Chapter 3

Understanding Customer Behaviour

Chapter outline

The dimensions of customer behaviour

Buying decision roles

Buying decision processes

Choice criteria in purchase decisions

Influences on consumer behaviour

Influences on organizational buying behaviour

Learning outcomes

By the end of this chapter you will:

1. Understand the key dimensions of customer behaviour
2. Explain the different roles played in a buying decision
3. Compare and contrast different theories of the buying decision process
4. Understand the differences between consumer and organizational buyer behaviour
5. Analyse the main influences on consumer behaviour – personal and social influences
6. Analyse the main influences on organizational buying behaviour – the buy class, product type and purchase importance
7. Critique the role of marketing activities in consumption decisions
8. Develop a better understanding of one's own consumption choices.

MARKETING SPOTLIGHT

Supercell

One of the most fascinating dimensions of the rise of the Internet has been the growth in popularity of virtual worlds which are essentially interactive, usually three-dimensional (3D) environments where users create objects, communicate with each other and play games. At their simplest, virtual worlds take the form of chat rooms or forums where interactions between visitors are simply text based, but with improved functionality many now allow users to represent themselves graphically using 3D multisensory avatars visible to others. As such, these virtual worlds can depict a real world with all of its rules, actions and communications or fantasy worlds limited only by the imagination. Second Life, founded in 1999, was one of the earliest entrants into this space and other leaders include *World of Warcraft* – the multiplayer online game developed by Blizzard Inc, *League of Legends* developed by Riot Games and Mojang AB's *Minecraft*. The growing penetration of smartphones has substantially increased the amount of time that people around the world play online games with a consequential increase in revenues for the leading brands.

One of the fastest-growing companies in the gaming space is the Finnish company, Supercell which follows that country's tradition of producing gaming leaders such as Rovio and Habbo. The company was founded in 2010 and operates out of an office in Helsinki that used to house some of Nokia's R&D division. It started out developing games for Facebook but shifted focus to concentrate on the rapidly growing smartphone and tablet markets. In a short space of time, its growth has been staggering. Its two main products, *Clash of Clans* and *Hay Day* are among the most popular smartphone games in the world. *Clash of Clans,* released in 2012, is a multiplayer game where players can build their community, train troops and attack other players to earn gold and elixir while building their defences to protect against attackers. Players can also use the chat feature to connect with each other and to join forces to help each other. *Hay Day* is a social farming game where players tend a farm and earn coins which can be used to buy production, building and decoration items, as well as experience points (XPs) which help players to move onto new levels. The social nature of the games and the fact that they are distributed through Apple's App Store has helped to spread their popularity.

Both games have been popular because they are simple to play and contain highly impressive graphics and features. Supercell also aims to create services rather than products. It tries to avoid creating games that players play for a short while and then forget about by supporting the games and adding features that keep players coming back. As a result, its games spend much longer periods of time at or near the top of the charts than competitors.

Supercell also employs what is known as a 'freemium' pricing model for its games – in other words, the games are free to play but spending money can enhance the playing experience. For example, players can spend money to speed up farm production on *Hay Day* or buy more troops to win battles on *Clash of Clans*. These in-app purchases have generated significant returns for the company. It reported total revenues of $892 million in 2013 while employing just 132 people. One of the other interesting features of the company is that it celebrates failure as well as success. For example, while its two most popular games were released in 2012, five others were 'retired'. To mark this process, employees come together to discuss what can be learned from the game's failure before champagne is handed out to 'celebrate' the end of the game.

The speed with which users are keen to create virtual worlds to sit alongside the real world that we live in raises all sorts of interesting questions about consumer behaviour which is the focus of this chapter.[1]

Our lives are full of choices. We choose which universities we would like to attend, what courses we would like to study, what careers we would like to pursue. On a daily basis we make choices about the food we eat, the clothes we buy, the music we listen to, and so on. The processes by which we make all these choices and how they are influenced are of great interest to marketers as well as to consumer researchers. Companies with products or services to sell want to know us, what we like and dislike, and how we go about making these consumption decisions. As we saw in Chapter 1, this kind of in-depth knowledge of customers is a prerequisite of successful marketing; indeed, understanding customers is the cornerstone upon which the marketing concept is built. How customers behave can never be taken for granted and new trends emerge all the time, such as the current popularity of social networking. There are a variety of influences on the purchasing habits of customers and our understanding of these influences is constantly improving. Successful marketing requires a great sensitivity to these subtle drivers of behaviour and an ability to anticipate how they influence demand.

In this chapter we will explore the nature of customer behaviour; we will examine the frameworks and concepts used to understand customers; and we will review the dimensions we need to consider in order to grasp the nuances of customer behaviour and the influences upon it.

The dimensions of customer behaviour

At the outset, a distinction needs to be drawn between the purchases of private consumers and those of organizations. Most consumer purchasing is individual, such as the decision to purchase a chocolate bar on seeing an array of confectionery at a newsagent's counter, though it may also be by a group such as a household. In contrast, in organizational or business-to-business (B2B) purchasing there are three major types of buyer. First, the industrial market concerns those companies that buy products and services to help them produce other goods and services such as the purchase of memory chips for mobile telephones. These industrial goods can range from raw materials to components to capital goods such as machinery. Second, the reseller market comprises organizations that buy products and services to resell. Online retailers and supermarkets are examples of resellers and we will look at these in some detail in Chapter 9. Third, the government market consists of government agencies that buy

Figure 3.1 Understanding customers: the key questions
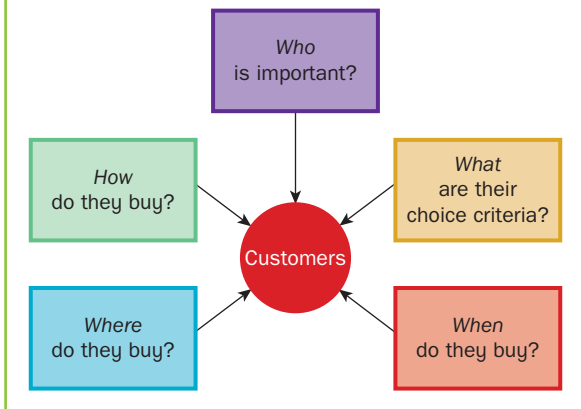
products and services to help them carry out their activities. Purchases for local authorities and defence are examples of this.

Understanding the behaviour of this array of customers requires answers to the following core questions (see Figure 3.1).

- *Who* is important in the buying decision?
- *How* do they buy?
- *What* are their choice criteria?
- *Where* do they buy?
- *When* do they buy?

The answers to these questions can be derived from personal contact with customers and, increasingly, by employing marketing research, which we will examine in Chapter 4. In this chapter we examine consumer and organizational buyer behaviour. The structure of this analysis will be based on the first three questions: who, how and what. These are often the most intractable aspects of customer behaviour; it is usually much more straightforward to answer the last two questions, about where and when customers buy.

Who buys?

Blackwell, Miniard and Engel[2] describe five roles in the buying decision-making process.

1 *Initiator*: the person who begins the process of considering a purchase. Information may be gathered by this person to help the decision.
2 *Influencer*: the person who attempts to persuade others in the group concerning the outcome of the decision. Influencers typically gather information and attempt to impose their choice criteria on the decision.

3 *Decider*: the individual with the power and/or financial authority to make the ultimate choice regarding which product to buy.
4 *Buyer*: the person who conducts the transaction. The buyer calls the supplier, visits the store, makes the payment and effects delivery.
5 *User*: the actual consumer/user of the product.

Multiple roles in the buying group may, however, be assumed by one person. In a toy purchase, for example, a girl may be the initiator and attempt to influence her parents, who are the deciders. The girl may be influenced by her sister to buy a different brand. The buyer may be one of the parents, who visits the store to purchase the toy and brings it back to the home. Finally, both children may be users of the toy. Although the purchase was for one person, in this example marketers have four opportunities – two children and two parents – to affect the outcome of the purchase decision. For example, Samsung sponsored the European Computer Gaming Championships in a bid to build its brand image among young people and the company's research has found that positive attitudes towards its brand increased by 25 per cent in the 18–29 age group since it changed its marketing focus.[3]

The roles played by the different household members vary with the type of product under consideration and the stage of the buying process (see Exhibit 3.1). For example, men now do a very significant portion of household grocery shopping, while women are increasingly visitors to DIY and hardware shops. Other interesting differences have also been observed. Women, who tend to take their time and browse in a retail environment, are more time conscious and goal directed online, while males tend to surf and browse many websites when shopping on the Internet. Also, the respective roles may change as the purchasing process progresses. In general, one or other partner will tend to dominate the early stages, then joint decision making tends to occur as the process moves towards final purchase. Joint decision making is more common when the household consists of two income earners.

Most organizational buying tends to involve more than one individual and is often in the hands of a decision-making unit (DMU), or **buying centre**, as it is sometimes called. This is not necessarily a fixed entity and may change as the **decision-making process** continues. Thus a managing director may be involved in the decision that new equipment should be purchased,

Exhibit 3.1 Brands like the AA are significant users of emotional advertising in their brand-building efforts

but not in the decision as to which manufacturer to buy it from. The marketing task is to identify and reach the key members in order to convince them of the product's worth. But this is a difficult task as the size of the decision-making groups in organizations is on the increase. It can also be difficult as the 'gatekeeper' is an additional role in organizational buying. Gatekeepers are people like secretaries who may allow or prevent access to a key DMU member. The salesperson's task is to identify a person from within the decision-making unit who is a positive advocate and champion of the supplier's product. This person (or 'coach') should be given all the information needed to win the arguments that may take place within the DMU.

The marketing implications of understanding who buys lie within the areas of marketing communications and segmentation. An identification of the roles played within the buying centre is a prerequisite for targeting persuasive communications. As we saw earlier, the person who actually uses or consumes the product may not be the most influential member of the buying centre, nor the decision-maker. Even when they do play the predominant role, communication to other members of the buying centre can make sense when their knowledge and opinions act as persuasive forces during the decision-making process. For example, recommendations from plumbers influence the majority of shower purchase decisions by consumers planning to install or replace shower units in their homes. Therefore, brands like Mira (see Exhibit 3.2) have sought to build awareness in the consumer market to reduce the influence of these 'deciders' in the purchasing decision.

