**NOV 2012 CONSUMER BEHAVIOUR - SOLUTIONS**

**ANSWERS**

**Question One**

# Customer value is defined as the ratio between the customer’s perceived benefits [economic, functional and psychological] and the resources [monetary, time, effort and psychological] used to obtain those benefits.

# Customer satisfaction is the individual’s perception of the performance of the product or service in relation to his or her expectations

1. The Buying Center refers to the decision making unit [DMU] of a buying organization**.** A decision making unit is a group of people who participate or influence purchase decision at any stage in the buying process. The main roles of a DMU include gatekeeper, initiator, influencer, decider, financier and user.
2. Stereotyping is a term given to the human tendency to make over simplifications and generalization about people or object based on limited experience. Stereotyping can be helpful for it alleviates ambiguity and enables a fairly rapid and easy evaluation of people and objects. On the other hand it may give too simplistic an evaluation and lead to the formation of prejudices and to discriminatory bahaviour.
3. Consumers attitudes refers to in built perceptions that consumers have over a particular products and services.

**Question two**

1. **Deciding what to buy**; this is one of the consumer’s most basic tasks. No buying activity will take place unless the fundamental decision is made. A consumer’s product or service decision may encompass not only the generic category of products desired, such as appliances, but more specifically, the narrower range of items, such as kitchen appliances.
2. **How much to buy**; a second basic decision by the consumer relates to how much of the item will be purchased. for example. When shopping from groceries the consumer may determine whether three packets of sugar will be bought or perhaps ten packets of sugar will be needed.
3. **Where to buy**; another determination to be reached by the consumer involves where the selected product or service will be purchased. This is a very important decision, which interacts thoroughly with the previous decision on what to buy.
4. **When to buy**; the consumer must also determine when to buy. This decision is influenced by such factors as urgency of the need availability of the chosen item. Other elements such as store opening times, periods of sales and clearances, availability of transportation, and freedom of family members to shop all have the bearing on when one purchases.
5. **How to buy**; finally,the decision of how to buy is another complex issue. Many factors influence how the consumer buys. To indicate merely a few of the elements involved, consider some of the alternative strategies consumers use: shop extensively or buy from the outlet, pay cash or change it, have it delivered or take it home.

**Question Three**

To: Marketing Director

From: Products and Services Manager

Date: 18th November 2012

Subject: Diffusion of Innovation & effective targeting

Research has indicated that diffusion of an innovation follows a normal distribution over time and that consumers can be classified according to the time they take to adopt an innovation in relation to other consumers. Five adopter categories have been identified as follows

1. Innovators
2. Early adopters
3. Early Majority
4. Late Majority
5. Laggards

These are not stages that people go through, they are just types of people. Each category has unique characteristics. The marketer can segment consumers using these categories and then effectively target them based on their common characteristic on a particular segment.

**Question four**

1. **Culture** refers to the values, beliefs and shared norms of a society or an organization. It also include language, knowledge, laws, religion, food customs, music, art, technology, work, patterns, products and other artifacts that give society its distinctive flavor.
2. **Individualism**; many people places strong value on being themselves. Self reliance, self interest, self confidence, self esteem, and self fulfillment are all popular expression of individualism. Striving for individualism means to be linked to the rejection of dependency; better rely on oneself than on others. In terms of consumer behavior, an appeal to individualism frequently takes the form of reinforcing the consumer’s sense of identity with products and services that both reflect and emphasize that identity.

**Fitness and healthy**; people’s preoccupation with fitness and health has emerged as a core value. This value has emerged as a core value. This has manifested itself in a number of ways, including sporting activities such as jogging, football, tennis. As such fitness and health are becoming lifestyle choices for many consumers and therefore determine the way they purchase.

**Achievement and success;** People who have made achievements tend to develop other type of needs according to the Maslow’s hierarchy of needs. As such they will tend to purchase in a different way compared to the less successful.

**SECTION B**

**Question Five**

1. Perception is defined as a process by which an individual selects, organizes, and interprets stimuli into meaningful and coherent picture of the world.

Sensation is the immediate and direct response of the sensory organs to stimuli

1. Individual are subject to a number of influences that tend to distort their perceptions. These include;

**Physical appearance**

People tend to attribute the qualities they associate with certain people who may resemble them, whether or not they consciously recognize the similarity.

**Stereotypes**

Individuals tend to carry picture in their minds of the meaning of various kinds of stimuli. These stereo types serve as expectations of what specific situations, people, or events will be like, and they are important determinants of how such stimuli are subsequently perceived.

**Hallo effect**

Historically, the hallo effect has been used to describe situations in which evaluation of a single object or person on a multitude of dimensions is based on the evaluation of just one or a few dimensions.

**Use of perceptual maps to reposition GDH**

Perceptual mapping helps marketers determine just how their products and services appear to consumers in relation to competitive brands on one or more relative characteristics. The marketer for example can as variables such as Price and quality adjustments to position the product in the mind of the consumers. High prices are usually associated with high quality products.

**Question six**

**Benefits of Digital revolution**

1. Consumers have more power than ever before
2. Consumer have access to more information than ever before
3. Marketers can offer more products and services than ever before
4. The exchange between marketers and customers is increasingly interactive and instantaneous
5. Marketers can gather more information about customers more quickly and easily

**Question seven**

**(a)Main types of consumer problems**

1. Routine problems
2. Emergency problems
3. Planning problems
4. Evolving situations

**Five situations that may lead to problem recognition**

1. Depleted or inadequate stock of goods
2. Discontentment with stock of goods
3. Changing environmental circumstances
4. Changing financial circumstances
5. Market activities

**Question Eight**

**Selective exposure**

Consumers actively seek out messages that they find pleasant or with which they are sympathetic, and actively avoid painful or threatening ones. They also selectively expose themselves to advertisements that reassure them of the wisdom of their purchase decisions

**Selective Attention**

Consumers exercise a great deal of selectivity in terms of the attention they give to commercial stimuli. They have a heightened awareness of stimuli that meet their needs or interests and minimal awareness of stimuli irrelevant to their needs.

**Perceptual defence**

Consumers subconsciously screen out stimuli that they find psychologically threatening, even though exposure has already taken place. Thus, threatening or otherwise damaging stimuli are less likely to be consciously perceived than are neutral stimuli at the same levels of exposure. Furthermore, individuals sometimes unconsciously distort information that is not consistent with their needs, values and beliefs.

**Perceptual Blocking**

Consumers protect themselves from being bombarded with stimuli by simply blocking such stimuli from conscious awareness. They di so out of self protection because of the visually overwhelming nature of the world we live.