

**JONATHAN DODOO  
UB4731BBF10583**

**PRACTICAL APPROACH TOWARDS BUYER BEHAVIOUR**

**A Final Thesis Presented to  
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For the Bachelor Degree in Business Administration**

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## INTRODUCTION

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An important part of the marketing process is to understand why a customer or buyer makes a purchase. Without such an understanding, businesses find it hard to respond to the customer's needs and wants.

Marketing theory traditionally splits analysis of buyer or customer behaviour into two broad groups for analysis Consumer Buyers and Industrial Buyers, Consumer buyers are those who purchase items for their personal consumption Industrial buyers are those who purchase items on behalf of their business or organisation Businesses now spend considerable sums trying to learn about what makes customers tick. The questions they try to understand are:

- Who buys?
- How do they buy?
- When do they buy?
- Where do they buy?
- Why do they buy?

For a marketing manager, the challenge is to understand how customers might respond to the different elements of the marketing mix that are presented to them. If management can understand these customer responses better than the competition, then it is a potentially significant source of competitive advantage.

Consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy. It blends elements from psychology, sociology, sociopsychology, anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Buyer decision processes are the decision making processes undertaken by consumers in regard to a potential market transaction before, during, and after the purchase of a product or service. More generally, decision making is the cognitive process of selecting a course of action from among multiple alternatives. Common examples include shopping, deciding what to eat. Decision making is said to be a psychological construct. This means that although we can never "see" a decision, we can infer from observable behaviour that a decision has been made. Therefore we conclude that a psychological event that we call decision making has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

## INTRODUCTION

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In an early study of the buyer decision process literature, Frank Nicosia (Nicosia, F. 1966; pp 9-21) identified three types of buyer decision making models. They are the univariate model (He called it the "simple scheme".) in which only one behavioural determinant was allowed in a stimulus-response type of relationship; the multi-variate model (He called it a "reduced form scheme".) in which numerous independent variables were assumed to determine buyer behaviour; and finally the system of equations model (He called it a "structural scheme" or "process scheme".) in which numerous functional relations (either univariate or multi-variate) interact in a complex system of equations. He concluded that only this third type of model is capable of expressing the complexity of buyer decision processes. Nicosia builds a comprehensive model involving five modules. The encoding module includes determinants like attributes of the brand, environmental factors", "consumer's attributes, attributes of the organization", and "attributes of the message". Other modules in the system include consumer decoding, search and evaluation, decision, and consumption.

## DISCRIPTION

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Consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy. It blends elements from psychology, sociology, sociopsychology, anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Psychology is both an academic and applied discipline involving the scientific study of mental processes and behavior. Psychologists study such phenomena as perception, cognition, emotion, personality, behavior, and interpersonal relationships. Psychology also refers to the application of such knowledge to various spheres of human activity, including issues related to daily life e.g. family, education, and work and the treatment of mental health problems. Psychology is one of the behavioral sciences a broad field that spans the social and natural sciences. Psychology attempts to understand the role human behavior plays in social dynamics while incorporating physiological and neurological processes into its conceptions of mental functioning. Psychology includes many sub-fields of study and application concerned with such areas as human development, sports, health, industry, law, and spirituality.

Sociology is an academic and applied discipline that studies society and human social interaction. Sociological research ranges from the analysis of short contacts between anonymous individuals on the street to the study of global social processes. Numerous fields within the discipline focus on how and why people are organized in society, either as individuals or as members of associations, groups, and institutions. As an academic discipline, sociology is typically considered a social science.

Sociology is a cluster of disciplines which seek to explain the dimensions of society and the dynamics that societies operate upon. Some of these disciplines which reflect current fields of Sociology are demography, which studies changes in a population size or type; criminology, which studies criminal behavior and deviance; social stratification, which studies inequality and class structure; political sociology which studies government and laws; sociology of race and sociology of gender which examine the social construction of race and gender as well as race and gender inequality. New sociological fields and sub-fields such as network analysis and environmental sociology continue to evolve many of them are very cross-disciplinary in nature.

## DISCRIPTION

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Economics is the social science that studies the production, distribution, and consumption of goods and services. A definition that captures much of modern economics is that of Lionel Robbins in a 1932 essay: the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. Scarcity means that available resources are insufficient to satisfy all wants and needs. Absent scarcity and alternative uses of available resources, there is no economic problem.

An organisation cannot reach its goals without understanding buyer behaviour which is the action people take in buying and using goods and service. Marketers who understand buyer behaviour, such as how a price increase will affect a product's sales, can create a more effective marketing mix.

To understand buyer behaviour, marketers must understand how consumers make buying decisions. The decision making process has several steps which the entire process is affected by a number of personal and social factors. A buyer decision start with a stimulus, which is anything that affects one or more of our senses like sight, smell, taste, touch and hearing. A stimulus might be the feel of a sweater, the sleek shape of a new model car, the design on a package or a brand name mentioned by a friend.