How they buy

Attempting to understand how consumers buy and what influences their buying decisions have been the core questions examined in the field of consumer behaviour. It is a rich arena of study drawing on perspectives from disciplines as wide ranging as economics, psychology, sociology, cultural anthropology and others. The dominant paradigm in consumer behaviour is known as the **information processing approach** and has its roots in cognitive psychology. It sees consumption as largely a rational process – the

Exhibit 3.2 Advertising by shower manufacturers such as Mira has enabled them to build a high level of consumer recognition and hence reduce the influence of 'deciders' making choices in-store

outcome of a consumer recognizing a need and then engaging in a series of activities to attempt to fulfil that need. But an alternative paradigm, known as **consumer culture theory (CCT)** (Arnould and Thompson, 2005),[4] has emerged in recent years which views consumption as a much less rational or conscious activity. In it, consumption is seen as a more sociocultural or experiential activity that is laden with emotion and helps to explain, for example, why consumers derive pleasure from shopping or search for certain meanings in the brands that they choose. The main differences between the two modes of thinking about consumer behaviour are summarized in Table 3.1. While this chapter is largely structured

Table 3.1 The information processing approach vs. consumer culture theory

Attribute	Information processing approach	Consumer culture theory
Level of analysis	Individual	Society
Focus	Cognitive processes	Context of consumption
Purpose of consumption	Utilitarian	Experiential
Process of consumption	Logical	Random
Key consumption influence	Rationality	Social

Figure 3.2 Types of consumer decisions

Extended problem solving	Habitual problem solving
Limited problem solving	Variety seeking behaviour

around the information processing approach, the broader perspectives brought by consumer culture theory are incorporated into the discussion.

Both traditions enrich our understanding of why consumers behave as they do and we also need to take account of the different kinds of decisions that consumers engage in (see Figure 3.2). *Extended problem solving* occurs when consumers are highly involved in a purchase, perceive significant differences between brands and there is an adequate time available for deliberation.[5] It involves a high degree of information search, as well as close examination of the alternative solutions using many choice criteria.[6] It is commonly seen in the purchase of cars, consumer electronics, houses and holidays, where it is important to make the right choice. Information search and evaluation may focus not only on which brand/model to buy, but also on where to make the purchase. The potential for post-purchase dissatisfaction or **cognitive dissonance** is greatest in this buying situation.

A great deal of consumer purchases come under the mantle of *limited problem solving*. The consumer has some experience with the product in question so that information search may be mainly internal through memory. However, a certain amount of external search and evaluation may take place (e.g. checking prices) before the purchase is made. This situation provides marketers with some opportunity to affect the purchase by stimulating the need to conduct a search (e.g. advertising) and reducing the risk of brand switching (e.g. warranties).

Habitual problem solving occurs in situations of low consumer involvement and a perception of limited differences between brands. It will take place, for example, when a consumer repeat buys a product while carrying out little or no evaluation of the alternatives, such as groceries purchased on a weekly shopping trip. He or she may recall the satisfaction gained by purchasing a brand, and automatically buy it again. Advertising may be effective in keeping the brand name in the consumer's mind and reinforcing already favourable attitudes towards it.

Finally, consumers also engage in *variety seeking behaviour* in situations characterized by low product involvement but where there are significant perceived

differences between brands. For example, consumers may switch from one brand of biscuit to another, simply to try something new. The use of sales promotions by firms such as extra free products and product sampling are designed to encourage variety seeking behaviour.
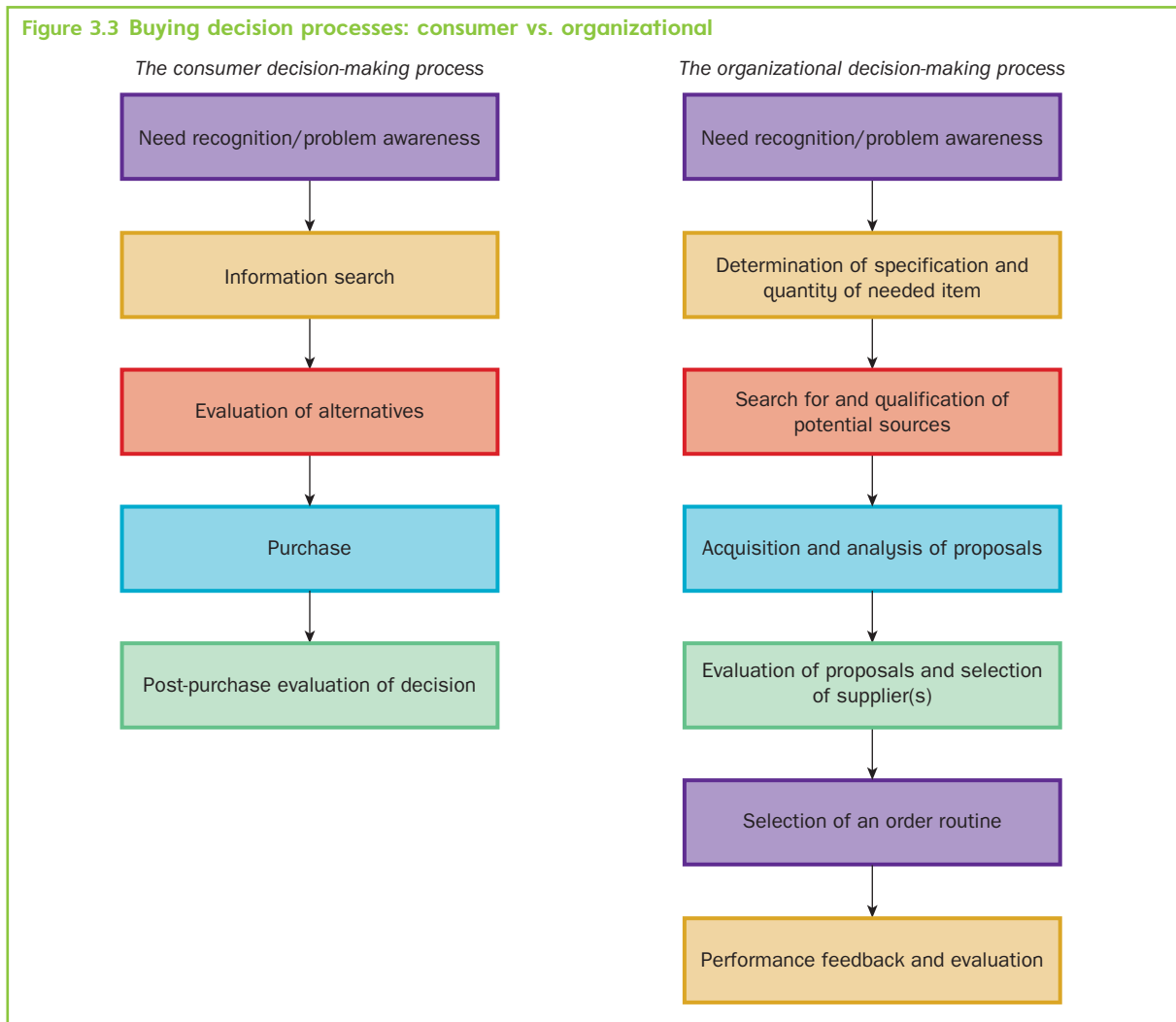
From the perspective of the information processing approach, the typical decision-making process for consumers and organizations is shown in Figure 3.3. This diagram shows that buyers typically move through a series of stages, from recognition that a problem exists to an examination of potential alternatives to a purchase and the subsequent evaluation of the purchase. Organizational buying is typically more complex and may involve more stages. However, as we saw above, the exact nature of the process will depend on the type of decision being made. In certain situations some stages will be omitted; for example, in a routine re-buy situation such as reordering photocopying paper, the purchasing officer is unlikely to pass through the third, fourth and fifth stages of organizational decision making (search for suppliers and analysis, and evaluation of their proposals). These stages will be bypassed as the buyer, recognizing a need, routinely reorders from an existing supplier. In general, the more complex the decision and the more expensive the item, the more likely it is that each stage will be passed through and that the process will take more time.

Need recognition/problem awareness

Need recognition may be functional and occur as a result of routine depletion (e.g. petrol, food) or unpredictably (e.g. the breakdown of a car or washing machine). In other situations, consumer purchasing may be initiated by more emotional needs or by simply imagining or day-dreaming about what an experience may be like. Marketing campaigns frequently try to tap directly into emotional needs as a way of initiating consumption and driving brand preference.

The need recognition stage has a number of implications for marketing. First, marketing managers must be aware of the needs of consumers and the problems they face. Sometimes this awareness may be due to the intuition of the marketer who, for example, spots a new trend (such as the early marketing pioneers who spotted the trend towards fast food, which has underpinned the global success of companies like McDonald's and KFC). Alternatively, marketing research could be used to assess customer problems or needs (see Chapter 4). Second, marketers should be aware of need inhibitors, that is, those factors that prevent consumers from moving from need recognition to the next stage of the buying decision process. For example, eBay recognized that

Figure 3.3 Buying decision processes: consumer vs. organizational

The consumer decision-making process

Need recognition/problem awareness

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Information search

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Evaluation of alternatives

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Purchase

↓

Post-purchase evaluation of decision

The organizational decision-making process

Need recognition/problem awareness

↓

Determination of specification and quantity of needed item

↓

Search for and qualification of potential sources

↓

Acquisition and analysis of proposals

↓

Evaluation of proposals and selection of supplier(s)

↓

Selection of an order routine

↓

Performance feedback and evaluation

overcoming the need inhibitor – lack of trust in being sent the product – is important. To overcome this inhibitor, it introduced its PayPal system, which acts as financial insurance against non-receipt of goods and has developed a feedback system that allows buyers to post information on their transactions and their experiences with particular buyers. Third, marketing managers should be aware that needs may arise because of stimulation. Their activities, such as developing advertising campaigns and training salespeople to sell product benefits, may act as cues to need arousal.

Information search

The second stage in the buyer decision-making process will begin when problem recognition is sufficiently strong. In the case of an organizational buying decision, the decision-making unit (DMU) will draw up a description of what is required and then begin a search for potential alternatives. When

marketers can influence the specification that is drawn up, it may give their company an advantage at later stages in the buying process.

In a consumer situation, the search may be internal or external. Internal search involves a review of relevant information from memory. This review would include potential solutions, methods of comparing solutions, reference to personal experiences and marketing communications. If a satisfactory solution is not found then an external search begins. This involves personal sources such as friends, family, work colleagues and neighbours, and commercial sources such as advertisements and salespeople. Third-party reports, such as *Which?* reports and product testing reports in print and online media, may provide unbiased information, and personal experiences may be sought such as asking for demonstrations, and viewing, touching or tasting the product. Information search largely takes place online and one of the significant growth businesses has been intelligent

agents – that is, websites such as buy.com and trivago.com, which allow buyers to find out information about a wide range of products and compare online vendors. The increased use of social media has further assisted information search as outlined in Social Media Marketing 3.1. The objective of **information search** is to build up the **awareness set** – that is, the array of brands that may provide a solution to the problem.

Social Media Marketing 3.1 TripAdvisor Media Group

Critical Thinking: Below is a review of the role of TripAdvisor in the information search phase of the buying decision process. Read it and critically evaluate the extent to which consumer behaviour is rational (information processing approach) or social (CCT approach).

