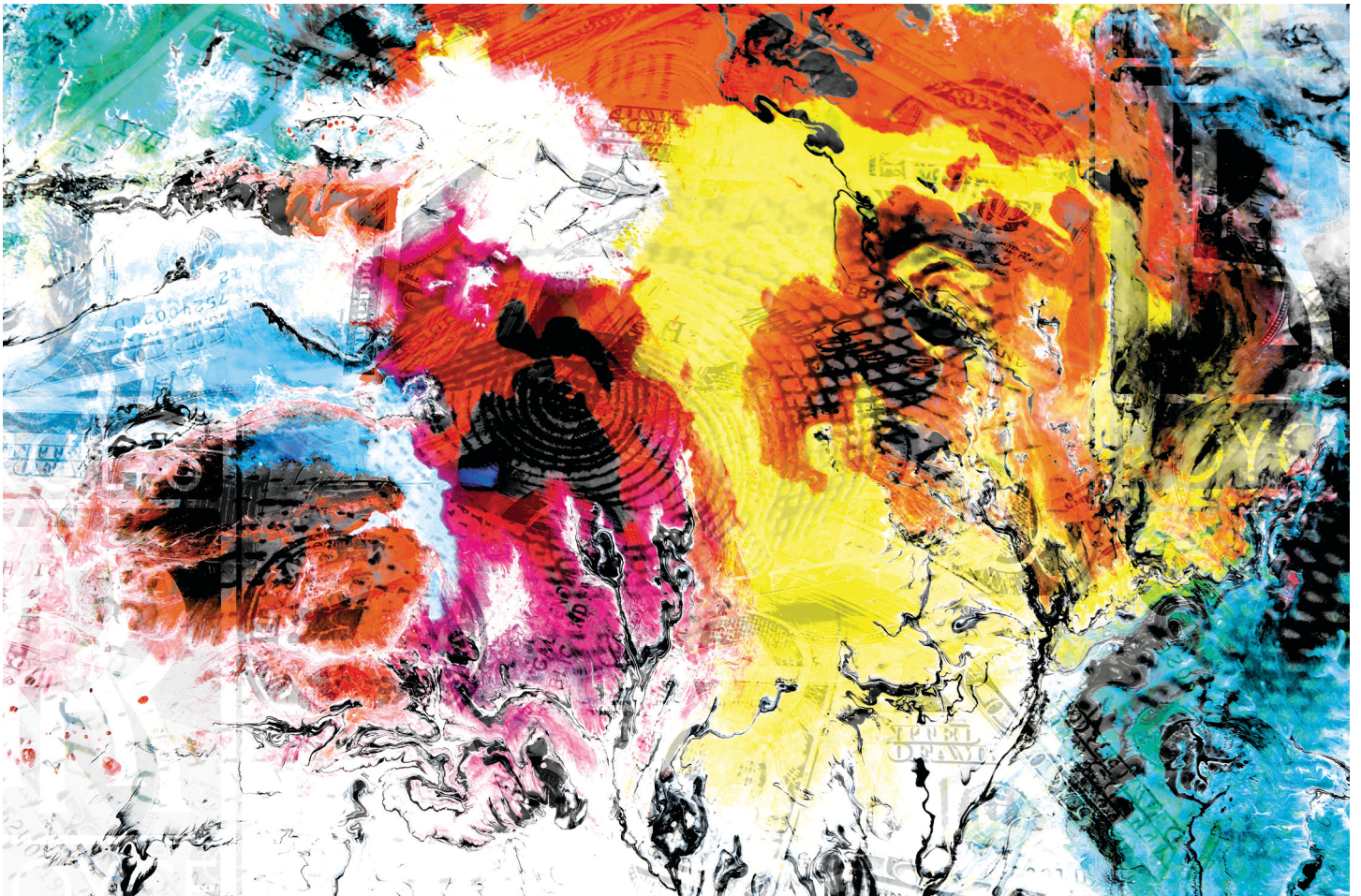


Understanding your customers



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Introduction

This free course provides you with a short introduction to understanding customers. The course underlines the relevance of understanding customers as individuals, members of society and members of organisations. It clarifies some key marketing concepts and terminology and highlights some differences between consumer and business-to-business marketing. The course is suitable for a variety of learners, including small business owners and those working in small businesses with limited access to specialists, as well as marketing professionals and those thinking about pursuing a course of study to become a marketing professional.

Why is it important to understand customers? Here are three good reasons:

- Whether we work in commercial businesses, charities, government organisations, or even if we are not in paid work at all, we all have customers. Even someone who wants your time or attention can be classed as a customer – so the category covers a wide range of people. Understanding their behaviour can make us more effective in keeping them satisfied, with possible benefits for us in return.
- We all act as customers ourselves, so studying theories of customer behaviour can help us understand ourselves and make better choices in the future.
- We can gain valuable insights into culture, history, psychology and social issues by looking at how people behave as customers, particularly what they buy and how they use what they buy.

Understanding customer behaviour is essential to effective marketing. As a business philosophy, marketing puts customers at the centre of an organisation's strategy. It sees customer satisfaction and the long-term repeat business that should come from it as the route to organisational success. Modern marketing's development since the early twentieth century has demonstrated an increased focus on customers. Current practice in marketing emphasises the need to see customers as active partners, not just passive recipients

Course content

The course is in three sessions:

- Session 1: Why should you care about your customers?
- Session 2: Understanding customer behaviour
- Session 3: Customers in organisations

This OpenLearn course is an adapted extract from the Open University course [B206 Understanding customers](#) which is ideal for those working in marketing, aiming to work in marketing, wanting to gain insights for their own business, or those who simply want to understand more about their own consumer behaviour.

Learning Outcomes

After studying this course, you should be able to:

- understand some essential concepts of consumer and business buying behaviour
- explain the key ways in which business-to-business marketing is different from consumer marketing
- improve the value of your customer relationships.

1 Why should you care about your customers?

In this session you will:

- study a definition of marketing from the Chartered Institute of Marketing (CIM) which introduces the concept of the '7Ps' of marketing and their importance.
- focus on marketing as an exchange process and learn how to improve the outcome of an exchange.
- consider the relevance and importance of customer experience management in creating a successful customer experience.

1.1 Session learning outcomes

After studying this session, you should be able to:

- describe the importance of understanding customers to your professional and personal effectiveness
- explain marketing as a process whereby customers and suppliers exchange things of mutual value
- analyse customer behaviour in terms of customer experience management.

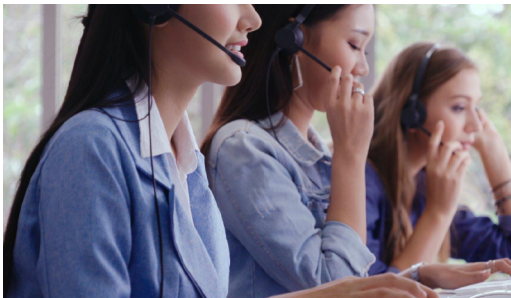


Figure 1 A clearing centre

1.2 What is Marketing?

According to the UK's Chartered Institute of Marketing, 'Marketing is the **management process** responsible for **identifying**, **anticipating** and **satisfying** customer requirements **profitably**' (CIM, 2015, p. 2).