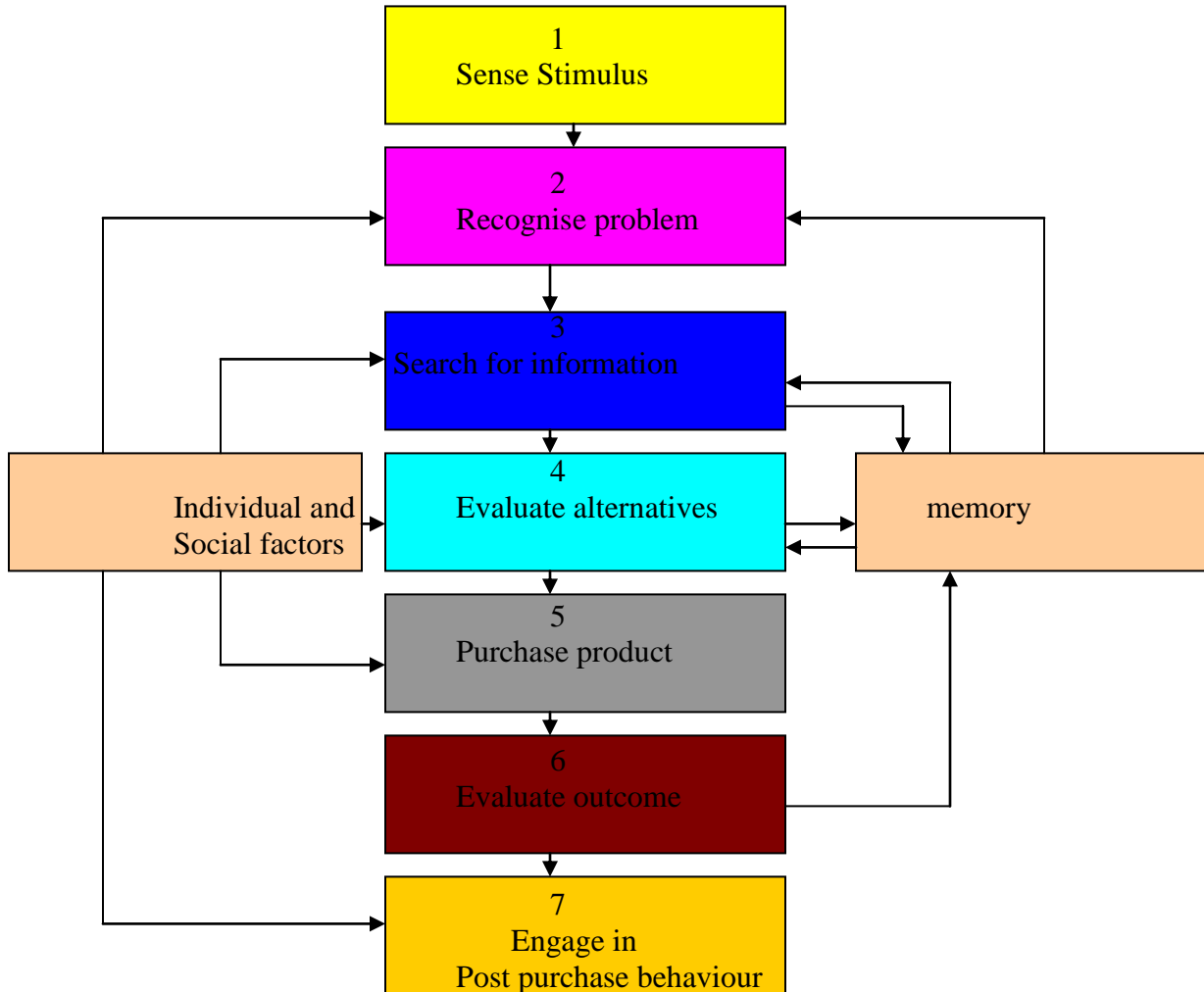
The stimulus leads to problem recognition; this sweater feels so soft and looks good on me, should I buy it, in word the consumer decides that there's a purchase need The consumer then get information about the purchase or what other styles of sweater are available at what price can this sweater be bought at a lower price elsewhere, the consumer weighs the options and decides whether to make the purchase. If the consumer buys the product certain outcomes are expected, these outcomes may or may not become reality the sweater may last for years or the shoulder seams may pull out the first time it's worn, the consumer assesses the experience with the product and uses this information to update expectation about future purchases.

Individual and social factors can influence the consumer decision making process; the individual factors are within the consumer and are unique to each person, they include perception, beliefs and attitudes, values, learning, self concept, and personality.

Companies often conduct research to better understand individual factors that cause consumers to buy or not to buy, for instance, Hyatt Hotel found that people who stayed at Hyatt while on business chose other hotels when they traveled on vacation with children.

## DISCRIPTION

### Consumer Decision Making Process



Hyatt was perceived as a businessperson's hotel, so Hyatt came up with a program called Camp Hyatt which caters to children with a year round program that varies by season. It combines attractive rates that appeal to parents with lots of activities for kids.

Social factors that affect the decision making process include all interactions between a consumer and the external environment, family, opinion leaders, social class, and culture. Families may be the most important of these social factors, yet families have limited resources so many buying decisions are compromises. Since a number of decisions include input from several family members marketing managers sometimes promote products using a family theme such as Camp Hyatt.

## GENERAL ANALYSIS

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The need for an understanding of the organizational buying process has grown in recent years due to the many competitive challenges presented in business-to-business markets. Since 1980 there have been a number of key changes in this area, including the growth of outsourcing, the increasing power enjoyed by purchasing departments and the importance given to developing partnerships with suppliers.

Business buyer behaviour and business markets are different from consumer markets. Business markets include institutions such as hospitals and schools manufacturers, wholesalers, and retailers and various branches of government.

The purchase volume is that business where customers buy in much larger quantities than consumers, think how many truckloads of sugar mars must purchase to make one day output of M&Ms. imagine the number of batteries sears buys each day for resale to consumers and also think about the number of pens the federal government must use each day.

The numbers of customer's business marketers usually have far fewer customers than consumer marketers, as a result, it is much easier to identify prospective buyers and monitor current needs. How few customers for airplanes or industrial cranes there are compared to the more than 70 million consumer households in the United States?

The location of buyers is that business where customers tend to be much more geographically concentrated than consumers; the computer industry is concentrated in Silicon Valley and a few other areas. Aircraft manufacturing is found in Seattle, St Louise, and Dallas/Fort Worth where suppliers have to manufactures often locate close to the manufactures to lower distribution costs and facilitate communication.