Almost invariably at some point in a purchase decision, the consumer will wish for more information about the choice that he or she faces. That frequently means an online search and a visit to a trusted website. Peer-to-peer review websites have grown dramatically in the past two decades and consumer decisions are heavily influenced by what other consumers have to say. This is often called word-of-mouth marketing, something that has long been seen as the most important influencer of consumer decisions. But in a digitally connected society, both good and bad word-of-mouth can spread very dramatically. This is why websites like TripAdvisor.com have become so popular.

As we will see in Chapter 7, the more intangible the product the more difficult it is to evaluate in advance and the higher the risk and consequences of making a poor decision. Selecting a travel destination or hotel to stay in is one of these risky decisions. Therefore TripAdvisor has become an enormously popular vehicle for assisting travellers with their decisions. The company was founded in 2000 and began life as a portal where users could post reviews of destinations and lodgings that they had stayed in. It quickly grew in popularity. It has been a heavy user of social media to grow its user base. It used Facebook to enable users to find and connect with friends who then identified hotels and restaurants in other cities that they liked. Reviews from friends generally rank higher than those from strangers and TripAdvisor also shows the number of reviews that individuals post as some consumers may rate a review posted by someone who has posted 20 others higher than one from a reviewer who has posted just one review. Prolific reviewers are given 'badges' in recognition of their work. This enabled TripAdvisor to develop an online community of people sharing insights and recommendations.

By 2014, the company operated local sites in 33 countries and had compiled over 125 million reviews of around 775,000 hotels and other accommodation, 590,000 holiday rentals, 139,000 destinations and 2 million restaurants worldwide. It has expanded into an integrated media group operating sub-brands like BookingBuddy, Cruise Critic, Jet Setter and Virtual Tourist. It generated almost $1 billion in revenues in 2013 largely on the back of pay-per-click advertising on its websites and was a publicly quoted company with a market valuation of almost $13 billion.

A key to success for companies like TripAdvisor is to ensure the accuracy and validity of the reviews posted on its website. The great benefit of user-generated content is that it is always up to date. The potential for deception though is high and the company is said to have blacklisted up to 30 hotels for suspicious reviews including one in the UK that allegedly bribed guests to leave positive reviews. However, many other enterprises have embraced TripAdvisor, using its website to engage in conversations with customers – thanking them for positive reviews or trying to resolve problems encountered by other guests.

Based on: Seave (2013)[7]

Trivago Ad Insight: Digital marketing has changed the nature of information search.

Evaluation of alternatives and the purchase

Reducing the awareness set to a smaller group of options for serious consideration is the first step in evaluation. The awareness set passes through a screening filter to produce an **evoked set**: those products or services that the buyer seriously considers before making a purchase. In a sense, the evoked set is a shortlist of options for careful evaluation. The screening process may use different choice criteria from those used when making the final choice, and the number of choice criteria used is often fewer.[8] In an organizational buying situation, each DMU member may use different choice criteria. One choice criterion used for screening may be price. For example, transportation companies whose services are below a certain price level may form the evoked set. Final choice may then depend on criteria such as reliability, reputation and flexibility. The range of choice criteria used by customers will be examined in more detail later in this chapter.

Consumers' level of involvement is a key determinant of the extent to which they evaluate a brand. Involvement is the degree of perceived relevance and personal importance accompanying the brand choice.[9] When engaging in extended problem solving, the consumer is more likely to carry out extensive evaluation. High-involvement purchases are likely to include those incurring high expenditure or personal risk, such as car or home buying. In contrast, low-involvement situations are characterized by simple evaluations about purchases. Consumers use simple choice tactics to reduce time and effort rather than maximize the consequences of the purchase.[10] For example, when purchasing baked beans or breakfast cereals, consumers are likely to make quick choices rather than agonize over the decision. Research by Laurent and Kapferer has identified four factors that affect involvement.[11]

1 *Self-image*: involvement is likely to be high when the decision potentially affects one's self-image. Thus purchase of jewellery, clothing and cosmetic surgery invokes more involvement than choosing a brand of soap or margarine.

2 *Perceived risk*: involvement is likely to be high when the perceived risk of making a mistake is high. The risk of buying the wrong house is much higher than that of buying the wrong chewing gum, because the potential negative consequences of the wrong decision are higher. Risk usually increases with the price of the purchase.

3 *Social factors*: when social acceptance is dependent upon making a correct choice, involvement is likely to be high. Executives may be concerned about how their choice of car affects their standing among their peers in the same way that peer pressure is a significant influence on the clothing and music tastes of teenagers.

4 *Hedonistic influences*: when the purchase is capable of providing a high degree of pleasure, involvement is usually high. The choice of restaurant when on holiday can be highly involving since the difference between making the right or wrong choice can severely affect the amount of pleasure associated with the experience.

The distinction between high-involvement and low-involvement situations is important because the variations in how consumers evaluate products and brands lead to contrasting marketing implications. The complex evaluation in the high-involvement situation suggests that marketing managers need to provide a good deal of information to assist the purchase decision such as through employing a well-trained, well-informed sales force. In low involvement situations, providing positive reinforcement through advertising as well as seeking to gain trial (e.g. through sales promotion) is more important than providing detailed information.

Post-purchase evaluation of the decision

The creation of customer satisfaction is the real art of effective marketing. Marketing managers want to create positive experiences from the purchase of their products or services. Nevertheless, it is common for customers to experience some post-purchase concerns; this is known as cognitive dissonance. Such concerns arise because of an uncertainty surrounding the making of the right decision. This is because the choice of one product often means the rejection of the attractive features of the alternatives.

There are four ways in which dissonance is likely to be increased: owing to the expense of the purchase; when the decision is difficult (e.g. there are many alternatives, many choice criteria, and each alternative offers benefits not available with the others); when the decision is irrevocable; and when the purchaser is inclined to experience anxiety.[12] Thus it is often associated with high-involvement purchases. Shortly after purchase, car buyers may attempt to reduce dissonance by looking at advertisements and brochures for their model, and seeking reassurance from owners of the same

model. Some car dealers, such as Toyota, seek to reduce this 'buyer remorse' by contacting recent purchasers by letter to reinforce the wisdom of their decision and to confirm the quality of their after-sales service.

Many leading US retailers are aiming to reduce dissonance by posting customer reviews of products and services online. Companies like Target, Home Depot and Macy's have all launched online product reviews. The risks of a negative review are outweighed by the value of obtaining customer feedback and also by providing future customers with a better idea of what to expect.[13] Managing expectations is a key part of reducing dissonance.

What are the choice criteria?

The various attributes (and benefits) a customer uses when evaluating products and services are known as **choice criteria**. They provide the grounds for deciding to purchase one brand or another. Different members of the buying centre may use different choice criteria. For example, purchasing managers who are judged by the extent to which they reduce purchase expenditure are likely to be more cost conscious than production engineers who are evaluated in terms of the technical efficiency of the production process they design. Four types of choice criteria are listed in Table 3.2, which also gives examples of each.

Table 3.2 Choice criteria used when evaluating alternatives

Type of criteria	Examples
Technical	Reliability Durability Performance Style/looks Comfort Delivery Convenience Taste
Economic	Price Value for money Running costs Residual value Life cycle costs
Social	Status Social belonging Convention Fashion
Personal	Self-image Risk reduction Morals Emotions

Technical criteria are related to the performance of the product or service, and include reliability, durability, comfort and convenience. Many consumers justify purchase decisions in rational technical terms but as we shall see, the true motives for purchasing are often much more emotional. Some technical criteria such as reliability are particularly important in industrial purchasing. Many buying organizations are unwilling to trade quality for price. For example, Qantas Airlines had significant problems with the Rolls-Royce engines in its Airbus A380 planes in 2010 resulting in the grounding of flights while inspections were carried out. Rolls-Royce's quick and effective diagnosis of the problem not only limited any potential damage but also resulted in the company winning further orders from British Airways and Air China.

Economic criteria concern the cost aspects of purchase and include price, running costs and residual values (e.g. the trade-in value of a car). However, it should not be forgotten that price is only one component of cost for many buying organizations. Increasingly, buyers take into account life-cycle costs – which may include productivity savings, maintenance costs and residual values as well as initial purchase price – when evaluating products. Marketers can use life-cycle cost analysis to break into an account. By calculating life-cycle costs with a buyer, new perceptions of value may be achieved.

Social and personal criteria are particularly influential in consumer purchasing decisions. Social criteria concern the impact that the purchase makes on the person's perceived relationships with other people, and the influence of social norms on the person. For example, in the early days the manufacturers of personal computers and mobile phones, such as Apple, IBM and Motorola, sought to sell them on the basis of their technical and economic criteria. But as the technology underpinning these products becomes similar for all vendors, new forms of differentiation, such as colour, shape, appearance and emotional attributes all became important. Recent research has demonstrated the powerful social effects of consumption. Simply wearing clothes sporting well-known labels such as Lacoste and Tommy Hilfiger has been shown to generate perceptions of higher status, increase participation in shopping mall surveys and improve the wearer's job prospects and ability to solicit funds for a charity.[14]

Personal criteria concern how the product or service relates to the individual psychologically. Emotions are an important element of customer decision making (see Exhibit 3.3).

Personal criteria are also important in organizational purchasing. Risk reduction can affect choice decisions

Exhibit 3.3 Even brands like Budweiser have been known to use emotional advertising

since some people are risk averse and prefer to choose 'safe' brands. The IBM advertising campaign that used the slogan 'No one ever got fired for buying IBM' reflected its importance. Suppliers may be favoured on the basis that certain sales people are liked or disliked, or due to office politics where certain factions within the company favour one supplier over another.

Marketing managers need to understand the choice criteria being used by customers to evaluate their products and services. Such knowledge has implications for priorities in product design, and the appeals to use in advertising and personal selling.

Influences on consumer behaviour

The main influences on consumer behaviour are summarized in Figure 3.4. Personal influences describe those drivers that relate to the individual while social influences take account of the drivers that arise from the contexts in which we live.

Personal influences

The six personal influences on consumer behaviour are: information processing, motivation, **beliefs** and **attitudes**, personality, lifestyle and life cycle.

Information processing

The term **information processing** refers to the process by which a stimulus is received, interpreted, stored in memory and later retrieved.[15] It is therefore the link between external influences including marketing activities and the consumer's decision-making process. Two key aspects of information processing are perception and learning.

Perception is the complicated means by which we select, organize and interpret sensory stimulation into a meaningful picture of the world.[16] We receive these external stimuli through our different senses such as hearing a familiar jingle, seeing a YouTube video or encountering the familiar smell of a favourite coffee shop. The sensation of touch has been important in the success of Apple's products. Companies now place a significant emphasis on trying to present a multi-sensory experience for their customers as a way of attracting our attention (often subconsciously) and of differentiating their offerings from competitors. For example, Peugeot ran a print campaign to demonstrate the safety of its cars which invited readers to hit a spot on a page that caused a mini airbag to inflate (see Exhibit 3.4).

