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Prezentace předmětu: Marketing of services

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**SLEZSKÁ
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OBCHODNĚ PODNIKATELSKÁ
FAKULTA V KARVINĚ

CONSUMER BEHAVIOUR IN SERVICES

The aim of this presentation is to describe how consumers think about services, how they perceive service providers



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Přednášející

CONSUMER BEHAVIOUR IN SERVICES

Lecture structure

Market segmentation

Factors influencing decision making:

Situational

Psychological

Personal factors



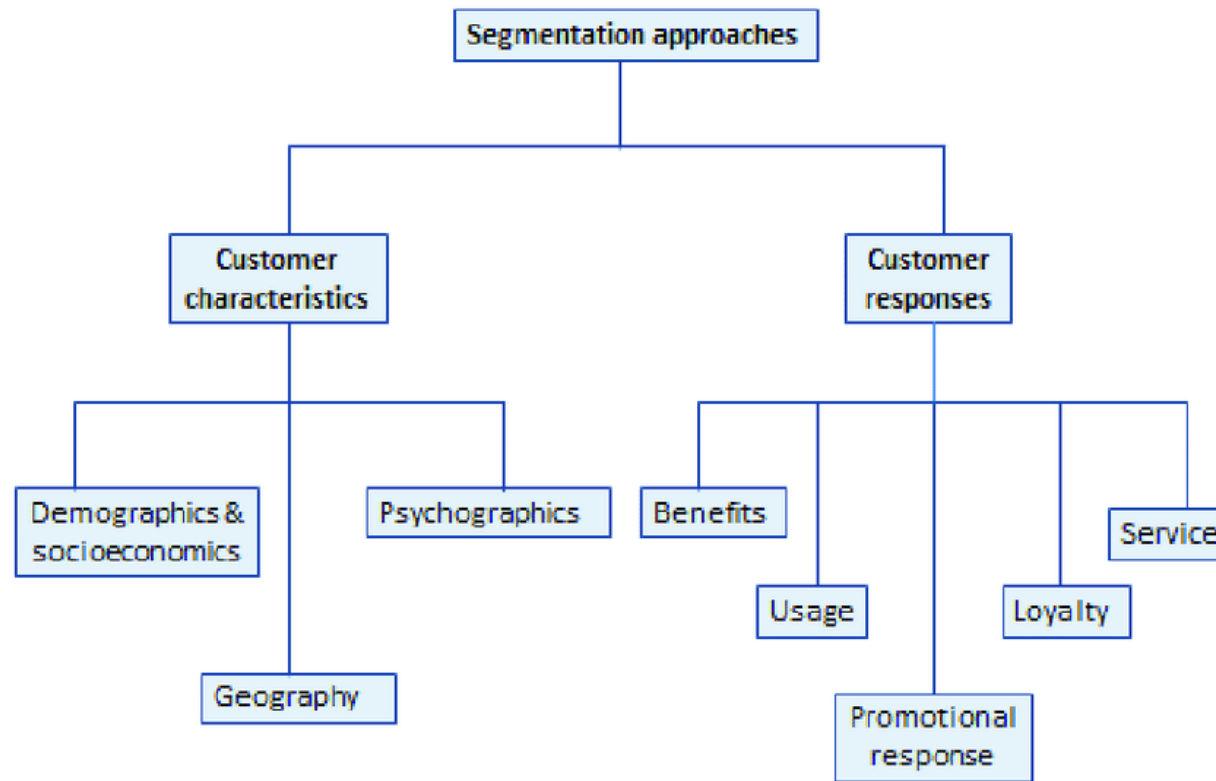


- Every customer is different in some way by its ability of perception, attention, memories, previous experiences and cognitive capacity.
- However we very often overlay with others creating segments on the market which are in similar (homogenous) characteristics.
- We therefore perform market segmentation which is dividing market to smaller actionable parts based on some characteristics.