The direct distribution sales tend to be made directly to the buyer because such sales frequently involve large quantities or custom made items like heavy machinery, consumers goods are more likely to be sold through intermediaries like wholesalers and retailers.

Also the rational purchase decision consumers, business buyers usually approach purchasing rather formally; businesses use professionally trained purchasing agents or buyers who spend their entire career purchasing a limited number of items, they got to know the items and the sellers quite well.

Decision making is the cognitive process leading to the selection of a course of action among variations. Every decision making process produces a final choice.

## GENERAL ANALYSIS

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It can be an action or an opinion. It begins when we need to do something but know not what.

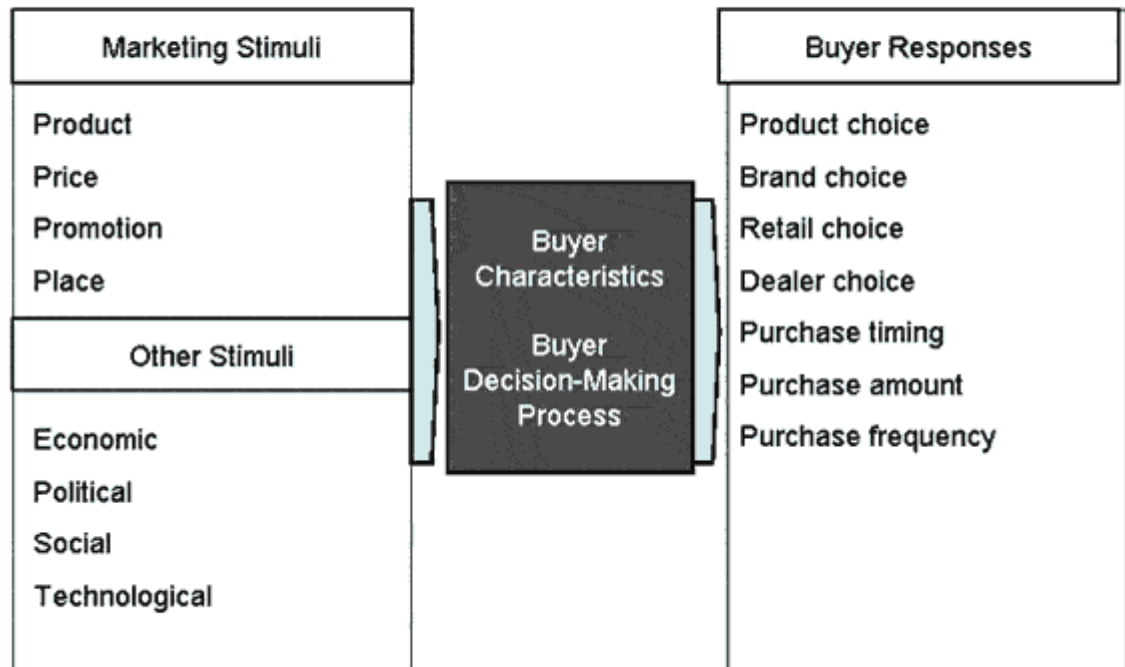
Therefore, decision making is a reasoning process which can be rational or irrational, and can be based on explicit assumptions or tacit assumptions. Common examples include shopping, deciding what to eat, when to sleep, and deciding whom or what to vote for in an election or referendum. Decision making is said to be a psychological construct. This means that although we can never, we can infer from observable behaviour that a decision has been made. Therefore, we conclude that a psychological event that we call "decision making" has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to affect the action.

Structured rational decision making is an important part of all science-based professions, where specialists apply their knowledge in a given area to making informed decisions. For example, medical decision making often involves making a diagnosis and selecting an appropriate treatment. Some research using naturalistic methods shows, however, that in situations with higher time pressure, higher stakes, or increased ambiguities, experts use intuitive decision making rather than structured approaches, following a recognition primed decision approach to fit a set of indicators into the expert's experience and immediately arrive at a satisfactory course of action without weighing alternatives. Also, recent robust decision efforts have formally integrated uncertainty into the decision making process.

## ACTUALISATION

A well-developed and tested model of buyer behaviour is known as the stimulus-response model, which is summarised in the diagram below:

Stimulus-Response Model of Buyer Behaviour



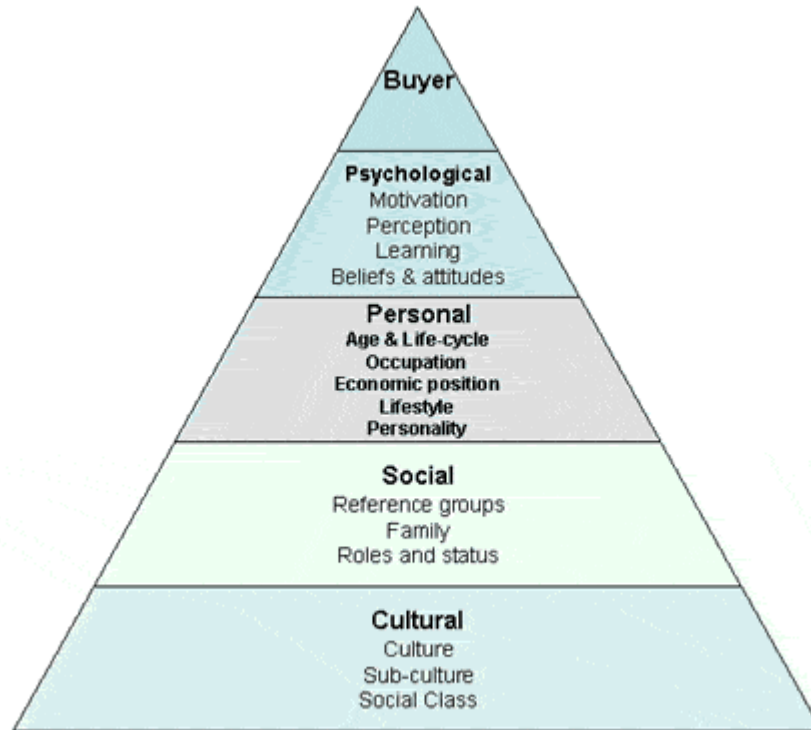
In the above model, marketing and other stimuli enter the customers “black box” and produce certain responses. Marketing management must try to work out what goes on in the mind of the customer the black box.