Three processes may be used to sort, into a manageable amount, the masses of stimuli that could be perceived. These are **selective attention**, **selective distortion** and **selective retention**. Selective attention is the process by which we screen out those stimuli that are neither meaningful to us nor consistent with our experiences and beliefs. In our information-rich world, selective attention represents a major challenge for marketers. Various studies have shown that consumers are exposed to a huge volume of marketing messages but attend to a very small percentage of them. For example, one study has found that consumers could recall only an average of 2.21 advertisements that they had ever seen.[17] Creative approaches such as humour, shock, sex and mystery are used by advertisers to try to capture consumer attention. Position is also critical; objects placed near the centre of the visual range are

Figure 3.4 Personal and social influences on consumer behaviour

Personal influences
- Information processing
- Motivation and values
- Beliefs and attitudes
- Personality
- Lifestyle
- Life cycle

Social influences
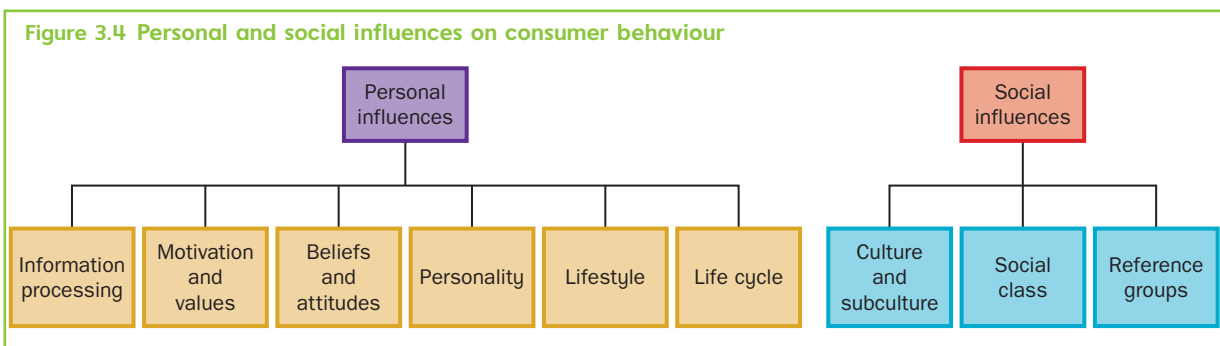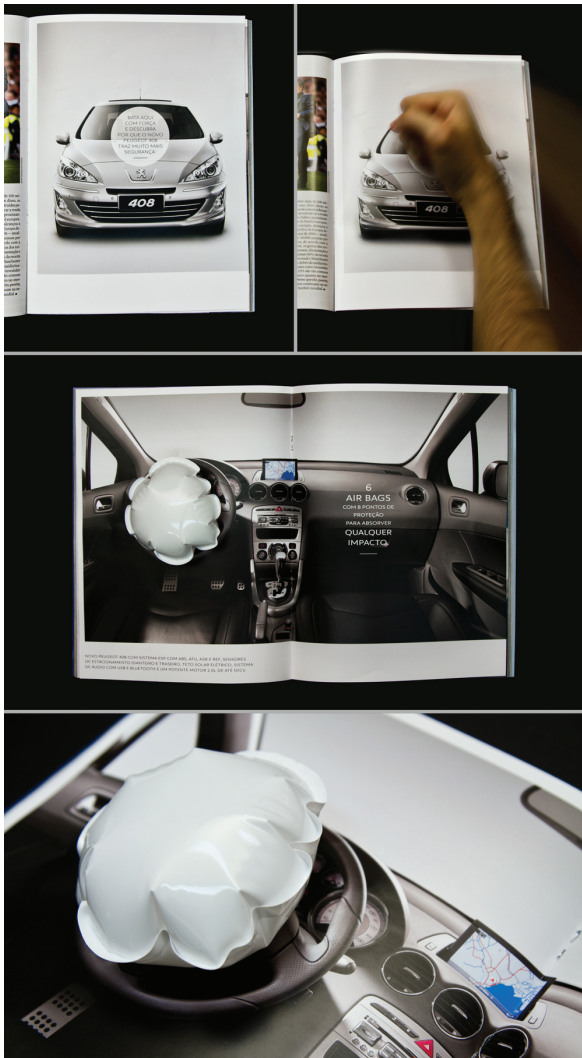- Culture and subculture
- Social class
- Reference groups

Exhibit 3.4 Peugeot's print advertisement that invited readers to hit a spot on a page that caused a mini airbag to inflate adds to the sensory experience of the campaign

more likely to be noticed than those on the periphery. This is why there is intense competition to obtain eye-level positions on supermarket shelves. We are also more likely to notice those messages that relate to our needs (benefits sought)[18] and those that provide surprises (e.g. substantial price reductions).

When consumers distort the information they receive according to their existing beliefs and attitudes this is known as selective distortion. We may distort information that is not in accord with our existing views. Methods of doing this include thinking that we misheard the message, and discounting the message source. Consequently it is very important to present messages clearly without the possibility of ambiguity and to use a highly credible source. **Information framing** or priming can affect

interpretation. 'Framing' refers to ways in which information is presented to people. Levin and Gaeth[19] asked people to taste minced beef after telling half the sample that it was 70 per cent lean and the other half that it was 30 per cent fat. Despite the fact that the two statements are equivalent, the sample that had the information framed positively (70 per cent lean) recorded higher levels of taste satisfaction.

Priming involves using stimuli to encourage people to behave in certain ways. For example, when consumers arrive at a supermarket it takes a while for the mind to get into shopping mode. Therefore retailers term the area just inside the entrance as the decompression zone – where people are encouraged to slow down and look at special offers which is then followed by the chill zone containing books, magazines and DVDs.[20] Colour is another important influence on interpretation. Blue and green are viewed as cool, and evoke feelings of security. Red and yellow are regarded as warm and cheerful but have also been found to have an aphrodisiac effect on men without an awareness on their part that this so.[21] By using the appropriate colour in pack design it is possible to affect the consumer's feelings about a product. However, it is important to remember that colour is also subject to different interpretations across different cultures.

Selective retention refers to the fact that only a selection of messages may be retained in memory. We tend to remember messages that are in line with existing beliefs and attitudes. Marketers are also interested in how we make sense of marketing stimuli such as the processes by which a leading sportsperson can cause us to select particular brands.

Learning takes place in a number of different ways. These include conditioning and cognitive learning. **Classical conditioning** is the process of using an established relationship between a stimulus and a response to cause the learning. Thus, advertising of soft drinks will typically show groups of people having fun and when this type of advertising is constantly repeated a certain level of conditioning takes place creating an association between drinks consumption and happiness. This helps to explain why big, well-known brands repeatedly advertise. For example, the energy drink Red Bull repeatedly uses quirky, humorous advertising to appeal to its target market of young adults.

Operant conditioning differs from classical conditioning in terms of the role and timing of the reinforcement. In this case, reinforcement results from rewards: the more rewarding the response, the stronger the likelihood of the purchase being repeated. Operant conditioning occurs as a result of product trial. The use of free samples is based on the principles

of operant conditioning. For example, free samples of a new shampoo are distributed to a large number of households. Because the use of the shampoo is costless it is used (desired response), and because it has desirable properties it is liked (reinforcement) and the likelihood of its being bought is increased. Thus the sequence of events is different for classical and operant conditioning. In the former, by association, liking precedes trial; in the latter, trial precedes liking. A series of rewards (reinforcements) may be used over time to encourage the repeat buying of the product.

The learning of knowledge, and the development of beliefs and attitudes without direct reinforcement is referred to as **cognitive learning** which stresses the importance of internal mental processes. The learning of two or more concepts without conditioning is known as **rote learning**. Having seen the headline 'Lemsip is for flu attacks', the consumer may remember that Lemsip is a remedy for flu attacks without the kinds of conditioning and reinforcement previously discussed. **Vicarious learning** involves learning from others without direct experience or reward. It is the promise of the reward that motivates. Thus we may learn the type of clothes that attract potential admirers by observing other people. In advertising, the 'admiring glance' can be used to signal approval of the type of clothing being worn or the alcoholic beverage being consumed. We imagine that the same may happen to us if we dress in a similar manner or drink a similar drink. **Reasoning** is a more complex form of cognitive learning and is usually associated with high-involvement situations. For example, a detailed online product review or a sales presentation enables the consumer to draw their own conclusions through reasoning, having been presented with some facts or assertions. Whatever form of learning is used, marketers are particularly interested in both the recognition and recall of messages as we shall see in Chapter 10.

Our understanding of how people perceive stimuli and learn is improving all the time. **Semiotics** is the study of the correspondence between signs and symbols and their roles in how we assign meanings. Symbols in logo design and advertising are given meanings by the consumers that interpret them as such. For example, the striding man on a bottle of Johnnie Walker whisky symbolizes the journey we take through life and this journey was the centrepiece of the Johnnie Walker 'Keep Walking' campaign. In psychology and brain research, significant attention is being devoted to trying to understand the subconscious as it would appear that much of our decision making is done there without us realizing it. For example, it has been argued that we often make snap judgements that are superior to those that we think a great deal about.[22]

Motivation

Given the endless array of choices that are available to us, what are the motives that cause us to select one experience over another or choose to spend our time or money in certain ways? A key part of this issue (and of the debates about marketing generally) is the distinction between needs and wants. Critics of marketing argue that it creates excessive wants and desires among consumers leading to all types of maladaptive behaviours such as addictive consumption, compulsive shopping disorder (CSD), consumer debt and the waste of the planet's scarce resources.

One of the best known theories of motivation is Maslow's Hierarchy of Needs. The psychologist Abraham Maslow sought to explain how people grow and develop and proposed that we move through a hierarchy of motives. First we must satisfy our basic *physiological needs* for food, clothing and shelter, then we move to *safety needs* such as protection from danger and accidents, then to the need for *belongingness* such as love and family relationships, then to the needs for *esteem and status* and then to the final highest level of need, namely, *self-actualization* which is essentially our understanding of whatever the meaning of life is for us. From a marketing point of view, different products can be seen as fulfilling different needs, such as security systems for safety, club memberships for status, and travel and education for self-actualization. However, consumers do not progress rigidly up the hierarchy but may place emphasis on different levels at different times and the same product may satisfy different needs for different people.

Consequently, new explanations of fundamental human needs are becoming more popular. For example, evolutionary psychologists argue that we have four basic human needs that have derived from our evolution as a species and can be observed in different cultures during different time periods. These are the need to survive, to reproduce, to select kin and to reciprocate. These fundamental motives can be observed in the consumption of everything from cookery books (survival) to cosmetic surgery (reproduction) to Christmas gift giving (reciprocation).[23]

Beliefs and attitudes

A thought that a person holds about something is known as a 'belief'. Beliefs about oneself, which is known as the **self-concept**, are very important because this drives a signification element of consumption. For example, the viral video from Dove called *Evolution*, which was part of the Real Beauty campaign, was a significant hit because it shows how perceptions of beauty are distorted in the media.

