Unit 2

MBA MK-1

Syllabus

Consumers' Behavior for Services- Consumer Decision Making Process and Buying behavior in services, Meaning and Types of Service Expectations, Zone of Tolerance, Consumer Satisfaction, Segmenting, Targeting and Positioning of Services.

Consumer Buying Behavior

- Consumer Buying Behavior refers to the actions taken (both on and offline) by consumers before buying a product or service. This process may include consulting search engines, engaging with social media posts, or a variety of other actions. It is valuable for businesses to understand this process because it helps businesses better tailor their marketing initiatives to the marketing efforts that have successfully influenced consumers to buy in the past.

Factors affected buying Behaviour

- Cultural Factors - Culture is not always defined by a person's nationality. It can also be defined by their associations, their religious beliefs or even their location.

- Social Factors - Elements in a person's environment that impact the way they see products.

- Personal Factors - These may include someone's age, marital status, budget, personal beliefs, values, and morals.

- Psychological Factors - A person's state of mind when they are approached with a product will often determine how they feel not only about the item itself but the brand as a whole.

Steps in Consumer Buying Process

1. Information search--

- Internal search, memory.
- External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.

2. A successful information search leaves a buyer with possible alternatives, the *evoked set*. Hungry, want to go out and eat, evoked set is

- Chinese food
- Indian food
- burger king
- klondike kates etc

3. Evaluation of Alternatives--need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest rank etc.
If not satisfied with your choice then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.

4. Purchase decision--Choose buying alternative, includes product, package, store, method of purchase etc.

5. *Purchase*--May differ from decision, time lapse between 4 & 5, product availability.

6. *Post-Purchase Evaluation*--outcome: Satisfaction or Dissatisfaction. ***Cognitive Dissonance***, have you made the right decision. This can be reduced by warranties, after sales communication etc. After eating an Indian meal, may think that really you wanted a Chinese meal instead.

Four Types of Buyers

- The Analytical Buyer - Motivated by logic and information, this buyer will look at all the data on competing brands and products before making an informed decision.

- The Amiable Buyer - Warm and friendly, this buyer just wants everyone to be happy. That is why they are often paralyzed by big decisions when there is the perception of a win/lose outcome.

- The Driver Buyer - Drivers are most concerned with how others view them and whether they follow. The trendsetters, Drivers are most concerned with their appearance rather than the relationships that are formed during a transaction.

- The Expressive Buyer - Relationships are key to the Expressive Buyer. They cannot stand feeling isolated or ignored during a transaction. Instead, they want to feel like your most important asset.

The four type of consumer buying behavior are:

- Routine Response/Programmed Behavior--buying low involvement frequently purchased low cost items; need very little search and decision effort; purchased almost automatically. Examples include soft drinks, snack foods, milk etc.

- Limited Decision Making--buying product occasionally. When you need to obtain information about unfamiliar brand in a familiar product category, perhaps. Requires a moderate amount of time for information gathering. Examples include Clothes--know product class but not the brand.

- Extensive Decision Making/Complex high involvement, unfamiliar, expensive and/or infrequently bought products. High degree of economic/performance/psychological risk. Examples include cars, homes, computers, education. Spend a lot of time seeking information and deciding. Information from the companies MM; friends and relatives, store personnel etc. Go through all six stages of the buying process.
- Impulse buying, no conscious planning.

- **Customer expectations** are beliefs about service delivery that serve as standards or reference. points against which performance is judged.
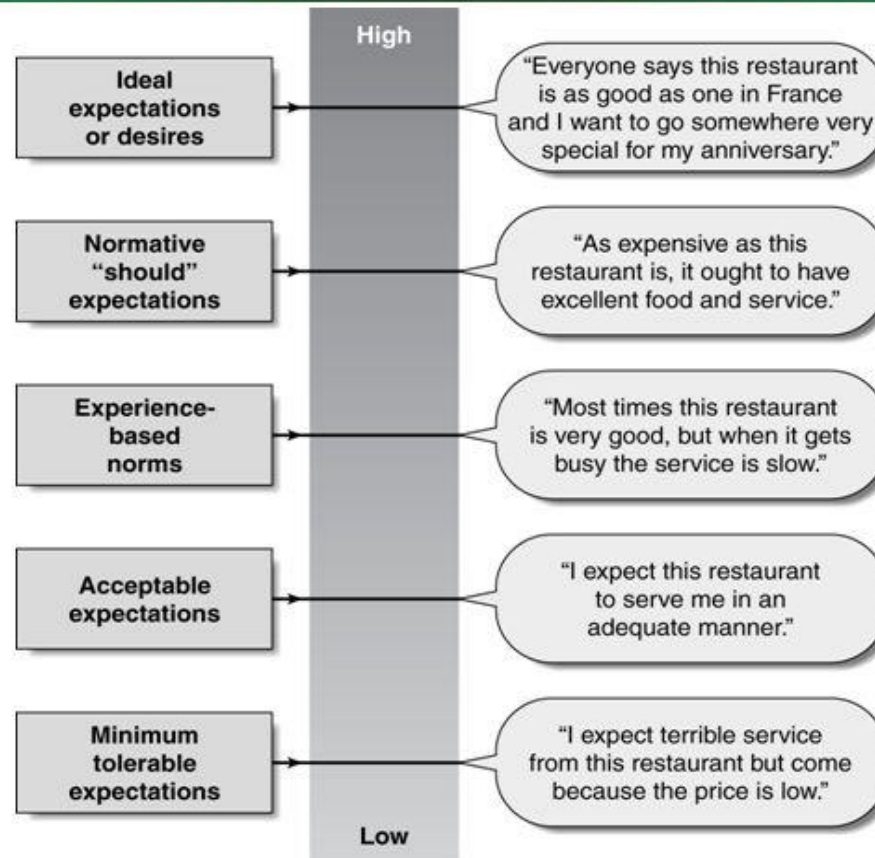
Customer Expectations of Service

Customer Expectations

- Beliefs about service delivery
- Serve as standards or reference points against which performance is judged.
- Customers compare their perceptions of performance with these reference points when evaluating service quality.
- Thorough knowledge about customer expectations is critical to services marketers.

