

Marketing Psychology

Lesson 1

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People as Consumers

Lesson Aim

Identify categories of shoppers.

Before we consider the psychology of consumers, it is useful to first clarify what marketing psychology involves. In simple terms, it can be viewed as the marriage of two words - 'marketing' and 'psychology.'

Marketing refers to all the processes which go into advertising and selling a product or service.

Psychology is the study of human behaviour.

As such, marketing psychology may be regarded as the study of consumer behaviour and the application of that understanding to the sale of goods. In fact, it is often referred to as 'consumer psychology'. The American Psychological Association considers consumer psychology to be a special division or subdivision of organisational psychology.

WHAT IS MARKETING?

You will probably find many different definitions of marketing if you look the term up on the internet or in a library. Nowadays, marketing is often interchangeable with advertising, though there are differences. There are two main approaches to understanding marketing.

1) The Traditional Concept

This approach emphasises selling an existing product. If a product is not selling, then there should be aggressive measures to sell it. This might involve cutting prices, hiring more sales people, increasing advertising, or other methods. A historic example is that when local businesses began to demand that goods be delivered to their doors, the railways cut the costs of transporting goods.

The traditional concept of marketing was to make goods available to the greatest number of customers at a price they could afford. This approach can be criticised for being too product-orientated. It is more concerned with the distribution of goods than the exchange of goods between the buyer and seller.

2) The Marketing Concept

This approach focuses on getting consumers what they want, even coming up with new products if necessary. For example, when typewriters were commonly used, a typewriter manufacturer could have invested in producing a new word processing machine rather than cutting the cost of their existing typewriters.

The American Marketing Association defines marketing as:

“The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.”

From this, we can see that marketing is an on-going process within a dynamic environment. This is because the market tends to change. What someone wants today, won't usually be the same as what someone wants in 30, or even 10, years from now. For example, consider the market for mobile phones and computers – there was no market for mobile phones fifty years ago, and computers were so large they were relatively immobile. The marketing process involves planning, and implementing the plan:

Marketers play a role in product design - they find out what customers want and decide what can be practically made with the technology available, and within the price limit. Marketers distribute products – using the most efficient way to get products from the factory to the final consumer.

Marketers promote products - this involves advertising, trade promotions, obtaining favourable and visible shelf space, and getting favourable press coverage.

Marketers price products in order to sell, or “move”, them - sales correlate negatively with price – the higher the price, the lower the quantity demanded. In some cases, the price may provide the customer with a “signal” as to the product’s quality. So, a marketer needs to price the product to maximise profit and communicate the desired image of the product.

Marketing is applicable to services and ideas as well as actual tangible products. For example, accountants market their services to clients.

Marketing relies on two parties – the seller and the consumer or customer.

There must be two parties with unsatisfied wants or needs, where the 'wants' could simply be money on behalf of the seller.

Both parties must have something to offer. This should be a voluntary exchange where both sides are willing parties. For example, an exchange of money for a chocolate bar. However, it is not necessary to use money for an exchange to take place - we could exchange a pair of shoes for a chocolate bar!

Both parties must be able to communicate. This can be through a shop front, an infomercial, advert, posting on eBay, posting on a website, etc.

The Use of Marketing Psychology

People who use marketing psychology may be involved in helping businesses and services to look at the best ways to market their products, and how to apply psychological principles to the marketing of their products. Individuals, small business owners, and others wishing to sell a product or service can also use the principles of marketing psychology to improve how they reach their intended market and make sales.

Some of the different roles in marketing psychology include:

- Determining the demographics of the target market - age, gender, ethnicity, socioeconomic status, location, and so forth.

- Researching the types of products and services which might appeal to the target market.

- Applying principles of social psychology to get information to the target market.

- Researching consumer behaviour.

- Collecting data about consumer behaviour from questionnaires, surveys, observations, group studies and experiments.

Customers are the reason that most, if not all, businesses exist, so marketing is an important part of many organisations. Marketing efforts often account for more than half of the price of an organisation’s product. Studying marketing psychology helps us to understand consumer behaviour as well as to become more knowledgeable as consumers.

TYPES OF CUSTOMERS

Consumer behaviour is governed by a psychological process where consumers recognise they have needs, find ways to solve those needs, and ultimately make purchasing decisions. These decisions may include such things as whether or not to buy a product, which product to buy, where to buy it, and so forth.

The marketing industry is constantly faced with the issue of trying to find new customers. People in the industry often periodically review their advertising strategies, shop displays, and pricing in order to attract new customers. However, just chasing new clients could damage a business since it may potentially lose existing clients if they do not address their needs.