The words highlighted in the definition provide a good starting point for thinking about marketing and the importance of customers:

- **Management process** – marketing is a way to manage an organisation's activities. Marketing sees the customer as the only reason any organisation can afford to exist.

Without customers, you only have costs. So, marketing prioritises customers in all aspects of an organisation's activity. This is known as 'customer orientation'. It entails understanding what your customers want, and how to provide it so they choose you over the alternatives. As competition increases, understanding customers becomes ever more important.

- **Identifying** – means using research and observation to find out people's current needs, this is also called 'actual demand'.
- **Anticipating** – means spotting gaps emerging in the market and predicting what people might need in the future, this is also called 'latent demand'. Marketing organisations often describe themselves as customer-led, but it can be just as important to be customer-leading. This entails seeing an opportunity for a product or service, even before customers realise they need it. Before the launch of the iPhone on 29 June 2007, who in the world realised they 'needed' such a device? As technological change accelerates, marketers must make increasingly risky bets on the future in order to have a chance of success. Such marketers must understand customers better than customers understand themselves.
- **Satisfying** – means providing products and services that meet needs effectively. Marketing has been criticised for creating artificial needs (O'Shaughnessy and O'Shaughnessy, 2002) but, to support a sustainable business, a product or service must serve a genuine purpose. The fads and fashions engineered by some marketing activity are by their nature short-lived. Successful organisations, whether commercial or not-for-profit, understand customer needs sufficiently well to be able to satisfy them better than competitors can over the long term.
- **Profitably** – profit is the prime objective of commercial organisations, to keep shareholders happy and to fund growth. Thinking of marketing as an exchange (Bagozzi, 1974), we can see that 'profit' is what the supplier is getting from the customer in exchange for the benefits provided by the product or service supplied. However, marketing can support non-profit objectives as well – such as those of charities – so a better way of phrasing this part of the definition might be to substitute the last word 'profitably' with a new phrase such as 'to achieve organisational and personal objectives', which has wider relevance. Furthermore, many commercial organisations look for success beyond profitability alone. They include social and environmental objectives in their business planning. Marketing can help by revealing how such objectives relate to customer requirements, such as the satisfaction that comes from dealing with an ethical supplier.

Each aspect of our chosen definition of marketing has close relevance to understanding customers. As a management process, marketing must focus everyone in the organisation on a common understanding of the customer. Identifying, anticipating and satisfying needs effectively depends on understanding those needs as felt and expressed by customers. Finally, profitability depends on supplying relevant and valued goods and services that customers are willing to exchange money, time and energy to acquire. In short, marketing is really all about understanding customers.

Activity 1 Marketing definition and development

Allow 60 minutes for this activity

Here's a short document from the [Chartered Institute of Marketing](#), a UK-based organisation with international influence on the way marketing is practiced and taught.

Read it to understand more about marketing and customers, and then try the questions below.

1. Why is getting close to customers more important than ever?
 - Digital and mobile technology is making inroads into all areas of our lives
 - Customers are looking for low prices
 - Customers are increasingly difficult to please
2. How is marketing now regarded?
 - A departmental activity
 - A frontline business attitude for all employees
 - Something to be delegated to an external agency
3. Which fifth P was added to the four Ps of Product, Price, Place and Promotion as marketing became more sophisticated?
 - Pace
 - Power
 - People
4. What is the product quality trap?
 - Selling products that are cheap but don't last long
 - Selling products that are better quality (and more expensive) than the customer wants
 - Trapping inferior products in the quality testing process
5. What is the only element of the marketing mix that generates profit?
 - Promotion
 - Place
 - Price
6. What is the process of considering the seven Ps together to form a cohesive strategy called?
 - Marketing research
 - Marketing planning
 - Marketing practice
7. Which three distinct future trends in marketing does the article identify?
 - Lower prices, more use of marketing information, and monitoring performance
 - Staff development, monitoring performance, and digital printing
 - More use of marketing information, monitoring performance, and staff development

1.3 Getting to grips with customers

You will now develop your skills in analysis allowing you to apply marketing theory to your own experience of having customers.

Activity 2 Who are your customers?

Allow 20 minutes for this activity

Identify some important customers of your own. Think of your life at work, if you are in employment at the moment. Unless you work in retail, sales or customer service, you might never meet the final customer for the goods or services your organisation produces. However, there will be people inside the organisation who depend on you to meet their needs for information, for cooperation, and for help to get things done. These colleagues are your internal customers. Your ability to understand and satisfy their needs is crucial to the effectiveness of the organisation, and the satisfaction of the final customer.

Ahmed and Rafiq (2002) relate the concept of internal customers to a wider process of internal marketing, which they define as:

Internal marketing is a planned effort using a marketing-like approach directed at motivating employees, for implementing and integrating organizational strategies towards customer orientation.

This definition sees internal marketing as something organisations do to motivate and coordinate their employees. Perhaps more importantly, treating colleagues as people with whom you exchange valuable things can allow you to spot new opportunities to develop your career and become more effective.

Away from work you also have customers. Partners, family members and friends need and want your time, interest, favours and affection. In the give and take of life with family and friends, it's often hard to know who is the customer and who is the supplier. In any productive relationship, personal or business, benefits and value are exchanged in both directions.

Use the text box below to list up to five of your most important customers with a brief note of why they are important to you. Try to include at least one external customer, if you have one, one internal customer and one customer away from work.

Provide your answer...

You will choose one of these customers to focus on in the next activity.

1.4 Marketing as an exchange process

The idea of exchange is important when we come to think about customer behaviour. Bagozzi (1974) pioneered an approach to understanding marketing as an exchange process, see Figure 2 below, where a customer exchanges something of value, for

example, money, with a supplier who is able to meet that customer's needs, for example, with goods or services that solve a problem.

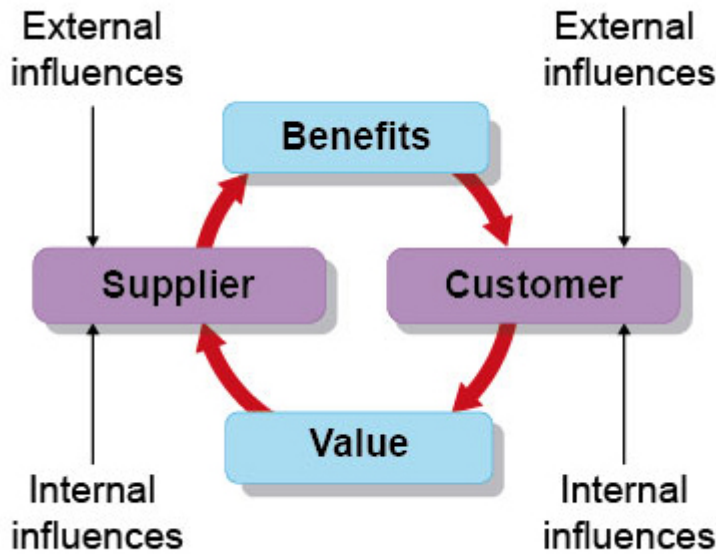


Figure 2 Marketing as an exchange process (adapted from Bagozzi, 1974)

For an exchange to take place certain conditions must be met:

- There must be at least two parties.
- Each must have something that might be of value to the other.
- Each can communicate and deliver what they are offering.
- Each is free to accept or reject what is on offer.
- Each party trusts/respects the other sufficiently to take the exchange seriously.

