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SCHOOL OF DISTANCE EDUCATION

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(III SEMESTER)

CONSUMER BEHAVIOUR

(MARKETING SPECIALIZATION)

2042

2015 Admn. onwards

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MC3C11: **CONSUMER BEHAVIOUR**

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CONTENTS

Unit -1

CONSUMER BEHAVIOUR – AN INTRODUCTION

The core basis of the marketing concept involves the matching of the skills and resources of the organization, profit or non-profit related, to the needs of the customer. Marketing management relies on an understanding of how customers or consumer make decisions and their likely reactions to the different elements of the marketing mix. Consumer is the reason why business exists. Without them no company can survive or thrive. In their absence, an organisation doesn't have a business or purpose. The main purpose of a company is to satisfy customer's needs and wants. Though similar, consumers are unique in themselves; they have needs and want which are varied and diverse from one another; and they have different consumption patterns and consumption behaviour. The marketer helps satisfy these needs and wants through product and service offerings. For a firm to survive, compete and grow, it is essential that the marketer identifies these needs and wants, and provides product offerings more effectively and efficiently than other competitors. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. Herein, lays the essence of Consumer Behaviour, an interdisciplinary subject, which emerged as a separate field of study in the 1960s.

Peter F. Drucker, a leading management expert, once stated that the aim of marketing is to know and understand the consumer so well that the product or service fits him and sells itself. Ideally, marketing should result in a consumer who is ready to buy. All that should be needed then is to make the product or service available. In short consumer or customer satisfaction is the key to an organisational success.

Consumer behavior covers a broad variety of consumers based on diversity in age, sex, culture, taste, preference, educational level, income level, etc. Consumer behavior can be defined as "the decision process and physical activity engaged in evaluating, acquiring, using or disposing of goods and services."

With all of the diversity to the surplus of goods and services offered to us, and the freedom of choices, one may speculate how individual marketers actually reach us with their highly definite marketing messages. Understanding consumer behavior helps in identifying whom to target, how to target, when to reach them, and what message is to be given to them to reach the target audience to buy the product.

Consumer

Any individual who purchases goods and services from the market for his/her end-use is called a consumer. In simpler words a consumer is one who consumes goods and services available in the market. In other words, consumer is an ultimate user of a product or service.

According to International Dictionary of Management, "consumers are purchasers of goods and services for immediate use and consumption".

Consumer Behaviour

Human being differs from one to another. It is not easy to predict the human behaviour. Human being differs in their taste, needs, wants and preferences. But one constant thing is that we all are

consumers. CB is a vast and complex subject. Understanding CB and "knowing consumers" are not that simple. It is almost impossible to predict with one hundred per cent accuracy, how consumer(s) will behave in a given situation. Marketers are interested in watching people shopping, flirting, parading, playing, entertaining, as they are keenly interested in the wide variety of behaviours they display. The efforts of all marketers are to influence the behaviour of consumers in a desired manner. The success or failure in this pursuit determines the difference between success and failure of marketing efforts or even the business itself.

Consumer behaviour explains the reasons and logic that underlie purchasing decisions and consumption patterns; it explains the processes through which buyers make decisions. Consumer Behaviour may be defined as "the interplay of forces that takes place during a consumption process, within a consumers' self and his environment. This interaction takes place between three elements viz. knowledge, affect and behaviour; it continues through pre-purchase activity to the post purchase experience; it includes the stages of evaluating, acquiring, using and disposing of goods and services". The "consumer" includes both personal consumers and business/industrial/organizational consumers.

Important definitions of CB

1. "The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs."- *Schiffman and Kanuk*

2. The decision process and physical activity engaged in when evaluating, acquiring, using or disposing of goods and services." - *Loudon and Bitta*

3. "The study of consumers as they exchange something of value for a product or service that satisfies their needs"- *Wells and Prensky*

4. "Those actions directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions". -*Engel, Blackwell, Miniard*

5. "The dynamic interaction of effect and cognition, behaviour and the environment by which human beings conduct the exchange aspects of their lives" - *American Marketing Association*

By analysing the above definition, it reveals that the study includes within its purview, the interplay between cognition, affect and behaviour that goes on within a consumer during the consumption process: selecting, using and disposing of goods and services.

i. Cognition:

This includes within its ambit the "knowledge, information processing and thinking" part; It includes the mental processes involved in processing of information, thinking and interpretation

of stimuli (people, objects, things, places and events). In our case, stimuli would be product or service offering; it could be a brand or even anything to do with the 4Ps.

ii. Affect:

This is the "feelings" part. It includes the favourable or unfavourable feelings and corresponding emotions towards stimuli (towards a product or service offering or a brand). These vary in direction, intensity and persistence.

iii. Behaviour:

This is the "visible" part. In our case, this could be the purchase activity: to buy or not to buy (again specific to a product or service offering, a brand or even related to any of the 4 Ps).

Need and Importance of Consumer behaviour (Why we study of CB):

The term CB is defined as the behaviour that consumers' display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. CB focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. The term CB describes two different kinds of consuming entities: the personal consumer and the organizational consumers. The Personal consumer buys goods and services for his or her own use, for the use of the household or as a gift for a friend. In each of these contexts, individuals, who are referred to as end users or ultimate consumers, buy the products for fine use. The second category of consumer- the organizational consumer- includes profit and not-for-profit businesses, government agencies (local, state, and national), and institutions (e.g. Schools, hospitals, and prisons), all of which must buy products, equipments and services in order to run their organization.

The subject of Consumer Behaviour is viewed as the edifice of the marketing concept, an important orientation in marketing management. The knowledge of Consumer Behaviour helps the marketer understand and predict the consumption patterns and consumption behaviours of people. It helps them gain insights as to why a consumer behaves differently to another consumer; as well as, why a consumer behaves differently in different times and buying situations. The study helps them understand the internal (individual determinants) and external (environmental factors) forces that impel people to act out different consumption patterns and behaviours. The study helps the marketer in:

a)   Analyzing the environment: identifying opportunities and fighting threats.

b)   Segmenting, targeting and positioning.

c)   Designing the marketing-mix.

d)   Designing the marketing strategy.

e)   Governmental and Non-profit Organization and Social Marketing.

Nature of Consumer Behaviour

1. **Process:** -Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps;

   a. Need identification to buy the product
   b. Information search relating to the product.
   c. Listing of alternative brands.
   d. Evaluating the alternative (cost-benefit analysis)
   e. Purchase decision.
   f. Post-purchase evaluation by the marketer.

2. **Influenced by various factors:** -Consumer behaviour is influenced by a number of factors. The factors that influenced consumer are as follow; marketing, personal, psychological, situational, social, cultural etc.

3. **Different for different customers:** -All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behaviour is due to individual factors such as nature of the consumer's life style, culture, etc.

4. **Different for different products:** -Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items.

5. **Varies across regions:** -The consumer behaviour vary across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally, rural consumers are conservative (traditional) in their buying behaviour.

6. **Vital for marketers:** -Marketers need to have a good knowledge of consumer behaviour. They need to study the various factors that influence consumer behaviour of their target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. **Reflects Status:** -Consumers buying behaviour is not only influenced by status of a consumer, but it also reflects it. Those consumers who own luxury cars, watches and other items are considered by others as persons of higher status.

8. **Result in spread-effect:** -Consumer behaviour has a spread effect. The buying behaviour of one person may influence the buying behaviour of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. this may influence some of his friends, neighbours, colleagues. This is one of the reasons why marketers use celebrities like Sharuk khan, Sachin Tendulkar, Manju Warrier etc. to endorse their brands.

9. **Improves Standard of Living:** -Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living.

10. **Undergoes a change:** - The consumer's behaviour undergoes a change over a period of time depending upon changes in age, education and income level. Etc, for instance,, kids may prefer colourful dresses, but as they grow up as teenagers and young adults, they may prefer trendy clothes.

Scope of Consumer Behaviour:

The study of consumer behaviour deals with understanding consumption patterns and behaviour. It includes within its ambit the answers to the following:

a. 'What' the consumers buy: goods and services

b. 'Why' they buy it: need and want

c. 'When' do they buy it: time: day, week, month, year, occasions etc.

d. 'Where' they buy it: place

e. 'How often they buy' it: time interval

f. 'How often they use' it: frequency of use

The scope of consumer behaviour includes not only the actual buyer but also the various roles played by him/ different individuals.

Basic Components in CB

i) Decision making (Cognitive and Affect):

This includes the stages of decision making: Need recognition, Information search, Evaluation of alternatives, Purchase activity, Post purchase behaviour.

ii) Actual purchase (Behaviour):

This includes the visible physical activity of buying of goods and/or service. It is the result of the interplay of many individual and environmental determinants which are invisible.

iii) Individual determinants and environmental influences:

The environmental factors affect the decision process indirectly, through way of affecting individual determinants.

iv)Buying roles:

Actual Buyer vis a vis other users. There are five buying roles, viz., Initiator, Influencer, Decider, User, and Buyer

a. The initiator is the person who identifies that there exists a need or want;

b. the influencer is the one who influences the purchase decision, the actual purchase activity and/or the use of the product or service;

c. The decider is the one who decides whether to buy, what to buy, when to buy, from where to buy, and how to buy;

d. the buyer is the one who makes the actual purchase; and,

e. The user is the person (s) who uses the product or service.

These five roles may be played by one person or by different persons. A person may assume one or more of these roles. This would depend on the product or service in question.

Examples: Let us take an example.

A child goes to a kindergarten school. She comes back home and asks her parents to buy her a set of colour pencils and crayons. Now the roles played are:

1. Initiator: the child in nursery school
2. Influencer: a fellow classmate
3. Decider: the father or the mother
4. Buyer: the father or the mother
5. User: the child

Application / Role of Consumer Behaviour:

An understanding of consumer behaviour is necessary for long term success and survival of a firm. It is viewed as the edifice of the marketing concept, an important orientation in marketing management. According to the marketing concept, the marketer should be able to determine needs and wants of the target segment and provide product and service offerings more effectively and efficiently than competitors. It is essentially a customer-centered philosophy, which aims at understanding customer needs and wants, providing the right product and service, and deriving customer satisfaction; "make what you can sell" rather than "sell what you make."

An understanding of the study of consumer behaviour helps formulate appropriate marketing strategies for a firm keeping in view the consumer and his environment. It has a number of applications; the main application bases are as follows:

1. Analyze the environment:

The knowledge of consumer behaviour can be applied to help identify opportunities and fight threats. The opportunities could be in terms of newer customers, newer markets, unfulfilled needs and wants (through a study of consumer individual determinants and other environmental influences). The threats could be fought by developing and implementing appropriate marketing strategies to best fit the environment.

The marketing strategies need to be dynamic and constantly evolving keeping in view the uncertainty in the environment; Environmental uncertainty is a function of complexity and dynamism. Complexity is defined in terms of the number, strength and interrelatedness of the various factors in the environment that a firm has to deal with. Dynamism relates to how quickly the changes take place in the environment.

2. Segmentation, targeting and positioning:

The study of consumer behaviour may be applied to segment the market, select the target market and position the product or service offering. Identifying the target segment, understanding their needs, providing the right product and service offering and communicating about the offering – all of these help a marketer succeed in the long term and ensure his survival and success in a changing environment.

a) *Segment the market*: The marketer needs to identify distinct customer groups with needs and wants, classify them on basis of descriptive characteristics and behavioral dimensions. The descriptive characteristics may take forms of age, gender, income, occupation, education, family size, family life cycle, gender, lifestyle, personality, religion, generation, geography, nationality, and social class. The behavioural dimensions take forms of benefits, uses, use occasion, usage rates, and loyalty status.

b) *Select target market*: The marketer then selects one or more markets to enter. The segment(s)that should be targeted should be viable; there should be a fit between the market attractiveness and the company's objectives and resources. The marketer would be able to assess the viability of a segment on the basis of the following criteria, viz., measurability, substantial ability, accessibility, differentiability, and actionability.

c) *Position:* the product offering in the mind of the customers: The marketers should be able to communicate the distinct and/or unique product characteristics.

3. Designing the Marketing Strategy:

There exists an interrelation between the Consumer, the Environment and the Marketing strategy.

a) *Consumer*: The consumer has his needs and wants as well as product preferences; Thus, there exists an interplay of Cognition (knowledge about products and alternatives), Affect (feelings of favourableness and unfavourableness) and Behaviour (action: buy or not to buy).

b) *Environment:* This refers to forces in the environment, which make the environment complex and dynamic.

c) *Marketing strategies:* This implies setting up of goals and then achieving them through the design of an appropriate marketing mix.

The Marketing Strategy should be designed to influence consumers (Cognition, Affect and Behaviour) and be influenced by them. It should be flexible and ever evolving with changes in the customer needs and wants; as well as, changes in the environment in which it operates. The knowledge of consumer behaviour can be applied to develop a "best fit" between consumer needs and wants, the environment in which the firm operates; and, the firms' goals and objectives.

4. Designing the Marketing Mix:

4-Ps The study of consumer behaviour may be applied to design the 4 Ps.

a) Product: The term product includes both tangible products and intangible services. The issues to address consist of name (brand), size, shape, features, labeling, packaging, accessories and supplementary products, terms of sale and services, after sales etc.

b) Price: This includes the pricing of the product offering. The major components include, form of payment, terms and conditions of payment, discounts, price sensitivity, differential prices and customer reaction, imagery (price increase and customer reaction, price decrease and customer reaction).

c) Place and Distribution: This includes the marketing channel, and comprises decisions regarding choice of channel (direct or indirect), location, accessibility and availability of product offering, wholesaling, retailing, logistics etc.

d) Promotion: This includes marketing communication, and the major issues comprise decisions on communication/promotion mix, the message and media strategy (the content, appeal and context).

5. Application in Governmental and Non-profit Organizations and Social Marketing:
The knowledge of consumer behaviour finds relevance even in Governmental and Non-profit Organizations and Social Marketing. Governmental and Non-profit Organizations have the society as its customers and need to understand them so as to be able to serve them better. Social marketing involves propagation of ideas; attempts at such circulation and spread of ideas for moral and social upliftment can be more successful if there is a proper understanding of the these consumers (i.e., the public and society)

The Interdisciplinary Nature of Consumer Behaviour (Dimensions):
As an interdisciplinary area of study, the subject borrows heavily from psychology, sociology; social psychology; anthropology and, economics.

1. Psychology: This includes the study of the individual as well as the individual determinants in buying behaviour, viz., consumer perception, learning and memory, attitude, self-concept and personality, motivation and involvement, attitudes and attitudinal change and, decision making.

2. Sociology: This includes the study of groups as well as the group dynamics in buying behaviour, viz., family influences, lifestyles and values, and social group influences.

3. Social psychology: This includes the study of how an individual operates in group/groups and its effects on buying behaviour viz, reference groups and social class influences.

4. Anthropology: This is the influence of society on the individual viz., cultural and cross-cultural issues in buying behaviour, national and regional cultures etc.

5. Economics: This is the study of income and purchasing power, and its impact on consumer behaviour. The underlying premise is that consumers make rational choices while making purchase decisions. While resources are limited and needs and want many, consumers collect information, and evaluate the various alternatives to finally make a rational decision.

As discussed before, consumers are unique in themselves. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. In order to understand and predict consumption patterns and behaviours within segment (s), market research becomes essential.

Unit-2

CONSUMER AND INFLUENCING FACTORS

While making decisions related to purchase activity, consumers vary amongst each other. They also differ within themselves across buying situations. This is because the dynamics that operates while consumer decision making are significantly different. The consumer decision making process is impacted by (i) individual determinants that are specific to an individual and his self; these primarily take the form of psychological influences; and, (ii) group influences that are general across a class (es) of customers and take the form of sociological influences. This module deals with the psychological influences on consumer decision making. Such psychological influences include the forces that impact consumer decision making; these are (i) Consumers Needs & Motivation, Emotions and Mood, Consumer Involvement; (ii) Consumer Learning; (iii) Personality, Self-concept and Self-image; (iv) Consumer Perception, Risk and Imagery; (v) Consumer Attitude; and (vi) Consumer Communication.

The study of consumer behaviour indicates how individuals, groups, and organizations select, buy, use of dispose goods, services, ideas or experiences to satisfy their needs and desires. The various factors influencing buyer behaviour are as following:

I.   Marketing Factors

Each element of the market mix – product, pricing, promotion and place (distribution) – has the potential to affect the buying process at various stages.

A.   Product: The uniqueness of the product, the physical appearance and packaging can influence buying decision of a consumer.