Figure 4.2
Possible Levels of Customer Expectations

High

| **Ideal expectations or desires** | "Everyone says this restaurant is as good as one in France and I want to go somewhere very special for my anniversary." |

| **Normative "should" expectations** | "As expensive as this restaurant is, it ought to have excellent food and service." |

| **Experience-based norms** | "Most times this restaurant is very good, but when it gets busy the service is slow." |

| **Acceptable expectations** | "I expect this restaurant to serve me in an adequate manner." |

| **Minimum tolerable expectations** | "I expect terrible service from this restaurant but come because the price is low." |

Low

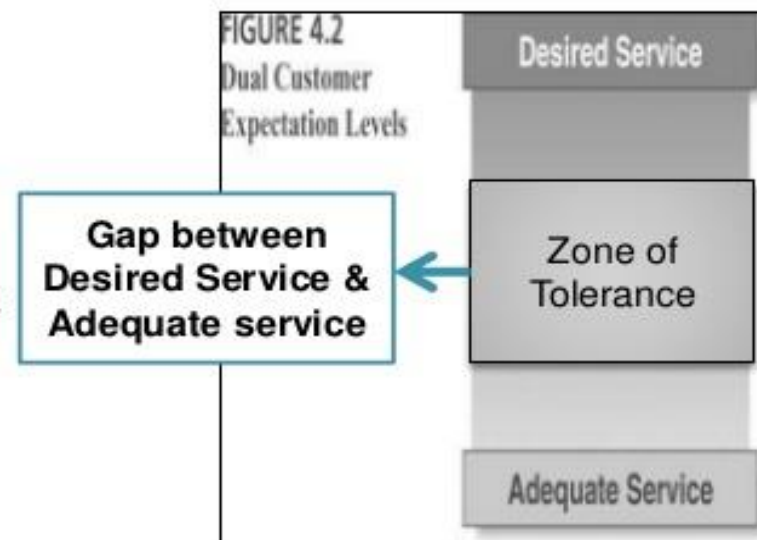# Dual Customer Expectation Levels

Desired Service:
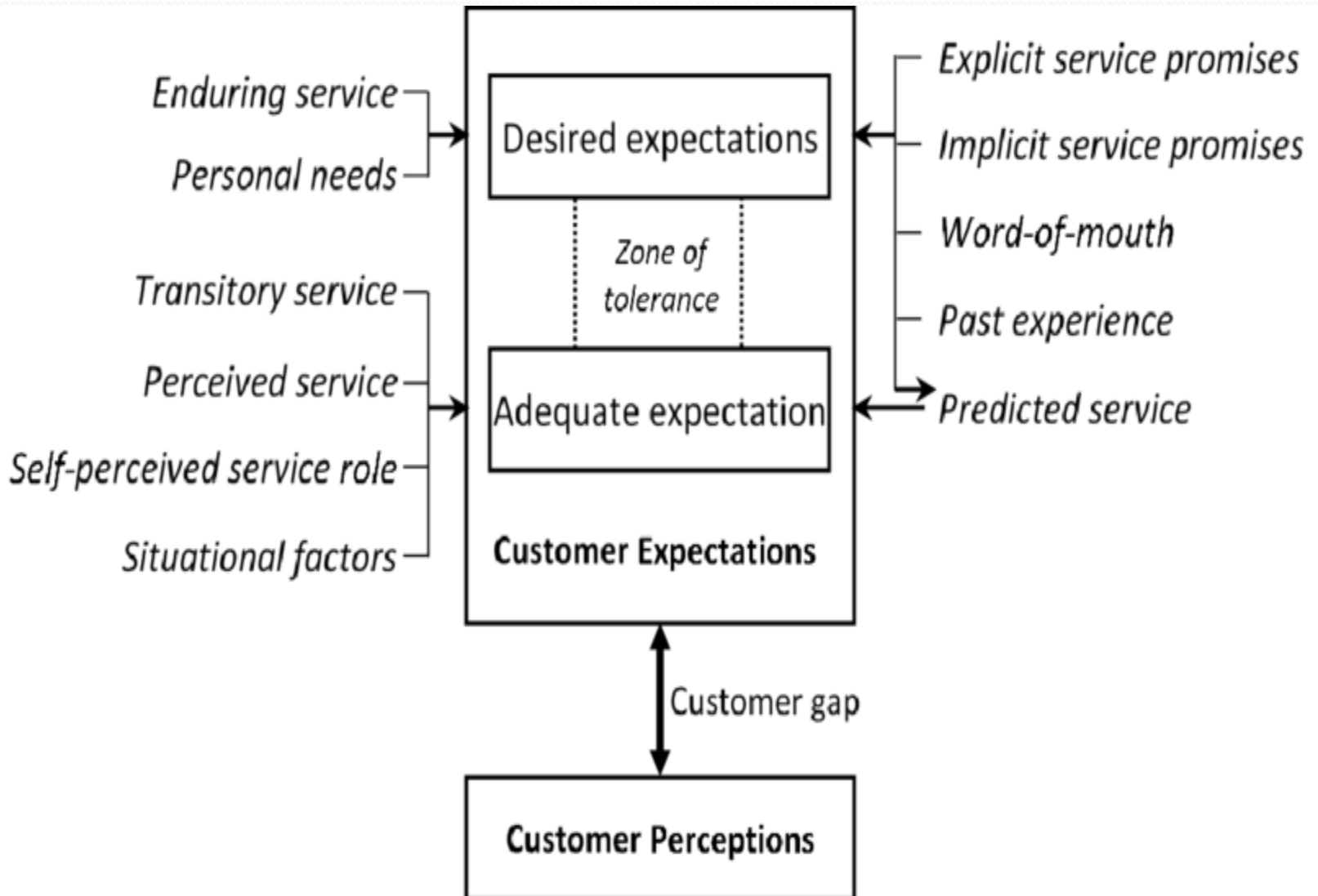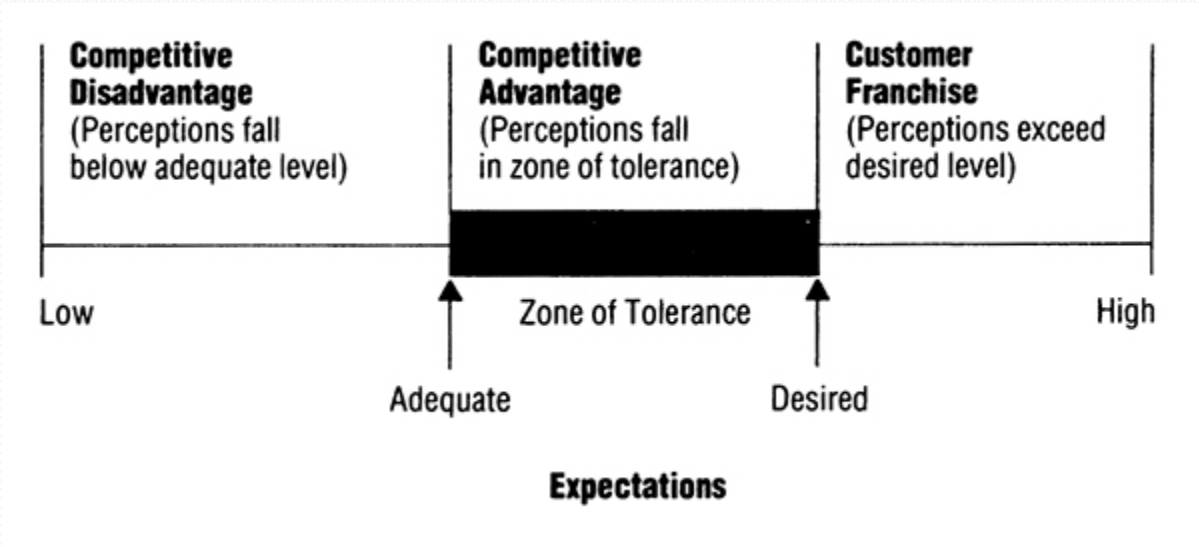☙Level of service that customer hopes to receive

Adequate service:
☙Level of service the customer will accept

Zone of Tolerance:
The extent to which customer recognize and are willing to accept this variation.

FIGURE 4.2
Dual Customer
Expectation Levels

Desired Service

Gap between Desired Service & Adequate service

Zone of Tolerance

Adequate Service

Dual Customer Expectation Levels

Desired Service:

❧Level of service that customer hopes to receive

Adequate service:

❧Level of service the customer will accept

FIGURE 4.2
Dual Customer
Expectation Levels

Desired Service

Adequate Service

Competitive Disadvantage
(Perceptions fall below adequate level)

Competitive Advantage
(Perceptions fall in zone of tolerance)

Customer Franchise
(Perceptions exceed desired level)