Bagozzi originally thought in terms of commercial marketing, but later marketing theorists have applied this model to both commercial and non-commercial situations.

The value of this way of seeing marketing is that if you think hard enough about who is involved in the exchange, what is being exchanged, and what factors, internal and external, are influencing the exchange, you can predict and improve the outcomes of such exchanges. The study of customer behaviour therefore includes not only a focus on customers themselves, but on the many factors that influence how they behave.

Activity 3 Improving the outcome of an exchange

Allow 15 minutes for this activity

Select one of the customers you identified in the previous activity then fill in the interactive diagram of an exchange process below in relation to this customer. The following prompts might help you to add more detail:

- Who is the customer?
- What is being exchanged?
- What are the influences you can think of, internal and external, that affect the exchange?

Interactive content is not available in this format.

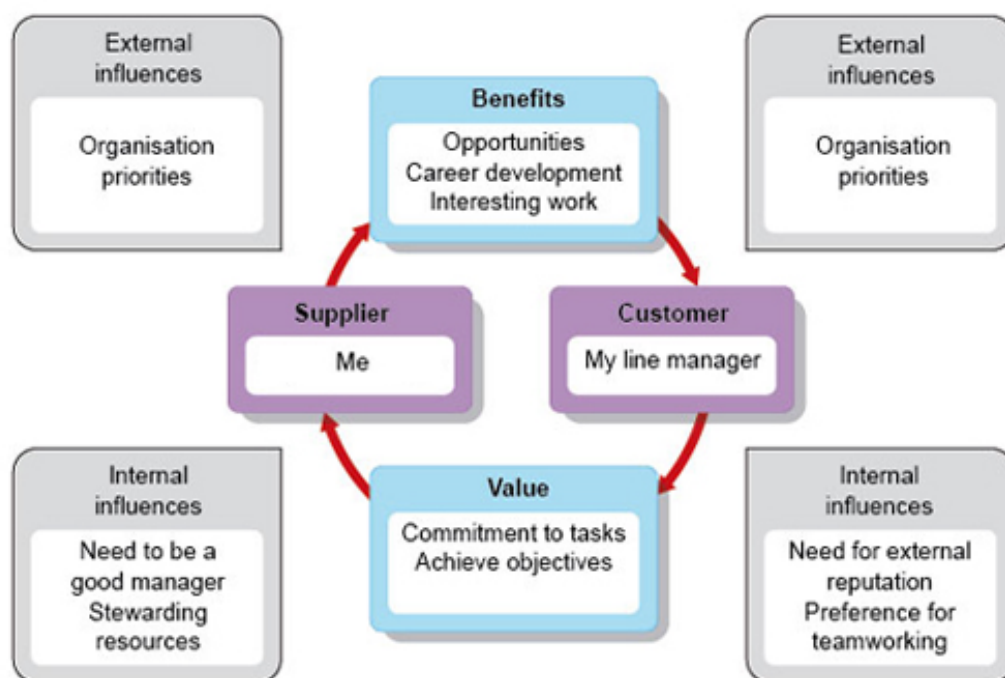
An exchange process (adapted from Bagozzi, 1974)

(Adapted from Bagozzi, 1974)

Provide your answer...

Discussion

This discussion illustrates the activity with a personal example to which you can compare your own response. It is not meant to be a model answer, but it will offer you a different perspective that may help you learn more from the exercise. First, have a look at the completed diagram, and then read how the prompts were used to complete it.



I have chosen my line manager as my customer for this exercise. **What is being exchanged?**

My line manager offers me opportunities and in return I offer my commitment to the tasks involved. This happens in the framework of our paid employment in an organisation, but my manager has some discretion about what projects she gives me, and I have some choice about which to accept.

The benefits available to my line manager include being able to demonstrate she is managing resources to achieve organisational objectives for which she is accountable. The benefits to me are potential career development and the satisfaction of doing interesting and rewarding work.

What are the influences you can think of, internal and external, that affect the exchange?

Internal influences include our immediate priorities and preferences as individuals. My priorities include developing my reputation outside the organisation, so I actively seek projects that involve external partners. I also prefer working in teams as I enjoy

learning from others and sharing ideas. My manager's personal priorities include demonstrating that she is managing resources well, and developing her staff. In terms of preferences, I know from experience of working with her that she is very well-organised and appreciates this quality in others.

Turning to external influences, we are both employed by a university to achieve its objectives. This means the most important external influences on our internal marketing exchanges will be organisational priorities. These include creating relevant learning experiences that attract students and carrying out innovative research that attracts funding and has a positive social impact.

Can you think of a way in which a better understanding of your customer might enable both parties to get more out of the exchange?

In response to my manager's preference for being well-organised, I can make an effort to improve my own organisational skills. This should make her more comfortable with me as a supplier and mean she has the confidence to offer me more interesting and complex projects.

Secondly, in response to external organisational pressures, I can make sure I am up to date with relevant plans and strategies in the university. This would give me more insight into what my manager needs to achieve and help us both do a better job to meet the needs of our final customers – learners and the various other customers (for example, businesses, voluntary organisations and government bodies).

1.5 You as a customer

Consider your own behaviour as a customer. As well as having customers ourselves, we all act as customers in marketing exchanges every day. Learning more about customer behaviour can improve the way we participate in these exchanges, so we become better at satisfying our needs.