B. Pricing: Pricing strategy does affect buying behaviour of consumers. Marketers must consider the price sensitivity of the target customers while fixing prices.

C. Promotion: The various elements of promotion such as advertising, publicity, public relations, personal selling, and sales promotion affect buying behaviour of consumers. Marketers select the promotion mix after considering the nature of customers.

D.   Place: The channels of distribution, and the place of distribution affects buying behaviour of consumers. Marketers make an attempt to select the right channel and distribute the products at the right place.

II.   Personal Factors:

The personal factors of a consumer may affect the buying decisions. The personal factors include:

A. Age Factor: The age factor greatly influences the buying behaviour. For instance, teenagers may prefer trendy clothes, whereas, office-executives may prefer sober and formal clothing.

B. Gender: The consumer behaviour varies across gender. For instance, girls may prefer certain feminine colours such as pink, purple, peach, whereas, boys may go for blue, black, brown, and so on.

C. Education: Highly educated persons may spend on books, personal care products, and so on. But a person with low or no education may spend less on personal grooming products, general reading books, and so on.

D. Income Level: Normally, higher the income level, higher is the level of spending and vice-versa. But this may not be always the case in developing countries, especially in the rural areas.

E. Status' in the Society: Persons enjoying higher status in the society do spend a good amount of money on luxury items such as luxury cars, luxury watches, premium brands of clothing, jewellery, perfumes, etc.

F. Other Personal Factors: The other personal factors such as personality, lifestyle, family size, etc., influence consumer behaviour.

III. Psychological Factors:

A person's buying behaviour is influenced by psychological factors such as follows:

A. Learning: It refers to changes in individual behaviour that are caused by information and experience. For example, when a customer buys a new brand of perfume, and is satisfied by its use, then he/she is more likely to buy the same brand the next time. Through learning, people acquire beliefs and attitudes, which in turn influence the buying behaviour.

B. Attitude: It is a tendency to respond in a given manner to a particular situation or object or idea. Consumers may develop a positive, or negative or neutral attitude towards certain product or brands, which in turn would affect his/her buying behaviour.

C. Motives: A motive is the inner drive that motivates a person to act or behave in a certain manner. The marketer must identify the buying motives of the target customers and influence them to act positively towards the marketed products. Some of the buying motives include:

- Pride and possession
- Love and affection
- Comfort and convenience
- Sex and romance, etc.

E. Perception: It is the impression, which one forms about a certain situation or object. A motivated person is ready to act. But the way or the manner in which he acts is influenced by

his/her perception of the situation. For instance, a student may perceive examinations as an important event, and therefore, he/she would make every possible effort including purchase of new stationery like pens, whereas, another student may be casual about the examinations, and therefore, would not make extra efforts.

F.   Beliefs: A belief is a descriptive thought, which a person holds about certain things. It may be based on knowledge, opinion, faith, trust and confidence. People may hold certain beliefs of certain brands/products. Beliefs develop brand images, which in turn can affect buying behaviour.

IV.   Situational Influences:

Major situational influences include the physical surroundings, social surroundings, time, the nature of the task, and monetary moods and conditions.

A. Physical Surroundings: The physical surroundings at the place of purchase affects buying behaviour. For instance, when a customer is shopping in a store, the features that affects buying behaviour would include the location of the store, the decor, the layout of the store, the noise level, the way merchandise is displayed, and so on.

B. Social Surroundings: The social surroundings of a situation involve the other people with the customer that can influence buying decision at the point of purchase. For instance, a bargain hunter shopping with an impatient friend may do quick purchases, and may not haggle over the price, so as to please the impatient friend.

C. Time Factor: Customers may make different decisions based on when they purchase – the hour of the day, the day of the week, or the season of the year. For instance, a consumer who has received a pay cheque on a particular day may shop more items, than at the end of the month when he is short of funds.

D. Task: A customer may make a different buying decision depending upon the task to be performed by the product. For instance, if the product is meant as a gift rather than for personal use, then the customer may buy a different brand/product depending upon to whom the gift is purchased.

E. Momentary Conditions: The moods and condition of the customer at the time of purchase may also affect the buying decision. A customer who is very happy would make a different buying decision, as compared to when he is not in a happy mood.

V.   Social Factors:

The social factors such as reference groups, family, and social and status affect the buying behaviour:

A. Reference Groups: A reference group is a small group of people such as colleagues at work place, club members, friends circle, neighbours, family members, and so on. Reference groups influence its members as follows:

-    They influence members' values and attitudes.
-    They expose members to new behaviours and lifestyles.
-    They create pressure to choose certain products or brands.

B. Family: The family is the main reference group that may influence the consumer behaviour. Nowadays, children are well informed about goods and services through media or friend circles,

and other sources. Therefore, they influence considerably in buying decisions both FMCG products and durables.

C. Roles and Status: A person performs certain roles in a particular group such as family, club, organisation, and so on. For instance, a person may perform the role of senior executive in a firm and another person may perform the role of a junior executive. The senior executive may enjoy higher status in the organisation, as compared to junior executive. People may purchase the products that conform to their roles and status, especially in the case of branded clothes, luxury watches, luxury cars, and so on.

VI. Cultural Factors:

Culture includes race and religion, tradition, caste, moral values, etc. Culture also include sub-cultures such sub-caste, religious Sects, language, etc.

A. Culture: It influences consumer behaviour to a great extent. Cultural values and elements are passed from one generation to another through family, educational institutions, religious bodies, social environment, etc. Cultural diversity influences food habits, clothing, customs and traditions, etc. For instance, consuming alcohol and meat in certain religious communities is not restricted, but in certain communities, consumption of alcohol and meat is prohibited.

B. Sub-Culture: Each culture consists of smaller sub-cultures that provide specific identity to its members. Subcultures include sub-caste, religious sects (Roman Catholics, Syrian Catholics, Protestant Christians, etc), geographic regions (South Indians, North Indians), language (Marathi, Malayali, Tamilian, Guajarati) etc. The behaviour of people belong to various sub-cultures is different. Therefore, marketers may adopt multicultural marketing approach, i.e., designing and marketing goods and services that cater to the tastes and preferences of consumers belonging to different sub-cultures.

The term 'individual' means a human being or a single person. The individual may be major, minor, married or unmarried, and sound or unsound mind. The term "consumer" more generally refers to anyone engaging in any of the activities. The traditional viewpoint has been to define consumer strictly in terms of economic goods and services. This position holds that consumer is a potential purchaser of products and services offered for sale. The central focus of marketing is the consumer. To devise good marketing plans, it is necessary to examine consumer behavioural attributes and needs, lifestyles, and purchase processes and then make proper marketing-mix decisions. The study of Consumer behaviour includes the study of what they buy, why they buy, how they buy, when they buy, from where they buy, and how often they buy. An open-minded consumer-oriented approach is imperative in today's diverse global marketplace so a firm can identify and serve its target market, minimize dissatisfaction, and stay ahead of competitors. Final consumers purchase for personal, family, or household use.

Unit-3

CONSUMERS' PERSONALITY AND THEORIES OF PERSONALITY

Personality- meaning

To understand the buyer and to make a customer out of him is the main purpose of the study of consumer behaviour. Though this problem has been analyzed from different viewpoints under different premises, it still remains a complex one. On the other hand the buyers a riddle. He is a highly complex entity. His needs and desires are innumerable. Some are latent, some manifest and some others are highly dominant. These have different priorities in the scheme of things. The buyer has his own ideas and plans about realising these needs and desires. The first and foremost task of the marketer is to get close to the buyer and understand his need-structure and priorities. There are four major factors which influence the behaviour of the consumers. They are:

1. Psychological factors influencing Customer Behaviour
2. Social Psychological factors influencing Customer Behaviour
3. Sociological factors influencing Customer behaviour
4. Economic factors influencing Customer Behaviour

Psychological Factors

These are the factors which are the personal attributes of an individual. We shall study Five of them : Attitude, Motivation, Perception, Personality and Learning.

1. Personality

Each individual has inherent personality characteristics that influence his buying behaviour.

According to Kotler,

"Personality" is a set of distinguishing human psychological traits that lead to relatively consistent and enduring responses to environment stimuli. It is often referred to as such traits like : self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.

According to Schiffman and Kanuk,

"Personality" is defined as those inner psychological characters that both determine and reflect how a person responds to his environment. The single most important element in personality is inner characteristics of an individual. These are the specific qualities, attributes, traits, factors, and mannerisms that distinguish one individual from another.

The Nature of Personality:

The following are the three important and distinct properties of Personality:

1. Personality Reflects Individual Differences:

Because of inner inherent characteristics which constitute an individual's personality are a complex combination of factors, no two individuals are identical or exactly alike. But fortunately, any individuals may be similar on the basis of a single personality trait, but not like others. For

example, out-going type, quiet type, shy type, family-oriented type, etc. So it has become easier for the marketers to group or categorise consumers into different groups on the basis of one or several traits.

2. Personality is Consistent and Enduring:

The personality of an individual is both consistent (that is, it doesn't change in the short run)and enduring (that is, it doesn't change in the long run). Both of these qualities are thus useful for marketers to predict the behaviour of the consumers in terms of personality. It's very difficult to change an individual's personality characteristics. The marketers can't change them. But if the marketers know which personality characteristics influence which specific consumer responses, then they can attempt to appeal to those relevant traits in their target consumer group. Even if the personality of an individual is fairly consistent, still then the buying and consumption pattern often varies with several external factors like, time, environment, social, psychological, cultural, situational, change in fashion, availability of goods and services. We have to consider the whole combination of influencing factors of which personality is just one attribute to the change in a buyer's behaviour.

3. Personality Can Change:

Under certain circumstances the personality of an individual can change. It may be gradual and slow like a child grows into a changed personality. It can be also sudden on account of any major events in life, like birth of a child, death of a dear one, divorce, major career promotion, accident, loss of job, migration, natural calamity, etc. There are also instances where the personality stereo-types may change over a period of time. For example, over the last 50 years, men's personality has generally remained relatively unchanged, as compared to women's, which has undergone significant change. This is because of women moving into professions which were traditionally held by men earlier. simply personality is the sum total of an individual's enduring internal psychological traits that make him or her unique. Self-confidence, dominance, autonomy, sociability, defensiveness, adaptability, and emotional stability are selected personality traits. The sum total of an individual defines his personality. Just as an individual has a personality, similarly products also have a personality of their own.

Personality traits and Personality types:

We need to differentiate between a "personality trait" and a "personality type". As mentioned in the above section, as individuals, each one of us is unique with a wide array of qualities, attributes, traits and characteristics. However, each one of us shares with each other a quality or a few traits(s). When we share a trait (s) with another (others), we are said to be similar on that trait and thus we together with the other person (s), is said to fall in a personality type.

In other words, a *personality trait* is a person's inclination to behave in a particular way while interacting with the external environment to achieve goals; this would be specific to an area of a

person's life. Many personality traits put together, comprise the personal make-up of a person and culminate into his personality. On the other hand, a group of people who share personality traits are said to fall into a personality class; they are expected to react to the environment in a similar manner as they are similar to each other on the basis of certain trait (s). For example, stubbornness may be a trait; dogmatism would become a personality type.

Theories of Personality

The study of personality has been a matter of discussion; contributions are varied and debatable. Major contribution to the topic of study was made by the father of psychology, Sigmund Freud. Other contributions came from psychologists like Carl Jung, the Neo-Freudians (like Adler, Sullivan and Homey) and the Trait theorists. Theories on personality can be categorized as i) individual theories; ii) social learning theories. However, we would elaborate upon these without any such classification, as it is rightly believed that it is the combination of both individual characteristics/traits (genetics) as well as social learning (social environment) that impacts personality. This lesson deals with The Freudian theory, the Jungian theory and the Neo-Freudian Theory.

I.   Freudian theory:

Sigmund Freud, the father of psychology, became famous with its psychoanalytic theory of personality. In fact the theory is regarded as the cornerstone of modern psychology. Sigmund based his theory on certain assumptions:

a. Unconscious needs or drives lie at the heart of human motivation and personality.

b. The socialization process that takes place within people in a social set up has a huge impact on individual behaviour.

Freud explained much of how the psyche or the mind operates, and proposed that the human psyche is composed of parts within our awareness and beyond our awareness. He said that all behaviour within an individual cannot be explained, much lies in the sub-conscious. Freud viewed personality as "an iceberg"; just as majority of the iceberg remains within water and only the tip of the iceberg is above water, similarly, much of our personality exists below our level of awareness, as the unconscious and just as a part of it lies above, as the conscious. Even though an individual is not aware of the contents and processes of the unconscious, much of our behaviour is attributed to it.

Based on the level of awareness, the human mind comprises three parts, viz., *conscious, preconscious and the unconscious or the sub-conscious*; The *conscious* mind is what one is aware of at any particular moment of time and reflects ones present thoughts, feelings, perceptions, fantasies, etc; it restricts itself to the current thinking processes and comprises a very large part of our current awareness. The *preconscious* mind or the "available memory," is what can be retrieved and made conscious, and brought to mind instantly or quickly; it is what we are aware of

but not paying attention to at a point of time; it is something that can be brought into the conscious mind. The larger part of the human mind consists of the *unconscious,* which is all that stays at the subconscious level, and comprises the unaware, better known as our drives or instincts, feelings and memories and emotions related to trauma; this part in content and process is out of direct reach of the conscious mind, and thinks independently; an individual has no access to because it is unknown and hidden. This unconscious part is the source of all our drives and motives; yet we are often denied or refuse to accept and often resist them from becoming conscious. This is because they form the unaware part and are in a disguised form. It is because of this unconscious part that we are largely unable to control many aspects of our behaviour, especially those acts which we would prefer to avoid. According to Freud, much of human behaviour is driven directly from the subconscious mind; and so it is important that the unconscious material needs to be brought into the conscious state so that it can be examined in a rational manner.

Apart from these, Freud spoke of the *Id, Ego and Super ego.* The *Id* contains consists of primitive drives that lack the real perception of reality. It operates on the *pleasure principle*, with the objective of seeking pleasure and avoidance of pain, and doing what one wants to do. The processes that come into play are primary processes like hunger, thirst etc. The *Ego* is aware of reality and operates via the *reality principle,* where it recognizes what is real and understands that behaviour has consequences. The processes that come into play are secondary processes, like learning and memory, perception etc. It also includes the impact that socialization has to play in the life of an individual; it recognizes the existence of social rules that are necessary in order to live and socialize with other people, and thus, plans to satisfy ones' needs within the social values and rules. The *Super ego* comprises the value system and the morals, which emanate from what an individual learns in childhood from his parents. It is contained in the conscious part of our memory. It believes in doing what the society says. While the Ego and Super Ego are partly conscious and partly unconscious, the Id is the unconscious. Further, the Super ego acts as a counterbalance to the Id; the former seeks to restrict the pleasure-seeking demands of the latter, and it is left for the Ego to balance the demands of the Id and Super ego with the constraints of reality; it controls the higher mental processes such as logical reasoning to solve the Id-Super ego dilemma.

According to Freud, personality is based on the dynamic and continuous interplay between the Id, Ego and Super Ego. The *Id* demands immediate gratification of needs and desires (*pleasure principle)* regardless of constraints in the external environment; the *Ego* acts to realistically meet the desires of the Id (*reality principle)*; the *Super Ego* (conscience) blends morals and societal rules upon the ego, so that the desires are met both realistically and morally. Thus, Freud also pointed out the impact of socialization on members of a society, especially with reference to how

this socialization impacts individual behaviour. According to him, there exists a state of tension within an individual; this tension arises out if there is a mismatch between an individual's needs and desires vis-à-vis the norms set up by the society and the socialization process; the manner in which an individual sorts out the dilemma shapes his personality.

II.   Jungian theory:

Carl Jung, a contemporary of Freud proposed the famous Jungian Theory. He elaborated on *personality types*, and his contribution has great relevance to the study of consumer behaviour.

Carl Jung's proposed a typology based upon four bipolar dimensions, where each pole represents an opposite preference and thus illustrates four dichotomies, viz, Extraversion – Introversion, Sensing – Intuition, Thinking – Feeling, and Judging – Perceiving. The permutations of these 4 pairs help identify sixteen different personality types. The sixteen personality types are defined in terms of acronyms of the combination of the 4 dimensions they represent. The various types are Extraverted Sensing (ESFP, ESTP), Introverted Sensing (ISTJ, ISFJ), Extraverted Intuition (ENFP, ENTP), Introverted Intuition (INFJ, INTJ), Extraverted Thinking (ESTJ, ENTJ), Introverted Thinking (ISTP, INTP), Extraverted Feeling (ESFJ, ENFJ) and Introverted Feeling (INFP, ISFP).