The Buyer’s characteristics influence how he or she perceives the stimuli; the decision-making process determines what buying behaviour is undertaken. Characteristics that affect customer behaviour The first stage of understanding buyer behaviour is to focus on the factors that determine the buyer characteristics in the “black box.

## ACTUALISATION

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These can be summarised as follows:



Each of these factors is discussed in more detail in our other revision notes on buyer behaviour.

If a marketer can identify consumer buyer behaviour, he or she will be in a better position to target products and services at them. Buyer behaviour is focused upon the needs of individuals, groups and organizations. It is important to understand the relevance of human needs to buyer behaviour (remember, marketing is about satisfying needs).

## ACTUALISATION

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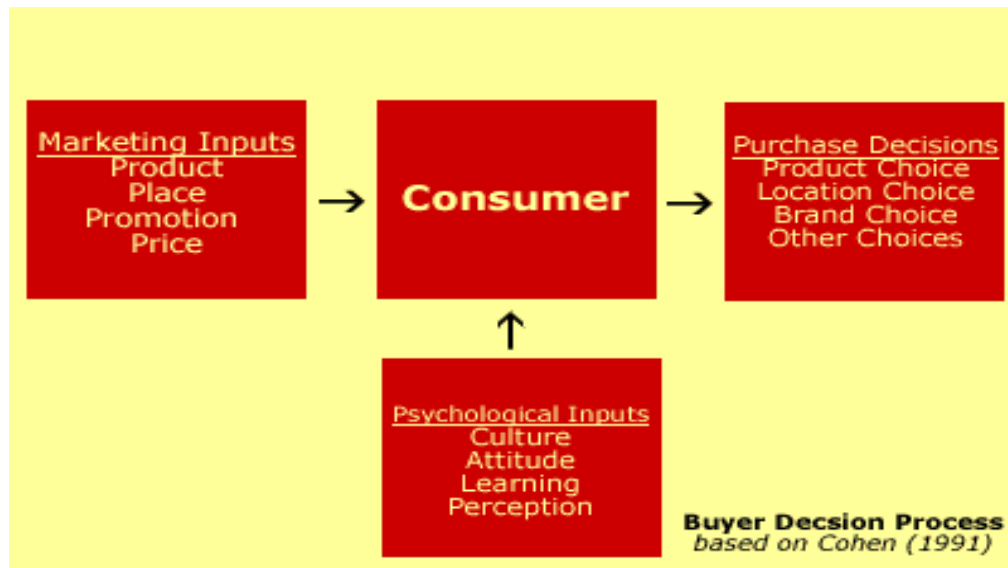


Let's look at human motivations as introduced by Abraham Maslow by his hierarchy of needs the hierarchy is triangular. This is because as you move up it, fewer and fewer people satisfy higher level needs. We begin at the bottom level. Physiological needs such as food, air, water, heat, and the basic necessities of survival need to be satisfied. At the level of safety, man has a place to live that protects him from the elements and predators. At the third level we meet our social and belongingness needs i.e. we marry, or join groups of friends, etc.

The final two levels are esteem and self actualization. Fewer people satisfy the higher level needs. Esteem means that you achieve something that makes you recognised and gives personal satisfaction, for example writing a book. Self-actualisation is achieved by few. Here a person is one of a small number to actually do something. For example, Neil Armstrong self actualized as the first person to reach the Moon.

The model is a little simplistic but introduces the concept a differing consumer needs quite well.

## ACTUALISATION



To understand consumer buyer behaviour is to understand how the person interacts with the marketing mix. As described by Cohen (1991), the marketing mix inputs (or the four P's of price, place, promotion, and product) are adapted and focused upon the consumer. The psychology of each individual considers the product or service on offer in relation to their own culture, attitude, previous learning, and personal perception. The consumer then decides whether or not to purchase, where to purchase, the brand that he or she prefers, and other choices.

It is often said that the central purpose of economic activity is the production of goods and services to satisfy consumer's needs and wants i.e. to meet people's need for consumption both as a means of survival but also to meet their ever-growing demand for an improved lifestyle or standard of living.

Economics is a social science that studies human behaviour as a relationship between ends and scarce means which have alternative uses. That is, economics is the study of the trade-offs involved when choosing between alternate sets of decisions.

Road space throughout the world is becoming increasingly scarce as the demand for motor transport increases each year what do you think are some of the best solutions to reducing the problem of congestion on our roads?

## ACTUALISATION

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It is often said that the central purpose of economic activity is the production of goods and services to satisfy consumer's needs and wants i.e. to meet people's need for consumption both as a means of survival but also to meet their ever-growing demand for an improved lifestyle or standard of living.

The basic economic problem is about scarcity and choice since there are only a limited amount of resources available to produce the unlimited amount of goods and services we desire. All societies face the problem of having to decide:

The economy uses its resources to operate more hospitals or hotels? Do we make iPod Nanos or produce more coffee? Does the National Health Service provide free IVF treatment for thousands of childless couples? Or, do we choose instead to allocate millions of pounds each year to providing beta-interferon to sufferers of multiple sclerosis?