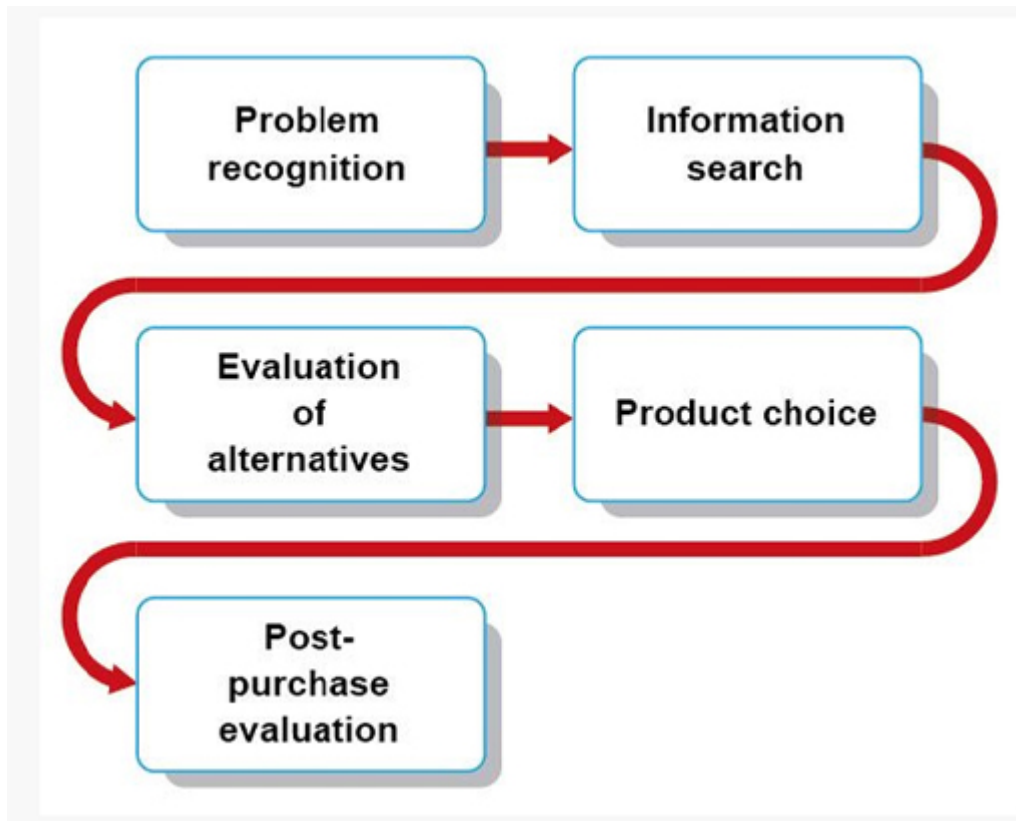


Figure 3 Stage model of buyer behaviour (adapted from Solomon, 2018, p. 340)

A popular model in the study of customers sees buyer behaviour as a series of stages (Solomon, 2018), as shown in Figure 3. The first stage in the model is the potential buyer realising they have a problem (such as hunger), which is called 'problem recognition'. The second stage involves considering different ways of solving this problem, which can involve some investigation (for instance, finding out if there is a sandwich shop nearby). The technical term for this second stage is 'information search'. The buyer behaviour model might help you reflect on the role of information search in your own purchases. It might even suggest new ways of dealing with a situation. Do you spend enough time investigating alternatives, or is convenience more important to you?

A good example of the importance of an information search is buying insurance. Problem recognition often arrives in the form of a reminder that the current insurance policy is about to expire. Having recognised this problem, many customers in the UK opt for the convenience of just renewing their policy with the same provider each year (Collinson, 2017), but this can be an expensive option. In a market where competitors attract new business with discounts, existing customers often end up paying more. It therefore pays to shop around or, in the language of the model, to engage in extensive information search, in the hope of getting a better deal.

Activity 4 Your behaviour as a customer

Allow 5 minutes for this activity

In this activity you will explore the reasons for an aspect of your current customer behaviour. This will help you understand the practical challenges facing marketers trying to change customer behaviour. Take this poll to see how your insurance renewal behaviour compares to that of other learners. Answer with reference to the last kind of recurring insurance you bought (whether house, contents, car or some other high-

value item). If you don't buy insurance, answer about some other form of regular service you purchase, such as a phone contract that comes up for renewal after a certain period of time. Once you have answered, you will be able to see how others have voted.

Interactive content is not available in this format.

Discussion

Has this poll started you thinking about other decisions you make as a consumer? Are there ways in which a model like the stage model of buyer behaviour (Figure 3) might help you make better decisions?

1.6 Customer experience management

An emerging school of thought says that contemporary marketing is best understood as creating and managing customer experiences. This perspective on marketing also puts customer behaviour centre stage, potentially covering every aspect of a customer's interaction with a supplier.

Homburg *et al.* (2017) argue that customer experience management (CEM) is the most relevant way of pursuing long-term customer loyalty, and thus ensuring the long-term success of an organisation. CEM takes a very broad view of 'satisfying customer requirements' (CIM, 2015). It emphasises that a customer's relationship with an organisation often begins well in advance of their purchase and use of a product or service and continues beyond the time they finish using it. The individual customer's journey offers myriad 'touchpoints' along the way, positive or negative. The more positive an organisation can make the experience at each touchpoint, the more loyal the customer is likely to remain.

Think of your own journey in relation to a major purchase of a product or service. You may have spent a considerable amount of time interacting with advertising and publicity material, navigating websites, talking to advisors on the phone, filling in online forms, paying fees, and so on. Each of these were touchpoints with your selected brand, and each constituted an experience of some sort, good or otherwise. The touchpoints continue to proliferate as you embark on using the product or service and experience after-sales communications.

Homburg *et al.* (2017) propose that organisations that recognise which touchpoints matter most to their customers and can create 'value constellations' of compelling customer experiences, will outperform their competitors in the long term. This is a difficult thing to achieve. For example, what matters to customers may change over time. So, it's important to monitor touchpoints and customers and manage them in line with such changes. This has only become possible at scale since customers moved online in large numbers. It is particularly relevant to services involving the web, such as smart-home management systems (where domestic appliances, heating and lighting are controlled in an intelligent way). But even organisations whose transactions take place in the physical world can benefit from understanding and enhancing important customer touchpoints.

Homburg *et al.* (2017) argue that to succeed with CEM an organisation needs three things:

- **Cultural mindset** – in other words, a shared vision of the importance of touchpoints as opportunities to create positive customer experiences, and a co-operative outlook (given that many of these experiences will depend on collaboration within and even between firms).
- **Strategic direction** – being consistent across customer experiences yet remaining sensitive to individual context.
- **Capabilities** – the organisational capacity to implement CEM. For example, the skills and technology for designing, monitoring, prioritising and adapting touchpoints to optimise customer experience and promote long-term loyalty.

Activity 5 Customer experience management

Allow 40 minutes for this activity

Think about an organisation of which you are a customer. Which of its touchpoints are the most important to you? How well does the organisation manage the touchpoint in question? Use the table below to record scores for up to five touch points where 1 is low and 5 is high

Touchpoint table

Touchpoint description	Importance to you (out of 5)	Quality of experience (out of 5)
Provide your answer...	Provide your answer...	Provide your answer...
Provide your answer...	Provide your answer...	Provide your answer...
Provide your answer...	Provide your answer...	Provide your answer...
Provide your answer...	Provide your answer...	Provide your answer...
Provide your answer...	Provide your answer...	Provide your answer...

Discussion

This is not meant to be a model answer, but you may get some extra insights by comparing it with your response to the activity. The chosen organisation is the local train operating company.

Touchpoint description	Importance to you (out of 5)	Quality of experience (out of 5)
Timetable leaflet	2	1
Smartphone app	4	2
Station platform	5	2
Ticket collector taking payment	5	4

Train ride

5

4

There are aspects of my customer experience where my local train operator could do better. I picked up a timetable for my usual service a month ago, but I find it hard to use because of its tiny print and (to me) confusing abbreviations.