Consumers increasingly use brands to convey their identity by wearing branded clothes or even having brands tattooed on their bodies. Marketing people are also very interested in consumer beliefs because these are related to attitudes. In particular, misconceptions about products can be harmful to brand sales. Duracell batteries were believed by consumers to last three times as long as Ever Ready batteries, but in continuous use they lasted over six times as long. This prompted Duracell to launch an advertising campaign to correct this misconception.

An 'attitude' is an overall favourable or unfavourable evaluation of a product or service. The consequence of a set of beliefs may be a positive or negative attitude towards the product or service. Changing attitudes is an important step in convincing consumers to try a brand. For example, the marketers of Skoda cars first had to overcome significantly negative attitudes towards the brand before they succeeded in growing its sales levels in the UK market. By changing the brand name and packaging of its value range to M Savers, the UK supermarket chain Morrisons was successful in changing attitudes and growing sales of this sub-brand.

Understanding beliefs and attitudes is an important task for marketers. For example, the attitudes of the 'grey market', those over the age of 50 years, are not well understood. Some companies, such as Gap, have explicitly targeted this segment, but Gap was forced to close its Forth & Towne outlets after heavy losses. Brands like Amazon's Kindle and Apple's iPhone and iPad have proved to be particularly popular with the grey market because they are larger than other portable devices and are very easy to use. This large and relatively well-off group is likely to be the subject of significant marketing effort in the years to come.

Personality

Just from our everyday dealings with people we can tell that they differ enormously in their personalities. **Personality** is the sum of the inner psychological characteristics of individuals, which lead to consistent responses to their environment.[24] There are several

Canon Ad Insight: An award winning campaign celebrates amateur photographers.

theories of personality but the most accepted today is the big five, and the extent to which one varies on these dimensions ranges from high to low.[25] The big five are openness to new experience, novelty seeking etc.; conscientiousness, which is self-control, reliability etc.; agreeableness, which is warmth, friendliness etc.; stability such as emotional stability; and extraversion, that is, the extent to which people are outgoing and talkative or not. The extent to which we possess each of these traits will be reflected in our behaviour and in our consumption choices. For example, conscientiousness is generally low in juveniles and it increases with age. The consumption of high-maintenance products, pets, personal grooming and home fitness equipment are all indicators of high conscientiousness.

This concept – personality – is also relevant to brands (see Marketing in Action 3.1). 'Brand personality' is the characterization of brands as perceived by consumers. Brands may be characterized as 'for young people' (Tommy Hilfiger), 'for winners' (Nike), or 'self-important' (L'Oréal). This is a dimension over and above the physical (e.g. colour) or functional (e.g. taste) attributes of a brand. By creating a brand personality, a marketer may generate appeal to people who value that characterization. For example, one of the longest-running fictional brands is James Bond; a variety of car makers and technology companies have attempted to bring his cool, suave and sexy personality into their brands by placing them in Bond movies.

Lifestyle

Lifestyle patterns have been the subject of much interest as far as marketing research practitioners are concerned. The term 'lifestyle' refers to the pattern of living as expressed in a person's activities, interests and opinions (the AIO dimensions). Lifestyle analysis (psychographics) groups consumers according to their beliefs, activities, values and demographic characteristics (such as education and income). For example, the advertising agency Young & Rubicam identified seven major lifestyle groups that can be found throughout Europe and the USA.

I *The mainstreamers*: the largest group. Attitudes include conventional, trusting, cautious and family centred. Leisure activities include spectator sports and gardening; purchase behaviour is habitual, brand loyal and in approved stores.

Marketing in Action 3.1 Deutsche Telekom's brand personality!

Critical Thinking: Below is a review of the creation of some successful brand personalities. Read it and critically evaluate the role of brand personalities in building brand loyalty in consumer markets.

Consumer brands frequently invest heavily in imbuing themselves with personality. A classic example is in the mundane world of batteries. Perhaps the most famous is the Energizer bunny – an iconic pink rabbit that was the centrepiece of Energizer advertising for many years. The pink toy rabbit, wearing sunglasses and blue and white striped sandals would feature in commercials beating his drum and outlasting rival products. Adverts generally featured the tagline 'still going' and both the bunny and the tagline were embraced in general culture by everybody from presidential candidates to sports stars. The bunny was invented to match advertising by rival brand Duracell who had created their own 'long-lasting rabbit' several years earlier in 1973.

Aside from creating fictitious, cartoon-style personalities, brands also aim to incorporate consumer personality. A recent case in point is Deutsche Telekom's pan-European advertising campaign 'Move On'. The German telecom company's brand promise is that 'Life is for Sharing' and it sought to develop a campaign that would convey this idea. Its creative strategy was to produce a road movie filmed across 11 European countries. However, as part of the life is for sharing theme, people throughout these countries were invited to participate in the creation of the movie. A variety of tasks were set such as choosing the car, suggesting pets, the soundtrack, the front page of a newspaper, etc. Over 6,000 entries for each task were received. The winners were then selected and joined the Move On crew as extras on a journey across Europe. Entries were submitted via Facebook and behind the scenes footage of the creation of the movie was broadcast to a growing community on YouTube. The final production premiered in Berlin in 2012.

The campaign generated a big social media following and significant press coverage. However it was also effective in building the association between Deutsche Telekom and the 'Life is for Sharing' brand personality. For example, post-campaign research in Austria demonstrated a 17 per cent growth in this brand attribute.

Based on: Anonymous (2013)[26]

2 *The aspirers*: members of this group are unhappy, suspicious and ambitious. Leisure activities include trendy sports and fashion magazines; they buy fads, are impulse shoppers and engage in conspicuous consumption.

3 *The succeeders*: those that belong to this group are happy, confident, industrious and leaders. Leisure activities include travel, sports, sailing and dining out. Purchase decisions are based on criteria like quality, status and luxury.

4 *The transitionals*: members of this group are liberal, rebellious, self-expressive and intuitive. They have unconventional tastes in music, travel and movies; and enjoy cooking and arts and crafts. Shopping behaviour tends to be impulsive and to involve unique products.

5 *The reformers*: those that belong to this group are self-confident and involved, have broad interests and are issues orientated. They like reading, cultural events, intelligent games and educational television. They have eclectic tastes, enjoy natural foods, and are concerned about authenticity and ecology.

6 *The struggling poor*: members of this group are unhappy, suspicious and feel left out. Their interests are in sports, music and television; their purchase behaviour tends to be price based, but they are also looking for instant gratification.

7 *The resigned poor*: those in this group are unhappy, isolated and insecure. Television is their main leisure activity and shopping behaviour is price based, although they also look for the reassurance of branded goods.

Lifestyle analysis has implications for marketing since lifestyles have been found to correlate with purchasing behaviour.[27] A company may choose to target a particular lifestyle group (e.g. the mainstreamers) with a product offering, and use advertising that is in line with the values and beliefs of this group (see Exhibit 3.6). For example, Benecol's range of cholesterol-lowering foods are marketed at consumers who seek to have a healthy lifestyle. As information on the readership/viewership habits of lifestyle groups becomes more widely known so media selection may be influenced by lifestyle research.

A typical example of a niche lifestyle that has grown significantly in recent years is surfing. Originating in the south Pacific, surfing was formerly popular in just some select areas such as Hawaii, California and Australia. In the past decade, its popularity has soared and participation rates around the world have grown dramatically. It is characterized by its own surf culture such as dressing in boardshorts or driving 'woodies', that is, station wagons used to carry boards. Many brands have capitalized on this opportunity, most notably the Australian clothing brand Billabong, and marketers aiming to target surfers can do so through particular magazines, events, television programmes and social networks.

Life cycle

In addition to the factors we have already examined, consumer behaviour may depend on the 'life stage' people have reached. A person's life-cycle stage is of particular relevance since disposable income and purchase requirements may vary according to life-cycle stage. For example, young couples with no children may have high disposable income if both work, and may be heavy purchasers of home furnishings and appliances since they may be setting up home. When they have children, their disposable income may fall, particularly if they become a single-income family and the purchase of baby and child-related products increases. At the empty-nester stage, disposable income may rise due to the absence of dependent children, low mortgage repayments and high personal income. Research has shown that when children leave a home, a mother is likely to change 80 per cent of the branded goods she buys regularly and that they are more likely

than any other group to decide which brands they want to buy once in a store than beforehand.[28] Both these issues have important marketing implications.

Social influences

The three social influences on consumer behaviour are: culture, social class and reference groups.

Culture

As we noted in Chapter 2, **culture** refers to the traditions, taboos, values and basic attitudes of the whole society within which an individual lives. It provides the framework within which individuals and their lifestyles develop, and consequently affects consumption. For example, in Japan it is generally women that control the family finances and make all the major household spending decisions. As a result, many financial services firms are developing investment products targeted specifically at Japanese women. Within cultures there are also a variety of sub-cultures that influence consumer behaviour and marketing as we saw in Chapter 2.

The most notable trend in the past three decades has been the increased internationalization of cultures. Products and services that, previously, may only have been available in certain countries are now commonplace. For example, speciality cuisines like Japanese sushi, Korean barbeque and Cajun food can now be found in major cities throughout the world. Allied to this, though, is the growing domination of some cultures. For example, the success of American fast-food chains and movie production companies represents a major challenge to smaller, local enterprises in many parts of the world.

Social class

Long regarded as an important determinant of consumer behaviour, the idea of social class is based largely on occupation (often that of the chief income earner). This is one way in which respondents in marketing research surveys are categorized, and it is usual for advertising media (e.g. newspapers) to give readership figures broken down by social class groupings. Some countries are significantly more class conscious than others, such as the UK and India, and movement between the classes is difficult. In others, such as Brazil and China, rising incomes are creating large new middle- and upper-class segments which is significantly driving demand for international and luxury brands respectively. For example, such is the demand for golf courses in China that many are being built without planning permission and others are not being called golf courses to get around planning legislation.

