

Understanding the Customer (Consumer)

Section Objective:

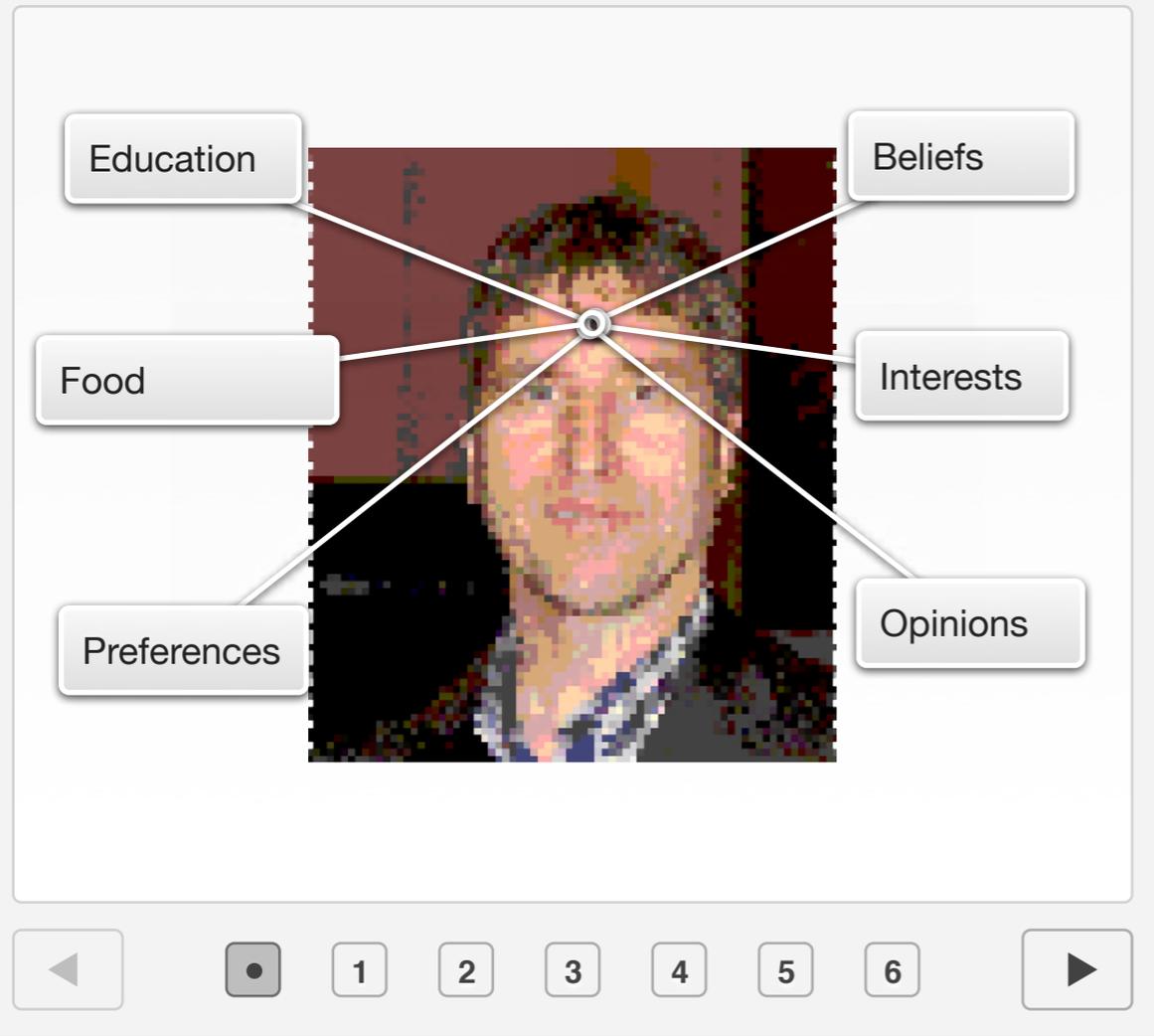
- 🌐 Understand the motivation of the customer in making purchase decisions