I much prefer the convenience of the train operator's app on my smartphone, but the app could be better designed. I need to click through several screens to get the information I need, and the layout is confusing.

Obviously, the train station platform itself is extremely important to me, but again the quality of the experience is disappointing, with limited seating. On a more positive note, the driver and ticket collectors on board are very important to me (as the people in charge of my safety). They offer an excellent customer experience in terms of friendliness and giving change if I have not got the right money. The train ride itself is also usually a good experience: punctual, with comfortable seats, storage for luggage, and an illuminated sign telling passengers what the next stop is.

The scores on my table suggest that the experience of being aboard the train is generally successfully managed – both important to me and of high quality. The printed timetable is not very important to me so I can tolerate the poor experience. However, it might be more of a problem for other customers, such as people who have learning difficulties or sight impairments, so it would be good to have this information available in alternative formats. The two areas of customer experience where the train operator needs to raise its game are its app and the station platform – both important to me, and both disappointing.

According to CEM, the train operator needs to develop a cultural mindset that sees the app and the platform as having a similar importance to me as the train ride itself in terms of my customer experience. It needs to see information provision and comfort while waiting for the train as a strategic part of its consistent service offering. This means being aware of the importance of apps and information, as well as comfortable conditions for waiting on the platform. These enhancements would require capabilities to take a more sophisticated approach to technology (which might require new skills to be developed within the company or outsourced), but most importantly they would require the company to monitor and prioritise these key touchpoints in order to prevent me from finding alternative means of transport.

Summary

In this session you have:

- studied the importance and relevance of understanding customers to marketers, customers, and to anyone interested in culture and society more widely
- analysed marketing as an exchange process
- examined current themes in marketing including customer experience management.

In the next session you will learn more about customer behaviour and marketing.

2 Understanding customer behaviour

In this session you will learn about contemporary approaches to understanding customer behaviour including:

- Behavioural Economics, also known as 'nudge theory'
- Neuromarketing in practice and some of the ethical considerations about its use
- Consumer Culture Theory from a practical and academic perspective.

2.1 Session learning outcomes

After studying this session, you should be able to:

- appreciate the contribution of behavioural economics in understanding your customers
- understand how behavioural economics and neuromarketing predict customer responses
- understand how consumer culture theory can offer insights into customer behaviour.



Figure 4 Marketing and consumption have been a feature of human activity since the dawn of trade

2.2 Insights from behavioural economics

We frequently act irrationally as customers – preferring exciting short-term gratification to more boring, but enduring, benefits. Which would you rather spend money on – a holiday or pension contributions? We know pensions are good for us, but holidays are so much more exciting. At times it almost seems we have an in-built bias against what is good for us.

Behavioural economics seeks to understand the in-built biases of human decision making, to counter the ones that act against our own best interests. Award-winning economists Thaler and Sunstein (2008) popularised the concept of what they call 'choice architecture'. The theory is that presenting choices in the right way to customers will help them to make decisions which are more in their interests. Thaler and Sunstein describe this as 'improving' decisions. It is also known as 'nudge' theory, as people are 'nudged' in the 'right' direction.

‘Nudging’ is based on scientific experiments which have established rules about how people make decisions, and how marketers can use this knowledge. For example, displaying salads more prominently to people queuing for lunch at a canteen, and hiding the chips, promotes healthier eating. People will choose the most obvious option, having been primed by the sight of the first food they see. Another example of choice architecture is requiring new employees to opt out of a workplace pension scheme rather than having to make the decision to join. An opt-out scheme results in a lot more members saving for their retirement.

The examples Thaler and Sunstein provide, such as pensions, organ donation, philanthropic giving and so on, make it difficult to argue against their idea of ‘nudging’ people towards decisions in their best interests. It could be argued that by influencing decisions without engaging with people’s conscious decision-making faculties, ‘nudge’ verges on manipulation. However, Thaler and Sunstein argue that nudging still leaves people entirely free to take their own decisions: it is not telling them what to do. As a result, it has become very popular with governments seeking to implement prosocial policies such as healthy eating, in a way which does not appear to be authoritarian and thus unpopular with voters. Nudging is also a relatively cheap way of influencing people’s decisions compared to techniques like advertising alone.

Key insights from behavioural economics

- **Loss aversion:** Research shows that people tend to prefer to hang on to what they already have, such as existing patterns of behaviour, even when faced with incentives to change for the better for example, to lose weight. The fear of losing whatever benefit their existing behaviour carries is more powerful than the incentive they are being offered to change.
- **Norms:** As social beings, we are influenced by what we see others doing. Norms are the informal but widely accepted rules of behaviour. If we get the impression that other people are doing something, such as reusing their hotel towels rather than leaving them in the bath for the laundry, we are likely to do likewise.
- **Defaults:** The default setting on a computer or smartphone is the one it comes with from the factory. Default behaviour is a similar idea – behaviour that goes with the flow, requiring no further action. The example of a pension scheme from which you have to opt out is a classic example of using a default to influence choice. Organ donation is another case in point. Rates of registration to donate organs are higher in countries where people must opt out of organ donation registration than in those where people have to opt in (though other ethical controls apply in all cases). For example, Wales, which adopted an opt-out system in 2015, has seen a significant increase in registrations (NHS Blood and Transplant, n.d.).
- **Priming:** As human beings, we have complex psychological makeups. Our moods, and therefore our dispositions to act in certain ways, are influenced by environmental factors we may not be conscious of at the time. For example, if as is often the case, you pass large photographs of fresh produce on your way into the supermarket, you are more likely to emerge with fruit and vegetables in your trolley. Szmigin and Piacentini (2015, p. 49) cite research studies which demonstrate that when exposed to language containing words relating to old age, such as ‘wrinkles’, research participants’ behaviour took on some of the characteristics of old age such as slower

movement and poorer recall (Dijksterhuis and Bargh, 2001). This is a remarkable reflection of the subtleties of interpersonal influence.

Activity 6 Test your understanding of behavioural economics

Allow 15 minutes for this activity

Test your understanding of the meaning of these terms by dragging each term next to the correct scenario listed below.

Loss aversion

Norms

Defaults

Priming

Match each of the items above to an item below.

- Dieters are given a fashion catalogue from which they can select £200 worth of new clothes when they achieve their target weight, with the warning that this offer will be withdrawn if the target weight is not reached by a stated date.
- An associate lecturer emails her students that 90 per cent of the tutor group have submitted their assignment a week ahead of schedule.
- Members of a museum friends' association are offered a 10 per cent discount on their first year's subscription if they pay by direct debit which automatically renews each year.
- A charity fundraiser in the street fixes you with a bright smile and asks you how you are feeling this morning.

Discussion

Did you find it straightforward to identify the approaches being used in each scenario? You may find it useful to read the explanations below.

