

Module

1

Understanding Consumer Behavior and Consumer Research

OVERVIEW



Welcome to our first module for Market Research and Consumer Behavior. This will tackle mainly some introductory points about consumer behavior and consumer research. As future entrepreneurs, you are expected to have the utmost understanding of your potential and present consumers, in order to come up with successful products, services, and strategies for your business. Therefore, having a clear understanding about the “why”, “how”, “what”, “when”, and “how much” of purchase behavior is important.

LEARNING OUTCOMES

At the end of this lesson, you should be able to:

1. Illustrate consumer behavior;
2. Explain the importance of understanding consumer behavior;
3. Discuss how consumer behavior is specifically measured and examined through marketing research; and
4. Provide examples of various methods for collecting consumer research data

1.1 What is Consumer Behavior?



Consider this scenario; you are at the Supermarket, with an ample amount of money to do grocery. What would you buy? At how much will you be willing to buy the product? How many of a specific product will you buy? Considering that you have a limited budget, what would you prioritize? Will you buy the same brand of the product or try another one? Have you purchased something repeatedly?

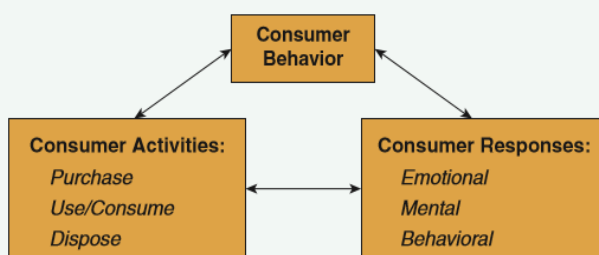
These are some of the instances wherein consumer behavior comes into play

While referring to consumer behavior as “the study of how customers decide to buy products may be accurate, this is an inadequate description of the full scope of activities which include prior, during, and post purchase.

Consider this definition...

“**Consumer behavior** entails all consumer activities associated with the purchase, use, and disposal of goods and services, including the consumer’s emotional, mental, and behavioral responses that precede, determine, or follow these activities.” (Kardes, Cronley & Cline (2014)

FIGURE 1.1 WHAT IS CONSUMER BEHAVIOR?



The above illustration depicts the consumer behavior concept as defined above. This definition however is broad and can be broken down into the following components: *consumers, consumer activities, and consumer responses*:

Consumers (Individual vs. Organizational)

The term “consumer” can describe either individual or organizational consumers. *Individual consumers purchase goods and services to satisfy their own personal needs and wants or to satisfy the need and wants of others.*

For example a student buying textbook, a mother purchasing groceries, someone buying cake for a friend’s birthday, your parent buying a cellphone for you, Individual consumers come in all ages, life stages, and social backgrounds.

Organizational consumers purchase goods and services in order to produce other goods or services, resell them to other organizations or to individual consumers, ad/or help manage and run their organizations.

For example, Starbucks Coffee purchases coffee beans, brewing equipment, and paper cups in order to produce and offer its products. Organizational consumers include for-profit firms, such as manufacturers, farmers, financial institutions, wholesalers, and retailers, and not-for-profit businesses, such as charities, political groups, and civic clubs. Local, state, and federal government agencies and other public institutions like schools, hospitals, and libraries are also organizational consumers.



Although organizational consumers are equally important, what we will be dealing with in this subject is the individual consumers’ behavior.

Consumer Activities

Consumer behavior is broken down into purchase, use, and disposal activities. Categorizing consumer behavior by type of activity is useful because consumers’ responses to stimuli may differ depending on whether they are purchasing, using, or disposing of a single product or service.

Purchase activities are those through which consumers acquire goods and services. *Purchase activities also include everything done leading up to the purchase, such as gathering and evaluating information about the product or service and choosing where to make the purchase.* The purchase method and any additional services desired— home delivery and installation, and extended warranties, for instance—also influence purchase activities. So too are factors unique to the situation, such as the atmosphere of a store, the design of a website, the reason for the purchase, and the amount of time the consumer devotes to the buying decision.