However, the use of traditional social class frameworks to explain differences in consumer behaviour has been criticized because certain social class categories may not relate to differences in disposable income (e.g. many self-employed manual workers can have very high incomes). The National Statistics Socioeconomic Classification system (NSSEC) in the UK aims to take account of this situation by identifying eight categories of occupation, as shown in Table 3.3. Consumption patterns are likely to vary significantly across these categories. For example, research on the social class of British grocery shoppers has found that the highest proportion of AB (managerial/professional) shoppers frequent Sainsbury's; Asda attracts a significantly higher

Table 3.3 Social class categories

Analytic class	Operational categories	Occupations
1	Higher managerial and professional occupations	Employers in large organizations; higher managerial and professional
2	Lower managerial and professional occupations	Lower managerial occupations; higher technical and supervisory occupations
3	Intermediate occupations	Intermediate clerical/administrative, sales/service, technical/auxiliary and engineering occupations
4	Small employers and own-account workers	Employers in small, non-professional and agricultural organizations, and own-account workers
5	Lower supervisory and technical occupations	Lower supervisory and lower technical craft and process operative occupations
6	Semi-routine occupations	Semi-routine sales, service, technical, operative, agricultural, clerical and childcare occupations
7	Routine occupations	Routine sales/service, production, technical, operative and agricultural occupations
8	Never worked and long-term unemployed	Never worked, long-term unemployed and students

share of people in lower supervisory and technical occupations; while Tesco's profile mirrors that of society in general.[29] An interesting trend in the growing middle-class segment is that consumers are becoming more cost-conscious but are also willing to splash out on luxury items. Brands that have targeted the middle market such as Maxwell House coffee owned by Kraft will be challenged by this development.[30]

Reference groups

A group of people that influences an individual's attitude or behaviour is called a **reference group**. Where a product is conspicuous (for example, clothing or cars) the brand or model chosen may have been strongly influenced by what buyers perceive as acceptable to their reference group; this may consist of the family, a group of friends or work colleagues. Some reference groups may be formal (e.g. members of a club or society), while others may be informal (friends with similar interests). Reference groups influence their members in a number of ways such as providing peers with information about products, by influencing peers to buy products and by individual members choosing certain products because they feel that this will enhance their image within the group. The role of reference groups is now more important than ever given that certain groups choose to live a very 'public' life through social networks. Different types of reference groups exist. *Membership* groups are those to which a person already belongs and can be with friends, club members or class mates. An interesting marketing development has been the growth of brand communities which are social relationships based around interest in a product (see Chapter 6). *Aspirational* groups are those which a person would like to belong to, for example, people often aspire to the lifestyle of sports stars or celebrities.

Finally, *avoidance* groups are those that people choose to distance themselves from because they do not share the values of such a group.

A key role in all reference groups is played by the opinion leader. Opinion leaders are typically socially active and highly interconnected within their groups. They also have access to product information and influence the behaviour and purchase choices of group members. Given advances in social networking technology, their influence can be highly significant. Therefore, they are the focus of attention from marketers who aim to identify them and to encourage them to influence their peers through buzz marketing techniques (see Chapter 11). They are also critical to the adoption of new products as demonstrated in Figure 3.5.

A related issue is the 'herd mentality' of consumption behaviour. People are social animals and tend to follow the crowd, therefore companies are looking at ways of exploiting this to increase sales. For example, researchers in the USA created an artificial music market in which people downloaded previously unknown songs. What they found was that when consumers could see how many times the tracks had been downloaded, they tended to select the most popular tracks. As a result, many websites now include features like 'other customers have bought' tabs. Similarly, 'smart cart' technology is being pioneered in supermarkets to exploit this herd instinct. Each cart has a scanner that reads products that have been chosen and relays it to a central computer. When a shopper walks past a shelf of goods, a screen on the shelf can tell her/him how many people in the shop have already selected that particular product. Studies have shown that if the number is high, he or she is more likely to choose it, so this method can be used to increase sales without offering discounts, for example.

Figure 3.5 Diffusion of an innovation. Opinion leaders are innovators and early adopters
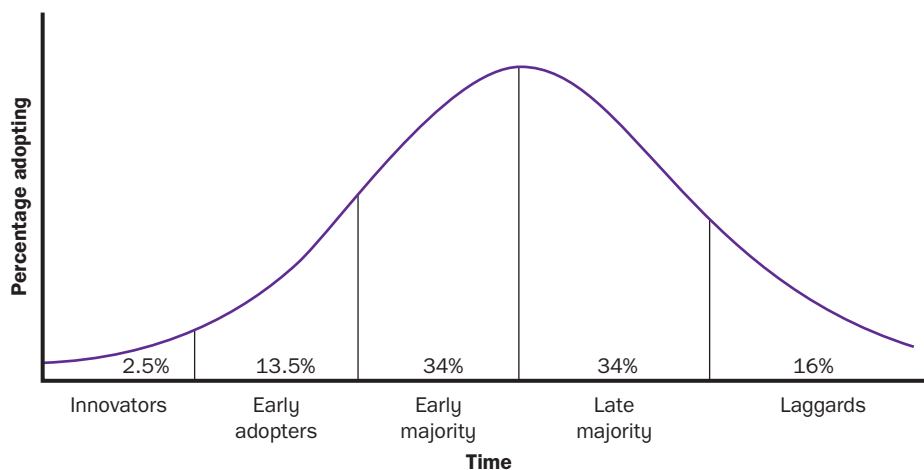
In summary, the behaviour of consumers is affected by a variety of factors. There is a range of personal influences and some social influences that all combine to make up the nature of the relationships that individuals have with products and services. We will now turn to the factors that influence the buying behaviour of organizations.

Influences on organizational buying behaviour

Organizational buying is characterized by a number of unique features. Typically, the number of customers is small and order sizes large. For example, in Australia just two companies, Coles and Woolworths, account for over 70 per cent of all products sold in supermarkets, so getting or losing an account with these resellers can be crucial. Organizational purchases are often complex and risky, with several parties having input into the purchasing decision as would be the case with a major information technology (IT) investment. The demand for many organizational goods is derived from the demand for consumer goods, which means that small changes in consumer demand can have an important impact on the demand for industrial goods. For example, the decline in the sale of DVDs has had a knock-on effect on the demand for DVD component parts. When large organizational customers struggle, this impacts on their suppliers. Most major car manufacturers such as Ford, General Motors, Daimler Chrysler and Volkswagen have all demanded significant price cuts from their suppliers in recent years. However, at the same time suppliers have faced rising steel and raw material costs, which has affected profitability and forced some out of business.[31] On the other hand, some suppliers like Intel have done an exceptional job of building their brands and creating an awareness of the presence of their products in the offerings of other companies. Organizational buying is also characterized by the prevalence of negotiations between buyers and sellers; and in some cases reciprocal buying may take place where, for example, in negotiating to buy computers a company like Volvo might persuade a supplier to buy a fleet of company cars.

Figure 3.6 shows the three factors that influence organizational buying behaviour and the choice criteria that are used: the buy class, the product type and the importance of purchase.[32]

The buy class

Organizational purchases may be distinguished as either a **new task**, a **straight re-buy** or a **modified re-buy**.[33] A new task occurs when the need for the product has not arisen previously so that there is little or no relevant experience in the company, and a great deal of information is required. A straight

Figure 3.6 Influences on organizational purchasing behaviour

re-buy occurs where an organization buys previously purchased items from suppliers already judged acceptable. Routine purchasing procedures are set up to facilitate straight re-buys. The modified re-buy lies between the two extremes. A regular requirement for the type of product exists, and the buying alternatives are known, but sufficient change (e.g. a delivery problem) has occurred to require some alteration to the normal supply procedure.

The buy classes affect organizational buying in the following ways. First, the membership of the DMU changes. For a straight re-buy possibly only the purchasing officer is involved, whereas for a new buy senior management, engineers, production managers and purchasing officers may be involved. Modified re-buys often involve engineers, production managers and purchasing officers, but not senior management, except when the purchase is critical to the company. Second, the decision-making process may be much longer as the buy class changes from a straight re-buy to a modified re-buy and to a new task. Third, in terms of influencing DMU members, they are likely to be much more receptive to new task and modified re-buy situations than straight re-buys. In the latter case, the purchasing manager has already solved the purchasing problem and has other problems to deal with.

The first implication of this buy class analysis is that there are big gains to be made if a company can enter the new task at the start of the decision-making process. By providing information and helping with any technical problems that can arise, the company may be able to create goodwill and 'creeping commitment', which secures the order when the final decision is made. The second implication is that since the decision process

is likely to be long, and many people are involved in the new task, supplier companies need to invest heavily in sales personnel for a considerable period of time. Some firms employ 'missionary' sales teams, comprising their best salespeople, to help secure big new task orders.

The product type

Products can be classified according to four types: materials, components, plant and equipment, and maintenance, repair and operation (MRO):

1 materials – to be used in the production process, e.g. aluminium
2 components – to be incorporated in the finished product, e.g. headlights
3 plant and equipment – for example, earth-moving equipment
4 products and services for MRO – for example, spanners, welding equipment and lubricants.

This classification is based on a customer perspective–how the product is used – and may be employed to identify differences in organizational buyer behaviour. First, the people who take part in the decision-making process tend to change according to product type. For example, senior management tend to get involved in the purchase of plant and equipment or, occasionally, when new materials are purchased if the change is of fundamental importance to company operations, e.g. if a move from aluminium to plastic is being considered. Rarely do they involve themselves in component or MRO supply. Similarly, design engineers tend to be involved in buying components and materials, but not normally MRO and plant equipment. Second, the decision-making process tends to be slower and more complex as product type moves along the following continuum:

MRO → components → materials → plant and equipment

The importance of purchase

A purchase is likely to be perceived as being important to the buying organization when it involves large sums of money, when the cost of making the wrong decision, for example in terms of production downtime, is high and when there is considerable uncertainty about the outcome of alternative offerings. In such situations, many people at different organizational levels are likely to be involved in the decision and the process will be long, with extensive search for and analysis of information. Thus extensive marketing effort is likely to be required, but great opportunities present themselves to sales teams who work with buying organizations to convince them that their offering has the best pay-off; this may involve acceptance

trials (e.g. private diesel manufacturers supply railway companies with prototypes for testing), engineering support and testimonials from other users. Additionally, guarantees of delivery dates and after-sales service may be necessary when buyer uncertainty regarding these factors is pronounced.

Features of organizational purchasing practice

Within the purchasing function, a number of trends have occurred that have marketing implications for supplier firms. The relentless drive for efficiency by businesses has been one of the key factors behind the growth of just-in-time purchasing, online purchasing and centralized purchasing. At the same time, these developments have often strengthened relationships between buyers and their suppliers, and we have seen a significant growth in relationship marketing and reverse marketing.

The **just-in-time (JIT)** concept aims to minimize stocks by organizing a supply system that provides materials and components as they are required. The total effects of JIT can be enormous. Purchasing inventory and inspection costs can be reduced, product design can be improved, delivery streamlined, production downtime reduced and the quality of the finished item enhanced. Very close co-operation is required between a manufacturer and its suppliers. An example of a company that employs a JIT system is the Nissan car assembly plant in Sunderland in the UK. Nissan adopts what it terms 'synchronous supply': parts are delivered only minutes before they are needed. For example, carpets are delivered by Sommer Allibert, a French supplier, from its facility close to the Nissan assembly line in sequence for fitting to the correct model. Only 42 minutes elapse between the carpet being ordered and its being fitted to the car. This system also carries risks, however: the 2011 earthquake in Japan caused delays to the introduction of two new Toyota Prius models and impacted on production in other global companies such as Caterpillar and General Motors.