- Loss aversion:** By offering the incentive 'up front' the campaign works on the participants' natural reluctance to lose what they are already entitled to.
- Norms:** The remaining 10 per cent of students may feel shamed into submitting their assignments early next time.
- Defaults:** When the time to renew comes around, members will be sent a communication advising them that there is nothing they need to do to renew. While this could act as a prompt to cancel for those who wish to end their subscription, the vast majority are likely to accept the default setting of renewal.
- Priming:** Once you have smiled back and said you feel fine, it is very hard not to spend some more time talking, and possibly signing up as a regular donor.

2.3 Neuromarketing

Neuromarketing uses brain science to observe and understand how customers perceive stimuli like advertising and the sensory aspects of product and service experience. Its advocates see it as a key to unlock the mysteries of decision making.

In the following 2018 TEDx video, Sam Usher, an engineering psychology graduate from Tufts University, outlines neuromarketing in practice and concludes with some ethical considerations about the contexts in which it should be used.

Video content is not available in this format.

Video 1 Neuromarketing: knowing why you buy



Activity 7 Ethical issues in neuromarketing

Allow 15 minutes for this activity

Use the text box below to record your thoughts in answer to the ethical issues Usher raises. What, if anything, should neuromarketing not be used for? When you have noted down your views reveal the Discussion to complete this activity.

Provide your answer...

Discussion

Usher says that, in his opinion, 'neuromarketing should only be allowed on consumer products, not in political campaigns, not on controversial topics, not on voting matters, and definitely not in propaganda. The risk of manipulation is just too high.' He also stipulates that neuromarketing should be included in legislation designed to protect the consumer.

But Usher also plays down the extent to which neuromarketing itself can be seen as particularly manipulative – arguing that advertising is all about trying to change our opinions and behaviour, and that everything we interact with influences us in some way. He adds towards the end of the talk that neuromarketing can be used for social good – but does not specify exactly what he has in mind. Perhaps encouraging people to eat more healthily or take more exercise might be ways in which neuromarketing could be applied in a socially productive way. But even then, many would argue, it might be much more effective to persuade people to make a rational choice to change their behaviour for the better as such conscious decisions are more likely to stick.

2.4 Consumer culture theory

Behavioural economics and neuromarketing are both broadly based on objective observations from which consumers' responses may be predicted. Our final example of an emerging contemporary understanding, consumer culture theory, is more interpretative.

'Consumer culture theory' (Arnould and Thompson, 2005) is so called because it encourages an understanding of customer behaviour as part of a complex, intricate web

of interrelated practices – a ‘culture’ of practices. ‘Practices’ in this sense means regular, routinised activities for which people develop skills and particular ways of doing things. Therefore, instead of seeing a shopping trip to the supermarket as an isolated episode, consumer culture theory (CCT) researchers argue that it should be understood as embedded in a network of supporting practices that precede and follow it in the lives of the people involved.

Any culture can be described and understood as a network of such practices. For example, ‘club culture’ consists of a network of practices such as getting ready, going out, socialising, fashion, music, recreational drugs (legal and otherwise), venues, celebrities and recovering, all of which fit together to create a complex whole. In the following activity you will examine CCT as a way of understanding customer behaviour.

Activity 8 Practices in a food shopping culture

Allow 20 minutes for this activity

What practices might a food shopping culture contain? List up to five practices in the text box.

Provide your answer...

Discussion

Szmigin and Piacentini (2015, p. 53) suggest a food shopping culture might include menu planning, list-making, domestic storage arrangements, domestic routines and cooking arrangements. There are plenty more practices that could be added to the list: vegetarianism or veganism, cultural traditions of food preparation, slimming, hosting guests, being guests, celebrating, recycling and food composting practices, and so on. The point to take from this, whatever the detail of your own list, is that the list of behaviours that are of potential relevance to researchers of food shopping is as rich and complex in food shopping as in any other form of sophisticated cultural activity.

You will now examine four strands of academic research in CCT and how they contribute to our understanding of customers (Arnould and Thompson, 2005). The field is continually developing, but a brief description of each theme will provide an insight into the topics which preoccupy researchers in this area, and the practical implications of their work.

- **Consumer identity projects:** This theme examines how consumers create the stories of their lives through what they buy and use. Jewellery to mark special occasions in a relationship is a case in point, with marketing and advertising for objects like engagement rings closely aligned to the cultural rituals of pairing off and settling down. Cruises are marketed to those in retirement as a way of marking a new stage in their life course. At the other end of the age continuum, children mark their initiation into the world of brands with products like ‘My First Sony’.
- **Marketplace cultures:** This strand of research underlines how consumers ‘co-produce’ the markets in which they are active. Club culture provides a good example of this, with trends in fashion, music, venue branding, motivated not only by the entrepreneurs who run clubs but also by the clubbers who frequent them. Other good examples of marketplace cultures include sports events and live classical music (O’Sullivan, 2009).

- **Socio-historical patterning of consumption:** This covers, for example, how consumers and consumption have been, and continue to be, represented in news reporting, films, fiction and other media. The history of department stores as a new 'public/private' space for women in the late nineteenth century is a good example, as is contemporary 'chicklit' such as Sophie Kinsella's 2000 novel *Confessions of a Shopaholic*, subsequently successfully adapted for cinema and television. These representations affect how we view and approach the practice of shopping ourselves.
- **Consumers' interpretative strategies:** This stream looks at how customers interpret, internalise and occasionally subvert brands and marketing messages. This can be motivated by genuine enthusiasm for brands – for example consumer-generated videos on YouTube showing products being 'unboxed' – or consumers can adopt a more critical stance in the way they remix advertising, producing mock ads as a way of hitting back at big business.

Each of these streams of research has the potential to yield useful marketing insights. For example, seeing the purchase of a washing detergent within a culture of practices aimed at nurturing one's family appears to have inspired Unilever to promote Persil detergent as a part of family life. Compare this approach to the tactics employed by its rival Procter and Gamble in support of its Ariel detergent brand. Ariel is, generally speaking, promoted on the rational grounds of how effective it is. Persil advertising tends to have a more emotional message.

Paying attention to consumers' interpretive strategies can also give marketers clues about attitudes to and usage of their brands. It could be argued that the kind of customers who take the trouble to post 'fan ads' on YouTube are not typical of the market. But social media and online reviews now give customers the opportunity to interpret their experience of marketing on a massively public scale.

User generated content (UGC) is not always so supportive of advertiser intentions, however. The North American activist group Adbusters uses the internet as a medium for subverting mainstream advertising. Try an online search using 'Adbusters' as your search term to sample their work.

Summary

In this session you have:

- explored basic ideas from behavioural economics, neuromarketing and consumer culture theory
- and explored how these ideas contribute to understanding and influencing customer behaviour.

In the next session you will explore business-to-business marketing.

3 Customers in organisations

In this session you will:

- learn how customer-supplier relationships lie at the heart of effective B2B marketing, and give us access to products and services as individuals
- develop a definition of B2B marketing and explore some of its differences from other kinds of marketing
- study how business customers make decisions, and the importance of relationships in B2B marketing.