The best use of our scarce resources of land labour and capital should school playing fields be sold off to provide more land for affordable housing? Or are we contributing to the problem of obesity by selling off these playing fields?

The best method of distributing products to ensure the highest level of wants and needs are met? Who will get expensive hospital treatment - and who not? Should there be a minimum wage? If so, at what level should it be set?

We use an average of 158 liters of water a day in Britain, for which we pay a price of 28p per liter but much of it is just cash down the drain, according to water companies. Most are campaigning to cut the amount we use. And the front-line weapon in their campaign is the water meter. They want us all to have one and one company is seeking powers to make them compulsory. When a meter is installed, in most homes, consumption drops by 20 per cent and, in some, it goes down by a third. According to Ofwat, the water industry regulator, the average water and sewerage bill for homes with a meter is £248 compared with £289 for those with flat-rate bills.

At present only 25% of households have meters and most of those are in East Anglia. They are installed free by water companies but households then have about £43 added to each bill to cover the cost of installing and reading the meter. Unsurprisingly, we use more water in summer. Peak demand on hot days can be 50% to 70% above average. Most of this is for lawns, flowers, paddling pools and extra showers and baths.

*Source: Adapted from an article by Valerie Elliott, the Times, 9 July 2005*

## ACTUALISATION

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If the supply of a good or service is low, the market price will rise, providing there is sufficient demand from consumers. Goods and services that are in plentiful supply will have a lower market value because supply can easily meet the demand from consumers. Whenever there is excess supply in a market, we expect to see prices falling. For example, the prices of new cars in the UK have been falling for several years and there have been huge falls in the prices of clothing as supply from countries such as China and Vietnam has surged.

Human beings want better food; housing; transport, education and health services. They demand the latest digital technology, more meals out at restaurants, more frequent overseas travel, more leisure time, better cars, cheaper food and a wider range of cosmetic health care treatments. Opinion polls consistently show that the majority of the electorate expects government policies to deliver improvements in the standard of education, the National Health Service and our transport system.

Economic resources are limited, but human needs and wants are infinite. Indeed the development of society can be described as the uncovering of new wants and needs which producers attempt to supply by using the available factors of production. For a perspective on the achievements of countries in meeting people's basic needs, the Human Development Index produced annually by the United Nations is worth reading. Data for each country can be accessed and cross-country comparisons can be made.

Because of scarcity, choices have to be made on a daily basis by all consumers, firms and governments. For a moment, just have a think about the hundreds of millions of decisions that are made by people in your own country every single day. Take for example the choices that people make in the city of London about how to get to work. Over six million people travel into London each day, they have to make choices about when to travel, whether to use the bus, the tube, to walk or cycle or indeed whether to work from home. Millions of decisions are being taken, many of them are habitual but somehow on most days, people get to work on time and they get home too! This is a remarkable achievement, and for it to happen, our economy must provide the resources and the options for it to happen.

Making a choice made normally involves a trade-off in simple terms, choosing more of one thing means giving up something else in exchange. Because wants are unlimited but resources are finite, choice is an unavoidable issue in economics. For example: Housing, Choices about whether to rent or buy a home a huge decision to make and one full of uncertainty given the recent volatility in the British housing market! There are costs and benefits to renting a property or choosing to buy a home with a mortgage. Both decisions involve a degree of risk.

## ACTUALISATION

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Choosing between full-time or part-time work, or to take a course in higher education lasting three years how have these choices and commitments been affected by the introduction of university tuition fees, the choice between using Euro-Tunnel, a speedy low-cost ferry or an airline when traveling to Western Europe Your choices about which modes of transport to use to get to and from work or school each day.

Despite several decades of rising living standards do surveys of happiness suggest that people are not noticeably happier than previous generations? When we study the decisions of consumers in different markets, we can start to consider and explore what their aims are. Our working assumption for the moment is that consumers make choices about what to consume based on the aim of maximising their own welfare. They have a limited income and they seek to allocate their funds in a way that improves their standard of living. Of course in reality consumers rarely behave in a perfectly informed and rational way. We will see later that often decisions by people are based on imperfect or incomplete information which can lead to a loss of satisfaction and welfare not only for people themselves but which affect other and our society as a whole.

As consumers we have all made poor choices about which products to buy. Do we always learn from our mistakes? To what extent are our individual choices influenced and distorted by the effects of persuasive advertising? Multinational companies have advertising and marketing budgets that often run into hundreds of millions of pounds. We are all influenced by them to a lesser or greater degree and there is always the risk that advertising can be misleading.

An economic system is best described as a network of organizations used by a society to resolve the basic problem of what, how and for whom to produce.

There are four categories of economic system, Traditional economy, where decisions about what, how and for whom to produce are based on custom and tradition. Land is typically held in common i.e. private property is not well defined.

Free market economy, where households own resources and free markets allocate resources through the workings of the price mechanism. An increase in demand raises price and encourages firms to switch additional resources into the production of that good or service.

The amount of products consumed by households depends on their income and household income depends on the market value of an individual's work. In a free market economy there is a limited role for the government.

## ACTUALISATION

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Indeed in a highly free market system, the government limits itself to protecting the property rights of people and businesses using the legal system, and it also seeks to protect the value of money or the value of a currency.

Planned or command economy, in a planned or command system typically associated with a socialist or communist economic system, scarce resources are owned by the state i.e. the government. The state allocates resources, and sets production targets and growth rates according to its own view of people's wants. The final income and wealth distribution is decided by the state. In such a system, market prices play little or no part in informing resource allocation decisions and queuing rations scarce goods.