Low   Zone of Tolerance   High

Adequate   Desired

Expectations

The Zone of Tolerance

FIGURE 4.3
The Zone of Tolerance

Desired Service

Zone of Tolerance

Adequate Service
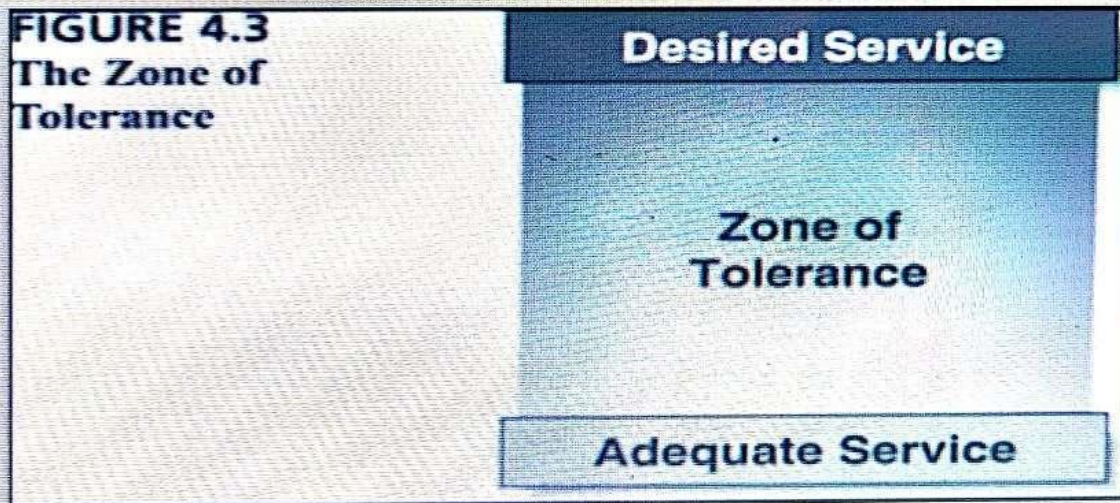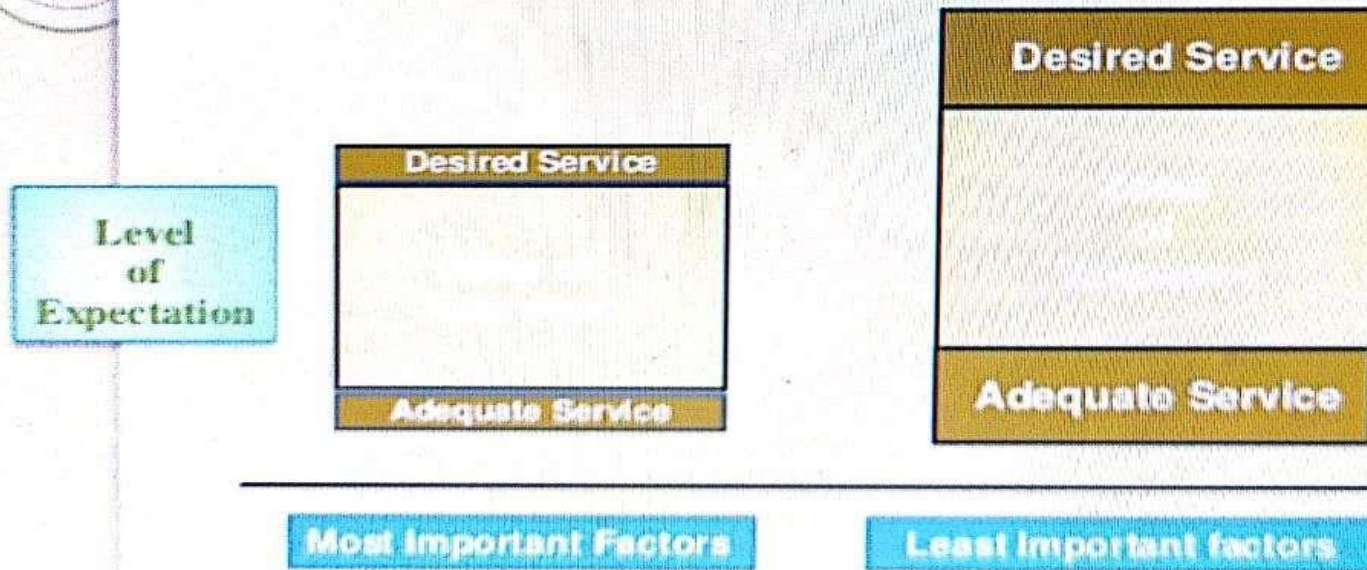
◆ Range or window in which customers do not notice service performance

◆ When service falls outside this range(either very high or very low), the service gets the customer's attention in either a positive or negative way

Different customers possess different Zone of tolerance

- Some customers have narrow zones of tolerance
- They require tighter range of service from providers
- Others allow a greater range of service
- An individual customer's zone of tolerance vary for a number of factors e.g. price, personal needs, behavior etc.

Zones of Tolerance for Different Service Dimensions

Level of Expectation

Desired Service
Adequate Service

Desired Service
Adequate Service

Most Important Factors

Least Important factors

Source: Berry, Parasuraman, and Zeithaml (1993)

Managing Customer Expectations During Purchase Phase

During the pre purchase phase-

- Managing customer expectations during the pre-purchase phase consist of 3 steps which are as follows-

i) **Learn what Customer expect:-** Learning customer expectations during the pre purchase phase requires communication.

ii) **Tell customer what they expect-** Advertising, sales personnel, tangible cues, point of purchase displays and sales promotions some of the methods that can be used.

iii) **Consistently provide the service that customer expect-** Past experiences and word of mouth are two critical variables used by consumers in making purchase decision.

During the Service Encounter

- **3 strategies** can be used during the service encounter to manage customer expectations which are as follows-
- Service personnel must communicate with the customer during the service encounter.
- If possible, service providers should modify the service to meet the customer's expectations.
- If the service cannot be modified, the service personnel should explain why the customer's expectations cannot be met.

The goal during this phase is to ensure the service being provided matches the customer's expectations.

During the post-purchase Phase

- Managing consumer expectations do not stop after the service is performed.
- Service firms have 3 strategies they can use after the service has been completed which are as follows:-
- Companies should communicate with customers immediately after the service is completed to see if expectations were met.
- Firms can use a follow-up program, such as an evaluation survey sent to the customer through the mail or a phone call.
- Companies should have a procedure for dealing with dissatisfy customers that will assist in managing future expectations.