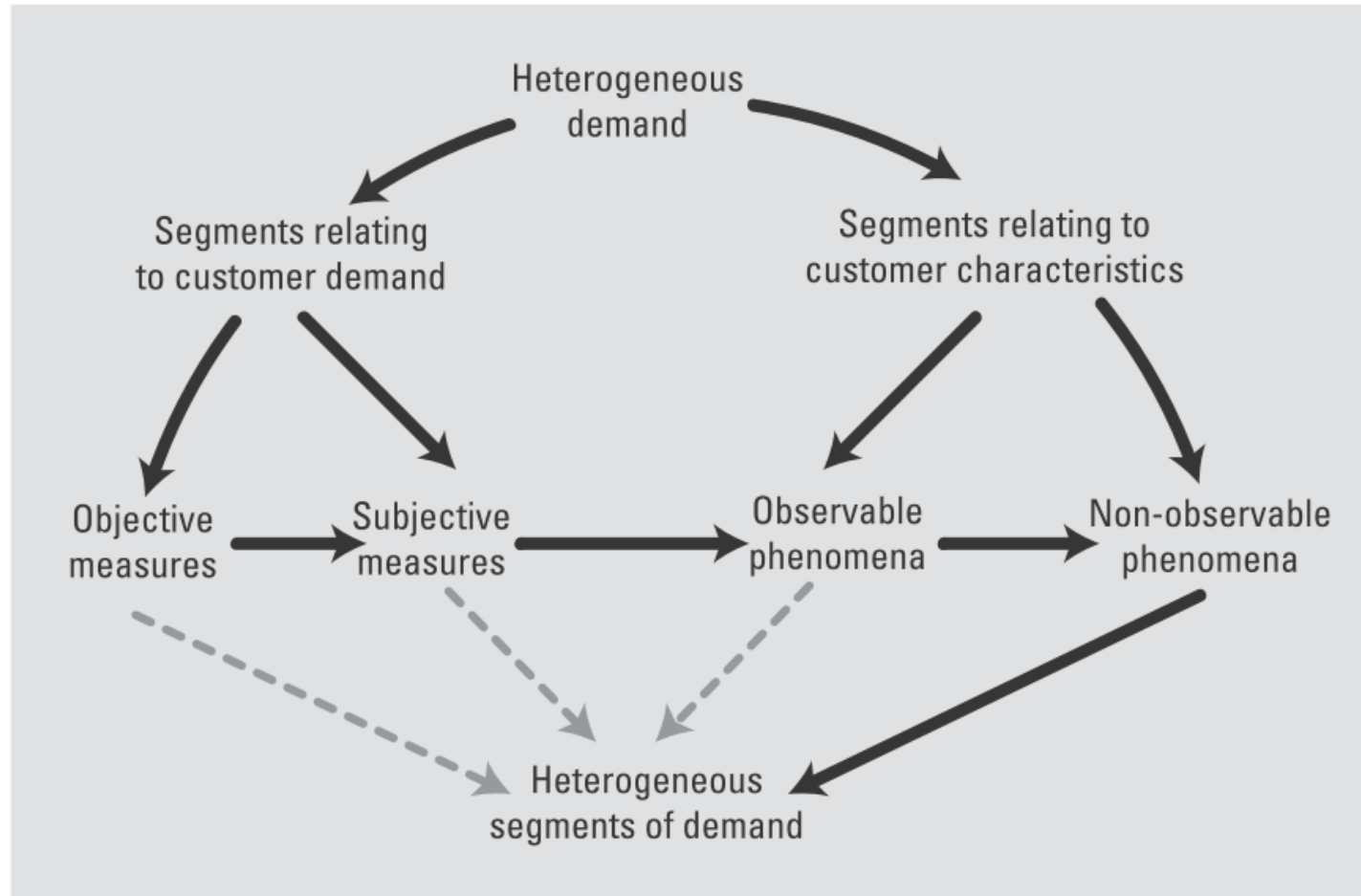
- McDonald sees market segmentation as „ process of dividing heterogenous market into specific homogenous groups. The segments this identified can then be targeted with specific services and distinctive marketing mix.“
- In this way, customer needs can be met more effectively which in turn opens up the prospect of building customer retention and loyalty.

- We know two main segmentation approaches:



Source: McDonald, Frow, Payne (2011)

Segmentation strategies



Source: Ruskin-Brown (2005)



- Customer characteristics
 - Demographics and socioeconomics
 - Sex, age, family size, social class, ethnic origins...
 - Psychographics
 - Lifestyle, behaviour
 - Geography
 - Home, work location



- Customer responses
 - Benefit
 - The reason why people buy a service
 - Usage
 - Heavy medium and occasional users
 - Promotional response
 - How customers respond to various types of promotional activity



- Customer responses
 - Loyalty
 - Degree of loyalty – high medium and low
 - Service
 - Importance that particular customer groups attach to various elements of service

- Customer responses
 - Benefit

By identifying segments which each seek a common benefit, the service company can tailor its offer in a way that gains high levels of acceptance.

By recognizing the benefits sought, and designing the service to provide these in a quicker or superior way, the company can develop a competitive advantage in each market segment.