Mixed economy, in a mixed economy, some resources are owned by the public sector government and some resources are owned by the private sector. The public sector typically supplies public, quasi-public and merit goods and intervenes in markets to correct perceived market failure. We will come back to all of these concepts later on in our study of microeconomics.

There is a well known saying in economics that “there is no such thing as a free lunch!” Even if we are not asked to pay a price for consuming a good or a service, scarce resources are used up in the production of it and there must be an opportunity cost involved. Opportunity cost measures the cost of any choice in terms of the next best alternative foregone. Many examples exist for individuals, firms and the government.

The opportunity cost of deciding not to work an extra ten hours a week is the lost wages foregone. If you are being paid £6 per hour to work at the local supermarket, if you choose to take a day off from work you might lose £48 from having sacrificed eight hours of paid work. Government spending priorities, the opportunity cost of the government spending nearly £10 billion on investment in National Health Service might be that £10 billion less is available for spending on education or the transport network.

Investing today for consumption tomorrow the opportunity cost of an economy investing resources in new capital goods is the current production of consumer goods given up. We may have to accept lower living standards now, to accumulate increased capital equipment so that long run living standards can improve. Making use of scarce farming land The opportunity cost of using arable farmland to produce wheat is that the land cannot be used in that production period to harvest potatoes.

## ACTUALISATION

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### **Sectors of production in the economy**

Primary sector this involves extraction of natural resources e.g. agriculture, forestry, fishing, quarrying, and mining

Secondary sector this involves the production of goods in the economy, i.e. transforming materials produced by the primary sector e.g. manufacturing and the construction industry

Tertiary sector the tertiary sector provided services such as banking, finance, insurance, retail, education and travel and tourism

Quaternary sector the quaternary sector is involved with information processing e.g. education, research and development

## GENERAL RECOMMENDATION

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Customers have different reservation prices they are willing to pay for your goods or services. Price increases will probably cause a decrease in sales, and price decreases will probably have the reverse effect. But how can you tell how much volume will change as a result of a price change?

Producers often take advantage of consumer surplus when setting prices. If a business can identify groups of consumers within their market who are willing and able to pay different prices for the same products, then sellers may engage in price discrimination the aim of which is to extract from the purchaser, the price they are willing to pay, thereby turning consumer surplus into extra revenue.

Airlines are expert at practicing this form of yield management, extracting from consumers the price they are willing and able to pay for flying to different destinations at various times of the day, and exploiting variations in elasticity of demand for different types of passenger service. You will always get a better deal / price with airlines such as Easy Jet and Ryan Air if you are prepared to book weeks or months in advance. The airlines are prepared to sell tickets more cheaply then because they get the benefit of cash-flow together with the guarantee of a seat being filled. The nearer the time to take-off, the higher the price. If a businessman is desperate to fly from Newcastle to Paris in 24 hours time, his or her demand is said to be price inelastic and the corresponding price for the ticket will be much higher.

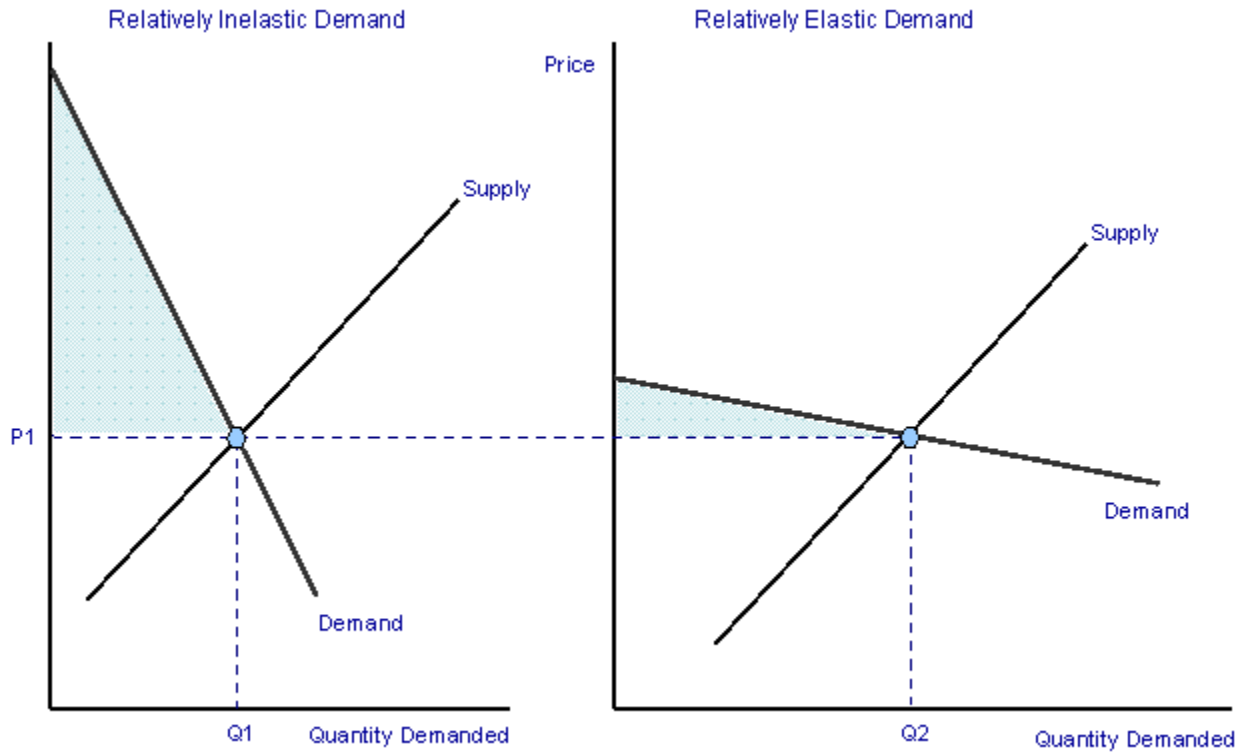
One of the main arguments against firms with monopoly power is that they exploit their monopoly position by raising prices in markets where demand is inelastic, extracting consumer surplus from buyers and increasing profit margins at the same time. We shall consider the issue of monopoly in more detail when we come on to our study of markets and industries.