For example, a credit card provider that offers new customers zero per cent interest runs the risk of upsetting their existing clients who may be paying high rates. If an existing client contacts them and is told that the offer is only for new customers, what is the existing client likely to do? Go elsewhere perhaps and become a “new” client to someone else? Focussing on existing clients may therefore be more important than finding new ones.

In retailing (at least), shoppers can be categorised into the following groups:

Loyal Customers – these may represent up to 20% of a business's customer base, but can make up more than half of the sales. Marketers will aim to contact clients in this client base regularly - via email, post, telephone, and so on. Marketers should focus on their needs, and make them feel involved. Whilst the business may seek new customers, it is also important to encourage loyal customers to remain so.

Discount Customers – these are customers who shop regularly with a company or store, but tend to make decisions based on discounted prices or special offers. These clients are useful as they move products quickly, but they are more inclined to return products.

Needs-based Customers – these shoppers intend to buy a particular item. The client will be driven by a particular need. When they enter a store, they will want their need filled quickly. If they cannot see what they want, they may leave. If they are satisfied, and they are treated well, they may become loyal customers. Needs-based customers may turn to internet shopping or go to a different retailer if their needs aren't met, and so it is important to try to meet their needs.

Wandering Customers – this group do not have a specific want or need when they go into a shop, but they enjoy the experience of community. They represent the largest segment in terms of traffic, but make up the smallest amount of sales. The wandering customer should still be taken note of. Although they are primarily looking for an interaction they may also discuss a store or business with other customers who might actually be buying. It is therefore wise for businesses to treat them as potential customers who *might* buy something. However, it is also important that staff do not spend too much time with customers who do not eventually purchase items.

Impulse Customers – these are customers who buy on impulse, on the spur of the moment. They will usually respond well to recommendations from staff, and so they can be a significant group to sell products and services to.

Of course, not all shoppers fit neatly into these categories. Other ways of categorising consumers have also been identified:

Economic Shopper – these people are only interested in quality, price or economic factors. They are not concerned with staff treatment, shop décor, shop displays or the location.

Ethical Shopper - this group tends to avoid large chain stores, companies that have become monopolies and those that deal with products which are judged to be manufactured or produced using unethical practices or components. Their shopping philosophy might include things like:

Refusing to shop at large supermarkets because "they are putting the small man out of business".

Preferring to buy food from the organic shop because it hasn't been treated with chemicals.

Buying products that have been made through recycling waste materials.

Buying energy saving devices.

Considering the effects on the environment caused by the bi-products of detergents, washing powders, and so on.

Thinking about how the product was made. Did it involve slave labour and consequently someone else's unhappiness?

Personalising Shopper – these shoppers enjoy interactions with sales staff and will develop relationships with them. They will therefore go to the sales staff they know and like.

Apathetic Shoppers - this group don't like shopping. They go to the most convenient supplier because they must.

Consumers might be a mixture of the different types of shopper outlined above. For instance, they may be an ethical, economic shopper and a loyal, personalising shopper.

ADVERTISING MESSAGES

Consumer behaviour is also influenced by advertising messages. Many organisations go to great trouble to create appropriate messages. One such approach devised by John C Maloney is based on four possible types of rewards which a customer might see in a product:

- Rational
- Sensory
- Social
- Ego satisfaction

For each of these possible rewards, there are also three possible types of experience that the customer might envisage, based on their previous experiences:

- Results-of-use experience
- Product-in-use experience
- Incidental-to-use experience

These four types of rewards can be crossed with the 3 types of experience to create 12 types of advertising messages, as shown by the following examples:

Results of Use Experience

- With rational reward: e.g. Gets dishes cleaner
- With sensory reward: e.g. Makes headache subside
- With social reward: e.g. You care enough to help
- With ego satisfaction: e.g. For people with discerning taste

Product in Use Experience

- With rational reward: e.g. Paint that lasts twice as long
- With sensory reward: e.g. A smoother taste
- With social reward: e.g. Never have ugly pimples again
- With ego satisfaction: e.g. The chain saw used by professionals

Incidental to Use Experience

- With rational reward: e.g. The wine cooler that keeps wine cooler
- With sensory reward: e.g. Power steering makes driving easier
- With social reward: e.g. Patriotic people have flagpoles in their front garden
- With ego satisfaction: e.g. Nice people live in Liverpool

Each of these messages appeals to different rewards and experiences and for any given product, a range of advertising messages could be developed using this framework until one is found which strikes a chord with the most amount of consumers.

INFLUENCES ON CONSUMERS

Consumers face numerous sources of influence. For instance, there are cultural influences which affect everyone's buying behaviour. Many western people will not attempt to barter with a sales person whereas this is a common practice in some other cultures. Other factors which influence buying behaviour include:

Physical Factors - for example, a person is more likely to buy a soft drink if they are thirsty. Food manufacturers have found that advertising their products in late afternoon is very useful because people tend to get hungry at this time of day.

