INTRODUCTION

1. **Consumer behavior** is defined as the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.

    a) Consumer behavior focuses on how individuals make decisions to spend their available resources on consumption-related items.
    b) As consumers, we play a vital role in the health of the economy—local, national, and international.
    c) Marketers need to know everything they can about consumers.
    d) Marketers need to understand the personal and group influences that affect consumer decisions and how these decisions are made.
    e) Marketers need to not only identify their target audiences, but they need to know where and how to reach them.
2. The term **consumer behavior** is often used to describe two different kinds of consuming entities: the personal consumer and the organizational consumer.
    a) The **personal consumer** buys goods and services for his or her own use, for the use of the household, or as a gift for a friend.
        i) Products are bought for final use by individuals (referred to as *end users* or ultimate consumers).

    b) The **organizational consumer**—includes profit and not-for-profit businesses, government agencies, and institutions, all of which must buy products, equipment, and services in order to run their organizations6. Despite the importance of both categories of consumers, individuals and organizations, this book will focus on the individual consumer, who purchases for his or her own personal use or for household use.
        ii) End-use consumption is perhaps the most pervasive of all types of consumer behavior.

CONSUMER BEHAVIOR AND THE MARKETING CONCEPT

1. The strategic and applied field of consumer behavior is rooted in three philosophically different business orientations that lead up to an extremely important business orientation known as the marketing concept.

2. The *production orientation* focused on gearing up manufacturing skills in order to expand production.
   a) An additional focus was on perfecting the production capabilities of the company.
   b) The production orientation extended from the 1850s to the late-1920s.
   c) During this time period, demand exceeded supply.

3. The sales orientation focus was to sell more of what the manufacturing department was able to produce.
   a) The orientation shifted from producing to selling.
   b) At some point, supply increasingly reached a point where it was greater than demand.
   c) The sales orientation began in the 1930s and extended to the 1950s.
4. In the mid-1950's there was a shift from the sales orientation to the marketing orientation.
   a) Businesses realized the importance of focusing on consumers and their preferences.

<u>What Is The Marketing Concept</u>

1. The field of consumer behavior is rooted in a marketing strategy that evolved in the late 1950s.
2. Companies determined, that in order to be successful, they must determine the needs and wants of specific target markets and deliver the desired satisfactions better than the competition.
3. Instead of trying to persuade customers to buy what the firm had already produced, marketing-oriented firms found that it was a lot easier to produce only products they had first confirmed, through research, that consumers wanted.
4. Recently there has been an important modification to the marketing concept called the societal marketing concept.

a) The concept suggests that consumers may respond to their immediate needs or wants, while overlooking what is in their own long-run best interest, or the best interest of their family and neighbors, the best interest of their country or region or the entire planet.
b) Enlightened marketers take it upon themselves to remind consumers as to what is in the consumer's long-run best interest; at the same time they set out what their own company is doing in order to be a good corporate citizen.

Embracing the Marketing Concept

1. It is often important for companies to continuously conduct marketing research studies to monitor consumers' needs and preferences with respect to the products and services that they currently market and what they might develop in the future.
2. They discovered that consumers were highly complex individuals, subject to a variety of psychological and social needs quite apart from their basic functional needs.
   a) The needs and priorities of different consumer segments differed dramatically.
   b) The objectives of a company should be to target different products and services to different market segments in order to better satisfy different needs.
   c) In order to design new products and marketing strategies that would fulfill consumer needs, they had to study consumers and their consumption behavior in depth.
3. The term **consumer research** represents the process and tools used to study consumer behavior.

Segmentation, Targeting, and Positioning

1. The focus of the marketing concept is to know consumers current needs, and to secure, a picture of their likely future needs.
2. Market and consumer researchers seek to identify the many similarities and differences that exist among the peoples of the world.
3. The marketer must adapt the image of its product so that each market segment perceives the product as better fulfilling its specific needs than competitive products.
   a) The three elements of this strategic framework are: market segmentation, targeting, and positioning.

4. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics.
5. **Market targeting** is the selection of one or more of the segments identified for the company to pursue.
6. **Positioning** refers to the development of a distinct image for the product or service in the mind of the consumer, an image that will differentiate the offering from competing ones and faithfully communicate to the target audience that the particular product or service will fulfill their needs better than competing brands.
   a) Successful positioning centers around two key principles:
      i) The first principle says that the marketer should communicate the benefits that the product will provide rather than the product's features.
      ii) The second principle states that because there are many similar products in almost any marketplace, an effective positioning strategy must develop and communicate a "unique selling proposition"—a distinct benefit or point of difference—for the product or service.

The Marketing Mix

1. The **marketing mix** consists of a company's service and/or product offerings to consumers and the methods and tools it selects to accomplish the exchange.
2. Four basic elements (known as the **four Ps**) include:
   a) The product—features, designs, brands, packaging, etc.
   b) The price—list price (including discounts, allowances, and payment methods).
   c) The place—distribution of the product or service.
   d) Promotion—advertising, sales promotion, public relations, and sales efforts designed to build awareness of and demand for the product or service.

CUSTOMER VALUE, SATISFACTION, TRUST, AND RETENTION

1. Since the 1950s many companies have successfully adopted the marketing concept.
2. The marketplace is now increasingly competitive.
3. Savvy marketers today realize that in order to outperform competitors they must achieve full profit potential from each and every consumer.

a) An exchange with a consumer is part of a customer relationship, not just a transaction.

4. Four drivers of successful relationships between marketers and consumers are:
   a) Customer value.
   b) High levels of customer satisfaction.
   c) A strong sense of customer trust.
   d) Building a structure of customer retention.

Providing Customer Value

1. **Customer value** is defined as the ratio between the customer's perceived benefits (economic, functional, and psychological) and the resources (monetary, time, effort, psychological) used to obtain those benefits.
   a) Perceived value is relative and subjective.
   b) Developing a value proposition is the core of successful positioning.
   c) Looking for the impact of emerging "megatrends" is a factor in attaining successful positioning of a brand.

Ensuring Customer Satisfaction

1. **Customer satisfaction** is the individual's perception of the performance of the product or service in relation to his or her expectations.
2. The concept of customer satisfaction is a function of customer expectations.
3. With respect to customer satisfaction there might be several types of customers:
   a) Loyalists—completely satisfied customers who keep purchasing.
   b) Apostles—those whose experiences exceed their expectations and who provide very positive word of mouth about the company to others.
   c) Defectors—those who feel neutral or merely satisfied and are likely to stop doing business with the company.
   d) Terrorists—those who have had negative experiences with the company and who spread negative word of mouth.
   e) Hostages—unhappy customers who stay with the company because of no choice (or other reasons).
   f) Mercenaries—very satisfied customers but who have no real loyalty to the company and may defect.

Building Customer Trust

1. Closely related to the challenge of satisfying consumers is the challenge of establishing and maintaining **consumer trust**.
   a) Trust is the foundation for maintaining a long-standing relationship with customers, and it helps to increase the chances that customers will remain loyal.
   b) Efforts to provide true customer delight in the face of an event that had extremely dissatisfied the customer can be turned around by the marketer, and present a positive win-win outcome for both the consumer and the marketer.

Securing Customer Retention

1. The overall objective of providing value to customers continuously and more effectively than the competition is to have and to retain highly satisfied customers.
2. This strategy of **customer retention** makes it in the best interest of customers to stay with the company rather than switch to another company.
3. In almost all business situations, it is more expensive to win new customers than to keep existing ones.
4. Studies have shown that small reductions in customer defections produce significant increases in profits because:
   a. Loyal customers buy more products.
   b. Loyal customers are less price sensitive and pay less attention to competitors' advertising.
   c. Servicing existing customers, who are familiar with the firm's offerings and processes, is cheaper.
   d. Loyal customers spread positive word-of-mouth and refer other customers.
5. Sophisticated marketers build selective relationships with customers, based on where customers rank in terms of profitability, rather than merely strive to "to retain customers."

Customer profitability-focused marketing tracks costs and revenues of individual customers and then categorizes them into tiers based on consumption behaviors that are specific to a company's offerings.