The personality types proposed by Carl Jung were developed and incorporated into a scale that came to be famously known and applied as the MBTI or the Myers-Briggs Type Indicator. Essentially a personality inventory, it has been used extensively in social sciences to measure the following pairs of psychological construct/dimensions: sensing-intuiting, thinking-feeling, extroversion-introversion, and judging-perceiving. Each of the four pairs is illustrative of two different personality characteristics. While the scale has been applied successfully in studies on consumer behaviour and market research, recent research has tended to focus on two mental bipolar dimensions or dichotomies, viz., sensing-intuiting (S-N) and thinking-feeling (T-F). The two dimensions, sensing (S) and intuiting (N) measure how a person receives, gathers and processes information; the people who fall under the S category prefer to gather information through their senses directly; the people who fall under the N category rely upon their understanding of things, based on their perception of the world. Thus we can perceive information through our senses, or our intuition. The other two dimensions, thinking (T) and feeling (F) refer to how individuals take decisions; the people who fall under the T category make decisions based on an unbiased reasoning and logic; the people who fall under the F category base their decisions on feeling and emotions. Thus we can make decisions based on objective logic, or subjective feelings. According to Jung, we all use the S,N,T and F; however each one us varies in their usage and frequency. The combination of our "preferences" defines our personality type. The same descriptions of the sensing-intuiting (S-N) and thinking-feeling (T-F) personality types may be

applied to consumer behaviour; the S and N determine how a consumer gathers and processes information about products, while the T and F determine how he makes a purchase decision.

By cross-tabulating the two pairs of psychological dimensions, we can derive four different personality types, viz. Sensing-Thinking (S-T), Sensing-Feeling (S-F), Intuiting-Thinking (N-T) and Intuiting-Feeling (N-F). Each of these reflects variedly in purchase decisions and consumption processes. The marketer could benefit immensely by gaining insights as to the varying types so as to design his marketing strategy to be able to serve consumers effectively and efficiently. Let us describe the four personality types with an example. There are four women, each one with a different personality type, S-T, S-F, N-T and N-F. They desire to buy some gold jewellery An Assessment of the Theory: Carl Jung was the first psychologist to speak of personality types. His typology based upon four bipolar dimensions has been widely applied in research in social sciences; it has also been successfully used in studies on consumer behaviour as well. He believed that our behaviour is shaped by past generations' experience.

Implications for a marketer:

The theory has relevance for a marketer. After gaining an insight into the various personality types, a marketer could design his marketing strategy so to be able to serve consumers with the varying personality types in a better manner, leaving them more satisfied.

III. Neo-Freudian theory:

There were a group of psychologists who believed that social interaction and resultant relationships formed the basis for the growth and development of personality. Here, they disagreed with their contemporary, Freud who believed that personality was i) biological and rooted in genetics, and ii) was groomed as a result of early childhood experiences. This group of researchers who laid emphasis on the process of socialization came to be known as the Neo-Freudians. Noteworthy among them are Alfred Adler, Harry Stack Sullivan and Karen Homey.

A) *Alfred Adler*: Adler, who is regarded as the father of individual psychology, was a disciple of Freud. He later broke away from the Freudian philosophy due to disagreement over the importance that Freud gave to the "unconscious". Adler was the first psychologist to speak of the term 'inferiority complex', something that arose out of a sense of inferiority or inadequacy. He believed that:

- people are goal oriented, with an urge for personal growth, and "the will to power"; they have within them a "*self perfecting*" drive; this drive is the single "drive" or motivating force behind all behaviour and experience
- individuals seek to overcome feelings of *anxiety* and feelings of *inferiority*; the basic drive in human beings is to strive from an initial state of inadequacy, or what he termed "inferiority", toward "superiority" or self-actualization. People compensate (strive to overcome) for inferiorities by making necessary adjustments.

- People strive for goals that can be referred to as *style of life;*
- social drives, especially family, friends and culture have an impact on behaviour and feelings; right from birth across a life span, people involve themselves in social relationships;
- The primal social influences in an individual can be modified in a manner such that that each one of us develops personal styles in dealing with our life and achieving goals.

According to Adler's theory individuals' buy to overcome feelings of inferiority.

B) *Herbert Harry Stack Sullivan*: Sullivan, a psychiatrist extended Freud's theory of psychoanalysis, and concluded that failures in interpersonal relationships were largely responsible for mental illnesses and disorders. He referred to such causes as "interactional", which needed to be assessed to cure any kind of psychoses. According to him, social relationships were extremely important for human beings and loneliness was the most painful of human experiences. He developed a theory of psychiatry based on interpersonal relationships where social forces are largely responsible for mental illnesses.

Sullivan referred to his approach an interpersonal theory of psychiatry, to focus on "what goes on between people", sharp in contrast to Freud, who focused on "what goes on inside people". He believed that social relationships are primary, which actually lead to personality. In fact personality manifests itself in such social relationships.

He proposed that human beings are driven towards two sources of motivation viz., the pursuit of satisfactions and the pursuit of security. With respect to satisfaction, human beings seek satisfaction of mainly bodily needs, with the goal to reduce tension. With respect to security, human beings seek to reduce the insecurity that arises from social and cultural needs. Personality manifests and strives for avoidance and reduction of anxiety.

Thus, Sullivan focused on how human beings try to form and maintain social relationships with each other, especially if such relationships are significant and rewarding. He also spoke about *anxiety* in human beings. He elaborated on how personality is impacted as people put in efforts to *reduce tensions*, particularly anxiety. He said that human beings develop particular personality traits to reduce anxiety.

C) *Karen Homey*: Karen Homey, a prominent female personality theorist of her time, added on to Freud's work by emphasizing the role of social factors. Her approach came to be known as the *psychosocial analysis*. Her work focused on the emotional relationship that exists between parent and child early in the child's life. Like other Neo-Freudists, Homey also spoke on *anxiety*. While focusing on *child parent relationships*, she also researched on how people strive to overcome feelings of anxiety. According to her, people experience anxiety and tend to act as neurotics; the irrational defenses against anxiety become a permanent part of personality and that affect human

behaviour; based on their approach towards overcoming feelings of anxiety, people could be classified into three groups viz.,*compliant, aggressive,* and *detached* (CAD).

- *Compliant*: Some people who experience a great deal of anxiety and helplessness move toward other people in order to gain help and acceptance; they seek social support, approval and acceptance and so they move towards others. Such people are regarded as *complaints*. They want to be loved, admired, wanted and appreciated.

- *Aggressive*: Some people try to overcome their insecurities and anxieties by forcing their power over others, dominating them, or even excelling over them. This makes them feel secured; the objective is to 'get them before they get me.' Such people are *aggressive*; they move against others, in other words they want to excel over others. They want to successful and powerful and have a desire for personal admiration and achievement. In the process, they could be demanding, selfish, rude and cruel.

- *Detached*: There are some people who want to move away from others; they are asocial and indifferent towards others. They believe that if they do not involve with others, they would escape being hurt from them. Such people are referred to as *detached;* they seek freedom from obligations, and desire total independence, leaving them lonely and empty. They like to create their own style. Based on the three types, a personality test has been developed which is referred to as the CAD scale. The scale has been widely used in studies related to consumer behaviour. In fact, the three types have satisfactions for marketers; the three personality groups are illustrative of personality types that are varied, and would react differently to the marketing mix. According to Homey's theory, different types of people buy different types of products/services. They could be treated as three distinct segments, and the marketing mix designed accordingly. For example, the compliant consumers who would like to be in company of other people would be more likely to use a toothpaste with a mouth freshener (Close-Up); an aggressive consumer who would like to excel over others would like to drink health drinks (Boost, *Secret of my Energy*); and detached consumers who seek total independence and like to create their own style would like to go for meditation and rejuvenation camps (Vipassana).

An Assessment of the Theory: The Neo-Freudian theories draw themselves from various contributors and are an expanse in content and processes in so far as the subject matter of personality is concerned. However, while the Neo-Freudians speak of human tendencies to strive for perfection, fight anxiety and inadequacies, and of social relationships, they tend to ignore the biological traits and the genetics involved.

Implications for marketers:
The Neo-Freudian theories emphasize the role that socialization has to play. Marketers could draw in heavily in so far as the impact that opinion leaders, as well as interpersonal

communication and word of mouth could have on consumer decision processes and consumption processes. This would also include the impact that family, friends, social class, culture and sub-culture. Marketers have also tended to use Neo-Freudian theories while segmenting markets and positioning their products, e.g. Personality types have been used to segment markets and position products as per the segment.

Trait theory

Theories on personality can be categorized as i) individual theories; ii) social learning theories. However, we would elaborate upon these without any such classification, as it is rightly believed that it is the combination of both individual characteristics/traits (genetics) as well as social learning (social environment) that impacts personality. The previous lesson deals with The Freudian theory, the Jungian theory and the Neo-Freudian Theory.

According to the Trait theorists, an individual's personality make-up stems out of the traits that he possesses, and the identification of traits is important. People possess specific psychological characteristics that are referred to as *traits*; and all those who possess a particular trait, are said to belong to a personality type. A *trait* is a predisposition to behave in a certain manner. In order to identify traits within individuals and differentiate amongst themselves, the trait theorists rely on personality tests, scales and inventories. Hence, they assume some kind of a quantitative orientation unlike the Freudian, and Neo-Freudian schools. Once they have identified the traits, they classify individuals into groups of people on the basis of then pattern of traits that they possess.

The trait theories can be of two broad categories, viz., *simple trait theories* and *general trait theories.*

i) *Simple trait theories*: A limited number of traits are identified, and people are identified and classified on the basis of these traits.

ii) *General trait theories*: A large variety of traits are identified.

An Assessment of the Theory: Unlike the Freudian and the Neo-Freudian theories, the Trait Theories possess a degree of quantification while classifying individuals into personality types. Through the application of tests and scales, people are objectively assessed for presence/absence of personality traits and accordingly classified into personality types. Thus, unlike the previous theories, the Trait approach seems to be a more realistic and objective approach. However, the limitation lies in the fact that sometimes traits tend to be indefinable, vague and indescribable; nevertheless the personality tests are widely used.

Examples of general versus consumption specific traits:

General personality traits	Consumption-specific personality traits
- Dogmatism	- Innovativeness
- Compliance	- Social directedness or other directed
- Expertise and Involvement	Opinion leadership
- Self confidence	-Early adopters (high confidence) versus late majority or • Laggards (low confidence)
- Impulsiveness	Deal prone
- Need for cognition	High versus Low
- Extroversion	Prefer to shop with others than alone; Socially directed.
-Openness to experience	Variety novelty seeker; Innovative
-Conscientiousness	Careful; Logical and rational
- Agreeable	Socially directed; Looks towards others for help, advice and decision, Compliant.

Brand Personality: Just as individuals have a personal make-up with characteristics/traits/qualities, similarly products/services also have personalities. Brand personality refers to a set of characteristics/qualities similar to human beings that become associated with a brand. Based on their understanding, consumers' begin to ascribe certain characteristics or traits to a brand. This association between the characteristic/trait and the brand gets generated out of the manner in which it is positioned by the marketer. Thereafter, consumers match the product and/or brand personalities, with their own personalities, self-image and self concept; and they buy those where they find a close or perfect match. Sometimes they buy such product/brands that help them bolster their weak or inferior self. Some personality traits with examples of brands are mentioned below:

a) Sophistication: Dove, Titan Raga

b) Ruggedness: Levi's Jeans, Bajaj Pulsar

c) **Power:** Surf, Rin, Hero Honda

d) **Achievement:** Boost, Glucon C

e) **Competence:** Kingfisher Airlines, IBM**Sincerity:** Life Insurance Corporation, Western Union Money Transfer

Self and Self Image (Concept)

Self-image or Self-concept is the perception of self that is what image / concept an individual caries about him. Though it's a kind of perception, it's closely associated with the personality of an individual. Consumers buy and use products and services and patronize retailers whose personalities or images relate in some way or other to their own self-images. Or in other words, consumers often choose and use brands that have a brand personality consistent with their own, and avoid the ones which don't match.

Single or Multiple Selves:

Traditionally, individuals are considered to be having a single self-image which they normally exhibit. Such type of consumers is interested in those products and services which match or satisfy these single self. However, as the world became more and more complex, it has become more appropriate to think of consumers as having multiple selves. The explanation to such a phenomenon states that a single individual acts and behaves differently in different situations, like a person behaves differently with his parents, his children, his friends, his colleagues, etc. In fact this display of different personality in different social situations or social roles is considered to be normal and healthy. And conversely, the absence of this is considered to be abnormal or an unhealthy person. This observation is very important for marketers who try to appeal to the different "selves" with a choice of different products.

The Make-up of the Self-Image:

Even if the individual has "Multiple Selves", he/she has a "Self-Image" of his/her own as a certain kind of person with definite skills, traits, habits, behaviour, relationships etc. This is built since childhood, with the interaction of parents, family members, and later with people outside. Products and Brands have symbolic meaning and value for individuals, which they evaluate them with their personal pictures, concepts, or images of themselves. So naturally Some products are a favourable match whereas others are not. Consumers tend to select products/services which they believe can preserve or enhance their "images" or "personalities". Research study reveals that more women (77%) than men (64%) feel that the brands they select reflect their personalities. The relationship between brand preference and consumers' self-image is often used to define or describe them. Persons having a strong preference to a particular brand consider the brand as an

extension or representing an aspect of themselves. This "connection" helps marketers to establish customer royalty and a positive relationship with them. We have a variety of different self images / concepts represented in the following ways:

1. Consumers' actual self-concept: this is how consumers actually see themselves,

2. Consumers' ideal self-concept: this is how consumers would like to see themselves,

3. Social self-concept: this is how consumers think others see them,

4. Ideal social self-concept: this is how consumers would like others see them, Expected self-image: this is how consumers actually expect to see themselves at sometime in future. This is somewhere between the actual and the ideal self-concepts. It's a future oriented combination of what they are (actual) and what they would like to be (ideal),

6. Ought-to self-image: this consists of the traits and characteristics that consumers believe to be their duty and obligation to possess. The consumers are guided by different self-images in different situations for their buying behaviour.

For example:

1. For everyday household products (Private) – actual self-image,

2. For socially enhancing products (Public) – social self-image,

3. for fantasy products – ideal self-image

These effects are more pronounced for publicly consumed products as compared to privately consumed goods. Thus the concept of self-image is of utmost important and has strategic implications for marketers. They can segment their market on the basis of relevant consumer self-images and position their products/services as symbols of such self-images.

Consumer personality and market segmentation

Market segmentation can be defined as the process of dividing a market into different homogeneous groups of consumers. Market consists of buyers and buyers vary from each other in different ways. Variation depends upon different factors like wants, resources, buying attitude, locations, and buying practices. By segmentation, large heterogeneous markets are divided into smaller segments that can be managed more efficiently and effectively with products and services that match to their unique needs. So, market segmentation is beneficial for the companies serving larger markets.

Criteria for selecting Market Segments

a. Measurable

A segment should be measurable. It means you should be able to tell how many potential customers and how many businesses are out there in the segment.

b. Accessible

A segment should be accessible through channels of communication and distribution like: sales force, transportation, distributors, telecom, or internet.

c. Durable

Segment should not have frequent changes attribute in it.

d. Substantial

Make sure that size of your segment is large enough to warrant as a segment and large enough to be profitable

e. Unique Needs

Segments should be different in their response to different marketing efforts (Marketing Mix). Consumer and business markets cannot be segmented on the bases of same variables because of their inherent differences.

Bases for Consumer Market Segmentation

There are number of variables involved in consumer market segmentation, alone and in combination. These variables are:

I.   Geographic variables
II. Demographic variables
III. Psychographic variables
IV. Behavioural variables

I.   Geographic Segmentation

In geographical segmentation, market is divided into different geographical units like:

a. Regions (by country, nation, state, neighbourhood)
b. Population Density (Urban, suburban, rural)
c. City size (Size of area, population size and growth rate)
d. Climate (Regions having similar climate pattern)

A company, either serving a few or all geographic segments, needs to put attention on variability of geographic needs and wants. After segmenting consumer market on geographic bases, companies localize their marketing efforts (product, advertising, promotion and sales efforts).

II.   Demographic Segmentation

In demographic segmentation, market is divided into small segments based on demographic variables like:

a. Age
b. Gender
c. Income
d. Occupation
e. Education
f. Social Class
g. Generation
h. Family size
i. Family life cycle
j. Home Ownership
k. Religion
l. Ethnic group/Race

m. Nationality

Demographic factors are most important factors for segmenting the customers groups. Consumer needs, wants, usage rate these all depend upon demographic variables. So, considering demographic factors, while defining marketing strategy, is crucial.