Social Factors - some consumers may imitate other people that they admire, and may choose to buy the same brands that they buy. The increase in celebrity-advertising in recent years highlights this type of behaviour. For example, a buyer may think that they are buying the ultimate running shoes if their favourite athlete advertises them. Another may choose to buy celebrity endorsed makeup believing that they may resemble their idol if they wear it. An image-conscious person is more likely to buy an expensive car to project an image of success.

Personal Experience - consumer behaviour is also influenced by learning – you try a chocolate bar, it tastes good, it satisfies your hunger, so next time you are hungry, you might buy a chocolate bar.

Personal Values - some consumers try to fit in with the crowd. This may be achieved by buying the same car or clothes as their neighbours. Others may want to stand out from the crowd. For example, a manager may spend a large amount of money on their clothes because they want to be seen as a success, rather than because they especially want to dress in fine couture.

Subculture - society is divided up in many different ways. Some consumers are influenced by their ethnic origin, religious group, or other means. For example, religious groups may set certain standards or moral grounds which can influence their buying behaviour.

Reference Groups - these represent another source of social influence. These are people to whom we compare ourselves. They may be our friends, work colleagues, someone we respect, or perhaps someone we aspire to be like. We may observe our friends to see what brand of clothes they are wearing, what kitchen appliances they use, what car they drive, and so forth.

Dissociative Reference Groups – these are people we do not want to be compared with. For example, we may see that people who shop at certain stores dress in a way that we don't aspire to look like, and so we make sure we do not. For example, if it is fashionable to wear clothes from XY fashions, we may wear them (reference group) – because our friends do. However, if we then notice that more and more people are wearing them, but from groups that we do not wish to be compared with (dissociative reference groups), we may stop wearing the clothes.

Similarly, someone might consider a certain type of car to be the type of car driven by other social groups e.g. men might think it's a "woman's car", or younger people might think it's an "older person's car", and so on.

Many of these choices are made subconsciously, without us giving serious thought to them.

CONSUMER BUYING BEHAVIOUR

There are many other ways in which consumer behaviour is influenced.

1) Resolving Problems

In marketing, a consumer problem is a discrepancy between an 'ideal situation' and 'reality'.

Reality	Ideal Situation
I am hungry.	Buy a chocolate bar and eat it.

However, it can be a more serious discrepancy than this.

Reality	Ideal Situation
I have really bad dandruff. If I don't get rid of it, my boyfriend will leave me.	Buy a dandruff shampoo that works.
I have an old car. If I don't have a new car, my friends will not believe I am successful.	Buy a new car.

This may seem trivial, but if the consumer believes that the discrepancy is severe, it is causing them a problem. Of course, the ideal situation is not always that easy to achieve. Sometimes consumers will have to come up with more creative ideas. Using the final example, a consumer may want a new car because they believe it would demonstrate that they are successful, but they may be unable to afford one. Instead, they could say that they are not bothered about cars, or they want to spend their money on something else. A marketer needs to encourage consumers to achieve their 'ideal situation' by buying the car.

Stages

1. The consumer realises they have a problem. For instance, they are hungry, they need a new car, or they must replace their washing machine.
2. They look for information about how they can solve their problem. Do they buy a cereal bar, chocolate bar, or eat a sandwich? Do they repair their car, use a taxi service, or go to work on the bus?
3. Next they evaluate their alternatives – the chocolate bar may taste good, but I'm on a diet, so I will have a healthy sandwich.

A person may keep moving between stages until they reach their final conclusion, or they may reach stage 3, but then go back to the beginning again.

For example, they may eat the healthy sandwich but then still crave the chocolate bar and start to evaluate all over again whether they should buy one or not.

Consumer involvement varies depending on the product type. The more expensive a problem is, the more involvement there is likely to be from the consumer. For example, a consumer will be far more involved and interested in the purchase of a car or house compared to buying a new computer mouse or bar of chocolate.

2) Information Searches

Marketers will consider the consumer's motivation for buying any products. Consumers engage in internal and external information searches.

Internal search – this involves the consumer reviewing alternatives from their memory. For example, the person may think about meals they have eaten recently and then decide to go to the restaurant they thought was best.

External search – this is more likely to be used in high involvement products. A consumer may ask friends what they think of various cars, look on the internet for reviews, and so on. Firms that sell products that are selected mainly through the external search will usually invest in having information available to the consumer through brochures, websites, news coverage, and so on. The amount of effort a consumer puts into researching a product will depend on a range of factors:

Their personality and the time they have available

How many competitors and brands there are

Are there differences between brands?