THE CUSTOMER (CONSUMER)

With globalisation, increased mass communication and the instant transmission of ideas, societies and the people within them are influenced by a tremendous range of cultural, social and different behaviours from across the world. For marketers the traditional approach to understanding people (consumers or customers) has been to try and differentiate them in a number of ways. The usual ways were – by age, gender, race, nationality, education, occupation, marital status and living arrangements. This now needs to be enhanced by a common understanding of how one differentiates people by their interests, activities, opinions, preferences and values. They differ in the food they eat, their political beliefs, what they might choose to wear and what they might choose to read. (Figure 5)

Predicting the needs and wants of people (consumers) is the business of marketers and social researchers who now need to focus on smaller groups of individuals with similar buyer behaviours or niche markets rather than the mass markets of previous decades. Diversity in behaviour, choice and the methods by which the marketing message will reach the consumers has expanded almost exponentially. Direct marketing and social marketing using social media are merely some of the “distribution channels” widely used to try and reach markets which can be defined by specific consumer behaviour.

Figure 5 Influences on Consumer Behaviour



The difficulty with this of course is that consumers refuse to be ‘pigeonholed’ in this way and the situation has become even more complex with a profusion of goods and services and the freedom of choice that is now available. Understanding the consumer and the potential buying behaviour, given certain sets of circumstances, has become increasingly difficult yet increasingly important, especially in providing targets for specific types of promotions and offers to desired market segments. If

revenue management is going to work effectively, the understanding of what conditions and behaviours will influence individual purchase decisions becomes more important than trying to provide a “global solution”.

“Consumers” can be both individuals, as personal consumers, or organisations, who are making purchase decisions on behalf of a corporate body. The personal consumer makes purchase decisions on the basis of their own requirements, needs and use, whereas the organisational consumer makes purchase decisions for products, equipment and services for the benefit of the organisation. In revenue management terms, both are equally important in the pursuit of maximising revenue, but have to be approached in very different ways. Understanding the corporate market is equally important to understanding individual consumers.