III.   Psychographic Segmentation

In Psychographic Segmentation, segments are defined on the basis of social class, lifestyle and personality characteristics. Psychographic variables include:

a. Interests
b. Opinions
c. Personality
d. Self Image
e. Activities
f. Values
g. Attitudes

A segment having demographically grouped consumers may have different psychographic characteristics.

IV.   Behavioral Segmentation

In this segmentation market is divided into segments based on consumer knowledge, attitude, use or response to product. Behavioral variables include:

a. Usage Rate
b. Product benefits
c. Brand Loyalty Price Consciousness
d. Occasions (holidays like mother's day, New Year and Eid)
e. User Status (First Time, Regular or Potential)

Behavioral segmentation is considered most favourable segmentation tool as it uses those variables that are closely related to the product itself.

Bases for Business Market Segmentation

Business market can be segmented on the bases consumer market variables .Business market might be segmented on the bases of following variables:

a. Company Size: what company sizes should we serve?
b. Industry: Which industry to serve?
c. Purchasing approaches: Purchasing-function organization, Nature of existing relationships, purchase policies and criteria.
d. Product usage
e. Situational factors: seasonal trend, urgency: should serve companies needing quick order or standing Order: focus on large orders or small.
f. Geographic: Regional industrial growth rate, Customer concentration, and international macroeconomic factors.

Unit-4

CONSUMER PERCEPTION

The term "perception" can be defined as the ability to derive meaning. Derived from the word "perceive", it refers to the ability of giving meaning to whatever is sensed by our sense organs. It is the process through which an individual interprets ones' sensory impressions to give meaning to them. Schiffman defines it as "the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world."

Perception Vs Sensation

There is a difference between *perception* and *sensation*.

Sensation is the ability of our five sense organs to sense a stimulus. It is an auto reflex mechanism (direct and immediate) of our sense organs, i.e. eyes, ears, nose, tongue, and skin towards a stimulus in the environment. This stimulus could be anything, a person, object, situation or thing. In terms of marketing, it could be a product, a brand name, an advertisement or even a store. Thus sensation is the reaction or response of a sense organ or a sensory receptor towards a stimulus.

Perception is much broader in scope. It is complex process by which a person organizes facts around the stimuli and gives meaning to it. The perceptual process depicts a complex and dynamic interplay of three processes, viz., selection, organization and interpretation.

The person selects the stimuli and organizes and interprets the input received from the sense organs, so as to give a meaning to the stimuli. Thus, for example, as a person is caught by a new packaging of a familiar brand, he picks up other stimuli on the package through his senses, as well as organizes other facts from internal (memory) and external sources (dealer, packaging) etc, so as to conclude that the package is new but the brand is old and familiar. This is perception. While the sense organs report a change in the form of flashy colours on the packaging, the human mind works cognitively and organizes other information around it to give a meaning and arrive at a conclusion. This is referred to as perception. Thus while sensation is physiological, perception is broader and includes not only the physiological component but also the sociological and psychological component.

While perception starts with sensation, it ends up when meaning is given to the stimuli, through cognitive processes. While sensation picks up bits and pieces as stimuli, the cognitive processes involved in perception can add to/delete/modify the diverse sensations and information. Also, while each one of us would be similar in sensing a stimulus, the way we interpret it would be different. In other words, sensation is similar but perception is not. This is because as far as our sense organs are concerned, we are similar, but when it comes top the human mind and the cognitive processes, we are all different. We have varying cognitive capacities and capabilities; our backgrounds are diverse and psychological processes (needs, motivation, learning, attitudes,

values, etc) and sociological factors (culture, sub-culture, social class, etc) different. So while sensation is an objective process, perception is highly subjective.

Nature of perception

Perception can be better explained by understanding the nature and characteristics of perception:

1. Perception is a complex process. After a stimulus is detected by the sense organs, the perception process comes into play and involves the interplay of three processes, viz., selection, organization and interpretation. It is a dynamic process.

2. It is also an intellectual process; it involves a lot of cognitive effort. Once sensation takes place, the perception process involves the selection, organization and interpretation of data.

3. Perception is broad in nature; it includes a physiological component (through sensation), as well as sociological and psychological components.

4. Perception is a subjective process as two people may perceive the same stimuli differently. While two persons may be exposed to the same stimuli, the manner in which they select them, organize and interpret them is different. This is because the two are impacted by their background, learning and experiences, motivation, personality, cultures, values and lifestyles, social class effects etc which may be different from each other.

Perceptual process/ mechanisms

The perceptual process starts when a person is exposed to a stimulus and the sensory receptors report the same to the human body. While the senses may be exposed to various stimuli, the human senses select only some of these at a point of time. This is because the sense organs have a limited capacity at a particular point of time. After the sense organs, report a few stimuli, the perceptual process takes over. Of the stimuli that have been detected, few are selected, organized and interpreted for meaning. This is known as perception.

Although we may differ in perceptual processes, universally speaking, the perceptual process comprises four components, viz., *input, perceptual mechanism, output and behaviour.* Let us have a discussion on these.

i. *Input*: The input to the perceptual process refers to the various stimuli that surround an individual and exist in his environment. It could assume various forms, for example, it could be another person, object, thing, or situation. The perceptual process begins when the sensory receptors detect a stimulus in the environment, which acts as an input to the perceptual mechanism.

ii *Perceptual mechanism:* The perceptual mechanism consists of three sub-processes, viz., selection, organization and interpretation. Once the sense organs detect a stimulus in the environment, a person selects, organizes and interprets it through perceptual selectivity, perceptual organization and perceptual interpretation. Put together, these are known as perceptual mechanisms.

1. Perceptual selection or perceptual selectivity refers to a tendency within a person to select one or a few out of the many stimuli present in the environment; this selectivity is based on one's demographic, socio-cultural and psychographic factors. A person would tend to select those stimuli that appear relevant and attractive to him.

2. Perceptual organization refers to the process of organizing the various stimuli with other cues around so that a whole picture can be created. In other words, the various stimuli are organized and given a form. It is the process of organizing inputs into a definite, coherent and interpretable structure.

3. Perceptual interpretation refers to the process of drawing in inferences out of the organized whole (of stimuli), and giving meaning to it.

iii *Output:* Once the input has been interpreted, it results in an output. This output towards the stimuli assumes various forms, for example, in the formation of emotions and moods, feelings and opinions, as well as attitudes and beliefs.

iv *Behaviour:* The resultant behaviour is an outcome of the output. Based on his emotions and moods, feelings and opinions, as well as attitudes and beliefs, a person would enact out behaviour. This behaviour is a function of and will be reflective of such emotions and moods, feelings and opinions, as well as attitudes and belief.

Consumer Perception and Implications for Marketers:

Individuals act and recent on the basis of their perceptions, not on the basis of objective reality. In reality is a totally personal phenomenon, based on that persons need , want s, values, and personal experiences. But for the marketer's consumer perception is more than the knowledge.

Elements of perception

Sensation

Sensation is the immediate and direct response of the sensory organs to stimuli. A stimulus may be any unit of input to any of these senses. Examples of stimuli include products, packages, brand names, advertisements and commercials. Sensory receptors are the human organs that receive sensory inputs. Their sensory functions are to see, hear, smell, taste and feel. All of these functions are called into play, either singly or in combinations, in the evaluation and use of most consumer products.

The absolute threshold

The lowest level at which an individual can experience a sensation is called the absolute threshold. The point at which a person can detect a difference between "something" and "nothing" is that person's absolute threshold for that stimulus.

The differential threshold

The minimal difference that can be detected between two similar stimuli is called the differential threshold or the just noticeable difference.

Subliminal perception

People are motivated below their level of conscious awareness. People are also stimulated below their level of conscious awareness; that is, they can perceive stimuli without being consciously aware that they are doing so. Stimuli that are too weak or too brief to be consciously seen or heard may nevertheless be strong enough to be perceived by one or more receptor cells. This process is called subliminal perception because the stimulus is beneath the threshold, or "limens" of conscious awareness, though obviously not beneath the absolute threshold of the receptors involved.

Dynamics of perception

Human beings are constantly bombarded with stimuli during every minute and every hour of every day. The sensory world is made up of an almost infinite number of discrete sensations that are constantly and subtly changing. According to the principles of sensation, intensive stimulation "bounces off" most individuals, who sub consciously block a heavy bombardment of stimuli. One type of input is physical stimuli from the outside environment; the other type of input is provided by individuals themselves in the form of certain predispositions based on previous experience. The combination of these two very different kinds of inputs produces for each of us a very private, very personal picture of the world. Because each person is a unique individual, with unique experiences, needs, wants and desires, and expectations, it follows that each individual's perceptions are also unique.

Perception Selection

Consumers subconsciously exercise a great deal of selectivity as to which aspects of the environment they perceive. An individual may look at some things, ignore others, and turn away from still others. In actually, people receive only a small fraction of the stimuli to which they were exposed. Which stimuli get selected depends on two major factors in addition to the nature of the stimulus itself. (1) Consumers previous experience as it affects their expectations. And (2) their motives at the time. Ease of these factors can serve to increase or decrease the probability that a stimulus will be perceived.

Nature of the stimulus

Marketing stimuli include an enormous number of variables that affect the consumers perception, such as nature of the product, its physical attributes, the package design, the brand name, the advertisements and commercials including copy claims, choice and sex of model, size of ad, topography, the position of print ad or a commercial, and the editorial environment.

Expectations

People usually see what they expect to see, and what they expect to see is usually based on familiarity, previous experience or preconditioned set. In a marketing context, people tend to perceive products and product attributes according to their own expectations.

Motives

People tend to perceive the things they need or want; the stronger the need the greater the tendency to ignore unrelated stimuli in the environment. In general, there is heightened awareness of stimuli that are relevant to ones needs and interests and a decreased awareness of stimuli that are irrelevant to those needs.

Selective perception

The consumers "selection" of stimuli from the environment is based on the interactions of expectations and motives with the stimulus itself. These factors give rise to four important concepts concerning perception.

Selective Exposure

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

Selective attention

Consumers exercise a great deal of selectivity in terms of the attention they give to commercial stimuli. They have a heightened awareness of stimuli that meet their needs or interests and minimal awareness of stimuli irrelevant to their needs. Thus, consumers are likely to note ads for products that would satisfy their needs and disregard those in which they have no interest.

Perceptual Defense

Consumers subconsciously screen out stimuli that they find psychologically threatening, even though exposure has already taken place. Thus, threatening or otherwise damaging stimuli are less likely to be consciously perceived than are neutral stimuli at the same level of exposure.

Perceptual Blocking

Consumers protect themselves from being bombarded with stimuli by simply "tuning out" – blocking such stimuli from conscious awareness. They do so out of self – protecting because of the visually overwhelming nature of the world in which we live. The popularity of such devices as TiVo and Replay i V, which enable viewers to skip over TV commercials with great ease, is, in part, a result of perceptual blocking.

Perceptual Organization

People do not experience a numerous stimuli they select from the environment as separate and discrete sensations rather they tend to organize them into groups and perceive them as unified wholes.

Figure and Grounds

People have tendency to organize their perceptions into figure and ground relationship. How a figure- ground pattern is perceived can be influenced by prior pleasant or painful associations with one or the other element in isolation.

Grouping

Individuals tend to group stimuli so that they form a unified picture or impression. The perception of stimuli as groups or chunks of information, rather than as discrete bits of information, facilitates their memory and recall. Grouping can be used advantageously by marketers to simply certain desired meanings in connection with their products.

Closure

Individuals have a need for closure. They express this need by organizing their perceptions so that they form a complete picture. If the pattern of stimuli to which they are exposed is incomplete, they tend to perceive it, nevertheless, as complete; that is, they consciously or subconsciously fill in the missing pieces.

Perceptual interpretation

Stimuli are often highly ambiguous. Some stimuli are weak because of such factors as poor visibility, brief exposure, high noise level or constant fluctuations. Even the stimuli that are strong tend to fluctuate drastically because of such factors as different angles of viewing, varying distances, and changing levels if illumination.

Perceptual distortion

Individuals are subject to a number of influences that tend to distort their perceptions, such as physical appearances, stereotypes, first impressions, jumping to conclusions and the halo effect.

Consumer imagery

Consumers have a number of enduring perceptions, or images, that are particularly relevant to the study of consumer behaviour. Products and brands have symbolic value for individuals, who evaluate them on the basis of their consistency with their personal pictures of themselves.

Product positioning

The essence of successful marketing is the image that a product has in the mind of the consumer- that is positioning. Positioning is more important to the ultimate success of a product than are its actual characteristics, although products are poorly made will not succeed in the long run on the basis of image alone.

Product repositioning

Regardless of how well positioned a product appears to be, the marketers may be forced to reposition it in response to market events, such as competitor cutting into the brands market share or too many competitors stressing the same attribute.

Perceptual mapping

It helps them to know how their product and service appear to the customer when compared to the competitors' product and services.

Positioning of services

Compared with manufacturing firms, service marketers face several unique problems in positioning and promoting their offering. Because services are intangible, image becomes a key factor in differentiating a service from its competition. The marketing objective is to make the customer understand the how the service factor is related to the product.

Perceived price

It is important to know how the consumer perceives the price, as high, low or as fair. The consumer must be made to perceive the price which he is paying is fair. No one will be happy to know that they have paid twice the price.

Reference price

A reference can be external or internal; it can be any price that a consumer uses as a basis for comparison in judging another price.

Perceived quality

The consumer usually judges the quality of a product or services with the other attributes relating with it. Such related factors become important to understand in order to satisfy the customer.

Perceived quality of the product

Cues that relate to the physical characteristics of the product like color, flavor, or aroma, size etc

Perceived quality of the service

The service is more difficult for the consumer to evaluate; it is intangible, variable and perishable. They are produced and consumed at the same time.

Price quality relationship

The studies have found out that consumers rely on price as an indicator of product quality, that consumers attribute different quintiles to identical products that carry different price tag, and that such consumer characteristics as age and income affect the perception of values.

Retail store image

Retail store have image of their own. The customer perceives the retail store according to their image and environment. The study proves that the customer determines by the availability of the products available in the stores, advertising, time availability and easy shopping.

Manufacturer's Image

The customer's imaginary extends beyond the perceived price and store image. The manufacturer who enjoys the favourable image generally finds new customer in his store where new products are accepted more readily than those manufacturers who have a less favorable or neutral image.

Perceived Risk

The perceived risk varies depending on the person, the product, the situation and the culture. Some of the customers may perceive high degree of risk depending on the consumption situation.

Types of Perceived Risk:

Functional Risk: Is the risk that product will not perform as expected.

Physical Risk: Is the risk to self and others that the product may pose.

Financial Risk: Is the risk that the product will not be worth its cost.

Social Risk: Is the risk that a product choice will bruise the consumer's ego

Time Risk: Is the risk that the time spent on in the product such may be wasted if the product does not perform as expected.

How consumers handle risk

Consumers develop a self defensive weapon in order to satisfy the unsatisfied needs.

Consumers seek information; Consumers seek information through his friend family and other people. They spend more time thinking and getting information about the product when they associate a high degree of risk with the purchase.

Consumers are brand loyal; Consumers remain brand loyal in order to avoid the risk.

Consumers select by brand image; when consumers have no experience with the product they trust the brand name. The consumers often think about the well known brand, worth buying and go for the product.

Consumers reply on store image; If the consumers do not have any information about the product they trust the merchandise buyers of reputable stores and depend on them.

Consumers buy the most expensive model; when in doubt the consumers feel that the most expensive model is probably the best in terms of quality and price.

Consumers seeking reassurance; Consumers who are uncertain about the product choice seek for reassurance through money back guarantees and warranty's or trial use etc.

Unit- 5

CONSUMER NEEDS AND MOTIVATION

At the heart of marketing, lies what is referred to as a consumer need. Consumer needs are the quintessence of the marketing concept. Psychologists and consumer researchers agree that human beings have the same needs; however, these needs get translated differently into different wants, resulting in varied motives. With consumers being different and unique to each other, it is important that the marketers understand the various needs, and provide relevant product and service offerings that blend with the consumer(s) segment(s) and their wants. An understanding of human needs and motives would also help marketers understand and to predict consumption behaviour.

The two terms "need" and "want" often used interchangeably hold two different meanings. A need is a state of felt deprivation while a want is a desire for a specific satisfier.

Example: A person is hungry.