Source: McDonald, Frow, Payne (2011)

- Customer responses
 - Usage

Usage segmentation, however, might prove to be unreliable in terms of predicting future trends, for there is no reason for past patterns to be repeated.

Source: McDonald, Frow, Payne (2011)

- Customer responses
 - Promotional response

By understanding in more detail the relationship between promotional activity and customer preferences and subsequent buying patterns, the service company can become very sophisticated at exploiting its position in each market segment.

Source: McDonald, Frow, Payne (2011)

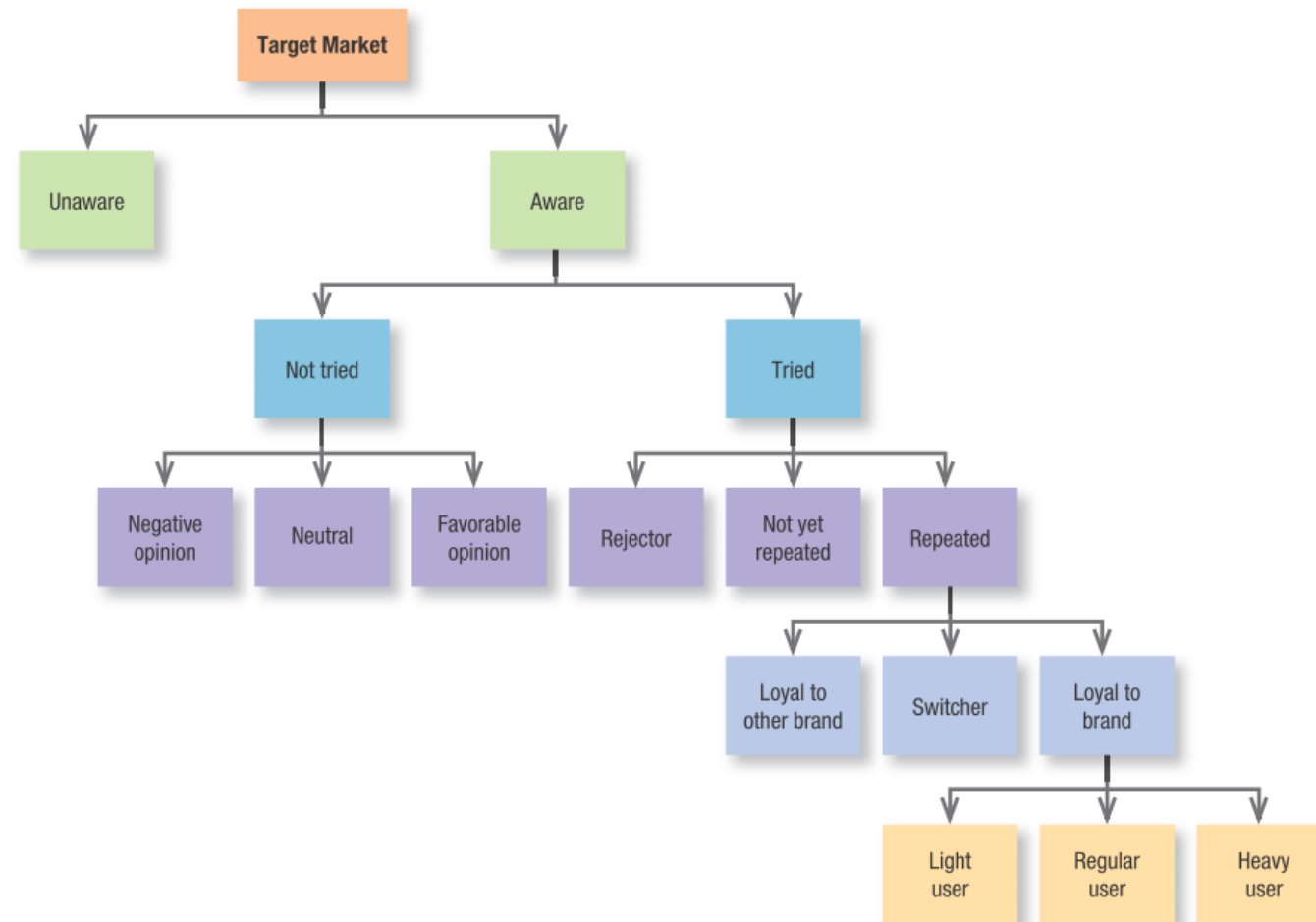


- Customer responses
 - Loyalty

A misconception which can be engendered by this approach is to assume that loyalty equates to customer satisfaction.