3.1 Session learning outcomes

After studying this session, you should be able to:

- define B2B marketing
- explain some ways in which B2B marketing is different from consumer marketing
- outline the concept of a decision-making unit (DMU) as it applies to organisational purchasing.



Figure 5

3.2 Business-to-business marketing at work

Perhaps you are studying this with a cup of coffee to hand. Think for a moment of all the transactions that have contributed to getting that drink to you. The quality of what you are drinking right now might well depend on how well each supplier in the chain linking you to the coffee grower has understood their customer.

The same is true for practically any other type of goods or service you purchase as a consumer. Their availability to you depends on intricate chains of marketing relationships between businesses acting as customers and suppliers to one another.

Activity 9 Business-to-business marketing at work

Allow 10 minutes for this activity

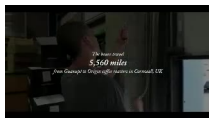
Before you attempt to define business-to-business marketing, you will look at some examples of it in practice. This will make the exercise of defining it more meaningful.

Think of a cup of coffee as an example of the end result of a series of B2B marketing exchanges. The UK private members' club Soho House manages its own supply chain to get coffee from bean to cup in its various restaurants and cafes.

Now watch Video 2, Soho House's promotional video on how it sources coffee.

Video content is not available in this format.

Video 2 Soho House's promotional video on how it sources coffee



Use the text box to list the transactions you identify in the video, each of which involves a customer of some kind. The discussion will help you reflect on what the video implies about B2B customer behaviour.

Provide your answer...

Discussion

In this exercise, it's less important to capture all the potential transactions than to realise the extent and nature of the B2B marketing activity illustrated.

The main transaction is between Soho House and the three coffee farms which grow beans to sell to it. The farmers are likely to be customers for machinery and maintenance services even though the video stresses manual processes (such as drying, where workers move the beans with wooden paddles) in line with the crafted, hand-made image of the product. The farm owners will also be customers for other services such as finance, power, transport, agricultural supplies and labour.

As customers, Soho House and the coffee roaster (Origin) are shown as closely involved, spending time on the farms themselves. This is likely to promote mutual understanding and give the farm owners a clearer idea of their customer's

requirements and motivations, which in theory should produce better results for all parties.

The dried beans travel over 5000 miles from Brazil to the UK, indicating the need for transport suppliers. The paying customer for transport depends on the terms of business. Whether transport is paid for by grower, roaster or Soho House, there will be an important customer relationship with the shipping and freight companies involved.

Advocates of fair trade argue that keeping value-adding processes like roasting within the country of origin is more equitable than just exporting raw materials direct.

Wherever it is situated, the coffee roasting company (like the farm owners) will itself be a customer for power, transport, equipment and business or financial services.

The video shows the roasted beans being packed. B2B marketing will feature in the supply of the material and services involved such as packaging (plastic and card), design, print, transport and distribution. As with all the other exchanges we have listed, the more the supplier works to understand the needs and intentions of the customer, the better the outcome is likely to be.

Seeing the end to-end process of coffee from bean to cup reveals an extremely large number of transactions between multiple sets of business customers and suppliers. Your purchases, of coffee or practically anything else, are like the tip of an enormous iceberg of marketing carried out between organisations in an intricate network of exchange relationships. Understanding customer behaviour in a B2B context is therefore extremely important.

3.3 Definition of business-to-business marketing

As a first step to defining B2B marketing, consider the nature of the B2B market itself. Zimmerman and Blythe (2018, p. 3) define it as:

all organisations that buy products and services for use in the production of other products and services that are sold, rented, or supplied to others.

At first sight, this definition looks as if B2B is basically about manufacturers that buy products such as raw materials, and services such as advertising, to make and market products to their own customers. But, as Zimmerman and Blythe (2018) go on to point out, the definition also covers:

- intermediary organisations such as retailers and wholesalers
- non-profit organisations such as hospitals and charities
- government (national and local) and the public sector.

Organisations in all of these sectors buy goods and services as inputs to their activities to enable them to provide whatever they supply to their own customers and users. A more appropriate definition, therefore, is that B2B marketing is:

marketing activity that takes place between organisations of any kind for purposes other than personal consumption.

It's rather like the signs outside some building supplies shops, which say 'We supply the trade only'.



Figure 6 Many organisations only sell to other businesses

Activity 10 Definition of B2B marketing

Allow 10 minutes for this activity

Having considered the definition of B2B marketing critically for a moment, is there anything you would add to it? Note your thoughts in the text box provided.

Provide your answer...

Discussion

As you may have concluded from thinking about it critically, even the amended definition is not quite accurate. B2B marketing is not restricted to organisations; it is also performed by individuals such as independent consultants supplying an expert service to a corporate client. Perhaps the key to the definition lies in its second part – that the goods and services marketed are for professional rather than personal use. However, even here a bit more critical thinking will reveal the blurring of boundaries between personal and professional in some areas, such as the ‘company car’. So the definition is not perfect, but it’s good enough for our purposes of understanding the scope of B2B marketing compared to consumer marketing.

Thinking critically is an important skill to develop in your study and working life. In this context it means asking how accurate or complete a definition is. In general, it means not being prepared to take things at face value. Instead, critical thinkers ask intelligent questions, in the hope of generating new and better ideas and solutions to problems.

3.4 Business decision makers

You will now identify the different decision makers that business-to-business marketers need to be aware of followed by an interactive exercise matching definitions to decision making roles

Consumers are often free to make autonomous decisions, though some purchases will involve partners and family or other household members. In B2B purchasing, however, other people are *always* involved in buying decisions. Their opinions or interests will all need to be taken into account by the person who is responsible for placing the order. This means that business buying behaviour is typically more complicated and multi-layered than consumer behaviour. Timescales and volumes are different between B2B and consumer purchasing. A major challenge for marketers targeting organisations is determining who, exactly, they should be talking to, especially as many organisations are very good at protecting the time of their employees from unsolicited sales approaches.

The concept of the decision-making unit (DMU) underlines that, at least in business purchasing, there is always more than one person involved in a decision. B2B marketers need to consider the needs and wants of all of the members of a DMU, not just the person placing the order (important as that decision is).

Webster and Wind (1972) pioneered the classification of buying roles within a typical B2B DMU. Their terminology is still in use today. Webster and Wind identified five main roles: user, influencer, buyer, decider and gatekeeper. Depending on the situation, more than one role may be exercised by the same individual. Also, for some B2B purchases, not all roles may come into play.

Activity 11 Identifying business decision makers

Allow 5 minutes for this activity

The name of each role gives a clue to how it contributes to a buying process. Match the role to the description by dragging and dropping the relevant term to the correct position in the table below.

Influencer

Buyer

Gatekeeper

Decider

User

Match each of the items above to an item below.

Acts as a reference point for others – will have specialist technical knowledge which makes them a trusted source of advice and information.