When the demand for a good or service is perfectly elastic, consumer surplus is zero because the price that people pay matches precisely the price they are willing to pay. This is most likely to happen in highly competitive markets where each individual firm is assumed to be a 'price taker' in their chosen market and must sell as much as it can at the ruling market price.

In contrast, when demand is perfectly inelastic, consumer surplus is infinite. Demand is totally invariant to a price change. Whatever the price, the quantity demanded remains the same. Are there any examples of products that have such a low price elasticity of demand?

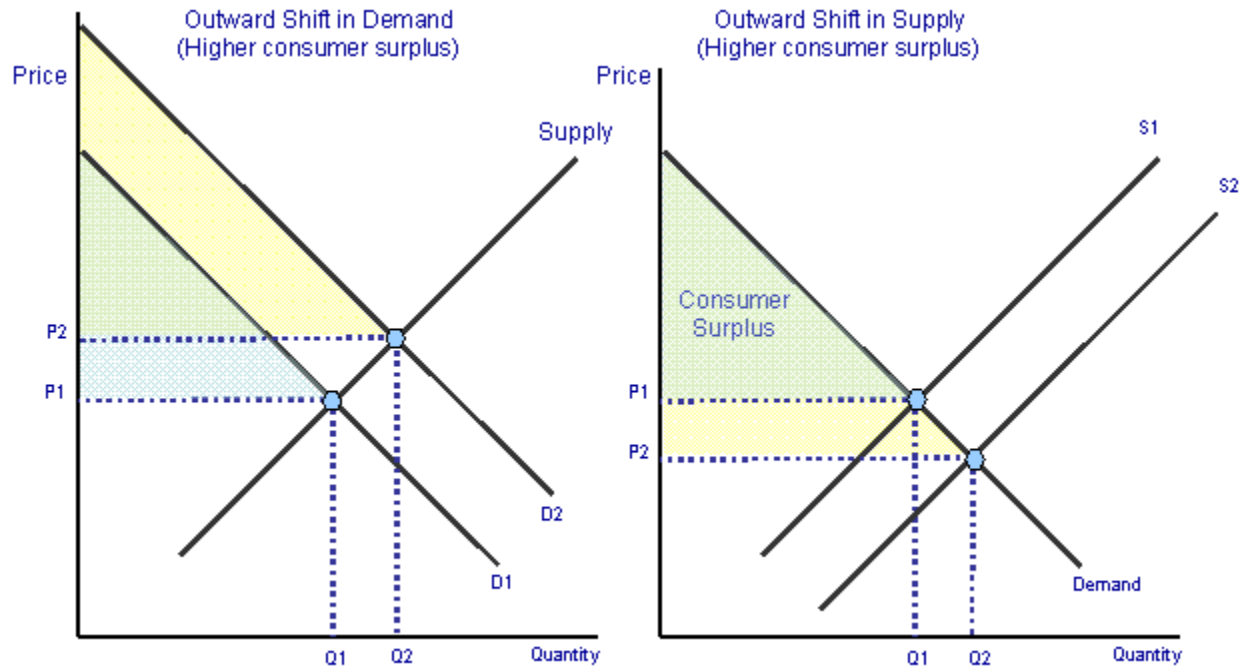
The majority of demand curves are downward sloping. When demand is inelastic, there is a greater potential consumer surplus because there are some buyers willing to pay a high price to continue consuming the product. This is shown in the diagram below:

# GENERAL RECOMMENDATION



## GENERAL RECOMMENDATION

### Changes in demand and consumer surplus



When there is a shift in the demand curve leading to a change in the equilibrium market price and quantity, then the level of consumer surplus will alter. This is shown in the diagrams above. In the left hand diagram, following an increase in demand from D1 to D2, the equilibrium market price rises to from P1 to P2 and the quantity traded expands. There is a higher level of consumer surplus because more is being bought at a higher price than before.

In the diagram on the right we see the effects of a cost reducing innovation which causes an outward shift of market supply, a lower price and an increase in the quantity traded in the market. As a result, there is an increase in consumer welfare shown by a rise in consumer surplus.

Consumer surplus can be used frequently when analysing the impact of government intervention in any market for example the effects of indirect taxation on cigarettes consumers or the introducing of road pricing schemes such as the London congestion charge.

Adam Smith, one of the Founding Fathers of economics famously wrote of the invisible hand of the price mechanism". He described how the invisible or hidden hand of the market operated in a competitive market through the pursuit of self-interest to allocate resources in society's best interest.

## GENERAL RECOMMENDATION

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This remains the central view of all free-market economists, i.e. those who believe in the virtues of a free-market economy with minimal government intervention.

The price mechanism is a term used to describe the means by which the many millions of decisions taken each day by consumers and businesses interact to determine the allocation of scarce resources between competing uses. This is the essence of economics!

Firstly, prices perform a signaling function this means that market prices will adjust to demonstrate where resources are required, and where they are not. Prices rise and fall to reflect scarcities and surpluses. So, for example, if market prices are rising because of high and rising demand from consumers, this is a signal to suppliers to expand their production to meet the higher demand.

Consider the left hand diagram on the next page. The demand for computer games increases and as a result, producers stand to earn higher revenues and profits from selling more games at a higher price per unit. So an outward shift of demand ought to lead to an expansion along the market supply curve.