Use activities describe where, when, and how consumption takes place. For example, do consumers immediately consume the product after purchase, like an ice cream cone or a haircut, or do they delay consumption, such as when they buy new clothing for a future occasion or an airline ticket? Is the product consumed as part of a special event, such as going on vacation or attending a wedding, or as part of a special occasion, such as a holiday or birthday? Is the entire product consumed before disposal, such as a movie theater ticket or a battery, or is some left unconsumed, such as chewing gum or ink remaining in a toner cartridge?

Finally, **disposal activities** are the ways consumers get rid of products and/or packaging after consumption, and include discarding products, recycling, reuse, and resale. For example, sorting

biodegradable trash, giving outgrown clothing to charity and using paper grocery bags for book covers are recycling and reuse behaviors.

Consumer Responses

Central to our definition of consumer behavior are consumers' emotional, mental, and behavioral responses to goods and their marketing. These responses can either be emotional, mental or behavioral.

Emotional responses (also called affective responses) reflect a consumer's emotions, feelings, and moods. For example, when a consumer buys his first car, both excitement and uncertainty are probably among his affective responses.

Mental responses (also referred to as cognitive responses) include a consumer's thought processes, opinions, beliefs, attitudes, and intentions about products and services. Weighing the pros and cons of financing a new car, making a mental list of attributes the car should have, and imagining oneself driving that car are some of the cognitive processes a consumer might experience in purchasing a new automobile. Mental responses can be evaluative, involving making a judgment that assigns value to something. They can also be non-evaluative, involving thinking about something without making a value judgment. Cognitive responses can be very specific and refer to one brand or even one attribute of that brand; they can also be very broad and deal with entire categories of products.

Finally, **behavioral responses** include a consumer's overt decisions and actions during the purchase, use, and disposal activities identified earlier. To continue the car purchase example, a consumer is likely to pay close attention to various car advertisements, read sales literature at the car dealership or on a manufacturer's website, test drive a car prior to purchase, discuss the decision with friends or family, and regularly maintain the car with oil changes after the purchase. Each of these actions exemplifies behavioral responses.



How are you doing so far? Did you understand what consumer behavior is all about? Let's see if you were able to understand by answering the assessment given below.

ASSESSMENT TASK 1

Consider your recent purchase experience. Describe your behavior as a consumer through that experience by using the different components (consumer, consumer activities, consumer responses). Make sure that all these components appear in the description. After writing the description, identify which is the consumer, consumer activities, and consumer response.

Ex. I bought a new laptop. Before buying, I searched for different brands online to see which would fit the specifications I need. After determining the brand, I ordered it online and paid with my credit card. After my initial use, I felt satisfied with the performance of my new laptop and recommended it to my co-workers.

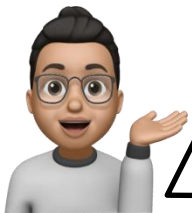
Write your answers here:



Were you able to do the assessment task? Now evaluate what you have written by determining whether all components are present in your description. If you were able to include everything... Job well done!!!

1.2 Why Study Consumer Behavior?

People study consumer behavior for a variety of reasons and in a variety of contexts, such as a student in a university class, a marketing executive working in an organization, an advertising designer working at a large agency, or a professor teaching and doing scholarly research. Let's examine a few of the benefits of studying consumer behavior, specifically, to improve business performance, to influence public policy, and to educate and help consumers make better decisions.



Why do you think businesses strive to understand their consumers? What benefit do they get from it?

Precisely, knowing how your consumers behave and why they behave as such would lead to your business being able to come up with appropriate decisions especially in terms of your product offerings, marketing strategies, and the likes; which in turn, would be beneficial to your business in terms of consumers' patronage.