Need: Hunger

Want: The person may desire biriyani or a Masala Dosa or a Sandwich. The various options are the wants. A want may further get translated into a *brand* too, eg., the person desires a Dosa but from Kammath Restaurant or a Indian Coffee house.

While needs lie at the core of marketing, marketers can never create needs. Needs pre-exist a marketer. They are already known and experienced by consumers. At times, however consumers fail to identify needs as the needs lie at the sub conscious level and remain unfelt. In such cases, a marketer can just help a consumer identify such needs.

Example: People have always sweated, perspired and smelt of body odour. People did not become conscious of the social embarrassment till companies introduced deo sprays and sticks, eg. Rexona, Ponds etc, and began to play advertisements that depicted social appeals like embarrassment amongst friends and relatives at parties and social gatherings.

Also most of the times, human needs are dormant and lie at a latent state. They get aroused suddenly by (i) stimuli internal to the individual and his physiology; Example: a person feels hungry and moves towards a restaurant to buy some food (ii) stimuli in the external environment; Example: a person smells the aroma of freshly baked cakes and enters the bakery to buy some cakes. The marketer could also formulate strategies that help trigger such needs. Example: A banner or a hoarding informing people of a food festival at attractive prices can trigger off a desire amongst people to try out newer dishes and cuisine, Or the display of a newly launched car, can encourage customer trail and subsequent purchase.

Consumer motivation

Consumer motivation is the urge or drive to satisfy needs through product purchase and its consumption. *"The needs, wants, drives, and desires of an individual that lead him or her toward the purchase of products or ideas. The motivations may be physiologically, psychologically, or environmentally driven."* (American Marketing Association).

The entire need → want → goal → action → satisfaction chain comprises the cognition, affect and behaviour components within an individual; however, the process gets started with cognition, and therefore marketers need to inform and educate the consumers about their product/service offerings and the marketing mix.

Needs are primarily of two types, viz., physiological needs and psychological needs. People possess and experience a variety of such needs simultaneously.

a) *Physiological* needs: As the name suggests, these needs arise out of our physiology and are also called as primary or biological or biogenic needs; eg. Need for food, water, sleep, air, shelter etc. We are born with such needs and these are innate in nature. In order to survive, these needs must be fulfilled. As human beings are all similar, thus, we are also similar in so far as these needs are concerned.

b) *Psychological* needs: These needs arise out of our sociology and psychology and as such they are also called secondary or psychogenic needs; eg. Need for affiliation, power, recognition, esteem and status, etc. During the period of socialization, we acquire such needs; and human beings differ amongst each other in so far as these needs are concerned.

Goals:

The goal is manifested after the need and want are identified. In fact our actions to purchase/consume are all goal directed. A goal is the ideal state that a person desires as he thinks that it would help him satisfy a need. A product/service offering and the value proposition is a means to provide such benefits that the consumer utilizes to achieve his goals.

Goals are of two types, *generic goals* and *product-specific goals*.

a) *Generic goals*: Generic goals can be defined as the general category of goals that consumers see as a means to satisfy their needs and wants. For example, a consumer may want to buy a cell phone.

b) *Product-specific goals*: These are specifically branded products or services that the consumers select to fulfill the generic goal. For example, the consumer would want to buy a Nokia or a Samsung.

Motives and Motivation:

Motives can be *rational* as well as *emotional*.

a) *Rational:* When consumer motives are objective, and when selection of goals is made on the basis of objective criteria, they are referred to as rational motives. These criteria could be price, size, weight etc.

b) *Emotional:* When consumer motives are subjective, and when selection of goals is made on the basis of personal and subjective criteria, like appearance and looks, colour, aesthetics etc., they are referred to as emotional motives

Motivation can take a *positive* as well as a *negative* form and correspondingly a positive and negative direction respectively.

a) *Positive motivation*: The person is driven towards an object/condition/situation. Example: A person goes to the gym three times a week to build up his body and muscles so that he can look good. The object in question (gym, work out, good body) is referred to as an approach object. His behaviour is directed towards achievement of a positive goal, which is fitness, body building and great looks.

b) *Negative motivation*: Here, the person is driven away from an object/condition/situation, and the corresponding effects of non usage. For example, a person decides to buy Pepsodent toothpaste for his child as it helps fight germs and tooth decay whole day long. His behaviour is directed towards the object (Pepsodent) to avoid a negative goal, which is tooth decay.

Nature of Motivation:

Needs & their fulfillment are the basis of motivation. Needs change, so also motivation. Both internal & external factors are responsible for change. The fact is that not all needs are satisfied fully. When some are satisfied, some others arise. Sometimes because of personal, financial, social cultural limitations, people can't fulfill some of their needs, wants & goals. Failure of need fulfillment may give rise to the following states: Rationalisation – trying to justify the situation & excusing oneself,

1. Aggression – getting angry & frustrated, and resorting to unsocial actions,
2. Regression – trying to settle without that particular need & try something else,
3. Withdrawal – trying to disassociate oneself from the very thought of it.

The Role of Motives

The role of motives is to arouse and direct the behavior of consumers. The arousal component activates bodily energy so that it can be used for mental and physical activity. In their directive role, motives have several important functions for guiding behavior.

1. **Defining Basic Strivings**

Motives influence consumers to develop and identify their basic strivings. Included among basic strivings are very general goals such as safety, affiliation, achievement, or other desired states which consumers seek to achieve. They serve to guide behavior in a general way across a wide variety of decisions and activities.

2. Identifying Goal Objects

Although there are exceptions, people often view products of services as a means by which they can satisfy their motives. In fact, consumers often go one step further and think of products as their actual goals, without realizing that they actually represent ways of satisfying motives.

3. Influencing Choice Criteria

Motives also guide consumers in developing criteria for evaluating products. Thus, for a car buyer strongly influenced by the convenience motive, features such as electronic speed control and automatic driver-seat adjustments would become more important choice criteria than would styling or mileage.

4. Directing Other Influences

At a more fundamental level, motives affect the individual determinants of perception, learning, personality, attitudes, and how people process information. This also results in directional influences on behavior. For example, motives influence information processing, which in turn regulates how we interpret and respond to our environment.

Theories of Motivation:

A. Maslow's Theory of Need Hierarchy:

Dr Abraham Maslow, a clinical psychologist formulated a widely accepted theory of human motivation based on the notion of a universal hierarchy of human needs. This identifies five basic levels of human need which rank in order of importance from lower level needs (biogenic) to higher level needs (psychogenic). The theory says that individuals need to satisfy the lower level needs before higher level needs arise. The lowest level of unsatisfied need that the individual experiences serves to motivate its behaviour. Only when it is satisfied fairly well then he can think of the next level & so on. According to this theory it's the "dissatisfaction" which motivates and not the "satisfaction". Marketers need to know how to satisfy a need at what level, by studying the need hierarchy.

1. **Physiological needs** – food, water, air, clothing, shelter. These are the lowest or the first level needs. They are also called basic, frugal, primary, biological, biogenic, physiological, innate etc.

2. **Safety or Security needs** – physical safety, protection, stability, security, mental piece. Once the first level needs are satisfied, the individuals go for the next level where they need an uninterrupted fulfillment of the above needs, like regular income, permanent shelter, etc.

3. **Social needs** – affiliation, friendship, and belonging. Once the second level is more or less satisfied, this level comes. In social needs they need to maintain themselves in a society and try to be accepted in that so that they can interact with other members of the society.

4. **Egoistic needs** – prestige, status, self-esteem, fame. Then comes the egoistic needs of a person that must be satisfied. He wants to rise above the general level/status of other members so that he gets some mental satisfaction.

5. **Self-Actualisation** – self fulfillment. This is extreme or highest end of the hierarchy, where the individuals try to excel in any field attaining very high order of achievement. These people are called "self-actualisers".

B. The Trio of Needs (Mc Clellent theory):

Psychologists point out that sometimes it is not necessary that the individuals 'go through' the same systematic process of going from one level of needs to the next while fulfilling them. Or how much a level must be satisfied to move to the next level, for no needs is absolutely satisfied and there is no way to measure precisely. Also some intermediate levels may be skipped. This has given rise to another concept of Trio of needs where it is envisaged that human behaviour is influenced by the needs of power, affiliation & achievement. They are given below:

1. **Need of Power** – the power need relates to individuals' desire to control their environment including other persons & objects around them. The need appears to be closely related to the ego need, in that many individuals experience increased self esteem when they exercise power over objects or people.

2. **Need of Affiliation** – affiliation is a well known & well researched social motive that has far reaching influence on consumer behaviour. This suggests that behaviour is strongly influenced by the desire for friendship, acceptance and belonging. People with high affiliation needs tend to be socially dependent on others.

3. **Need of Achievement** – individuals with a strong need for achievement often regard personal accomplishment as an end in itself. This is closely related to both the egoistic need & the self-actualisation need.

C. Sheth's Consumer Motives:

Professor Jagdish N. Sheth, proposed a classification of needs more pertinent to marketing management. While he primarily researched in the area of travel industry, the findings are equally applicable across most products and services. Sheth classified motives into five dimensions, viz., functional motives, aesthetic/emotional motives, social motives, situational motives and curiosity motives. According to him, each of these is oriented to the achievement of specific goals.

a) **Functional motives:** this refers to the utility of a product/service, the utility and the function that is performed.

b) **Aesthetic/emotional motives:** this refers to the attractiveness in terms of appearance and looks of the product/service.

c) **Social motives:** this is the esteem value attached to the product/service. **Situational motives:** this refers to the unanticipated and unexpected benefits attached to a product/service, like discounts and allowances.

d) **Curiosity motives:** this is the interest aroused by a product/service.

The above three theories of motivation gives a clear picture of the way individuals are motivated by specific needs. The marketers need to study & understand each one of them separately and try to cater to their needs specifically.

D. Mcguire's Psychological Motives

Maslow presented a hierarchical set of five basic motives, and other researchers have proposed hundreds of additional, very specific motives. McGuire developed a classification system that organizes these various theories into 16 categories. This system helps markets isolate motives likely to be involved in various consumption situations.

Each of McGuire's 16 motives and their implications for marketing are briefly described in the following sections:

a. **Cognitive preservation motives**

1. *Need for Consistency:* A basic desire is to have all facets or parts of oneself consistent with each other. These facets include attitudes, behaviors, opinions, self-images, views of others, and so forth. Cognitive dissonance is a common motive of this type. Often making a major purchase is not consistent with the need to save money, to make other purchases, or to purchase a different brand with desirable features not in the purchased brand. This inconsistency motivates the individual to reduce it. Understanding the need for consistency is also important for structuring advertising messages and developing attitude change strategies. Consumers have a need for internal consistency, so they are reluctant to accept information that disagrees with existing beliefs.

2. *Need for Attribution:* This set of motives deals without need to determine who or what causes the things that happen to us. Do we attribute the cause of a favorable or unfavorable outcome to ourselves or to some outside force? The fact that consumers need to attribute cause underlies an area of research known as attribution theory. This approach to understanding the reasons consumers assign particular meanings to the behaviors of others has been used primarily for analyzing consumer reactions to promotional messages (in terms of credibility). When consumers attribute a sales motive to advice given by a salesperson or advertising message, they tend to discount the advice. In contrast, similar advice given by a friend would likely be attributed to a desire to be helpful and might therefore be accepted.

3. *Need to Categorize:* People have a need to categorize and organize the vast array of information and experiences they encounter in a meaningful yet manageable way. So they

establish categories or mental partitions that allow them to process large quantities of information. Prices are often categorized such that different prices connote different categories of goods. Automobiles over $20000 and automobiles under $20000 may elicit two different meanings because of information categorized on the basis of price level. Many firms price items at $9.95, $19.95, $49.95, and so forth. One reason is to avoid being categorized in the over $10, $20, or $50 group.

4. *Need for Objectification:* These motives reflect needs for observable cues or symbols that enable people to infer what they feel and know. Impressions, feelings, and attitudes are subtly established by viewing one's own behavior and that of others and drawing inferences as to what one feels and thinks. In many instances, clothing plays an important role in presenting the subtle meaning of a desired image and consumer lifestyle. This is so critical that companies such as Anheuser-Busch use clothing consulting firms to tailor clothes for executives that are consistent with the firm's desired image.

b. Cognitive growth motives

5. *Need for Autonomy:* The need for independence and individuality is a characteristic of the American culture. All individuals in all cultures have this need at some level. Americans are taught that it is proper and even essential to express and fulfill this need. In contrast, in countries such as Japan, fulfillment of this need is discouraged. while fulfillment of the need for affiliation is more socially acceptable. Owning or using products and services that are unique is one way consumers express their autonomy. The increasing popularity of handmade craft goods, original art, antiques, and other unique products reflects the need. Marketers have responded to this motive by developing limited editions of products and providing wide variety and customization options. In addition, many products are advertised and positioned with independence, uniqueness, or individuality themes.

6. *Need for Stimulation:* People often seek variety and difference out of a need for stimulation. Such variety-seeking behavior may be a prime reason for brand switching and some so-called impulse purchasing. The need for stimulation is curvilinear and changes over time. That is, individuals experiencing rapid change generally become satiated and desire stability, whereas individuals in stable environments become bored and desire change.

7. *Technological Need:* Consumers are pattern matchers who have images of desired outcomes or end states to which they compare their current situation. Behaviors are changed and the results are monitored in terms of movement toward the desired end state. This motive propels people to prefer mass media such as movies, television programs, and books with outcomes that match their view of how the world should work (the good guys

win, the hero and heroine get together, and so forth). This has obvious implications for advertising messages.

8. *Utilitarian Need:* These theories view the consumer as a problem solver who approaches situations as opportunities to acquire useful information or new skills. Thus, a consumer watching a situation comedy on television not only is being entertained but is learning clothing styles, etiquette, lifestyle options, and so forth. Likewise, consumers may approach ads, salespeople, and other marketing stimuli as a source of learning for future decisions as well as for the current one.

c. Affective preservation motives

9. *Need for Tension Reduction:* People encounter situations in their daily lives that create uncomfortable levels of stress. In order to effectively manage tension and stress, people are motivated to seek ways to reduce arousal. Recreational products and activities are often promoted in terms of tension relief.

10. *Need for Expression:* This motive deals with the need to express one's identity to others. People feel the need to let others know who and what they are by their actions, which include the purchase and use of goods. The purchase of many products such as clothing and automobiles allows consumers to express an identity to others, because these products have symbolic or expressive meanings. Thus, the purchase of the latest in skiwear may reflect much more than a desire to remain warm while skiing.

11. *Need for Ego Defense:* The need to defend one's identity or ego is another important motive. When one's identity is threatened, the person is motivated to protect his or her self-concept and utilize defensive behaviors and attitudes. Many products can provide ego defense. A consumer who feels insecure may rely on well-known brands for socially visible products to avoid any chance of making a socially incorrect purchase.

12. *Need for Reinforcement:* People are often motivated to act in certain ways because they were rewarded for behaving that way in similar situations in the past. This is the basis for operant learning as described in the previous chapter. Products designed to be used in public situations (clothing, furniture, and artwork) are frequently sold on the basis of the amount and type of reinforcement that will be received. Keepsake Diamonds exploits this motive with an advertisement that states, "Enter a room and you are immediately surrounded by friends sharing your excitement."

d. Affective growth motives

13. *Need for Assertion:* Many people are competitive achievers who seek success, admiration, and dominance, Important to them are power, accomplishment, and esteem. The need for assertion underlies numerous ads.

14. ***Need for Affiliation:*** Affiliation is the need to develop mutually helpful and satisfying relationships with others. It relates to altruism and seeking acceptance and affection in interpersonal relations. Group membership is a critical part of most consumers' lives, and many consumer decisions are based on the need to maintain satisfying relationships with others. Marketers frequently use such affiliation-based themes as "Your kids will love you for it" in advertisements.

15. ***Need for Identification:*** The need for identification results in the consumer playing various roles. A person may play the role of college student, sorority member, bookstore employee, fiancée, and many others. One gains pleasure from adding new, satisfying roles and by increasing the significance of roles already adopted. Marketers encourage consumers to assume new roles (become a skateboarder) and position products as critical for certain roles ("No working mother should be without one").

16. ***Need for Modeling:*** The need for modeling reflects a tendency to base behavior on that of others. Modeling is a major means by which children learn to become consumers. The tendency to model explains some of the conformity that occurs within reference groups. Marketers utilize this motive by showing desirable types of individuals using their brands. For example, some Rolex ads devote most of their copy to a description of very successful people such as Picabo Street or Monica Kristensen. They then state that this person owns a Rolex.