Source: McDonald, Frow, Payne (2011)

Market Segmentation



| Fig. 9.3 |

Behavioral Segmentation Breakdown

- Customer responses
 - Service

Differentiating the service 'package' for each market segment can be more cost effective than offering an 'across the board' level of service for all segments.

Source: McDonald, Frow, Payne (2011)

- Customer responses
 - Service

| | <i>Our company</i> | <i>Competitor A</i> | <i>Competitor B</i> |
|-------------------|--------------------------|---------------------|---------------------|
| Served quickly | $(.3) \times 80 = 24$ | $70 = 21$ | $60 = 18$ |
| Always a seat | $(.3) \times 50 = 15$ | $80 = 24$ | $90 = 27$ |
| Cleanliness | $(.25) \times 90 = 22.5$ | $70 = 17.5$ | $80 = 20$ |
| Reasonable choice | $(.15) \times 90 = 13.5$ | $60 = 9$ | $60 = 9$ |
| TOTALS | <u>1.00</u> <u>75.0</u> | <u>71.5</u> | <u>74.0</u> |

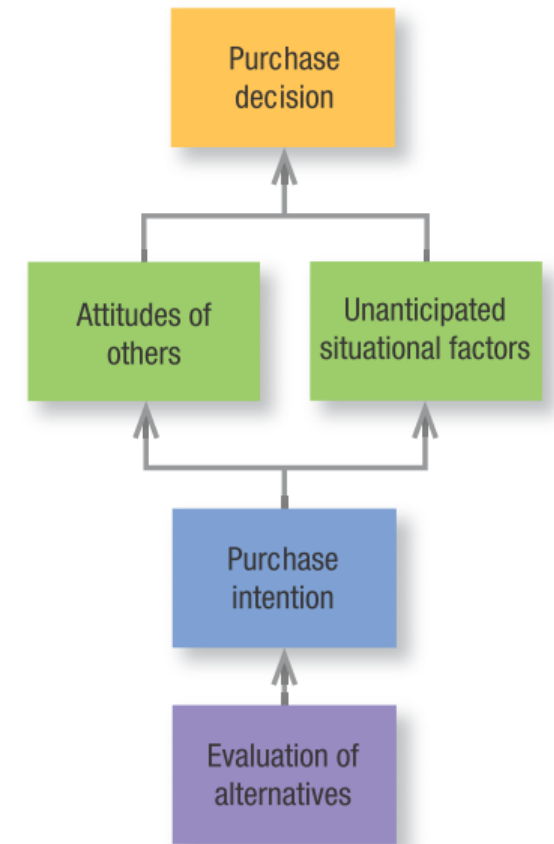
Source: McDonald, Frow, Payne (2011)

- We have to improve seating arrangements
- Maintain or increase service speed

Intervining factors of consumer decisoons



- Even if consumers form brand evaluations, two general factors can intervene between the purchase intention and the purchase decision.
- The first factor is the ***attitudes of others***. The influence on us of another person's attitude depends on two things: (1) the intensity of the other person's negative attitude toward our preferred alternative and (2) our motivation to comply with the other person's wishes.
- The more intense the other person's negativism and the closer he or she is to us, the more we will adjust our purchase intention. The converse is also true.

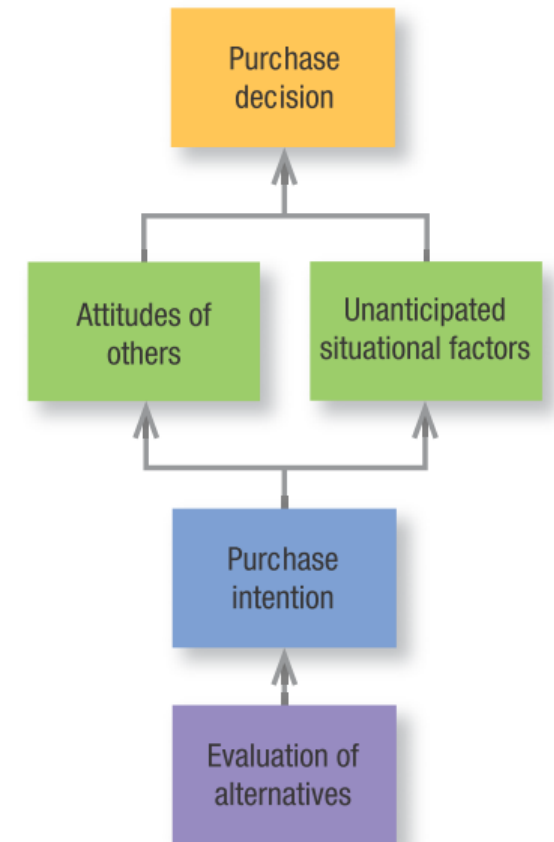


Source: Kotler & Keller (2016)

Intervining factors of consumer decisoons



- The second factor is ***unanticipated situational*** factors that may erupt to change the purchase intention. Linda might lose her job before she purchases a laptop, some other purchase might become more urgent, or a store salesperson may turn her off.