Now, let us take a look at the following reasons cited below:

**To improve
business
performance**

- Marketers who understand their customers can create better products and services, promote their products and services more effectively, and develop marketing plans and strategies that foster sustainable competitive advantages. This understanding enables marketers to predict what motivates people to buy and then to deliver products that respond to those motivations, thereby successfully meeting and exceeding customer expectations over time.

**To influence public
policy**

- Those interested in shaping public policy study consumer behavior to understand the public needs and wants, and at the same time, to protect the public from unfair, unethical, or dangerous business practices.

**To educate and
help consumers
make better
decisions**

- Many people study consumer behavior because they want to educate consumers or help them act responsibly.



I hope you were able to imbibe the importance of understanding our consumer's behavior. Now let us see if you were able to grasp it.
Answer the assessment task below

ASSESSMENT TASK 2

Write down reasons as to why there is a need to understand consumer behavior as

- a. Consumer
- b. Business owner

Write your answers here:



Good job! Now after reflecting on the importance of understanding consumer behavior, let us proceed with the next topic

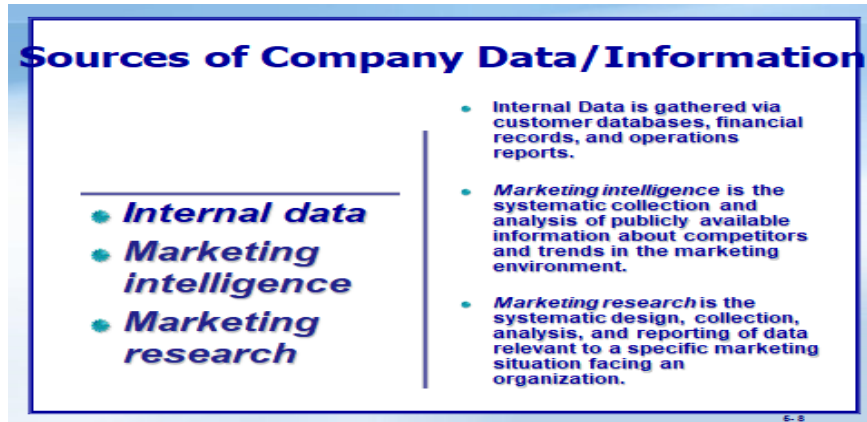
1.3 Consumer Behavior Research



Considering the importance of understanding the behavior of the consumers, it is important for the business to be able to acquire information that would help in analyzing how their customers behave. Therefore, establishing a marketing information system is also a very important aspect in a marketing organization. The marketing information system serves as a repository of data and information coming from various sources which can be processed and analyzed by the organization as basis for coming up with decisions, including that of the consumers.

While data can be sourced out from various sources within and outside of the organization, the one taken from marketing research caters to specific problems or questions and provide specific answers for the company. Other sources of data can be from internal data and marketing intelligence.

Let us take a closer look at these sources of data and dive deeper into marketing research!



Source: Armstrong & Kotler (2013)

About Consumer Research:

- ✓ Consumer researchers study consumer responses and activities by using marketing research methods.
- ✓ Marketing research is a systematic process of planning, collecting, analyzing, and interpreting data and information relevant to marketing problems and consumer behavior.
- ✓ Marketing research also enables businesses to better understand the market(s) in which they compete and the broader environment in order to identify opportunities and threats.
- ✓ Consumer researchers use marketing research to analyze the effectiveness of marketing strategies, programs, and tactics. Ultimately, effective marketing and consumer research should provide marketers with relevant information for making decisions, reducing uncertainty, and improving profits.



Undoubtedly, consumer research is very useful in understanding the complex nature of consumer behavior. However, there are certain issues when it comes to this. One is although it has been proven useful, a lot of businesses still rely on intuition when it comes to business decisions, which turns out to be providing wrong analysis about consumers. Another is the ethical considerations when it comes to the conduct of consumer research as there are some firms who conduct unethical practices such as manipulation of data or violation of privacy just to their advantage. These two concerns should be addressed concerning consumer behavior.