E.   Murray's List of Psychogenic Needs

Psychologist Henry Murray proposed a list of 12 primary (or viscerogenic) and 28 secondary (or psychogenic) human needs. The list of needs is:

1. Autonomy: To be independent and free to act according to impulse; to be unattached, irresponsible; to defy convention. (e.g. Impulse buying, wearing unconventional clothing)

2. Dominance: To direct the behavior of others (e.g. Aggressively demanding attention in service establishments)

3. Nurturance: To give sympathy and to feed, help, and protect the needy. (e.g. wearing high-fashion clothing)

4. Cognizance: To explore, to ask questions, to seek knowledge (e.g. visiting museums, learning about new technology and products)

5. Exposition: To give information and explain, interpret, and lecture. (e.g. playing opinion leaders)

F.   Ernest Dichter's Consumption Motives

Ernest Dichter was psychoanalyst trained in Vienna in the early part of the century. A strong believer in Freud's theory of personality, he believed that unconscious motives play a significant role in people's consumption decisions. Based on in-depth interviews with consumers for some

200-plus products, he identified a set of motives/needs that underlie an individual's consumption of diverse products. List of Consumption Motives are:

1) Mastery over environment - Kitchen appliances
2) Status - Scotch
3) Rewards - Gifts to oneself
4) Individuality - Foreign cars
5) Social acceptance - Companionship
6) Love and affection - Giving children toys
7) Security - Full drawer of neatly ironed shirts
8) Masculinity - Toy guns
9) Femininity - Decorating
10) Eroticism - Sweets, Gloves
11) Desalination - Listening to and calling in talk shows
12) Moral Purity/cleanliness - White bread, bathing
13) Magic-mystery - Religious rituals, crystals

Motivational theory & Marketing strategy:

Marketers who understand the motives of their potential customers enjoy good sales & brand loyalty of their customers. Often it is also important to understand the motivational conflict the consumer's face. A buyer has several motives and each change with cognitive, emotional and environmental elements. In such cases the marketers can readily help their customers by changing their marketing strategy so that the conflict is resolved. This can happen by re-adjustment of the marketing mix. The following three major conflicts may arise:

1. Approach – approach conflict – happens when the consumer has two different choices of similar or dissimilar category of product or services which he gives equal importance, but unable to choose one over the other. The marketer can come in to make his offer more attractive & important in any sense & help the customer to decide in its favour.

2. Approach – avoidance conflict – happens when the consumer has decides in favour of a product but somehow not satisfied with a particular feature or wants to avoid it. The marketer can come in to make some modifications in the product's features to suit & help the customer to decide in its favour.

3. Avoidance –avoidance conflict –happens when the consumer has to decide between two negative choices. The choices are said to be negative in relation to certain personal attributes of the consumer. The marketer can come in to make some suggestion in the decision making process to suit & help the customer to decide in its favour.

Motivation and consumer Involvement:

Involvement is defined as a person's perceived relevance of the object based on their inherent needs, values and interests. Involvement in marketing parlance is the deep and special interest the consumer has for a particular product or services. When the consumer's "involvement" is high, then he tries to learn, collect all information, updates his knowledge about that product/service. This will give a high leverage & scope to the marketers to help build a brand loyalty in & relationship with the customer.

Marketer should consider the following points;

1. Needs and wants exhibit multiplicity. Various kinds of physiological and psychological needs have been proposed and listed; while physiological needs are few and universal, psychological needs are many and varied.

2. A person may experience many needs and wants simultaneously and one may be sacrificed at the cost of the other.

3. Needs/wants/goals/motives vary from person to person. They also vary within a person across situation to situation.

4. Needs/wants are never fully satisfied. Wants are satisfied temporarily but needs are never satisfied. They keep on emerging. As one need is satisfied, another emerges and so forth, and as they emerge, they trigger off desire and motives.

5. Needs/wants/goals/motives grow, develop and change in response to an individual and his environment.

6. Needs and wants may also lie dormant. They may suddenly trigger owing to physiological factors, social factors, and/or external environmental factors. Success and failure to fulfill needs and wants also affect the future choice of goals.

Unit-6

CONSUMER ATTITUDES AND EMOTIONS

An attitude is an enduring organization of motivational, emotional, perceptual, and cognitive processes with respect to some aspect of our environment. It is a learned predisposition to respond in a consistently favourable or unfavorable manner with respect to a given object. Thus, an attitude is the way one thinks, feels, and acts toward some aspect of his or her environment such as a retail store, television program, or product.

Attitude serves four key functions for individuals:

1. **Knowledge function**: Some attitudes swerve primarily as a means of organizing beliefs about objects or activities such as brands and shopping. These attitudes may be accurate or inaccurate with respect to objective reality, but the attitude will often determine subsequent behaviours rather than that reality. For example, a consumer's attitude toward cola drinks may be 'they all taste the same.' This consumer would be likely to purchase the least expensive or most convenient brand.

2. **Value-expressive function**: Other attitudes are formed and serve to express an individual's central values and self-concept. Thus consumers who value nature and the environment are likely to develop attitudes about products and activities that are consistent with that value. These consumers are likely to express support for environment protection initiatives, to recycle, and to purchase and use 'green' products.

3. **Utilitarian function**: This function is based on operant conditioning. People tend to form favorable attitudes toward objectives and activities that are rewarding and negative attitudes toward those that are not. Marketers frequently promise rewards in advertising and conduct extensive product testing to be sure the products are indeed rewarding.

4. **Ego-defensive function**: People form and use attitudes to defend their egos and self-images against threats and shortcomings. Products promoted as very macho may be viewed favourably by men who are insecure in their masculinity. Or individuals who feel threatened in social situations may form favourable attitudes toward products and brands that promise success or at least safety in such situations. These individuals would be likely to have favourable attitudes toward popular brands and styles of clothes and use personal care products such as deodorants, dandruff shampoo, and mouthwash. Attitudes are formed as the result of all the influences we have been describing in the previous chapters, and they represent an important influence on an individual's lifestyle.

5. **Combination function** – More often individuals develop attitudes towards a product, which are a combined effect of all these functions.

Attitude Components

It is useful to consider attitudes as having three components: cognitive (beliefs), Affective (feelings), and behavioural (response tendencies).

1. Cognitive Component: Cognitive component consists of a consumer's belief about an object. For most attitude objects, people have a number of beliefs. Many beliefs about attributes are evaluative in nature; for example, high gas mileage, attractive styling, and reliable performance are generally viewed as positive beliefs. The more positive beliefs associated with a brand, the more positive each belief is, and the easier it is for the individual to recall the beliefs, the more favorable the overall cognitive component is presumed to be.

2. Affective Component: Feelings or emotional reactions to an object represent the affective component of an attitude. A consumer who states 'I like Pepsi" or "Pepsi is a tasty drink" is expressing the results of an emotional or affective evaluation of the product. The overall evaluation may be simply a vague, general feeling developed without cognitive information or beliefs about the product.

3.Behavioural Component: The behavioural concept of an attitude is one's tendency to respond in a certain manner toward an object or activity. A series of decisions to purchase or not purchase. Pepsi or to recommend it or other brands to friends would reflect the behavioural component of an attitude. Actual behaviours reflect these intentions as they are modified by the situation in which the behaviour will occur.

Formation of Attitude

People are not born with an attitude. But they develop it over the growing & learning period. There are several ways the attitude can be formed:

1. Classical conditioning – Attitudes about the products are formed over the years by continuous tutoring & exposing the consumers to product's attributes. Thus slowly the consumer's attitude is reinforced.

2. Instrumental conditioning – Sometimes this attitude is formed out of an incidence. This is not intentional, but due to some reason if the consumer tries some new product &develops a favourable or unfavourable attitude, which lays the foundation of future strengthening of attitude.

3. Cognitive learning theory – This is similar to classical conditioning, with a difference that it is associated with learning thro' mental processing & evaluation, experience of using the products over a period of time.

Theories of Attitude Development (Theory of Cognitive Dissonance)

Usually behaviour is the result of attitude. But there are certain theories which suggest that behaviour precedes attitude. They also suggest that on the basis of behaviour & experience, a person modifies his attitude. This is the theory of cognitive dissonance. Dissonance is a state of discord where one experiences between one's own behaviour & attitude. Even if a person doesn't like certain things (attitude) he compels himself to do that (behaviour). Thus the attitude is said to be in conflict with the behaviour. The theory further states that in the case of such a conflict, the person changes any of them to match the other. This is very important to the marketer, because, in

this process a buying decision is involved which may be favourable or unfavourable to it. This theory is supported by the following:

1. Self perception theory -- According to this theory, the consumer has an opinion about his taste, attitude personality & these are reflected in his buying decision / action, and he justifies his action.

2. Social judgment theory -- According to this theory, the consumer will evaluate any new information regarding a product in the light of the opinion already has about the product. In other words, they will accept all info about the product they already like, & it's difficult to change that attitude.

3. Balance theory -- According to this theory, the consumer tries to balance three things --

(1) His own perception about the product,

(2) Other's perception about the product, and

(3) What the marketer or product itself communicates.

After balancing if he finds all three favourable, then he decides buying the product. In case of a conflict between any two of them, the consumer tries to find out another product which balances the three factors favourably.

Attitude change

Attitudes can be formed, and so also they can be changed. Forming & changing both may slow or fast and may be easy or difficult. This phenomenon is very important & a big opportunity for the marketers to try to make the consumers' attitude favourable to them &their product. The following are the best possible ways:

1. By changing functional utility -- Here the functional theory of the attitude is utilised and the marketers try to change these functions of the products by adding or improving them. Such a move can bring about change in attitude to a particular product.

2. By associating with a famous personality -- Marketers often try to change or influence attitude by associating themselves or their products to a famous personality or an established & reputed firm. This changes the attitude of the consumer who likes to be such associated.

3. By changing the features & presenting the product in a new light -- Marketers sometimes break the monotony & present the products in a new light as if they are newly launched by adding some extra features & outlook. This may change the attitude of consumers who are looking for new / fresh looks / features.

4. by changing the belief of consumer about a product -- Consumers have some belief and notion about a product. Marketers try to change & enhance that belief by giving additional facts and figures about the product's enhanced image.

5. By changing the perception of consumer about a competitor's product -- Most consumers have some belief & perception about the competitor's products. Marketers try to change that perception in such a way that their product would look more advantageous. They don't directly say the

competitors' products are bad but they do devise certain methods to tell the consumers so that they can compare & test themselves & see the difference.

Structural Models of Attitude

Attitudes play an important role in influencing a person's behaviour. The study of attitudes is the key to understanding consumers' behaviour towards a particular brand or product.

a. **The Attitude Object:**

The word object in our consumer oriented definition of attitude should be interpreted broadly to include specific consumption or marketing related concepts such as product, product category, brand, service, possessions, product use, causes, issues, people, advertisements, medium, retailer, price, internet sites, etc. While conducting attitudes research & studies, the marketer has to be object specific.

b. **Attitude models:**

In order to study the relationship between attitude & behaviour of an individual, psychologists have developed several models that can better explain or predict the behaviour. The following are the models

c. **Tri-component model:**

According to the tri-component model, attitudes consist of three major components – (1) cognitive (knowledge, leering), (2) affective (feelings, emotions), & (3) conative (tendency, intention or inclination)

1. *Cognitive component* – The first part of the tri-component attitude model cognitive component consists of a person's cognitions, i.e., the knowledge and perceptions that are acquired by a combination of direct experience with the attitude object and related information from various sources. This knowledge & resulting perceptions commonly take the form of beliefs, i.e., the consumer believes that the attitude object processes various attributes and that specific behaviour will lead to specific outcomes.

2. *Affective component* – The second part of the tri-component attitude model affective component consists of a person's emotion or feelings about a particular product or a brand. These emotion & feelings are frequently treated by consumer researchers as primarily evaluative in nature, i.e., they can be rated with degrees of an attribute – good/bad, favourable / unfavorable. Additionally the state of mind (emotionally charged states like happiness, sadness, anger, disgust, distress, shame, guilt, surprise etc.) also affects the attitudes by enhancing positive or negative emotions or feelings.

3. *Conative component* - The third part of the tri-component attitude model conative component consists of a person's likelihood or tendency to undertake a specific action or behaviour towards the attitude object. Often this means the actual action or behaviour itself, or the intention to buy a particular product. Buyer intention scales like – "How likely one is to buy" or "The chance that one will buy" are used to assess the likelihood /chances that a person buying a product.

Multi-Attribute Model of Attitudes:

These models portray consumers' attitudes with regard to an attitude object as a function of consumers' perception and assessment of the key attributes or beliefs held with regards to the particular attitude object. There are several variations of this kind of models, a few of which are given below:

1. Attitude towards object model – This model is especially suitable for measuring attitudes towards a product/service category or specific brands. According to this model the consumers' attitude towards a product or specific brands of a product is a function of the presence or absence and evaluation of certain product specific beliefs and/or attributes.

2. Attitude towards behaviour model – This model is individual's attitude towards "behaving or acting" with respect to an object rather than the attitude towards the object itself.

3. Theory of reasoned action model – This model is similar to the tri-component model of Reason-Emotion-Intention. In the tri-component model all these components complement and supplement one another and the result is a combined one. But in the theory of reasoned action model we have another component "subjective norms" which additionally influences the intention. This subjective norm is the perception & belief of others about the intention or behaviour that are very close to the buyer.

Measurement of Attitude

Attitude cannot be seen; they can only be inferred from the manner in which an individual behaves. Nevertheless it is crucial that attitudes are measured. This is because an individual with a positive attitude towards a product/service offering is more likely to make a purchase. Attitudes can be measured by observation, qualitative studies and quantitative techniques (or rating scales).

a) **Observation**: As has been mentioned above, attitudes can be inferred from the manner in which an individual behaves. By making observations of behavior, a marketer can infer a consumer's attitudes. For example, if a person patronizes Colgate toothpaste and buys it, it can be inferred that he likes that brand.

Observation as a process of measuring attitudes, has both pros and cons. Advantages are that on the basis of past experiences, market researchers can make quick inferences. Disadvantages are that the process is expensive in terms of time and money; further findings may not always be reliable and valid. Thus, the method is used to complement other tools and techniques in research, and is generally not used as the sole method of research.

b) **Qualitative studies**: Attitudes can also be measured through qualitative tools and techniques that help identify consumer opinions and beliefs as well as their feelings, by getting them involved in open discussions. Such techniques could take the forms of focus groups, depth interviews, and psychological tests.

- <u>Focus groups</u>: In focus group interviews, a group of consumers between 6-12 in number are called together, and discussion is initiated about a product or service offering. The discussion could range across a wide spectrum related to the offering, the brand, the dealer or any of the 4Ps. The people are made to openly discuss their ideas, opinions and feelings, and the discussion is controlled by a moderator. As they begin to discuss an issue, they move towards related issues about the product and service offering, and this provides valuable insights to a researcher. However, the problem with focus group interviews is that the sample may not always be truly representative of the segment to which the product is targeted. So as a tool, focus group interviews are not used in isolation, but are used with other tools and techniques, so as to lead to be truly representative and provide valid findings.

- <u>Depth interviews</u>: A depth interview is similar to a personal interview, where a consumer is interviewed about the product/service offering, the brand, and any or all of the 4Ps. The consumer is asked questions for a considerable period of time, and his opinions and beliefs are recorded, so are his feelings and bodily gestures. The researcher asks a question and the interviewee is encouraged to talk in length about his reactions and feelings about the product and service offering and the 4Ps. The encouragement to talk in length provides valuable insights and reveals things that the interviewer may not have thought off or imagined. Questions like "What", "Why", "How", and "If" are used to enable a detailed insightful discussion. The problem with depth interviews is that it is time consuming and expensive. It also requires trained psychologists as interviewers. And like, focus group interviews; it may not always be representative of the market segment.

- <u>Psychological tests</u>: A host of psychological tests are available that are used to infer and measure consumer attitudes. Projective techniques are used commonly; for example the consumer may be asked to interpret a picture (Thematic Apperception Test), or fill in a dialogue in a cartoon, or write ten-twelve words describing a figure or an image. They can also be asked to complete an incomplete paragraph (as story writing), or write the first word that comes to mind when a product/service or brand is mentioned or shown. Open ended questions like sentence completion help reveal consumer insights and underlying feelings and opinions about product offerings, brands and the 4Ps. The problem with psychological tests is that interpretation may turn out to be subjective and it requires trained psychologists as interpreters.

c) **Quantitative techniques, Rating scales or Attitude scales:** Commonly used methods for measuring attitudes is via attitude scales. Consumer survey questionnaires based on rating scales are used to measure attitudes quantitatively. The most commonly used attitude scale is the Likert scale, which measures consumer reactions on a five point or on a seven point scale based on degrees of agreement and disagreement, or liking and disliking. Another scale that is commonly used is the one that uses a bipolar scale comprising opposite adjectives at each extreme; this is known as a Semantic differential scale. While collecting responses may be time consuming, rating scales provide a means for quantitative analysis, and thereby lead to reliable and valid findings.

