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Market research - advanced

Understanding consumer behaviour

The most challenging task that the business owner must undertake in preparing marketing strategies is to understand the behaviour of customers and to analyse the market for the business. The market could be the local community, the city, a region, or it could be national or international in scope.

Whatever the size, there are six basic questions that need to be answered in this regard:

1. Why do consumers buy? Why will they buy the products or services?
2. Who buys? Who is the target market? What are the characteristics of consumers who are likely to buy from you?
3. What do they buy? Which products or services do they typically choose? What brands do they prefer? How much discretionary income do they have to use that is above their normal necessities?
4. How do they buy? What are their buying habits? Do they buy because it is convenient or do they buy because it is easily accessible? Do they pay cash, or do they use credit cards?
5. Where do they buy it? Do your customers prefer to buy from mail order, or from retail stores, or from the Internet, or from door-to-door? How far are they prepared to travel to buy?
6. When do they buy? How much is the behaviour of customers affected by seasonal influences? What about the holiday season influence? How does that affect their shopping patterns? What about inflation or recession, or higher interest rates?

Many questions seem difficult, but they must be answered. The key, of course, is to answer these questions and get sensible information without spending a lot of money.

Market segmentation

For small firms, competing successfully means finding gaps in the market. That is, groups of consumers whose needs are not being satisfied by existing products or combinations of products or services. One of the most powerful techniques for finding where these gaps might be and then exploiting them is what is known as market segmentation.

For most products there is no such thing as one market, but groups of what is known as "sub-markets". Specifying these sub-markets is called market segmentation. Once the market is thought of not as a mass, but as a number of different groupings of people and types of demand, it is possible to put together a total marketing strategy. Market segmentation influences product development and differentiation, and target marketing. There is no one-way or right way to segment a market.

Many variables can be taken into account and the most appropriate ones will depend on the nature of the product and its normal sales pattern from the manufacturer. If your product is not consumer oriented and you sell to a relatively small number of large, well-defined customers, then you can afford to think of your market as being segmented to those customers. For more diverse markets, and particularly if you are a producer of a consumer product, segmenting the market according to a number of different variables becomes possible.



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There are 3 broad categories of variables:

1. **Geographic** - region, city size, diversity of settlement.
2. **Demographic** - age, sex, household size, income, occupation, nationality.
3. **Psychographic** - social class, personality attributes, patterns of product use etc.

Market segmentation therefore enables you to align products with markets. This can form part of an evolving strategy, which, in today's more discerning market place, is just as important to large firms as to small ones. For example, Coca Cola originally adopted a mass marketing approach. Coke was Coke and the company concentrated on selling it to as wide a range of customers as possible. In more recent years, however, the company has catered to different market segments by producing a range of bottle sizes and containers and by producing Diet Coke.

Further information

The following fact sheets provide further information on these issues:

- Marketing plan
- Market research – introduction