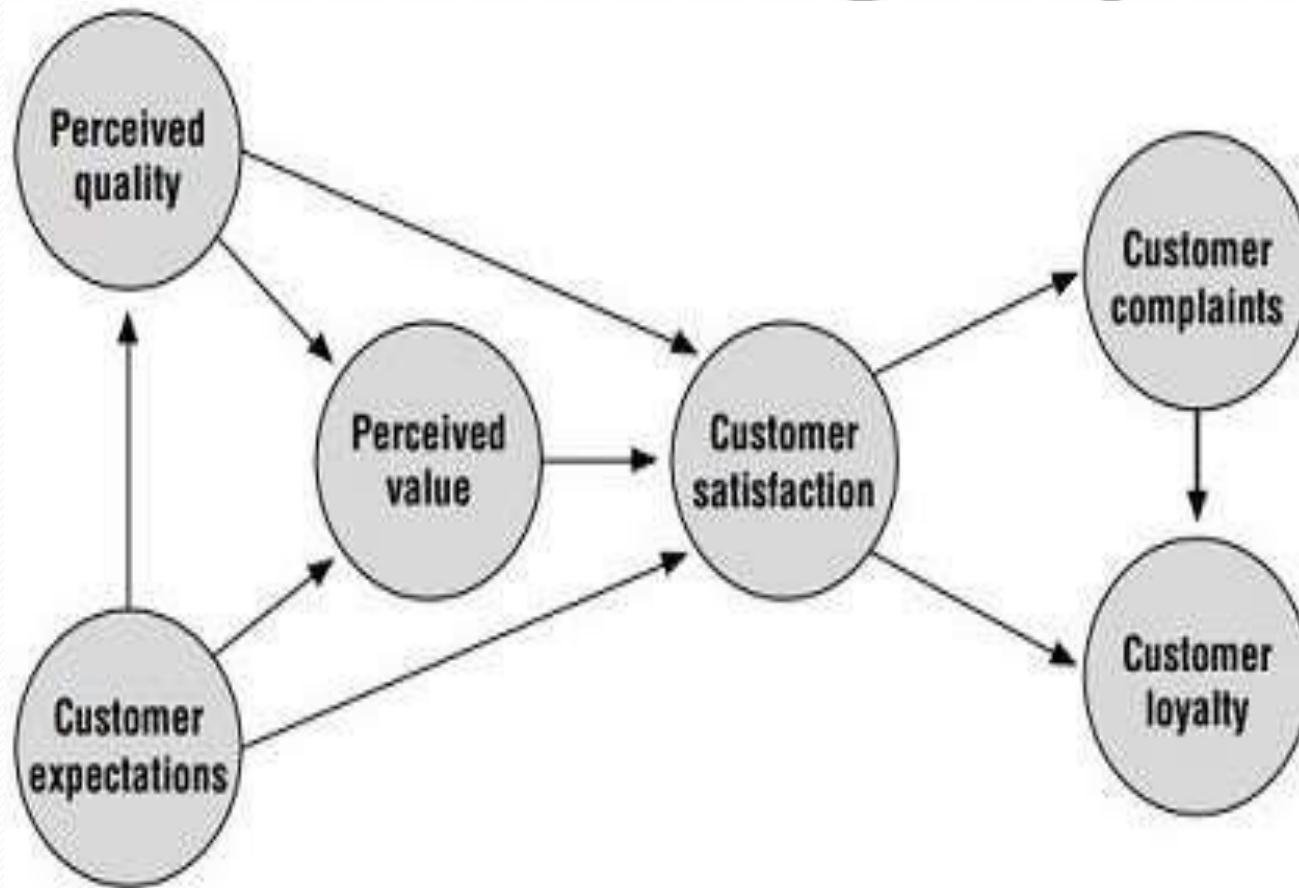# Exceeding Customers Service Expectations

- There are 3 approaches for exceeding customer service expectation:-

1. **Customer Relationship-** Maintaining customer relationship is one of the approach for exceeding service expectations.

2. **Underpromise the Service:-** The strategy is underpromise and overdeliver. If the promise is less than what will eventually happen, customers can be delighted frequently.