Now, let us discuss the various aspects of marketing research.

Basic vs. Applied Research (major classifications of research)

Consumer research is divided into two broad categories based on the goals of the research: basic research and applied research.

Basic research looks for general relationships between variables, regardless of the specific situation. For example, basic research has shown that using celebrity endorsers in advertising can increase consumers' positive attitudes toward a brand, especially when the celebrity is well liked and fits well with the product or the product's image. The key benefit of basic research is that conclusions drawn from it generally apply across a variety of situations, and researchers can use these generalizations to guide strategic planning and develop marketing tactics.

Basic research variables studied can include those related to the consumer, such as personality or demographic variables; they can also relate to the marketing mix (product, price, place, and promotion). Examples include advertising tactics involving humor appeals or sex appeals and the consumer's environment or personal situation, such as music played in a retail store, or shopping when pressed for time, e.g., 5:00 P.M. on Christmas Eve.

Applied research examines many of these same variables, but within a specific context of interest to a marketer. Applied research is more common than basic research because consumer researchers want to solve particular business-related problems of immediate interest.

Let's revisit our celebrity endorser example. Given what researchers know about the influence of celebrity endorsers from basic research, a company, let's say Kraft, decides to use a celebrity endorser to advertise a new line of kids' yogurt. The company develops two or three advertisements, each with a different celebrity endorser. These celebrities are people who might fit with the product or convey an image desired by the company, such as Kelly Ripa, the famous mom and talk-show host, or Hillary Duff, a popular young actress. The company then conducts applied research to test which of the endorsers is most effective. In this case, the research is aimed at evaluating a specific brand and endorser combination, and the results would not apply to other situations.

Correlation or Causal (classification of relationship among variables)

Consumer researchers are especially interested in uncovering two special types of relationships—correlations and causal (cause-and-effect).

When a statistically testable and significant relationship exists between two variables, we say the variables are correlated. A variable is simply any factor that that can potentially change. For example, if researchers are studying the relationship between advertising and sales, those would be the variables of interest. There are three main types of correlations: positive, negative, and zero.

- ✓ In a positive correlation, the two variables increase or decrease together.
- ✓ A negative correlation means that as one variable increases, the related variable decrease
- ✓ A zero correlation means that there is no predictable relationship between two variables

Examples of a positive and negative correlation:

Research has shown that there is a positive correlation between advertising expenditures and level of sales. As advertising increases, sales also increase. On the other hand, a negative correlation between product malfunctions and customer satisfaction exists—as product malfunctions increase, customer satisfaction tends to decrease. There is zero correlation between the quality of non-frozen, concentrated orange juice and the physical distance between the orange grove and the processing facility.

One limitation in identifying correlations is that they tell us nothing about which variable influences the other. This means that even if we know that two variables (A and B) are correlated, we still do not know whether variable A influences variable B; B influences A; or A and B influence each other. Applying the advertising and sales example, even though we know that sales and advertising are positively correlated, advertising may influence sales, sales may influence advertising, or both variables may influence each other simultaneously.

In contrast, **causal relationships capture both correlation and direction of the relationship. A causal relationship between two variables means that the variables are correlated and that one variable influences the other, but not vice versa.** In other words, a causal relationship exists if the following requirements are met:

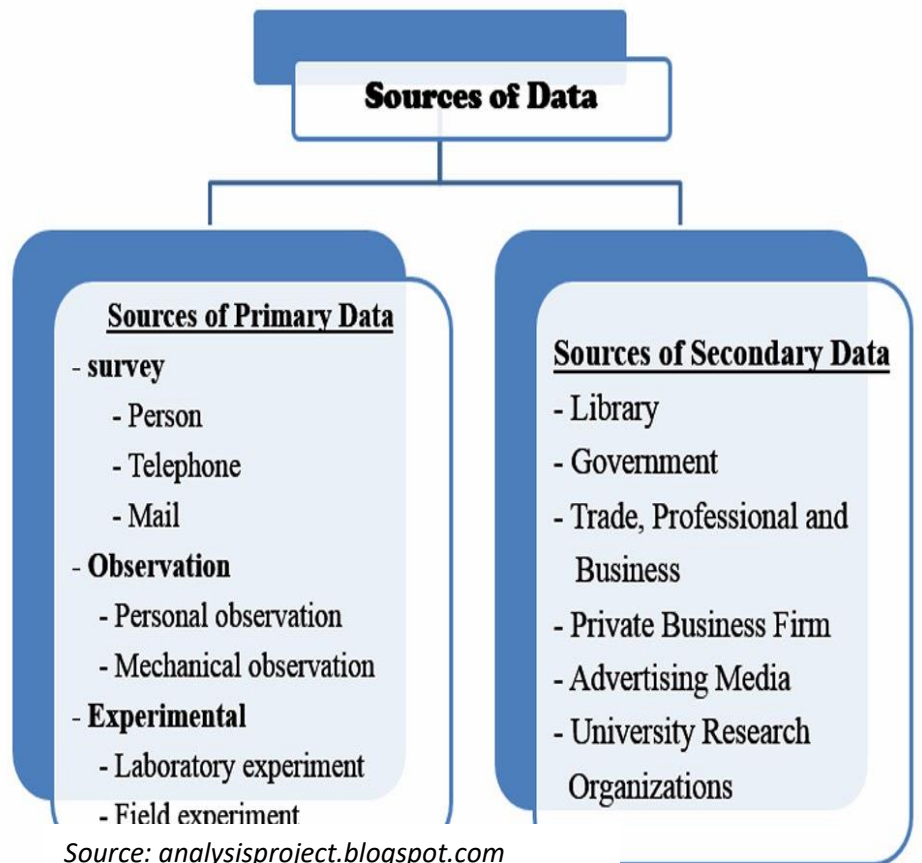
- a. the two variables are correlated
- b. the cause must precede the effect
- c. other potential causes are ruled out

Let's look again at the positive relationship between advertising and sales. Of course, marketers are interested in whether advertising actually drives sales. They know that the variables are correlated, and it seems logical to conclude that advertising is the cause and must precede sales, and not vice versa, but does this constitute a causal relationship? Does this relationship satisfy all the requirements for a causal relationship? While intuition may point marketers toward answering "yes" to these questions, they cannot truly establish a causal relationship between advertising and sales without some scientific evidence. Can they obtain such evidence? Yes, by employing the scientific method, they can conduct experiments to test causality. In fact, there is a causal relationship between advertising and sales.

Primary vs. Secondary Data (classification of sources of data)

Where do marketers collect data? There are two broad sources of data: secondary data and primary data.

Secondary data is data that already exist and is readily accessible. One source could be internal organizational sources, such a company's sales history records, customer database, sales force observations, or even previous company research projects. Secondary data is also available from outside sources, including government agencies that offer a variety of reports,; publications, such as Moody's Manuals, Journal of Consumer Research, and Advertising Age, that often publish the results of both basic and applied research; and finally, commercial syndicated data sources, such as Nielsen TV Ratings Reports and InfoScan data from supermarket scanners.



Primary data are new data collected specifically for the research purpose at hand. For example, prior to offering a product, the business has conducted a survey to its target market on their willingness to buy the product that will be offered.



Were you able to differentiate between primary and secondary data? This decision is important in your marketing research since a lot of factors like your budget, human resource and capabilities should be considered, and on the other hand, the type of data that you will obtain will depend on what data source you will be using. Therefore, it is important to select the most appropriate data source for your organization.

To further understand them and weigh its pros and cons, take a look at the infographic below.

Primary Data Collection Methods

A diverse set of methods enable researchers to “get inside the mind of the consumer” through primary data. There is no one perfect primary research method. Each has strengths and weaknesses, so the best methodology is the one that achieves the individual researcher’s objectives.