Is a purchaser by profession. Usually negotiates with a number of suppliers to get the best deal for their organisation.

Someone such as a personal assistant and secretary who can make or break a supplier's marketing activities by allowing or denying access to key decision makers in an organisation.

Someone who can say yes or no to a purchase. As a budget holder, they need to be confident in the decisions of their staff.

Tends to start the process of a purchase by demonstrating or articulating a need.

Discussion

Matching the roles to the description may have started you thinking about the different ways in which each member of the DMU experiences the purchasing process. It could be, for example, that the decider has just received instructions from senior management that the organisation needs to make savings in the light of lower sales than predicted in the current year. This might mean plans made by the buyer have to

be put on hold, resulting in user frustration. Cutting back on expenditure part way through a financial year might also affect discounts negotiated with suppliers, which depend on the buyer reaching a certain volume in the period.

Further away from the actual buying, an influencer might typically work in the research and development department of an organisation. Influencers spend a lot of time keeping up to date with industry trends and scientific developments. As a result, an influencer might have a more sophisticated idea of what is available than the buyer can obtain in the current marketplace – another source of potential tension within the DMU. Finally, the gatekeeper may have no interest whatsoever in what is being purchased, just a determination to keep the boss free from interruptions.

3.5 Relationships in business-to-business marketing

You will now examine the importance of relationships in business-to-business marketing and contrast it with transactional marketing followed by an interactive exercise to consolidate understanding of the difference between them.



Figure 7 The future of relationship marketing as online and personal elements work together seamlessly

As well as involving multiple decision makers, customer behaviour in B2B tends to involve relatively long-term relationships with suppliers. This activity contrasts the kind of marketing involved in such relationships with the short-term approach still typical of consumer marketing.

Relationships and transactions

You may already have come across the concept of relationship marketing. It became fashionable in the 1980s and 1990s in academic research and marketing practice, though some scholars argue that relationships have always been at the heart of successful marketing (Malhotra *et al.*, 2016)

Relationship marketing focuses on co-creating value with long-term customers. This is in contrast to a more transactional marketing approach, whereby organisations generate a series of anonymous transactions with little or no sense of a continuing link with the customer. Transactional marketing is still common in consumer markets, but in B2B, because of the greater specialisation of customer requirements, relationship marketing makes sense. If you commit to supplying a range of specialist products (for example, components for a particular type of mobility aid), your ability to serve a wide range of potential customers decreases. This makes you vulnerable to your existing customers going elsewhere if they can find a cheaper or better alternative. Should this happen, you might be left with stock or services that prove impossible to sell elsewhere.

Developing long-term relationships with customers – often with a contractual element – can reduce this vulnerability. The essential underpinning of a successful long-term

relationship, however, is less a matter of contracts than of co-creating genuine mutual value to the point where a customer feels little need to look elsewhere.

Activity 12 Transaction marketing versus customer relationship marketing

Allow 25 minutes for this activity

This activity highlights the key differences between transaction marketing and relationship marketing (adapted from Tyler, 2007, p. 223). Fill in the gaps by dragging and dropping the phrases provided.

Interactive content is not available in this format.

Discussion

The widespread adoption of technology such as loyalty cards by major supermarkets has allowed consumer marketers to build relationships with individual customers (for example, by offering discount vouchers targeted according to individual purchasing history). Nonetheless, relationship marketing is still far more common in B2B than in consumer marketing. Note how the characteristics of relationship marketing as listed in the interactive (e.g. frequent customer contact, high level of service, and marketing-led commitment from the whole organisation to deliver customer requirements) echo the elements of B2B marketing that set it apart from B2C marketing.

Summary

In this session you have:

- defined business-to-business (B2B) marketing
- identified a number of ways in which B2B differs from consumer marketing
- explained the concept of the decision-making unit (DMU) as it relates to B2B marketing.

Conclusion

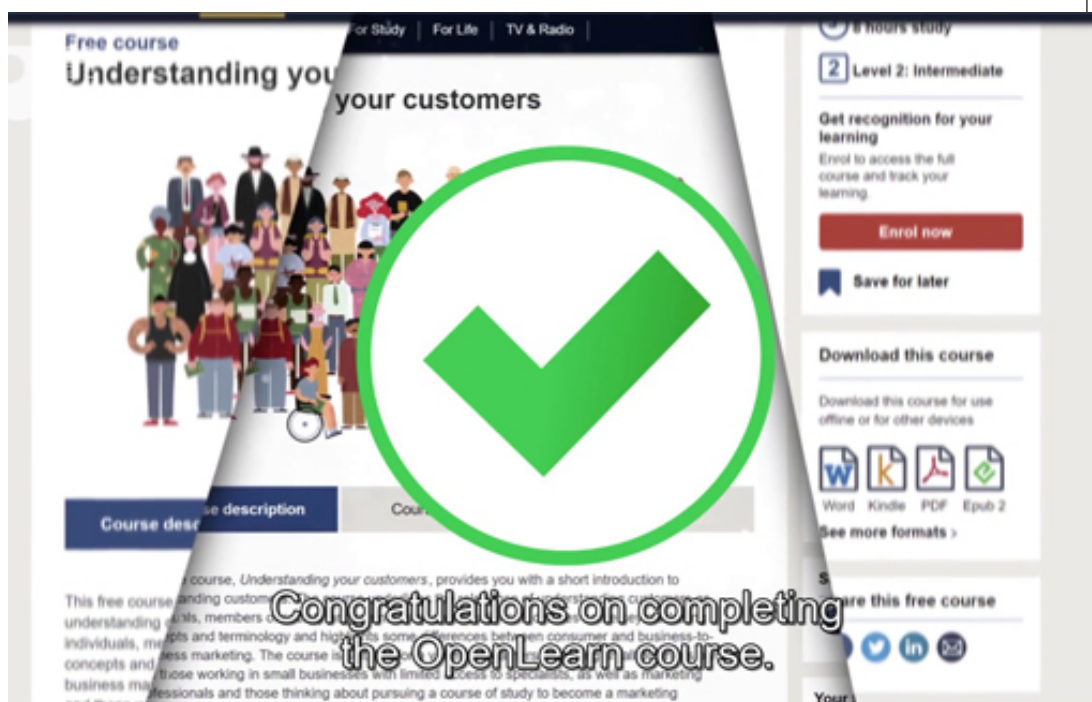
This course has explored the importance and relevance of understanding customers, not only as business owners, marketers or potential students, but as customers themselves. It has examined some key marketing concepts and terminology and discussed contemporary approaches to understanding customer behaviour and how behaviour may be interpreted or used to generate certain responses, improving the value of customer relationships.

It has also highlighted some differences between consumer and business-to-business marketing in terms of relationships and decision-making.

If you are thinking of taking your marketing studies further, you may wish to consider embarking on a BA (Honours) Business Management (Marketing) degree. The material for this course is an adapted extract from [B206 Understanding customers](#), a mandatory module in Stage 2 of the degree, which you can learn more about in the video below.

Video content is not available in this format.

Video 3



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