Characteristics of the product – how complex it is, examples of quality

Consumer characteristics – how interested are they in the product? How much do they want the best deal?

3) Decision Making

There are two factors involved in decision making:

Impulse Purchases – these are unplanned buys. This is a vague group. It might include someone who goes to the shop to buy bread, then notices some cheese they like the look of and so they buy it too. Or it could be someone who goes to the shop to get bread, but notices they have potatoes on sale, so buy those instead.

Variety Seeking – this is where consumers try new brands because the consumer just wants a change, not because they think they are any “better” than the products they already use.

4) Consumer Choices

There are a number of factors that involve how consumers make choices -

Motivation - in some situations, a consumer may be more motivated than in others. For example, if we are buying a gift for two friends. One may be someone we want to impress, the other less so, so we may take less time choosing the second gift.

Personality - some consumers are more receptive to excitement and variety than others. They may try new stores, new products, and so on whereas others will tend to stick to the same stores and products.

Risk - perceived risk is also important to some clients. For example, does a product have a guarantee? Do they prefer a money back guarantee or a warranty?

Perception - some people will be more perceptive in terms of products – they may recognise the difference in taste between a generic tin of beans and a branded tin of beans. There are often advertisements which challenge consumers to tell the difference between two products. For instance, discerning the difference between two brands of soft drinks served in plain cups.

Learning - consumers will change their behaviour through learning. If they have been to a fast food restaurant and the food was bad, they are unlikely to go there again. If they go to a restaurant and it is always crowded, they may avoid that restaurant in the future. However, some consumers will enjoy the crowded environment – it is all individual choice.

Attitudes - are formed by a consumer's *beliefs, feelings, and behaviours* - towards a particular object.

In marketing, the object will usually be a product, brand or store. All three components (beliefs, feelings and behaviour) are highly interdependent and represent the forces influencing consumers in how to react towards an object.

Beliefs

A consumer can hold positive and negative beliefs about an object.

- Chocolate tastes good (positive).
- It makes me put on weight (negative).

Some beliefs can be neutral:

- I like chocolate but it makes me put on weight, so I'll eat the low fat kind.

Beliefs may differ depending on the person and the situation:

- Chocolate is great when I'm fed up.
- Chocolate is not great when I'm trying to get into my bikini on holiday.

Beliefs can be contradictory and may not be accurate.

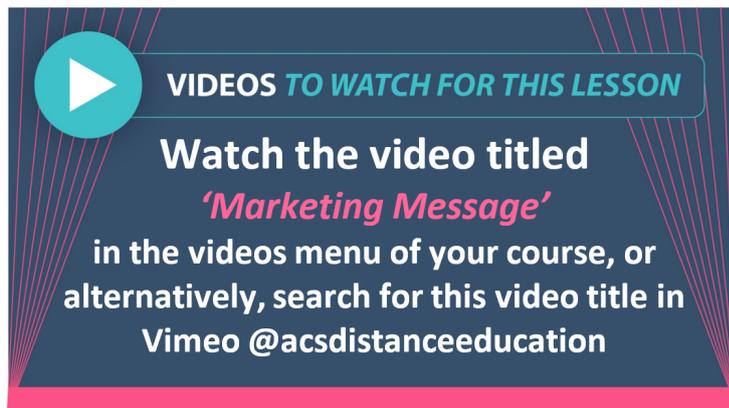
Feelings

Consumers may hold feelings about a product. For example, a person may feel nauseated at the smell of popcorn – this feeling is not dependent on their beliefs i.e. whether popcorn is bad for you, fattening, tasty, or whatever.

We may believe that it is morally wrong to cut down trees, but prefer a real Christmas tree because it reminds us of our childhood.

Behavioural Intention

This is what a consumer plans to do with respect to an object – to buy or not buy something. This can sometimes be due to our beliefs or feelings, but it may reflect other circumstances, such as – a person may not like a particular drinks bar but will go there because their friends do.



SET TASK

Activity 1

Think about the last time you made:

A high involvement purchase – e.g. car, house, computer

A low involvement purchase – e.g. sandwich, shampoo, hand cream

Think about how you made your choice. What type of customer do you think you are? Go through the process of deciding you want to buy something. What influenced you when you were buying? How did you make your final decision? Make notes. Spend up to 1 hour on this task.

Activity 2

Interview some friends or colleagues and ask them what type of shoppers they consider themselves to be. They may be more than one type of customer e.g. loyal and ethical (for example). Make notes on *why* they consider themselves to be that type of shopper. Spend up to 2 hours on this task.