3. **Unusual service as Unique:-** A final way to exceed the expectations without raising them in the future is to position unusual service as unique rather than standard.
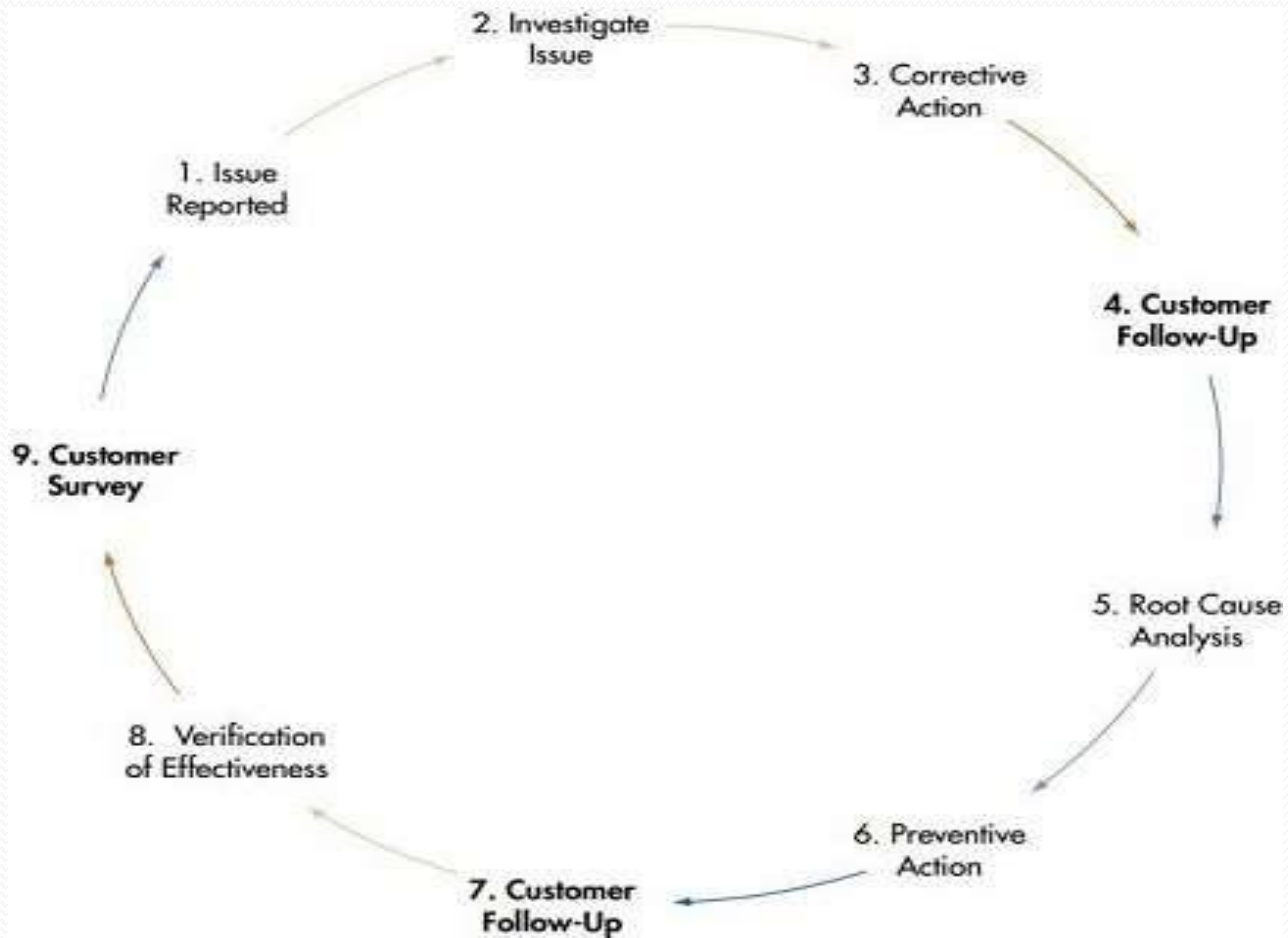
Customer satisfaction

- Customer satisfaction (CSAT) is a metric used to quantify the degree to which a customer is happy with a product, service, or experience. This metric is usually calculated by deploying a customer satisfaction survey that asks on a five or seven-point scale how a customer feels about a support interaction, purchase, or overall customer experience, with answers between "highly unsatisfied" and "highly satisfied" to choose from.

- **Customer satisfaction** (often abbreviated as **CSAT**) is a term frequently used in <u>marketing</u>. It is a measure of how products and services supplied by a company meet or surpass <u>customer</u> expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified <u>satisfaction</u> goals.

- Customer satisfaction is defined as a measurement that determines how happy customers are with a company's products, services, and capabilities. Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or changes its products and services.
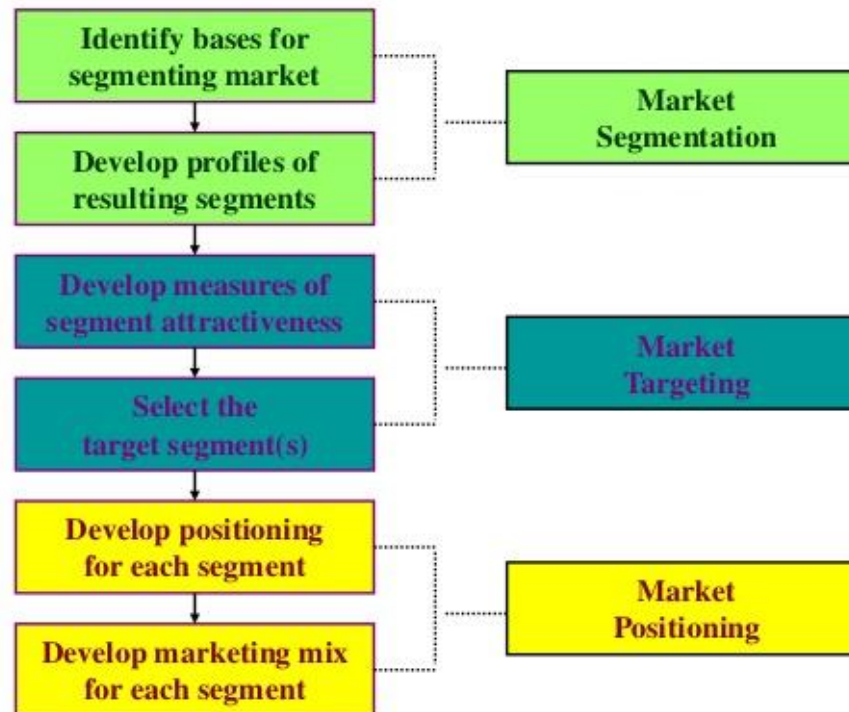
https://asq.org/quality-resources/customer-satisfaction

Segmentation, Targeting, and Positioning

Identify bases for segmenting market

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Develop profiles of resulting segments

Market Segmentation

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Develop measures of segment attractiveness

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Select the target segment(s)

Market Targeting

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Develop positioning for each segment

↓

Develop marketing mix for each segment

Market Positioning

INTRODUCTION

Segmenting , targeting and positioning are strategic fundamentals of marketing used to generate competitive advantage, which can be translated into business opportunities that form the success story of organization.

