 2 representatives to participate in the debate.
- Each representative has 2 minutes to present their viewpoints and arguments.
- After all 4 representatives, 2 from each group, have finished their presentations, each group will be given 2 minutes to summarise conclusions.

Activity 6: Debate

Business marketing is the same as consumer marketing.



My viewpoint is that...

Affirmative Side

Topic M08
Customer Behaviour

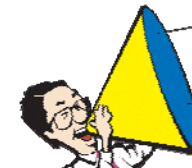
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Activity 6: Debate

Business marketing is the same as consumer marketing.



Sorry, I don't agree with your points

Opposition Side

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Learning and Teaching Example



Some suggested arguments for the proposition:

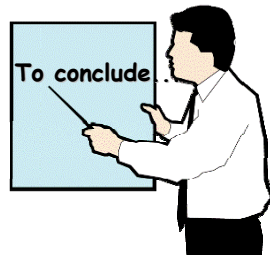
1. The fundamentals of both types of marketing are essentially the same because they are concerned with *satisfying consumer needs and wants*.
2. Both types of marketing are conceptually entailing an *exchange*, which is the fundamental of marketing.
3. Both types of marketing are fundamentally requiring the *product, price, place, and promotion decisions*.
4. Both types of marketing are strategically similar because the important concepts of *"market segmentation"*, *"target marketing"* and *"market positioning"* are all still valid.
5. Although business marketing and consumer marketing can differ in some ways, such as market characteristics, product or service characteristics, buying process characteristics, and marketing mix characteristics, they fundamentally involve the *processes of creating, capturing, communicating, and delivering value to customers and for managing customer relationships*.
6. The extended marketing mix elements from the 4Ps' to the 7Ps', in terms of *"people"*, *"process"*, and *"physical presentation"*, are essentially valid for both types of marketing.

Some suggested arguments against the proposition:

1. At the first glance, business buying process looks similar to the consumer process, but it is really **quite different**, because of its **formality** (formal rules, procedures, policy, and constraints).
2. Business marketing is **really different** from consumer marketing because there are key differences in product complexity, product range, demand nature, elasticity of demand, size and number of buyers.
3. Business marketing is **obviously different** from consumer marketing because one important issue is the **professionalism** of their purchasing (with well-trained personnel).
4. Clearly, business marketing is different from consumer marketing because the *buying objectives, buying criteria, buyer-seller relationships, supply partnerships, and multiple buying influences within organisations* make the former different from the latter.
5. There are **strategy differences** because business marketing *must take into account the supply and demand for a certain kind of product, the industry that you are a part of, the industry you are trying to sell to, and trends in the broader market environment*.
6. The market information is significantly different. There are many databases available to tell a company about consumers and on consumer products. But information for the business market, which is generally qualitative rather than quantitative, is often hard to get.

Conclusion

Business marketing is really NOT that different from consumer marketing!



The End

Teacher concludes the debate by saying:

1. Both groups did well supporting their arguments with their knowledge. In a sense, therefore, the viewpoints from both groups are technically correct depending on which stand you take.
2. In fact, the fundamentals of both types of marketing are essentially the same but the issues faced can be different.
3. The literature has traditionally argued that marketing to firms serving consumer markets is different from that in firms serving business markets.
4. However, some marketing researchers have investigated the marketing practices and examined the relevance of the consumer and business firms in the contemporary context. The empirical results show that *overall patterns of marketing practice are similar across firm type*.

End of Lesson 2







BAFS Elective Part — Business Management Module — Marketing Management






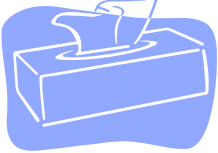

Topic M08: Customer Behaviour




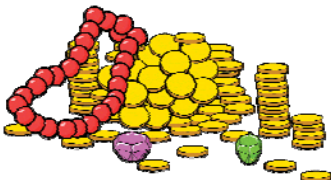
Activity 1: Categorisation of Consumer Buying Decisions

Categorise the following products or services into three types of buying decisions. Each buying decision category has 5 products and/or services.

- **Category 1:** It requires *little time and effort* to make a buying decision.
- **Category 2:** It requires *a moderate amount of time and effort* to make a buying decision.
- **Category 3:** It requires *a considerable amount of time and effort* to make a buying decision.

Product/Service	Category 1	Category 2	Category 3	
1. Fruits 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. DVD's 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. University Courses 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Computers 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Facial Services 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Product/Service	Category 1	Category 2	Category 3	
<p>6. Cosmetic Surgeries</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>7. Sports Shoes</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>8. Reference Books</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>9. Houses</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>10. Tissue Packs</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>11. Soft Drinks</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>12. Cars</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Product/Service	Category 1	Category 2	Category 3	
<p>13. Candies</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>14. Magazines</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>15. Luxury Goods</p> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



Activity 2: Brainstorming

Think about two unmet needs/unsatisfied wants you have --- one at a very **low** cost and one at a **high** cost.

(1) An unmet need/unsatisfied want at a very low cost:

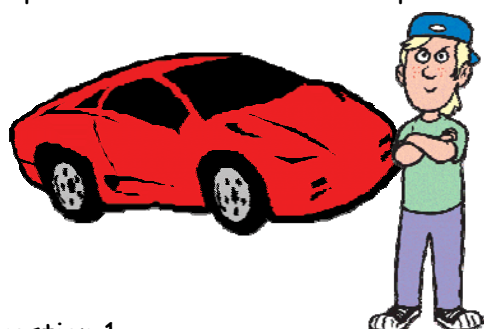
(2) An unmet need/unsatisfied want at a high cost:

Are the buying decision processes of the above 2 items different? How?