In the second example on the right, an increase in market supply causes a fall in the relative prices of digital cameras and prompts an expansion along the market demand curve. Conversely, a rise in the costs of production will induce suppliers to decrease supply, while consumers will react to the resulting higher price by reducing demand for the good or services.

Through the signaling function, consumers are able through their expression of preferences to send important information to producers about the changing nature of our needs and wants. When demand is strong, higher market prices act as an incentive to raise output (production) because the supplier stands to make a higher profit. When demand is weak, then the market supply contracts. We are assuming here that producers do actually respond to these price signals!

One of the features of a free market economy is that decision-making in the market is decentralised in other words, the market responds to the individual decisions of millions of consumers and producers, i.e. there is no single body responsible for deciding what is to be produced and in what quantities. This is a remarkable feature of an organic market system.

Prices serve to ration scarce resources when demand in a market outstrips supply. When there is a shortage of a product, the price is bid up leaving only those with sufficient willingness and ability to pay with the effective demand necessary to purchase the product.

## GENERAL RECOMMENDATION

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Be it the demand for tickets among England supporters for the 2006 World Cup or the demand for a rare antique, the market price acts a rationing device to equate demand with supply.

The prices for using the good example of the rationing function of the price mechanism. A toll road can exclude those drivers and vehicles that are not businesses and other road users are paying for the right to use the road, road space has a market price instead of being regarded as something of a free good.

## CONCLUSION

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The best way is to examine customer behaviour. Their behaviour tells you what their needs are. We identify simple but powerful facts about buying behaviour - *who* buys, *what* they buy, and *how* do they buy. We supplement this information with *why* do they buy. The results give you amazing insights into what customer's needs are, and how they differ across different background variables such as age or gender.

Research suggests that children are exerting more influence over family buying decisions. What are the implications of this for retailers, brands and marketers? Children are an important part of the family buying process. But what roles do they play? Marketing theory suggests five main roles in a family buying process:

- Initiator
- Influencer
- Decider
- Buyer
- User

Which roles do children play in addition to the obvious one the user Children certainly influence family buying decisions from cars to holidays? They are also the buyers of the future. Provide children with Penguin bars and McVitie's may be able to hold on to the adult due to brand awareness and brand loyalty formed at such an early age.

But how should businesses market to children? Are there conflicts with being seen to specifically target the child audience can it alienate parents? Products have to appeal to the conflicting agendas of child and parent, while fighting off increasing competition. A marketer of children's foods was recently quoted as follows:

Ten years ago children wouldn't have given a damn about cheese. It used to be just Dairylea, but now children's dairy products encompass everything from cheese to yogurts, and fromage frais. Our brands also face more intense competition than ever and it's not just from other chocolate biscuits - it's from products such as Dairylea Dunkers and Fruit Winders. These things didn't exist before.

Marketers also have to recognise that children are moving into new markets. Children as young as seven buy DVD's, and no teenage lifestyle is complete without a mobile phone. This has a knock-on effect. For example, the money children spend on mobile phone cards reduces the money they spend on snacks.

## CONCLUSION

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Marketers also need to be sensitive to the peculiarities of children-related markets. It may be tempting to use a daring marketing campaign to make a product stand out. But a poorly thought-through campaign could result in the product and/or brand being attacked by ethical campaigners, outraged mothers, educationalists, health and safety organisations and others.

A good example of how things can go wrong is Sunny Delight. Sunny Delight enjoyed boom sales after its initial launch. However, the drink's popularity crashed when the media realised that it was sold from chiller cabinets purely as a marketing ploy to make it seem fresh and, therefore, healthy. The actual product formulation was far from healthy.

Retailers face a challenge to display products in a way that attracts children. Promotional displays have to be able to handle child usage (or abuse) and capture a child's imagination and attention. Disney has a reputation as being particularly good at interactive promotional marketing. Many children also prefer Woolworth's to supermarkets because of features such as pick 'n' mix sweets. The Early Learning Centre succeeds by creating a playground which allows children to play with toys rather than leaving them wrapped in plastic.

For a marketing manager, the challenge is to understand how customers might respond to the different elements of the marketing mix that are presented to them. If management can understand these customer responses better than the competition, then it is a potentially significant source of competitive advantage.

Consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy. It blends elements from psychology, sociology, sociopsychology, anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Buyer decision processes are the decision making processes undertaken by consumers in regard to a potential market transaction before, during, and after the purchase of a product or service. More generally, decision making is the cognitive process of selecting a course of action from among multiple alternatives. Common examples include shopping, deciding what to eat. Decision making is said to be a psychological construct. This means that although we can never see a decision, we can infer from observable behaviour that a decision has been made. Therefore we conclude that a psychological event that we call decision making has occurred. It is a construction that imputes commitment to action.

## CONCLUSION

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That is, based on observable actions, we assume that people have made a commitment to effect the action.

In an early study of the buyer decision process literature, Frank Nicosia (Nicosia, F. 1966; pp 9-21) identified three types of buyer decision making models. They are the univariate model (He called it the "simple scheme".) in which only one behavioural determinant was allowed in a stimulus-response type of relationship; the multi-variate model (He called it a "reduced form scheme".) in which numerous independent variables were assumed to determine buyer behaviour; and finally the system of equations model He called it a structural scheme" or "process scheme. In which numerous functional relations either univariate or multi-variate) interact in a complex system of equations. He concluded that only this third type of model is capable of expressing the complexity of buyer decision processes. Nicosia builds a comprehensive model involving five modules. The encoding module includes determinants like attributes of the brand, environmental factors", "consumer's attributes, attributes of the organization", and "attributes of the message". Other modules in the system include consumer decoding, search and evaluation, decision, and consumption.

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