Defining a market is the basis of segmentation.

Service firms vary widely in their abilities of serving. It would then , not be wise to compete in an entire market. Instead, organisations should focus on the set of customers they can serve best.

For a service organisation, the company's focus can be described on two dimensions- the service focus and the market focus. Taking the two variables of service offered and the market served, organisation can be grouped into four types:-

I. Unfocused
II. Service focused
III. Market focused
IV. Fully focused
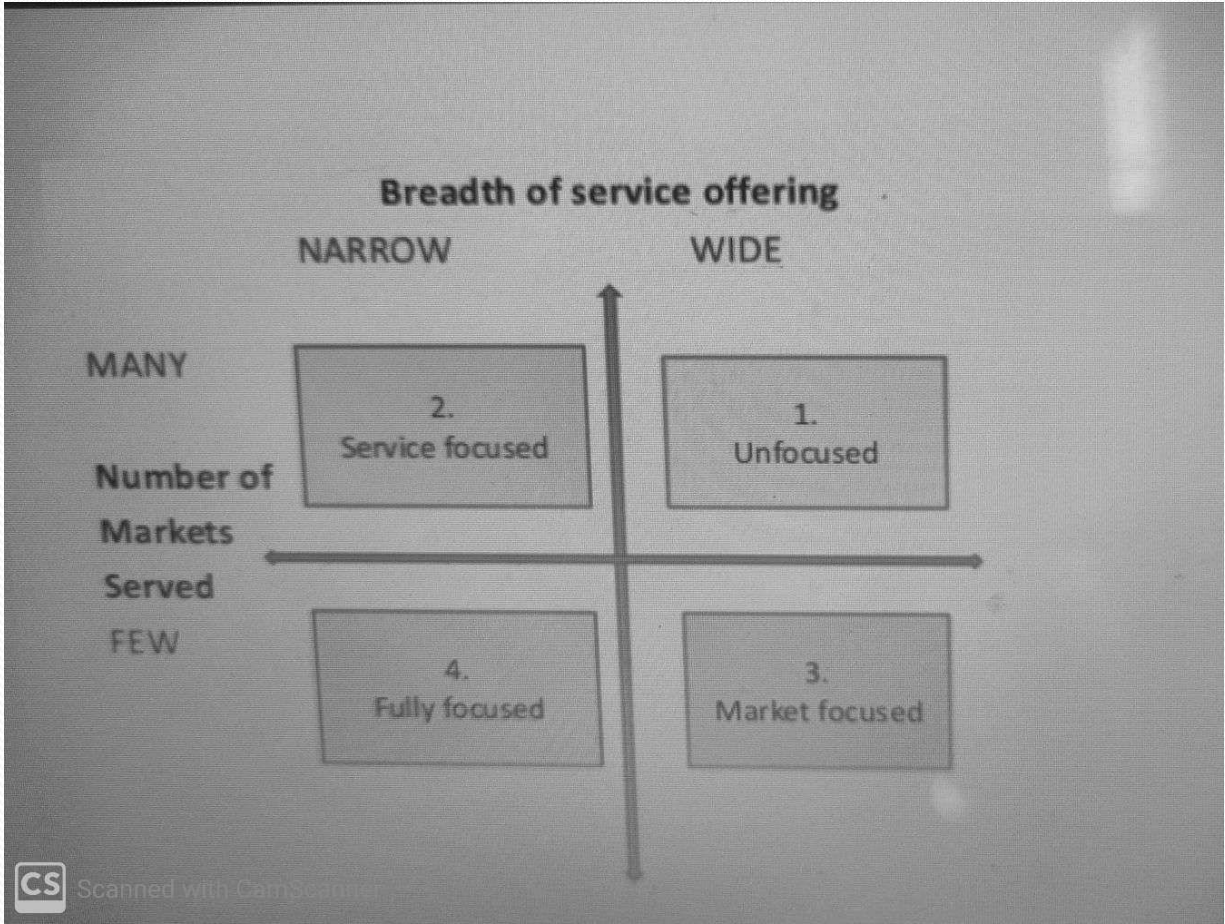
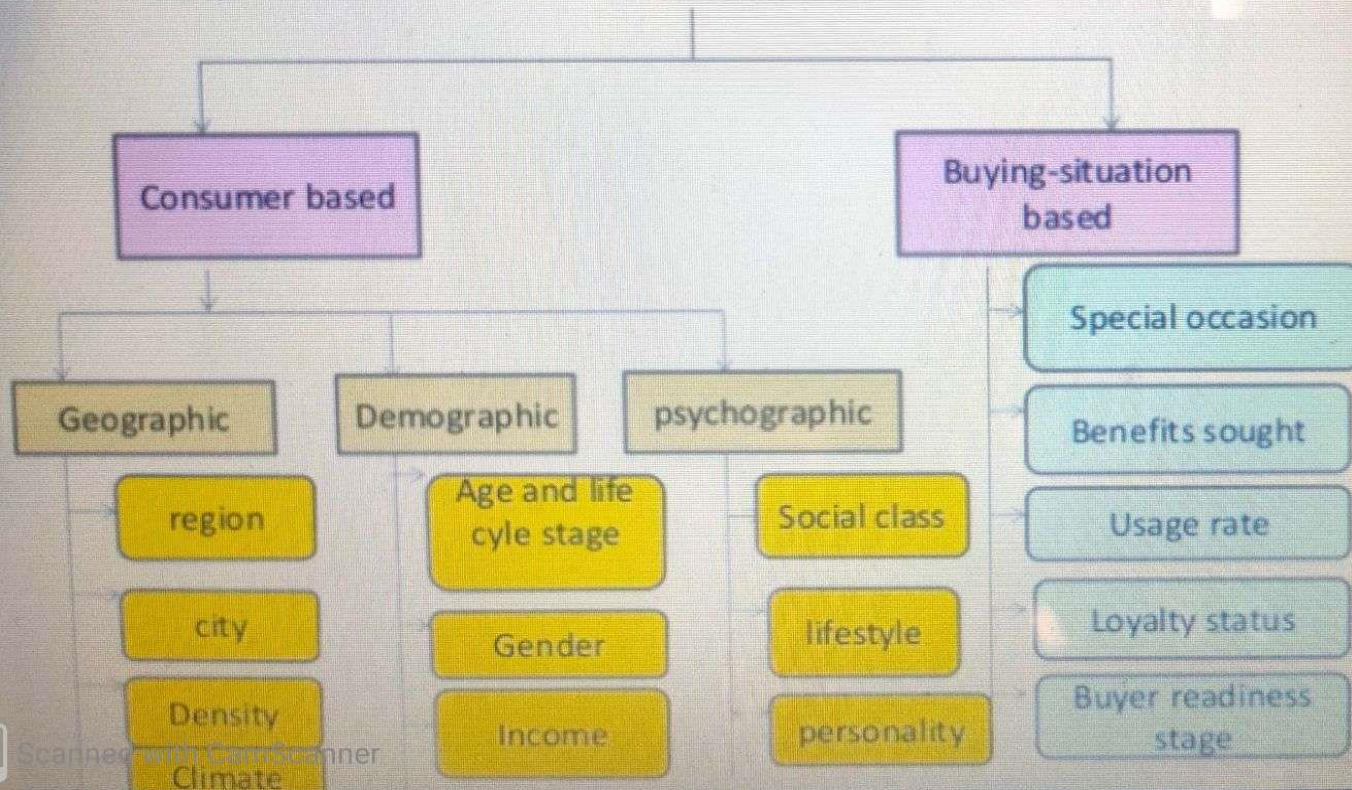# Why market segmentation is important ?