Let’s examine four common primary research methods:

1. observation
2. direct questioning
3. experimentation
4. projective techniques

Points	Primary Data	Secondary Data	
Meaning	Primary data is collected directly from the first-hand experience. This is the information that you gather for the purpose of a particular research project.	Secondary data is the data that have been already collected for another purpose. The data is collected by someone else instead of the researcher himself.	
Main Sources	Interview, surveys, questionnaires, field observation, experiments, action research, case studies and etc.	Previous research, mass media products, Government reports, official statistics, web information, historical data and etc.	
Data Time	Real - Time Data	Past Data	
Specific to the Researcher Needs	Always specific to the researcher’s needs.	Often, it is not specific to the researcher’s needs.	
Costs	Expensive	Low Cost or Free	
Level of the control over data quality	Higher level of control	Lack of control over data quality	
Time consuming	More time consuming	Less time consuming	
Proprietary Information	You are the owner of the data. Thus, the information can remain hidden from the competitors.	You are not the owner of the data. Your competitors also have access to the data.	
Capability	More capable to solve a specific problem	Less capable to solve a specific problem	

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❖ **Observation**

- ✓ By using observational techniques, researchers can record people’s behavior, either with or without their knowledge.
- ✓ When a person is aware of the observation, the research is referred to as **obtrusive observation**. For example, toy manufacturers routinely invite children in for “playtime.” In a research facility made to resemble a classroom, playground, or family room, children are encouraged to play with toys while researchers record all their behaviors and comments.
- ✓ When a person is unaware of being observed, the research is **unobtrusive observation**. For example, in addition to monitoring security, cameras in retail stores can track traffic patterns, examining path and pace as customers move through the store and see where traffic jams occur.
- ✓ Observational techniques are valuable because they can measure what consumers actually do, but observation alone cannot reveal a person’s underlying motivations, attitudes, and preferences. In addition, observation may also raise ethical issues when it is used to collect data that consumers regard as private.



❖ **Direct Questioning: Surveys, Interviews, and Focus Groups**

Direct forms of questioning are probably the most popular types of consumer research methods because researchers can collect a wide variety of data, such as group versus individual, brief answers versus long answers, and qualitative versus quantitative.

- ✓ Researchers can also collect large amounts of data with direct questioning, and the variety of direct questioning methods adds flexibility to the data collection task.
- ✓ Questioning the consumer directly can take a number of forms, including written and oral surveys, which can be administered via mail, telephone, fax, e-mail, the Internet, or face-to-face.



- ✓ A **survey** is simply a set of structured questions to which a person is asked to respond
- ✓ Surveys are useful for collecting specific, often complex, information from a large number of individuals. They are typically easy to administer, and the general public is familiar and comfortable with this technique. However, as is true of all research techniques, surveys are vulnerable to bias.

- ✓ Another method of direct questioning is the **in-depth interview (IDI)**, a one-on-one, interview of at least one hour in length, but sometimes considerably longer.
- ✓ This method is particularly appropriate for sensitive or emotionally charged topics, or when the researcher is attempting to gather detailed information about very complicated behaviors.
- ✓ In an in-depth interview, the research can peel away layers of respondents' emotions, thoughts, or behaviors.
- ✓ The disadvantages of in-depth interviews are that they tend to be time-consuming and costly, because the interviewer must be highly trained. Furthermore, respondents are typically compensated for their time, and the data can be difficult to analyze and interpret.