However, care should be taken to choose a sample representative of the sample.

Customer Emotions

Needs and emotions are closely related. Emotions are generally triggered by environmental events. Anger, joy, and sadness are most frequently a response to a set of external events. However, we can also initiate emotional reactions by internal processes such as imagery. Athletes frequently use imagery to "psych" themselves into a desired emotional state. Emotions are accompanied by physiological changes. Some characteristic changes are

(1) Eye pupil dilation,

(2) Increased perspiration,

(3) More rapid breathing, Increased heart rate and blood pressure, and

(4) Enhanced blood sugar level.

Emotions also have associated behaviours. While the behaviours vary across individuals and within individuals across time and situations, there are unique behaviours characteristically associated with different emotions: fear triggers, fleeing responses, anger triggers striking out, grief triggers crying, and so forth. Finally, emotions involve subjective feelings. In fact, it is the feeling component we generally refer to when we think of emotions. Grief, joy, anger, jealousy, and fear feel very different to us. These subjectively determined feelings are the essence of emotion.

Nature of Emotions, Types of Emotion

If asked, you could doubtless name numerous emotions and your friends could name others that did not appear on your list. Thus, it is not surprising that researchers have attempted to categorize emotions into manageable clusters. Some researchers have suggested that three basic dimensions – pleasure, arousal, and dominance (PAD) – underlie all emotions. Specific emotions reflect various combinations and levels of these three dimensions. Following table lists the three primary PAD dimensions, a variety of emotions or emotional categories associated with each dimension, and indicators or items that can be used to measure each emotion.

A model of Emotion

Although a number of psychologists have tried to explain emotions, the most contemporary theory is Schachter's two factor theory. According to psychologist Stanley Schachter, the experience of emotion depends on two factors, automatic arousal and its cognitive interpretation, or meaning analysis. In this model, we recognize that the initial stimulus can come from the external environment as well as from the inside of the organism, such as hunger pangs or a headache.

Marketer can adapt or respond to customer emotions by (1) designing the stimulus and (2) aiding the meaning appraisal. The first intervention takes the form of making product or service designs to fit appropriate consumption emotions. The second takes the form of communication, such as in attaching symbolism to products or services in advertising or in explaining certain aspects of the marker offering or certain deviations from the expected marketplace events or outcomes. For

example, positive attempts to help a customer's meaning appraisal process might include a physician explaining treatment procedures to a patient or a serer explaining why there is a delay in serving food at a restaurant.

Scales to Measure Plutchik's Eight Emotions

Plutchik's emotions can be measured by rating the following triads of an adjectives, each rated on a five-point scale, ranging from "not at all" to "very strongly." How do you feel at the moment?

Fear   :   threatened, frightened, intimidated

Anger   :   Hostile, annoyed, irritated

Joy   :   Happy, cheerful, and delighted

Sadness :   gloomy, sad, and depressed.

Acceptance   :helped, accepted, trusting

Disgust   : disgusted. Offended, unpleasant

Anticipation   : alert, attentive, curious

Surprise   :Puzzled, confused, startled

Customer Moods

Moods are simply emotion s felt less intensely, they are also short-lived. They are easy to induce, and they appear and disappear frequently and readily. They are pervasive in that we are always in some kind of mood-happy mood or sad mood, pensive mood or careless mood, irritated or pleased, amused or bored. Moods affect our behavior of the moment in general and our response to the marketing activities to which we might be exposed at the time. For this reason, moods are important for marketers to understand.

Moods are induced by external stimuli as well as internally by autistic thinking that is, recalling some past incident or fantasizing about some event. Among the marketing stimuli that can induce positive or negative moods are:

- The ambience of the store or service delivery facility
- The demeanor of the salesperson
- The sensory features of the product
- The tone and manner of advertising

The content of the message itself from a salesperson or in the advertisement whether it frustrates or fulfils one's goals in attending to that message (e.g., if the salesperson is not knowledgeable or if the advertisement is vain, the customer may feel frustration at having wasted the time). Mood states have consequences in terms of favorable or unfavorable customer response to marketer efforts. In research studies done by consumer researchers, customers have also been found to linger longer in positive mood environments, recall those advertisements more that had created positive moods, and feel more positive toward brands based on advertising that created feelings of warmth.

Mood affects the strategies used to process information by consumers. However there is one stream of research that states that positive mood reduces the processing of stimulus

information, and there is another that states that positive mood enhances the learning of brand names better in comparison to a neutral mood. Brand name recall is s prerequisite for the choice of the brand and recall depends on the process by which the brand was first encoded into memory. Researchers Lee and Sternthal state that two factors important in the encoding process are brand rehearsal – "how frequently and recently the brand has been exposed in the memory as a member of a particular category"-and relational elaboration-"the process by which consumers link the brands to the specific categories they belong to."

In a brand-learning task, they found that being in a positive mood helps consumers to cluster the brands that they are exposed to, by the categories they belong to when the respondents are asked to recall as many brands as possible after this exposure, a positive mood helps them recall more categories and more brands as members of these categories, thus increasing the number of brands recalled compared to when they are in a natural mood. Corroborating this finding is the research study by Barone, Miniard, and Romeo on the effect of positive mood on brand extension evaluations. They show that a positive mood influences the perceptions of similarity between the brand extensions. Both of these factors are important determinants of extension evaluations, and positive mood enhances evaluation of brand extensions by influencing these determinants.

Thus, marketers could use advertising, point-of-sale material, celebrity endorsements, free gifts, and several other strategies to induce positive moods in consumers to enable a more positive evaluation of a brand extension, thereby influencing choice. Marketers on the Internet attempt to overcome their inability to actually bring the customer into the store by creating the mood or ambience within the web site. This might include the incorporation of store colors and background music aimed at creating a favorable mood in the customer.

Unit-7

LEARNING AND COMMUNICATION ON CONSUMER BEHAVIOUR

Introduction / definition

Different theorists have different views about Learning. But somehow the following are the most generally accepted definitions in the context of Marketing Management.

Kotler's Definition: *Learning involves changes in an individual's behaviour arising out of experience. Most of the human behaviour is learned over time out of experience.*

Schiff man and Kanuk's Definition: *Learning is a process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behaviour.*

Loudon and Della Bitta's Definition: *Learning can be viewed as a relatively permanent change in behaviour occurring as a result of experience.*

Salient features of Learning:

1. Consumer learning is a process, and thus it continuously changes and evolves as a result of newly acquired knowledge.

2. This knowledge can be obtained from reading, discussing, observing, thinking, etc. Or from actual experience.

3. Both the newly acquired knowledge and personal experience serve as a feedback.

4. This also serves as a future behaviour in similar situations.

5. Not all learning is deliberate. Learning can be:

    A. Intentional: acquired as a result of careful search for information with effort.

    B. Incidental: acquired as a result of accident or by the way, without much effort.

6. The term "Learning" generally covers all ranges of learning from simple reflexive responses to abstract concepts or complex problem solving capability.

Elements of Learning

Consumers learn in various ways. In order for learning to take place, certain elements must be present. The exact nature and strength of these elements or components influence what are learned, how and at what pace. The most important among them are presented below:

a. Motives:

Motives, motivation or drive is very important for learning. People learn by being driven by some motives or motivating factor. Motives arouse individuals in increasing their readiness to respond to a leaning activity. It also activates the energy needed to do so. The degree of relevance or involvement determines the consumer's level of motivation to search for information about a product / service. Marketers must be aware of this kind of motive so that they are ready to provide product info right at that moment. For example, showing ads for winter goods just before winter and summer products just before summer.

b. Cues:

Motives stimulate learning, whereas "Cues" are the stimuli that give direction to these motives. These are not so strong as motives, but they can influence in the manner consumers respond to a

motive. For example, in the market place, price, styling, packaging, store display all serve as cues to help consumer to decide a particular product from a group. But if the consumer doesn't have a motive to buy a particular product group, he may not buy. Marketers must be careful in providing cues so that they don't upset the consumers' expectations driven by motives.

c. Response:

Response is how the consumers react to the motives or a cue, and how they behave. Response can be overt (open, physical or visible) or covert (hidden or mental), but in either case learning can occur. Responses appropriate to a particular situation are learned overtime thro' experience in facing that situation. Often marketers may not succeed in stimulating a purchase. But over a period of time they may succeed in forming a favourable image of a particular product in the consumer's mind. So when the consumer is ready, he is likely to buy that.

d. Reinforcement:

Reinforcement is an important element which increases the probability (tendency or likelihood) of a particular response to occur in future as a result of a given set of motives and cues. Because reinforced behaviour tends to be repeated, consumers can learn to develop successful means of responding to their needs or changing conditions.

Behavioural Learning Theories

Various theories have been developed to explain different aspects of learning. The most acceptable are those based on stimulus-response theory. These theories assume that observable response to specific external stimuli indicate that learning has taken place. When a person acts or responds in a predictable manner to a known stimulus, then he is said to have "learned". The "process" of leaning is not at all important here. The only important factors are "inputs" or stimulus and the "outcomes" or response of learning. There are two distinct types:

1. Classical (or respondent) conditioning, and
2. Instrumental (or operant) conditioning. They are discussed below:

Classical Conditioning:

This theory says that all living beings learn from or taught by "repetition". This is referred to as "conditioning" which means a kind of spontaneous response to a particular situation achieved by repeated exposure. Classical conditioning or respondent conditioning pairs or connects one stimulus with another that has already established a given response. Over repeated trials of exposure, the new stimulus will also begin to get the same or similar response.

IVAN PAVLOV, a Russian physiologist was the first to postulate the above theory about classical conditioning. (Hence. some authors call it Pavlovian Learning Theory). He made a study of dogs. The dogs are hungry and eagerly waiting for the food. Pavlov rang a bell, and immediately after it, gave some meat to the dogs. This caused the dogs to salivate. Here the meat is the "unconditioned stimulus" and the dogs are already associated with it by showing a response of salivating. After a sufficient number of repetitions of this procedure, learning (conditioning) occurs and the dogs started associating the bell sound (conditioned stimulus) with the meat and showed the same response of salivating. That means now if the bell rang, the dogs would start

salivating. Thus the pairing or associating of an "unconditioned stimulus" and a "conditioned stimulus" is said to be successfully done.

In the context of Consumer Behaviour, unconditioned stimulus may be a well known brand (say Amul milk and milk products) whose product quality is well known. This previously acquired perception of Amul is the "unconditioned response". The conditioned stimulus maybe a new product (Amul Ice-cream) having the same brand name. And the "conditioned response" would be trying the Ice-Cream because of the belief that the product may have the same quality attributes as the Amul name is associated with.

Instrumental Conditioning:

This theory suggests that living beings learn by a method of trial-and-error, and finding out the particular stimulus having the best (or the most favourable / satisfactory) response. And subsequently this is formed as a habit with the rewards received for certain response of behaviour.

B F SKINNER, an American psychologist was the first to develop this model of learning. He suggested that most of the individual learning take place in controlled environment in which individuals are rewarded by choosing a right behaviour. This theory, named as instrumental conditioning was shown by an experiment by working with animals. He made a box called the Skinner box and placed a few small animals. The box was fitted with several keys / levers. When an animal pressed the right lever, it got some food as reward. Pressing other levers didn't get any rewards. In the beginning the "discovered" the right one. results. the animals pressed th levers at random. But slowly This kind of learning and teaching has wonderful and successful In the context of consumer behaviour, this model is very important and applies to many common situations. It suggests that consumers learn by means of trial-and-error method in which some purchase behaviour results in more favourable outcomes (i.e., rewards) than the other purchase behaviours. Thus, a favourable experience becomes 'instrumental' in teaching the individual to repeat specific behaviour. For eg, the consumer, who tries several brands and styles of jeans finally finds a particular brand brand and style that fits her figure and personality best, has in fact undergone instrumental learning. Presumably, this is the brand she is likely to continue buying.

Cognitive Learning Theory

There is another type of theory of learning, which doesn't involve repeated trials or a connection between a stimulus and response. This type of learning arises out of using the mental faculty of the individual to discover things, perceive things, seeking knowledge, search for information, sudden impulsive learning, solving problems, etc. Learning based on the mental activity is known as "cognitive learning". Human beings are the most evolved animals who have the most prominent characteristics of thinking, deliberation and problem solving. Unlike behavioural theories, the cognitive theories involve a complex mental processing of information, and emphasize the role of motivation and mental processes in producing the desired response.

Wolfgang Kohler's experiment with a chimpanzee provides an interesting example to understand this theory of learning. A chimp was placed inside a cage with a box in a corner of the cage and bananas hung from the roof of the cage beyond reach. The chimp jumped several times and tried to reach the bananas, but in vain. Suddenly by impulse, the chimp placed the box just under the bananas and jumped from it to reach the bananas, and he got them. This suggests that the ape's learning was not a result of repetition or trial-and-error, but because of some thinking and a sudden insight into the problem solving method. The bananas in this experiment are not rewards, but a kind of motivation to apply thinking and problem solving methods.

In the context of consumer behaviour, the individuals are considered to show problem solving behaviour and have active understanding of situations confronting them. This view is therefore most important in understanding how consumers learn which stores, method of shopping, or products will best meet their needs.

For example, it can take the form of learning about the uses and benefits of new products in the market, especially if they represent significant innovations. It can also explain how consumers learn about existing products for which they have developed a recent interest or need.

Communication and Persuasion

Communication with existing and potential consumers, for molding consumer behaviour, is a must for any company. Persuasion is the subtle part of communication that will encourage continued favourable behaviour of existing consumers and convert potential consumers into Customers. Communication and persuasion is important tool in the hands of the marketers used by them to create a customer base large enough to generate profitability, to keep and expand the base, to keep existing business and develop it for further new business.

Communication can be defined as the transmission of information and message to consumer via the media or personal contact, mail, print tele / electronic means and broadcast. Receiving feedback and learning from it is also a part of communication.

Communication Mix

Today the concept of communication mix is equally important for a company to achieve the most effective communication. The following are the elements from among which choices are to be made by the marketer in arriving at the most appropriate communications mix.

1. Face to face (vis-à-vis) meetings and interactions between sales force and customers.
2. Direct marketing by means of mailing of letter and catalogues, telephone, fax, or e-mail, to convey information, develop dialogue and achieve interaction.
3. Advertising in one or several mass media available like Print/Radio/TV/Internet.
4. Sales promotion, which may include a variety of incentives, to stimulate trial purchases and to establish dialogue with the consumers.

5. Publicity and Public relations exercises to project a general favourable image of the company or the product to consumers at large.

Some Marketplace Beliefs and Myths Develop Due to Insufficient Communication

Where there is insufficient communication, consumers form their own assumptions and these assumptions solidify into beliefs and myths. Some examples particularly encountered in the developing world are the following:

⇨ Price and Quality are directly related and therefore a low-priced product cannot have good quality.

⇨ A big company's products are costlier per se and its consumer is made to pay for the high overheads of the company.

⇨ New products are always costly. If you wait sufficiently the prices will come down.

⇨ Synthetic products are lower in quality than those made of natural materials.

⇨ Large quantities of a same product presented in economy packages are always economical.

⇨ If the seller is losing (clearance sale, closing down sale etc.) it must be a good bargain.

⇨ Advertised goods are costly because customers pay for the advertisements.

Communication and the consumer profile

The profile of the consumer exhibits among other things 'exposure to media' and 'values'. Depending on these the marketer can decide on the selection of media for communication and the strategy for appeal in the communication. In fact, the other particulars in the consumer profile like the age, income, and education etc. of the consumer will also help in formulating the message about the benefit of the product.

Strategies

It is worthwhile to examine the actual strategies available to the marketer for making benefit appeals and emotional appeals. In the benefits route the communication focuses on one or more of the following:

⇨ Economy of price
⇨ Guarantees
⇨ Value for money
⇨ Economy in maintenance
⇨ Technical features
⇨ Expert endorsement

Unit-8

GROUP AND CONSUMER BEHAVIOUR

Groups and Reference Groups

A group may be defined as two or more people who interact to accomplish some goals. Within the broad scope of this definition are both an intimate "group" of two neighbours who informally attend a fashion show together and a larger, more formal group, such as a neighbourhood.