Activity 4: Case Study

Factors Affecting Consumer Behaviour

Jeffrey and Jennifer married young and have no children. They both have satisfactory income and bought an apartment in Tai Koo Shing with a 70% mortgage loan with a bank. Jeffrey was timid but he liked driving a powerful car. Jennifer had a strong need for accomplishment and esteem and she liked competitive activities such as sports.



Question 1

From a consumer behaviour perspective based on psychological factors, why would timid people, like Jeffrey, desire to drive a powerful car?

Question 2

(a) From a consumer behaviour perspective, in relation to psychological factors, why do consumers, like Jennifer, participate in competitive activities like sports?

(b) You were a marketing manager for health supplements, what advertising "slogans" would you use (just two or three words) to attract this type of consumers who participate in "swimming" and "biking"?

(a) _____

(b) _____

For years, Jeffrey and Jennifer have been health conscious. For example, they consume Perrier® bottled water at home. The economic boom from 1995 through 2000 enhanced the purchasing power of consumers like Jeffrey and Jennifer and the sought status. For example, they often bought luxury goods such as Rolex® watches and LV® handbags.



Rolex®



LV®



Perrier®

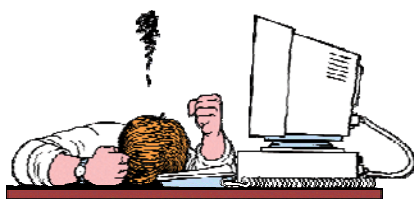
Question 3

Again from a psychological viewpoint, why do consumers, like Jeffrey and Jennifer, buy an item that can be worth virtually nothing — like water? (Hints: Water is inexpensive from municipal agencies, yet millions of consumers now pay 1,000 times the price of municipal water to purchase bottled water.)

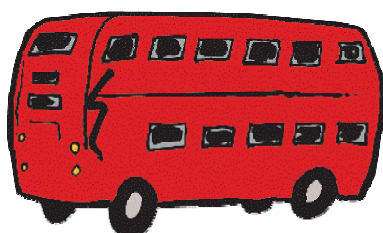
Question 4

It is often said that a person's economic situation will affect their product choice. If you were the Rolex® marketing manager and the economy is booming, how would you position Rolex® and which segment would you target?

The financial tsunami in 2008 reduced the wealth of many people, reduced the earnings of others, and, along with the bankruptcy of Lehman Brothers, many people in Hong Kong lost their jobs.



Jennifer's accounting firm cut her salary by 25% and gave her an extra 'no-pay-leave' each week as 'compensation'. Due to the weak economy, Jeffery was laid-off from a large HK telephone company. In fact, many people, like Jeffrey and Jennifer, who were victimised by the financial tsunami had to tighten the belt. They sold their powerful car, for the sake of saving money on gasoline and car-park. Unlike their previous buying behaviour, they began purchasing goods and services based on utility (rather than pleasure or status).



Question 5

(a) Name one industry in Hong Kong which could still make money during the economic downturn. Why?

Example 1

Reason:



(b) Name one industry in Hong Kong which experienced loss during the economic downturn. Why?

Example 2

Reason:



After one year of tough times, Jeffrey found a new job with an international market research firm. He was required to collect, analyse, and interpret research data and then recommend solutions for the marketing problems that the clients faced. Jeffrey's research colleagues received a



contract from a large international sportswear firm and collected the following research data from different countries:

Research Data on Participating in Sports and Exercise in Different Countries (Cross-Cultural Variations in Consumer Behaviour)						
	Never (less than twice a year)			Frequent (at least once a week)		
Country	Male	Female	Difference	Male	Female	Difference
USA	34%	44%	10%	46%	39%	- 07%
UK	40	41	01	45	43	- 02
South Korea	53	73	20	37	23	- 14
Mexico	42	72	30	44	18	- 26
Japan	66	72	06	16	16	00
Brazil	46	66	20	47	27	- 20
China	45	51	06	38	32	- 06
France	45	56	12	44	29	- 15
Germany	30	34	04	55	48	- 07
Italy	59	72	13	32	25	- 07

Source: Adopted from Ipsos's global consumer and civic trends reporting service, *World Monitor*, 2nd quarter, 2001 in Hawkins et al. (2004) *Consumer Behaviour*, McGraw Hill, NY, p. 48.

Question 6

(a) Based on cross-cultural variations in the different countries, what marketing strategies would be appropriate for the clients?

(b) While males are more likely to exercise in all the countries, the difference between male and female participants is quite large in traditionally masculine countries (e.g. South Korea, Mexico, and Brazil). What did this imply for the marketing of sports activities in those countries?

(c) China, USA, and the UK showed small differences between male and female participants in sports and exercise. What is the implication to marketing?

Activity 5: Differences between Business Markets and Consumer Markets

Differences in	Consumer Market	Business Market
1. Number of Buyers		
2. Size of Buyers		
3. Supplier-customer Relationship		
4. Demand is derived from		
5. Elasticity of Demand		
6. Professionalism of Buying		
7. Product Complexity		

Activity 6: Debate

"Business marketing is the same as consumer marketing"



For the affirmative side, write down the "for" arguments of the proposition.

For Arguments:



1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

For the opposition side, write down the "against" arguments of the proposition.



Against Arguments:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