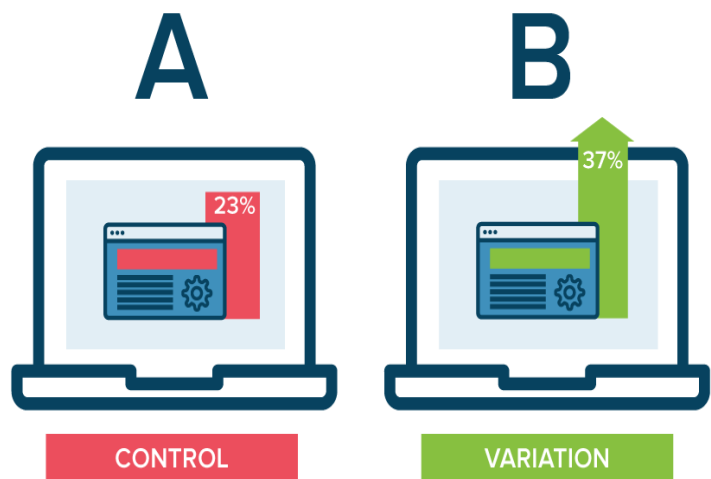


- ✓ Extending interviewing to the group level, a **focus group** consists of 6 to 12 current or potential customers run by a facilitator who monitors and guides the group discussion.
- ✓ Focus groups are conducted for a variety of reasons, including brainstorming for ideas, assessing new products, and evaluating promotional campaigns.
- ✓ With a skilled facilitator, focus groups are opportunities to generate energy and group synergies that can result in new ideas or unique insights.
- ✓ On the downside, like interviews, focus groups require a skilled facilitator and may yield unwieldy data. In addition, focus groups are vulnerable to problems associated with group dynamics.

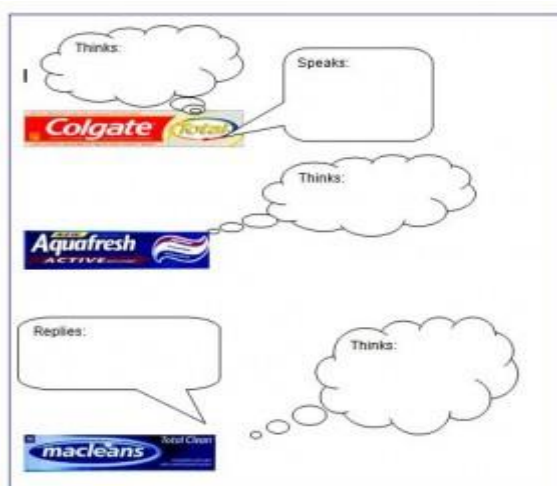
❖ Experimentation

- ✓ Experiments manipulate variables in a controlled setting to determine their relationship to one another.

- ✓ Researchers use experiments to rule out all but one explanation for a particular observation.
- ✓ In designing an experiment, researchers first identify any variables that can possibly change. There are three broad types of variables:
 - Independent variables are the factors that are changed or manipulated.
 - Dependent variables are factors that change in response to researchers' manipulations of the independent variables.
 - Constants are factors that researchers do not allow to change, but instead control.
- ✓ Recall our discussion of the potential causal relationship between advertising and sales. Experiments are the best methods for determining causality. For instance, a marketer could manipulate advertising (the independent variable) by showing an advertisement for a product to one group of participants and not showing the advertisement to a second, control group—a group that is not exposed to any independent variables and serves as a standard of comparison. The marketer could then examine the resulting influence of the advertisement on average sales (the dependent variable). If sales are significantly higher in the ad-group than in the no ad-group, the marketer could conclude that changes in advertising are likely to cause changes in sales. Participants in experiments should be randomly assigned to the conditions, which mean the assignment is determined by chance, such as flipping a coin.
- ✓ Experimentation is the most effective technique for determining causal relationships, but it does have a drawback in that consumers are removed from their natural surroundings. The contrived laboratory setting may prevent consumers from acting as they would in a real market setting.



❖ Projective Techniques



✓ Projective techniques are an “unstructured, indirect form of questioning that encourages respondents to project their underlying beliefs, attitudes, feelings, and motivations in an apparently unrelated or ambiguous scenario.

✓ In other words, projective techniques use seemingly meaningless exercises to uncover consumers' unconscious points of view.