The growth in the use of the Internet has given rise to the development of online purchasing. Two main categories of marketplaces, or exchanges, have been created: **vertical electronic marketplaces** are industry specific, such as sites for the paper industry (e.g. www.paperexchange.com) or the automotive and healthcare industries (e.g. www.covisint.com); **horizontal electronic marketplaces** cross industry boundaries and cater for supplies such as MROs (e.g.www.dgmarket.com) and services (www.elance.com). Companies seeking supplies post their offers on these websites. Potential vendors then bid for the contracts electronically. Some companies report

significant improvements in efficiency from managing their purchasing this way, through reducing the number of procurement staff involved in processing orders and increasing the potential global spread of vendors. This heightened competition presents challenges for suppliers. Social media platforms such as Facebook and LinkedIn have become a popular mechanism for firms to source employees and suppliers.

Where several operating units within a company have common requirements and where there is an opportunity to strengthen a negotiating position by bulk buying, centralized purchasing is an attractive option. Centralization encourages purchasing specialists to concentrate their energies on a small group of products, thus enabling them to develop an extensive knowledge of cost factors and the operation of suppliers.[34] For example, increasing concerns over the costs of healthcare has meant that many hospitals have centralized purchasing in procurement departments rather than devolving the activity to doctors and nurses as had been the case in the past. As

a result, many contracts are put out to tender, often on a pan-European basis, with vendors selected on the basis of quality, cost and ability to deliver over a number of years. The net effect of this is that orders are much more difficult to secure but, once secured, are likely to be more long lasting. At the same time, organizational buying has become increasingly characterized by very close relationships between buyers and sellers. **Relationship marketing** is the process of creating, developing and enhancing relationships with customers and other stakeholders (see Social Media Marketing 3.2). For example, Marks & Spencer has trading relationships with suppliers that stretch back almost a century. Such long-term relationships can have significant advantages for both buyer and seller. Risk is reduced for buyers as they get to know people in the supplier organization and know who to contact when problems arise. Communication is thus improved, and joint problem solving and design management can take place with suppliers becoming, in effect, strategic partners. Sellers gain

Social Media Marketing 3.2 Kern & Sohn

Critical Thinking: Below is a review of some innovative marketing conducted by the German firm Kern & Sohn. Read it and consider how social media marketing could be used by other business-to-business firms.

While examples of innovative marketing activity abound in the business-to-consumer (B2C) arena, less well-known but equally powerful examples are to be found in business-to-business (B2B) contexts. A typical example is an innovative marketing campaign conducted by the German precision scales firm, Kern & Sohn, a firm that was founded in 1844 and has grown to be a sixth generation family business. It is a leading player in the precision scales industry, manufacturing products such as laboratory balances and industrial scales for sectors like healthcare, production, education and jewellery. Its budget for marketing was limited but yet it came up with a novel campaign designed to demonstrate its global leadership in the industry.

What it did was to exploit a little known fact that, because of gravity, items weigh slightly differently depending on where they are in the world. These differences do not show up

on ordinary scales but are captured by Kern's precision equipment. The company carefully selected customers and scientists around the world and sent them a kit containing a set of scales and a special test weight – a chip-proof garden gnome. Scientists weighed the gnome, recorded the results on the website, took photographic evidence and passed him on. As the gnome travelled to different landmarks around the world, he generated highly shareable imagery and positive associations for Kern.

The results were exceptional. The story captured the attention of the world's media reaching an audience of over 350 million people in 150 countries and even becoming the subject of a Ted talk. After two weeks, over 16,000 websites had linked to gnomeexperiment.com, driving Kern & Sohn from page 12 to page 1 of the Google rankings and resulting in a 200 per cent increase in traffic. Within a month, Kern sales had risen by 21 per cent.

through closer knowledge of buyer requirements, and many companies have reorganized their sales forces to reflect the importance of managing customer relationships effectively – a process known as key account management. New product development can benefit from such close relationships. The development of machine-washable lamb's wool fabrics and easy-to-iron cotton shirts came about because of Marks & Spencer's close relationship with UK manufacturers.[35] The issue of relationship marketing will be dealt with in more detail in Chapter 7.

The traditional view of marketing is that supplier firms will actively seek out the requirements of customers and attempt to meet those needs better than the competition. However, purchasing is now taking on a more proactive, aggressive stance in acquiring the products and services needed to compete. This process, whereby the buyer attempts to persuade the supplier to provide exactly what the organization wants, is called **reverse marketing**.[36] Syngenta, an international supplier of chemicals, uses reverse marketing very effectively to target suppliers with a customized list of requirements concerning delivery times, delivery success rates and how often sales visits should occur. The growth of reverse marketing presents two key benefits to suppliers who are willing to listen to the buyer's proposition and carefully consider its merits: first, it provides the opportunity to develop a stronger and longer-lasting relationship with the customer; second, it could be a source of new product opportunities that may be developed to a broader customer base later on.

Finally in B2B contexts, a firm may not actually make a purchase but rather it simply leases a product. A lease is a contract by which the owner of an asset (e.g. a car) grants the right to use the asset for a period of time to another party in exchange for the payment of rent.[37] The benefits to the customer are that a leasing arrangement avoids the need to pay the cash purchase price of the product or service, is a hedge against fast product obsolescence, may have tax advantages, avoids the problem of equipment disposal and, with certain types of leasing contract, avoids some maintenance costs. These benefits need to be weighed against the costs of leasing, which may be higher than outright buying.

Summary

This chapter has examined the nature of customer behaviour and the key influences on customer behaviour. The following key issues were addressed.

1. The differences between consumer and organizational buying behaviour. In the latter, the buying decision process involves more stages, the input of more parties and greater levels of negotiation. Technical and economic choice criteria tend to play a greater role in organizational buying.

2. Who buys – the five roles in the buying decision-making process: initiator, influencer, decider, buyer and user. Different people may play different roles, particularly in a family purchase and, for marketers, identifying the decider is critical.

3. There are two main theories of consumer behaviour: the information processing approach which sees consumption as a rational, utilitarian process, and consumer culture theory which sees consumption as a social activity rooted in contexts.

4. The buying decision process, involving the stages of need recognition, search for alternatives, evaluation of alternatives, purchase and post-purchase evaluation. In the case of high-involvement purchases, consumers will typically go through all these stages, whereas in a low-involvement situation, they may move directly from need recognition to purchase.

5. The main choice criteria used in making purchase decisions – namely, technical, economic, social and personal criteria. In consumer buyer behaviour, social and personal criteria are very important as consumers build their identities through product and service selection.

6. The main influences on consumer buying behaviour: personal influences and social influences. At any given time, there are myriad factors that may influence a consumer's purchase decision. Deeply embedded emotional elements such as conditioning, learning, attitudes and personality are key drivers of consumption decisions.

7. The main influences on organizational buying behaviour: the buy class, the product type and the importance of purchase. For example, a major investment in plant and equipment that is critical to the organization and is a new task purchase will necessitate the involvement of many parties in the organization and will take time before a decision is made.

8. The key features of organizational purchasing practice: just-in-time purchasing, online purchasing, centralized purchasing, relationship marketing, reverse marketing and leasing. Organizational purchasing at one level presents opportunities for reverse marketing and relationship building with suppliers, but at a different level is driven by efficiency concerns that are managed through centralized and online purchasing.

Study questions

1. What are the differences between organizational buying behaviour and consumer buying behaviour?

2. Choose a recent purchase that included not only yourself but also other people in making the decision. What role(s) did you play in the buying centre? What roles did these other people play and how did they influence your choice?

3. Compare and contrast the information processing approach and the consumer culture approach to our understanding of how consumers behave in the ways that they do.

4. Review the choice criteria influencing some recent purchases such as a hairstyle, a meal, etc.

5. Describe the recent trends in just-in-time purchasing, online purchasing and centralized purchasing. Discuss the implications of these trends for marketers in vendor firms.

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When you have read this chapter

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Case **3**

Fiat and consumer behaviour in the UK market

Today most consumers would agree that Fiat, the Italian car manufacturer, is an industrial powerhouse – one of the most successful and recognizable commercial organizations in the world, with a fresh, youthful product line-up and a brand image which combines the heritage of classic European motoring with the modernity and chic of cutting-edge fashion. This strength has provided Fiat with the financial muscle to compete with the very biggest players, acquiring control of several major rivals along the way. However, in relatively recent times, the position of Fiat was so precarious that it almost ceased to exist. At the turn of the millennium, Fiat was struggling, but the company reinvigorated itself through the following actions:

- concentrating on making small, stylish cars such as the 500, Panda and Grande Punto, rather than the larger saloon/sedan cars where Fiat's brand is weaker
- bringing in energetic, proactive executives
- seeking alliances with other carmakers in underexploited markets (e.g. Chrysler in the USA).

The UK car market

The UK is Europe's third largest car market and car ownership levels are high. A small hatchback (e.g. Toyota Yaris) can cost around £10,000 and a family saloon (e.g. Hyundai i40) around £17,500. Until mid-2008, the UK economy was healthy, consumer credit was readily available, and consumer confidence high. As a result, the new car and light commercial vehicle (LCV) market was strong. The UK new car market peaked in 2007 at around 2.2 million units.

However, as a result of the economic crisis, new car sales volumes almost halved during 2008, recovering very gradually over the intervening years. Manufacturers and dealers struggled to sell vehicles and reduce their stock inventories, which increased the financial burden upon them. Some dealers were forced to cease trading as their cash flows dried up. The UK government helped with a scheme which incentivized owners of aged vehicles to have them scrapped in an environmentally sound manner at government-appointed sites, in return for a voucher to be redeemed against part of the value of a new

car (with a further contribution from the motor manufacturer). This scheme – which generated more tax revenues for the UK in incremental sales tax than it cost – helped reduce emissions from aged vehicles and stimulated the market, but had a restricted time frame. The average age of UK cars is now 7.5 years (with approximately 32 million still in use), as UK consumers postpone replacing them due to financial considerations. However, the Society of Motor Manufacturers and Traders (SMMT) explain that this may be false economy, as the average new car is 20 per cent more efficient than the equivalent seven-year-old car, equating to a typical fuel and tax saving of £400 per year.

UK consumers use cars for a number of purposes: the average UK commute to work is 30 minutes each way per working day, with 75 per cent of such journeys outside London being made in private transport; many UK citizens use their cars to holiday within the UK, and a substantial proportion of these will take self-catering holidays, which often necessitate carrying more luggage; it is not uncommon for UK families to take day trips by car for leisure; most shopping trips, particularly for buying groceries, are undertaken by car.