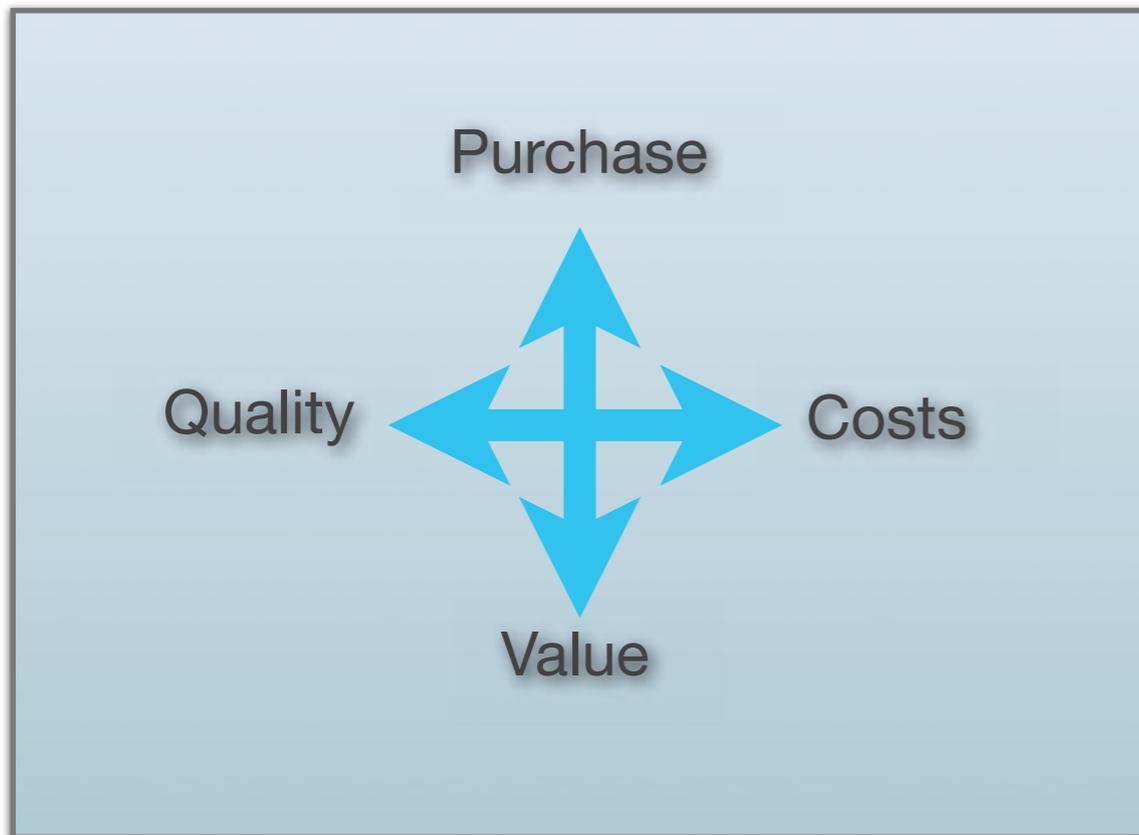
PERCEPTIONS AND EXPECTATIONS

Consumers, be they a person or organisation, have “perceptions” of the value and quality of a particular product or service, based on their own view of the product or service whether they have used it or not. This perception may be based on “real world” experience using the product or service, or, equally based on stimuli derived from a broad range of messages from individuals, advertising or third party opinion, such as could be found on any comparison website. The interpretation people

put on the vast range of visual and other stimuli that condition their perception of particular products and services, is not always based on objective evidence but on the imagery that is used to try and position products and services.

The consumer's perception of the product or service includes

Figure 6 The Quality Value Relationship



within its frame of reference the price (cost) and perceived quality. Perceived value therefore is based on costs, which could include non-monetary costs, combined with the perceived quality. If the costs in relation to the perceived quality are seen to be outside an acceptable range then the product or service will be rejected. In

revenue management, understanding the price points in relation to the perceived quality is particularly relevant when making pricing decisions in rapidly changing demand situations.

The quality and price relationship sets up for the consumer, expectations as to the “value” of the product or service. If that product or service does not meet those expectations the consumer becomes dissatisfied and that dissatisfaction will significantly influence future behavioural purchase decisions.

If that dissatisfaction is widely broadcast through a range of different media this can have a particular impact on other people's perceptions and expectations of the product or service.

UNDERSTANDING “VALUE”

Understanding value or more importantly the consumer's perception of value is integral to revenue management. In a buyer or seller transaction, the value is the amount of perceived benefit gained minus the price paid. This can be expressed as a formula:

$$\textit{Perceived benefit} - \textit{Price} = \textit{Value}$$

For most consumers both personal and organisational, the value of the various alternatives on offer is not necessarily obvious. The information that consumers receive and how they evaluate that information will affect the perceived value. Where price points for

a product or service are set lower than consumer expectations, consumers tend to be prepared to take more risk because the value would be greater as the price is lower when measured against the perceived benefit. Where the price point is higher against the perceived benefit, consumers tend to be more risk averse and will be seeking more “value”. The issue for revenue management is establishing the appropriate balance across the range of price points that are offered.

SITUATIONAL BEHAVIOUR

One of the complexities in understanding consumer behaviour is that consumers do not represent homogenous groups and their behaviour changes significantly dependent upon the situation in which they are making the purchase decision. This situational behaviour impacts on how markets may be segmented. For example, in making a purchase decision for a hotel room the “perceived benefit” will vary significantly depending upon the situation that is governing the purchase decision. The perceived benefits for a one night stay as part of a business trip are going to be very different from those of a three night leisure stay. Thus the “perceived value” is dependent upon the situation in which the purchase decision is being made.

Review Questions: Understanding the Customer

Question 1 of 3

Why is it important to understand the consumer beyond the traditional factors such as age, gender etc?

- A.** Consumers have more freedom of choice than in the past
- B.** Consumers refuse to be ‘pigeonholed’
- C.** Increased goods & services on the market
- D.** All the above



Check Answer