✓ Projective techniques consist of a variety of tests that fall under four broad categories:

1. **Word-association tests**, which ask subjects to respond to a list of words with one or more associated words that come to mind
2. **Completion tests**, which ask subjects to fill in the blanks by finishing sentences or stories

3. **Construction tests** including cartoon construction, which ask subjects fill in the word/thought “bubbles” in a cartoon; or picture construction, where subjects tell a story about a picture
 4. **Expression tests**, including role-play activities and third-person techniques, which ask subjects to describe the actions of typical others
- ✓ Projective techniques can often generate responses that participants would be unwilling or unable to give if questioned directly. For example, the makers of Old Spice High Endurance Antiperspirant-Deodorant use an expression-type projective technique, asking research participants to describe a “typical” user of their product and a “typical” user of a competing product. This technique helps paint a rich picture of how each brand is perceived and reveals subtle differences between brands that research participants are not able to articulate directly.
 - ✓ On the negative side, projective techniques can be time-consuming and awkward to code (input as data) and analyze, and interpretation can be subjective.

Take note that these methods of primary data collection are mutually exclusive, meaning, you are not restricted to use one; if your organization has the capability to utilize a combination of these techniques, then the better information you can obtain. However, due to the limited resources of most organizations, there is always that need to choose the most appropriate technique.

Were you able to take in all the topics on Consumer Research? If not, don't worry, this is just the introductory part, these topics will be discussed in detail once we go to Marketing Research Topic. Now let us test your understanding...



ASSESSMENT TASK 3

Answer the following questions:

1. In what way can marketing research be able to measure the behavior of the consumers?
2. Differentiate the following by giving examples:
 - a. Primary data and secondary data
 - b. Observation and experimentation
 - c. Projective techniques and direct questioning



Were you able to answer all the questions? Great work you've done here! If you have further questions you can message me directly, but if you think you have understood enough let's proceed! Congratulations on completing the first lesson!

KEY TERMS

consumer behavior	marketing research	basic research
applied research	correlated	causal relationship
secondary data	primary data	survey
in-depth interview	focus group	experiments
projective techniques		

SUMMARY

Consumer behavior comprises all consumer activities associated with the purchase, use, and disposal of goods and services, including the consumer's emotional, mental, and behavioral responses that precede, determine, or follow these activities. To achieve a deeper understanding of consumer behavior, consumer research is a very useful tool to use. In this approach, researchers are especially interested in two special types of relationships between variables, namely, correlational and causal relationships. When a statistically testable and significant relationship exists between an event and a condition, we say that the event and the condition are correlated. A causal relationship between two variables means that the variables are correlated and that one variable influences the other, but not vice versa.

Consumer researchers conduct basic and applied research to identify important variables relevant to consumer behavior. Basic research aims at understanding relative relationships between variables, whereas applied research examines variables within a specific context of interest to the marketer. There are two broad sources of research data—secondary data and primary data. Secondary data are data that already exist and can be accessed within an organization or from external sources. Primary data are new data collected on a project-by-project basis. Consumer researchers collect primary data by a number of methods, including observation, direct questioning, experimentation, and projective techniques. Observational techniques record people's behavior, with or without their knowledge. Questioning the consumer directly takes a variety of forms, including surveys, in-depth interviews, and focus groups. Experiments manipulate variables in a controlled setting to determine their relationship to one another and are the most effective technique for determining causal relationships. Projective techniques are indirect forms of questioning that uncover unspoken feelings and attitudes. Researchers analyze consumer behavior research data in order to discover customer need and wants, deliver products and services that satisfy those needs and wants, and ensure that the customer remains satisfied over time. Ultimately, effective consumer behavior research provides marketers with relevant information for making better decisions.

REFERENCES

Kardes, F., Cronley, M, & Cline, T. (2011). *Consumer Behavior*. South-Western Cengage Learning, USA.

SUGGESTED READINGS