Half of all UK new car sales are to fleet operators – organizations which run vehicles to carry out their business. Fleet drivers are usually sales representatives, engineers and other field-based staff. The largest companies and councils operate fleets in excess of 1,000 cars. While both consumers and fleet operators purchase new vehicles outright, the vast majority source them through contract hire and leasing companies, paying a predetermined monthly rate for three or four years, which covers servicing, maintenance and repair costs, depreciation, the 'Road Fund Licence' tax and often insurance. Leasees (the people to whom the vehicles are leased) pay a surcharge for exceeding the predetermined contract period or mileage, and for refurbishment of vehicles at the end of contract if they are damaged or unclean.

Market share is of particular concern to companies in the motor industry because:

- customer perceptions of a manufacturer's success are greatly influenced by how many of their vehicles they witness on the roads – in making 'big ticket' (expensive) purchases, consumers look for reassurance that many other people have made the same decision
- although a manufacturer's market share is usually similar to their percentage 'share of market spend' (i.e. the amount they spend on marketing communications compared to their competitors), recovering lost market share is expensive and difficult
- if factory production slows or stops, economies of scale are lost, meaning that manufacturers often sell a significant proportion of their vehicles at a net loss.

Half of UK car sales are in March and September, when the government introduces new age-identifying numbers on the registration plates placed on each vehicle. Many buyers postpone purchases until new registration dates, because cars depreciate in steps with each new plate change. Sales volumes are also influenced by rental companies, the most famous being Hertz and Avis. For carmakers, rental companies are unprofitable but necessary: they buy in bulk and help demonstrate vehicles to potential customers, but demand large discounts and sell old stock at prices which can cheapen a car's brand image and damage resale values. Fiat is reducing its dependency on rental sales.

Fiat's new vehicle range has the lowest average CO_2 (carbon dioxide) emissions of any major European manufacturer. Each UK car owner pays a government tax based upon their vehicle's CO_2 emission levels (unless their car is very low-polluting). Company car drivers are taxed based on the undiscounted price of their vehicle and its CO_2 emission level. These stepped taxes have led to many UK drivers abandoning larger family saloons in favour of more tax-efficient, smaller cars.

Consumer buyer behaviour in the UK car market

For UK consumers, a new car purchase is likely to be an infrequent event – drivers of company-owned 'fleet' vehicles and those supplied by contract hire and leasing companies usually change cars every three or four years, whereas other private buyers using their savings or loans would tend to keep a car even longer. The infrequency of the purchase and its high price (which is usually a consumer's third highest-value purchase after a house and wedding) mean that choice of new car is a 'high risk' decision. If a consumer makes a poor purchase decision (e.g. by failing to realize the tax implications or fuel costs of an uneconomical car), then he or she will probably have to suffer the consequences for several years. This is exacerbated by the tendency of UK drivers to use their vehicles as status symbols and to express their desired personal images, consciously or otherwise. For example, although a consumer may believe that his or her reason for choosing a high performance car was the advanced engineering or reliability stated in the manufacturer's advertisement, a deeper motivation may well have been a desire to be seen by others in an expensive, stylish car – to be associated with the trappings of success; to convey sportiness; to instil envy in neighbours and friends; to demonstrate that he or she is 'doing well in life'; to attempt to recapture his or her youth; or to stay ahead of peers.

Organizational buyer behaviour in the UK car market

Organization-based decision-makers – fleet managers – must consider how a vehicle will reflect their corporate brand image, but are likely to focus much more heavily on financial considerations. If purchasing vehicles outright for cash, they must consider their predicted residual value at a predetermined age and mileage, to avoid disposal of vehicles becoming a

financial burden. This is not a consideration if the vehicle is to be leased to the organization, as the leasing company would take the burden of disposal and the risk of overestimating residual values, although leasing rates would reflect this. Reliability is key, as vehicle down-time (when a vehicle is undergoing servicing, maintenance or repair) can prevent an organization from undertaking its core activities, impacting on business performance. An operator of a large fleet is also likely to spread risk by using vehicles from several manufacturers. Therefore, if one of the manufacturers ceases to operate, as did Rover in 2005, the resulting drop in residual values and dealer back-up would only affect a proportion of its fleet.

In addition to fuel consumption and tax considerations, a fleet operator may wish to choose low-polluting vehicles as part of a wider corporate social responsibility policy. If choosing alternatively fuelled vehicles, fleet decision-makers must also consider the range of the vehicle (the distance it can travel before refuelling), and the local refuelling infrastructure, to avoid major inconvenience. Risk-aversion may be a factor in fleet operators' vehicle choices – a fleet manager is very unlikely to have to justify to his or her managing director the decision to purchase market-leading vehicles, whereas if a more unusual choice of vehicle proves unreliable or unpopular with company drivers, his or her decision may fall under scrutiny. Also, the company car policy is highly emotive to the company drivers themselves – who may be considered 'end consumers'. Very restricted choices of low prestige cars may damage staff morale and retention. Some organizations offer an open 'user/chooser' policy whereby drivers are allowed to select whichever car they wish within certain price brackets or leasing rates (and may even be able to make contributions from their payroll to 'trade up' to better vehicles). Other organizations operate a restricted choice policy, perhaps limited to a small number of manufacturers and models. Some organizations have a 'solus' (i.e. single manufacturer) policy which allows them to negotiate a strong volume-related discount from the manufacturer, but prevents them from using company car policy as a tool for raising staff retention and morale.

Fiat in the UK

Around 250 people work for Fiat UK, based near London. The company's role is to import Fiat vehicles from the factories and sell them within the UK. Although many aspects of Fiat's marketing are globalized, Fiat UK (and other nation-level counterparts) enjoy significant autonomy in addressing the needs of their local market. For example, Fiat UK is able to import vehicles which have product specifications specifically aimed to satisfy the needs and wants of British customers; it is responsible for appointing a dealer network which can represent the company and its products in towns and cities throughout the country; it develops a national customer relationship management (CRM) strategy to help increase customer satisfaction and retention.

In addition to the people employed by Fiat UK, there is a much greater number of outsourced service providers and channel partners who help to connect Fiat UK with the British market: staff employed by field marketing agencies play a significant role in promoting Fiat at shows, conferences and other events, and in prospecting and other sales activities; transport, logistics and events management companies help Fiat to deliver products to their clients (cars to customers, parts to dealerships) and in their below-the-line marketing; and above-the-line agencies work with Fiat UK in designing promotional campaigns for traditional and new media.

Fiat UK has around 160 independently owned but franchised dealerships, many being 'multi-franchise' sites, where Fiat cars are sold alongside rival manufacturers' products. Their dealer network is diverse, with multi-million-pound city sites owned by multinational companies and banks, and family businesses in small towns. Most manufacturers occasionally sell large numbers of discounted cars to dealers to meet sales objectives. This has let wealthy dealers sell cars cheaper than smaller dealers, producing pricing fluctuations, customer uncertainty and dealer unrest. Fiat endeavours to circumvent this model by adding customer value and avoiding commoditization.

During Fiat and Alfa Romeo's renaissance, they found that their average UK customers had an older age profile than was desirable for sustained brand growth. They subsequently launched a marketing campaign which distributed an online car racing game to middle-income professionals under the age of 40. This infectious game was intended to be circulated via email and social media, encouraging word of mouth within a target audience. The game was then beamed onto building walls in prominent 'cool' places, like London's Brick Lane, where young, affluent people spend their leisure time. This further built word of mouth and encouraged more conspicuous brand engagement.

The Fiat 500 in the UK

In early 2008, Fiat UK launched the '500' supermini car in Britain. The launch event was attended by celebrities such as pop star Mika. The subsequent marketing strategy for the 500, and the Fiat brand as a whole, was moved away from a previous over-dependence on magazine and television advertising, towards a more holistic approach. Despite the 500 being a 'retro-mini', Fiat did not overstate the heritage aspect, instead emphasizing brand values like youthfulness, fun and individuality.

While 'Fiat' has often been a difficult brand to push, '500' and 'Fiat 500' have enjoyed significantly more brand appeal, particularly among younger drivers and female audiences. It has been so successful that Fiat has extended this sub-brand with products such as the 500l, a larger, higher mini-estate version with panoramic windscreen, spacious cabin and characteristic Fiat 500 styling – a similar move to BMW's launch of the Mini Clubman. Fiat also owns the 'Abarth' brand. Abarth-badged versions of Fiat cars such as the 500, Punto and Panda are available at a much higher price than the Fiat models on which they are based, but offer substantially improved sportiness through faster engines, racing seats, lowered suspension and tyre profiles, and other changes which help target a more profitable and loyal, if relatively niche, market segment.

Each 500 is customizable with thousands of options like bespoke colour schemes and livery. Fiat's marketing strategy changed from explaining the brand in a 'one-size-fits-all' manner, to engaging each customer as personally as possible, allowing them to build their individual ideas of how the Fiat brand could enrich their everyday lives and help them express their identities. In this shift towards more consensual customer relationship management, Fiat sought to add value in new ways.

Fiat UK's recent promotional messages for the 500 car include the following:

- 'More style, lower monthly payments': The Fiat 500 can be personalised in over half a million ways. Competitive finance offers with attractive monthly payments can make the Fiat 500 yours;
- The 2014 UK television advertising campaign, 'Life's too short to wear a boring car: The Fiat 500 Spring / Summer Collection';
- 'Sport up' with the Fiat 500S. Features include satin chrome body trim, body coloured side skirts and spoiler, matt silver dashboard, red-stitched gear knob and seats, embroidered seat logos, and racing steering wheel;
- 'Colour Therapy' – a choice of many paint colours, including 'vintage' colours, on the Fiat 500;
- The chance to win £2,000 worth of free fuel when buying and registering a new Fiat 500 in the key month of September;

- Fiat 500 has Euro NCAP 5 star rating – which means it is in the safest category for occupants and pedestrians in the event of a collision. Also, 'it has 7 airbags';
- Fiat 500 is made of 95 per cent recoverable material;
- Fiat 500 has up to 14 body colours;
- Fiat introduced the 500byGucci, a special edition of the iconic hatch – a convertible customized by Gucci Creative Director Frida Giannini in collaboration with Fiat Centro Stile, Fiat's design team;
- The 500 has one diesel and three petrol engines – including 'Twinair' engines – with very low CO_2 emissions.

Questions

1. What might be the main decision-making criteria for (i) retail customers, and (ii) fleet managers? How might the decision-making process differ between the two?
2. When a family decides that they need to replace their current car, what actions in the decision-making process are they likely to undertake before purchasing a new Fiat 500?
3. If Fiat is currently targeting 'early adopters' with the Fiat 500 car, what should its marketing messages say in order to be effective?

This case was prepared by David Brown, Northumbria University, from various published sources as a basis for class discussion rather than to show effective or ineffective management.