- ✓ It leads to efficient and effective utilization of resources.
- ✓ Improves manageability of the market by dividing the markets into smaller parts.
- ✓ Helps to improve the company's ability to satisfy customers.

OBJECTIVES OF SEGMENTATION

- Identify the similiarity of needs of potential buyers within a segment and persue them with taliored products.
- Identify the difference between needs of buyers among segments and try to cater to these different needs.
- Once the specific segment has been chosen for the marketing efforts ,the organization is more focused in its efforts and there is a potential for increased return on investment.
- It is cost effective for the marketers to assign the buyers to different segment on the basis of a number of parameters.

MARKET SEGMENTATION

SEGMENTATION

Consumer based

Buying-situation based

Geographic

Demographic

psychographic

region

Age and life cyle stage

Social class

Special occasion

Benefits sought

Usage rate

city

Gender

lifestyle

Loyalty status

Density Climate

Income

personality

Buyer readiness stage

TARGETING

Targeting is the choice of a single segment or group of segments that the organisation wishes to select.

Companies can evaluate and select market segment on the basis of:-

* Segment size and growth
* Segment structural attractiveness
* Company objective and resources

Selecting market segments

Once the segments have been evaluated the market to be targeted can be selected on the basis of-

- Undifferentiated marketing
- Differentiated marketing
- Concentrated marketing
- Customised or micro marketing

Market coverage Strategy

The target market selection involves the dynamic process of matching the changing variety of products and services with the changing variety of customer wants.

Companies need to consider several factors while choosing a market coverage strategy. Some of them are as follows:-

* Company's resources
* Degree of product homogeneity
* Product life cycle stages
* Market homogeneity
* Competitor's marketing strategies

Positioning

- In marketing, **positioning** has come to mean the process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization.
- **Re-positioning** involves changing the identity of a product, relative to the identity of competing products, in the collective minds of the target market.
- **De-positioning** involves attempting to change the identity of competing products, relative to the identity of your own product, in the collective minds of the target market.
- The original work on Positioning was consumer marketing oriented, and was not as much focused on the question relative to competitive products as much as it was focused on cutting through the ambient "noise" and establishing a moment of real contact with the intended recipient

PROUDCT
PREMIUM
BASIC
DURABLE

PRICE
PREMIUM
LOW PRICE
VALUE

POSITIONING
IMPLEMENTING CHOSEN IMAGE AND APPEAL TO CHOSEN SEGMENT

PROMOTION
PRESTIGE
FUN
POWERFUL

DISTRIBUTION
INTENSIVE
SELECTIVE
EXCLUSIVE

- https://www1.udel.edu/alex/chapt6.html