Source: Kotler & Keller (2016)

Intervining factors of consumer decisoons



- Preferences and even purchase intentions are not completely reliable predictors of purchase behavior. A consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by one or more types of perceived risk:
 1. *Functional risk*—The product does not perform to expectations.
 2. *Physical risk*—The product poses a threat to the physical well-being or health of the user or others.
 3. *Financial risk*—The product is not worth the price paid.
 4. *Social risk*—The product results in embarrassment in front of others.
 5. *Psychological risk*—The product affects the mental well-being of the user.
 6. *Time risk*—The failure of the product results in an opportunity cost of finding another satisfactory product.

Source: Kotler & Keller (2016)

Factors influencing consumer behaviour



A. Situational

B. Psychological

C. Personal factors



- **Socio-cultural factors** - Buyers or consumers do not take buying decisions or the decision not to buy, in a vacuum. Rather, they are strongly influenced by cultural and social factors.



- **Cultural factors** - Children acquire from their environment a set of beliefs values and customs which constitute culture. These beliefs, values and customs go deeper



- **Cultural factors** - Children acquire from their environment a set of beliefs values and customs which constitute culture. These beliefs, values and customs go deeper and deeper as a person grows. Therefore, it is sometimes said that culture is learned as a part of social experience. The various sub-categories within a culture can be identified based on religion, age, gender, occupation, social class, geographical location, etc.
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- **Reference groups** - There are certain groups to which people look to guide their behaviour. These reference groups may guide the choice of a product but not necessarily the brand. Peer group and peer pressure has generally been observed to play an important role in the purchase of credit cards, cell phones, etc. The knowledge of reference group behaviour helps in not only offering substitutes but also in pricing and positioning them.



- **Family** - The family is another major influence on consumer behaviour. Family consumption behaviour, to a large extent, depends on the family life cycle. The stages in family life cycle include bachelorhood, newly married, parenthood with growing or grown up children, post-parenthood and dissolution. Knowledge of these stages helps greatly in knowing the buying process. Often family members play a significant role in the purchase of a particular service.



- **Perception** - It is the process by which buyers select, organize and interpret information into a meaningful impression in their minds. Perception is also selective when only a small part is perceived out of the total of what is perceptible. Buyer's perception of a particular service greatly influences buying behaviour.



- **Attitude** - An attitude is a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a market offer (i.e., a brand, a particular shop or retail outlet, an advertisement, etc.). Attitude is a dispositional term indicating that attitudes manifest themselves in behaviour only under certain conditions. Knowing a buyer's attitude towards a product without knowing the personal goals is not likely to give a clear prediction of his behaviour.



- **Motivation** - Motivation is the driving force within individuals that compels them to action. This driving force is subconscious and the outcome of certain unfulfilled needs. Needs are basically of two types- first, the 'innate needs' are those needs with which an individual is born and they are mainly physiological.



- **Motivation** - They include all the factors required to sustain physical life e.g., food, water, shelter, clothing, etc. Secondly, the 'acquired needs' are those which a person acquires as he/she grows and these needs are mainly psychological, like love, fear, esteem, acceptance, etc.



- **Personality** - Personality can be described as the psychological characteristics that determine how an individual will react to his or her environment.



- **Life style** - Life style as distinct from social class or personality is nothing but a person's pattern of living and is generally expressed in his/ her activities, interests and opinions. Life style suggests differences in the way people opt to spend on different products or services differently.



- **Demographic factors** - Buyers demographic factors like age, gender, education, occupation, etc., also influence his/her purchase behaviour. In sum, knowledge on all such dimensions of the consumer will help in understanding his needs and wants and also help in integrating all these elements in service offer which the consumer wants.

Summary



- We have discussed in this presentation that the primary objective of service producers and marketers is identical to that of all marketers: to develop and provide offerings that satisfy consumer needs and expectations, thereby ensuring their own economic survival. In other words, service marketers need to be able to close the customer gap between expectations and perceptions. To achieve this objective, service providers need to understand how consumers choose and evaluate their service offerings.