Types of Groups

To simplify our discussion, we will consider four different types of group classification: Primary versus secondary groups, formal versus informal groups, large versus small groups, and membership versus symbolic groups.

1. Primary versus Secondary Groups

If a person interacts on a regular basis with other individuals (with members of his or her family, with neighbours, or with co-workers whose opinions are valued), then these individuals can be considered as a primary group for that person. On the other hand, if a person interacts only occasionally with such others, or does not consider their opinions to be important, then these others constitute a secondary group for that person.

2. Formal versus Informal Groups

Another useful way to classify groups is by the extent of their formality; that is, the extent to which the group structure, the members' roles, and the group's purpose are clearly defined. If a group has a highly defined structure (e.g., a formal membership list), specific roles and authority levels (a president, treasurer, and secretary), and specific goals (to support a political candidate, improve their children's education, increase the knowledge or skills of members), then it would be classified as a formal group. On the other hand, if a group is more loosely defined, if it consists, say, of four women who were in the same college sorority and who meet for dinner once a month, or three co-workers who, with their spouses, see each other frequently then it is considered an informal group.

3. Large versus Small Groups

It is often desirable to distinguish between groups in terms of their size or complexity. A large group might be thought of as one in which a single member is not likely to know more than a few of the group's members personally, or be fully aware of the specific roles or activities of more than a limited number of other group members. In contrast, members of a small group are likely to know every member personally and to be aware of every member's specific role or activities in the group.

4. Membership versus Symbolic Groups

Another useful way to classify groups is by membership versus symbolic groups. A membership group is a group to which a person either belongs or would qualify for membership. In contrast, a group in which an individual is not likely to receive membership, despite acting like a member by adopting the group's values, attitudes, and behaviour, is considered a symbolic group.

Consumer Relevant Groups

To more fully comprehend the kind of impact that specific groups have on individuals, we will examine six basic consumer-relevant groups: the Family, Friendship groups, Formal social groups, Shopping groups, Consumer action groups and Work groups.

a. The Family

An individual's family is the most important group to influence his or her consumer decisions. The family's importance in this regard is due to the frequency of contact that the individual has with other family members and that the family has a greater extent of influence on the establishment of a wide range of values, attitudes, and behaviour.

b. Friendship Groups

Friendship groups are informal groups because they are, usually unstructured and lack specific authority levels. In terms of relative influence, after an individual's family, it is friends who are most likely to influence the individual's purchase decisions. Seeking and maintaining friendships is a basic drive of most people. Friends fulfil a wide range of needs: they provide companionship, security, and opportunities to discuss problems that an Individual may be reluctant to discuss with members of his or her own family. Friendships are also a sign of maturity and independence, for they represent a breaking away from the family and the forming of social ties with the outside world. Consumers are more likely to seek information from those friends they feel have values or outlooks similar to their own.

c. Formal Social Groups

In contrast to the relative intimacy of friendship groups, formal social groups are more remote and serve a different function for the individual. A person joins a formal social group to fulfill such specific goals as making new friends, meeting "important" people (e.g., for career advancement), or promoting a specific cause. Membership in a formal social group may influence a consumer's behaviour in several ways. For example, members of such groups have frequent opportunity to informally discuss products, services, or stores. Some members may copy the, consumption behaviour of other members whom they admire.

d. Shopping Groups

Two or more people who shop together-whether for food, for clothing, or simply to pass the time, can be called a shopping group. Such groups are often offshoots of family or friendship groups. People like to shop with others who they feel have more experience with or knowledge about a desired product or service. Shopping with others also provides an element of social fun to an often boring but necessary task. In addition, it reduces the risk that a purchase decision will be socially unacceptable.

e. Consumer Action Groups

A particular kind of consumer group-a consumer action group- has emerged in response to the consumerist movement. This type of consumer group has become increasingly visible since the 1960s and has been able to influence product design and marketing practices of both manufacturers and retailers. Consumer action groups can be divided into two broad categories: those that organize to correct a specific consumer abuse and then disband, and those that organize

to address broader, more pervasive, problem areas and operate over an extended or indefinite period of time. A group of tenants who band together to organize their dissatisfaction with the quality of service provided by their landlord, or a group of irate community members who unite to block the entrance of a fast-food outlet into their middle-class neighbourhood, are examples of temporary, cause-specific consumer action groups.

f. Work Groups

The sheer amount of time that people spend at their jobs, frequently more than thirty five hours per week, provides ample opportunity for work groups to serve as a major influence on the consumption behaviour of members. Both the formal work group and the informal friendship/work group have the potential for influencing consumer behaviour. The formal work group consists of those individuals who work together as a team. Their direct and sustained work relationship offers substantial opportunity for one or more members to influence the consumer-related attitudes and activities of other team members. Members of informal work groups may influence the consumption behaviour of other members during coffee or lunch breaks or after-hours meetings.

g. Reference Groups

Reference groups are groups that serve as a frame of reference for individuals in their purchase decisions. This basic concept provides a valuable perspective for understanding the impact of other people on an individual's consumption beliefs, attitudes, and behaviour. It also provides some insight into methods that Groups can be used to effect desired changes in consumer behaviour.

A reference group is any person or group that serves as a point of companion (or reference) for an individual in the formation of either general or specific values, attitudes, or behaviour. The usefulness of this concept is enhanced by the fact that it places no restrictions on group size or membership, nor does it require that consumers identify with a tangible group (i.e., the group can be symbolic: prosperous business people, rock stars, and sports heroes). Reference groups that influence general values or behaviour are called normative reference groups. An example of a child's normative reference group is the immediate family, which is likely to play an important role in molding the child's general consumer values and behaviour (e.g., which foods to select for good nutrition, appropriate ways to dress for specific occasions, how and where to shop, what constitutes "good" value).

Types of Reference Groups

Reference groups can be classified in terms of a person's membership or degree of involvement with the group and in terms of the positive or negative influences they have on his or her values, attitudes, and behaviour. Four types of reference groups that emerge from a cross-classification of these factors: contactual groups, aspirational groups, disclaimant groups, and avoidance groups.

1. **A contactual group** is a group in which a person holds membership or has regular face-to-face contact and of whose values, attitudes, and standards he or she approves. Thus a contactual group has a positive influence on an individual's attitudes or behaviour.

2. **An aspirational group** is a group in which a person does not hold membership and does not have face-to-face contact, but wants to be a member. Thus it serves as a positive influence on that person's attitudes or behaviour.

3. **A disclaimant group** is a group in which a person holds membership or has face-to-face contact but disapproves of the group's values, attitudes, and behaviour. Thus the person tends to adopt attitudes and behaviour that are in opposition to the norms of the group.

4. **An avoidance group** is a group in which a person does not hold membership and does not have face-to-face contact and disapproves of the group's values, attitudes, and behaviour. Thus 'the person tends to adopt attitudes and behaviour that are in opposition to those of the group.

Consider Ratheesh, a senior graduate student in advertising at the Calicut University. The University Advertising Club, of which he is Student coordinator, serves as one of Ratheesh's contractual groups. Ratheesh believes that continuing his education to obtain an MBA will enhance his career opportunities. It is clear those individuals who hold the MBA degree serve as an aspirational group for him. Still further, although he enjoys his position as a writer on the university's magazines, the recent editorials (endorsed by most of the staff) urging students to adopt a more conservative political philosophy run counter to his own views. Thus the newspaper staff is currently a disclaimant group. Finally, Ratheesh personally knows a number of students who have quit college during their final year; these former students serve as an avoidance group.

Factors that Affect Reference Group Influence

The degree of influence that a reference group exerts on an individual's behaviour usually depends on the nature of the individual and the product and on specific social factors. This section discusses how and why some of these factors operate to influence consumer behaviour.

1. Information and Experience

An individual who has firsthand experience with a product or service, or can easily obtain full information about it, is less likely to be influenced by the advice or example of others. On the other hand, a person who has little or no firsthand experience with a product or service, and does not expect to have access to objective information about it (e.g., a person who believes that relevant, advertising may be misleading or deceptive), is more likely to seek out the advice or example of others.

For example, if a medical student wants to impress his new girl-friend, he may take her to a restaurant that he knows from experience to be good or to one that has been highly recommended by the local newspaper's Dining-Out Guide. If he has neither personal experience nor information he regards as valid, he may seek the advice of friends or imitate the behaviour of others by taking her to a restaurant he knows is frequented by physicians whom he admires.

2. Credibility, Attractiveness, and Power of the Reference Group

A reference group that is perceived as credible, attractive, or powerful can induce consumer attitude and behaviour change. For example, when consumers are concerned with obtaining accurate information about the performance or quality of a product or service, they are likely to be persuaded by those they consider to be trustworthy and knowledgeable. That is, they are more likely to be persuaded by sources with high credibility.

When consumers are primarily concerned with the acceptance or approval of others they like, with whom they identify, or who offer them status or other benefits, they are likely to adopt their product, brand, or other behavioural characteristics.

When consumers are primarily concerned with the power that a person or group can exert over them, they might choose products or services that conform to the norms of that person or group in order to avoid ridicule or punishment. However, unlike other reference groups that consumers follow either because they are credible or because they are attractive, power groups are not likely to cause attitude change.

3. Conspicuousness of the Product

The potential influence of a reference group varies according to how visually or verbally conspicuous a product is to others. A visually conspicuous product is one that can be seen and identified by others, and that will stand out and be noticed (e.g., a luxury item or novelty product). Even if a product is not visually conspicuous, it may be verbally conspicuous it may be highly interesting or it may be easily described to others. Products that are especially conspicuous and status-revealing (a new automobile, fashion clothing, home furniture) are most likely to be purchased with an eye to the reactions of relevant others. Products that are less conspicuous (canned fruits, laundry soaps) are less likely to be purchased with a reference group in mind.

Reference Group Impact on Consumer decisions

In some cases, and for some products, reference groups may influence both a person's product category and brand (or type) choices. Such products are called product plus, brand-plus items. In other cases, reference groups influence only the product category decision. Such products are called product-plus, brand minus items. In still other cases, reference groups influence the brand (or type) decision. These products are called product minus, brand-Plus items. Finally, in some cases, reference groups influence neither the product category nor the brand decision; these products are called product-minus, brand minus items. The idea of classifying products and brands into four groups in terms of the suitability of a reference group appeal was first suggested in the mid-1950s, along with an initial classification of a small number of product categories.

Reference Groups and Consumer Conformity

Marketers are particularly interested in the ability of reference groups to change consumer attitudes and behaviour (i.e., to encourage conformity). To be capable of such influence, a reference group must

1. Inform or make the individual aware of a specific product or brand;
2. Provide the individual with the opportunity to compare his or her own thinking with the attitudes and behaviour of the group;
3. Influence the individual to adopt attitudes and behaviour that are consistent with the norms of the group;
4. Legitimize an individual's decision to use the same products as the group. The ability of reference groups to influence consumer conformity is demonstrated by the results of a classic experiment designed to compare the effects.

Benefits of the Reference Group Appeal

Reference group appeals have two principal benefits for the advertiser: they increase brand awareness and they serve to reduce perceived risk.

1. Increased Brand Awareness

Reference group appeals provide the advertiser with the opportunity to gain and retain the attention of prospective consumers with greater ease and effectiveness than is possible with many other types of promotional campaigns. This is particularly true of the celebrity form of reference group appeal, where the personality employed is generally well known to the relevant target segment. Celebrities tend to draw attention to the product through their own popularity. This gives the advertiser a competitive advantage in gaining audience attention, particularly on television where there are so many brief and similar commercial announcements.

2. Reduced Perceived Risk

The use of one or more reference group appeals may also serve to lower the consumer's perceived risk in purchasing a specific product. The example set by the endorser or testimonial-giver may demonstrate to the consumer that uncertainty about the product purchase is unwarranted: Following are examples of how reference group appeals serve to lower the consumer's perceived risk.

Celebrity: Consumers who admire a particular celebrity often have the following reactions to the celebrity's endorsement or testimonial. For eg. "She wouldn't do a commercial for that product if she didn't believe it was really good."

Expert: When consumers are concerned about the technical aspects of a product, they welcome the comments of an acknowledged or apparent expert. For eg. "If he says it works, then it really must work."

Common Man: When consumers are worried about how a product will affect them personally, they are likely to be influenced by a common man endorsement or testimonial. For eg. "People just like me are using the product"

The Family and Family Life Cycle

The importance of the family or household unit in consumer behaviour arises for two reasons:

1. Many products are purchased by a family unit.

2. Individuals' buying decisions may be heavily influenced by other family members.

How families or households make purchase decisions depends on the roles of the various family members in the purchase, consumption, and influence of products. Household products like food and soaps may be purchased by a person but consumed by many, whereas personal care items, such as cosmetics or shaving cream, might be purchased by an individual family member for his or her own consumption. Homes and cars, on the other hand, are often purchased by both spouses, perhaps with involvement from children or other member of the extended family. Visits to shopping malls often involve multiple family members buying clothing and accessories, something with a heavy dose of influence by family member's children may buy clothing paid for and approved of by parents, whereas teenagers may influence the clothing purchase of a parent.

What is a Family?

A family is a group of two or more persons related by blood, marriage, or adoption who reside together. The nuclear family is the immediate group of father, mother, and child (ren) living together. The extended family is the nuclear family, plus other relatives, such as grandparents, uncles and aunts, cousins, and parents-in-law. The family into which one is born is called the family of orientation, whereas the one established by marriage is the family of procreation. In a more dynamic sense, the individuals who constitute a family might be described as members of the most basic social group who live together and interact to satisfy their personal and mutual needs.

What is a Household?

The term household is used to describe all person, both related and unrelated, who occupy a housing unit. There are significant differences between the terms household and family even though they are sometimes used interchangeably. It is important to distinguish between these terms when examining data.

The term household is becoming a more important unit of analysis for marketers because of the rapid growth in non-traditional families and non-family households. Among non-family households, the great majority consist of people living alone. The remaining non-family households include those consisting of elderly people living with non-family members. For example, persons of Opposite Sex Sharing Living Quarters, friends living together, and same sex couples.

Sociological Variables Affecting Families and Households

Marketers can understand family and household decisions better by examining the sociological dimensions of how families make consumer decisions. Three sociological variables that help explain how family's function includes cohesion, adaptability, and communication.

Cohesion is the emotional bonding between family members. It measures how close to each other family members feel on an emotional level. Cohesion reflects a sense of connectedness to or separateness from other family members.

Adaptability measures the ability of a family to change its power structure, role relationships, and relationship rules in response to situational and developmental stress. The degree of adaptability shows how well a family can meet the challenges presented by changing situations.

Communication is a facilitating dimension, critical to movement on the other two dimensions. Positive communication skills (such as empathy, reflective listening, and supportive comments) enable family members to share their changing needs as they relate to cohesion and adaptability. Negative communication skills (such as double messages, double binds, criticism) minimize the ability to share feelings, thereby restricting movement in the dimensions of cohesion and adaptability. Understanding whether family members are satisfied with family purchase requires communication within the family.

To determine how the family makes its purchase decisions and how the family affects the future purchase behaviour of its members, it is useful to understand the functions provided and the roles played by family members to fulfill their consumption needs.

Functions of the Family

Four basic functions provided by the family are particularly relevant to a discussion of consumer behaviour. These include:

(1) Economic Well-Being

Providing financial means to its dependents is unquestionably a basic family function. How the family divides its responsibilities for providing economic well-being has changed considerably during the past 25 years. The traditional roles of husband as economic provider and wife as homemaker and child rearer are still valid. The economic role of children has changed. Today, even if some teenage children work, they rarely assist the family financially. Their parents are still expected to provide for their needs. But some of them get enough pocket money to decide their consumption of discretionary items.

(2) Emotional Support

The provision of emotional nourishment (including love, affection, and intimacy) to its members is an important basic function of the contemporary family. In fulfilling this function, the family provides support and encouragement and assists its members in coping with personal or social problems.

(3) Suitable Family Lifestyles

Another important family function in terms of consumer behaviour is the establishment of a suitable lifestyle for the family. Family lifestyle commitments, including the allocation of time, greatly influence consumption patterns. For example, the increase in the number of married women working outside the home has reduced the time they have available for house, and has created a market for convenience products and fast-food restaurants.

(4) Socialization of Children and Other Family Members

The socialization of family members, especially young children, is a central family function. In large part, this process consists of imparting to children the basic value and modes of behaviour consistent with the culture. These generally include moral and religious principles, interpersonal skills, dress and grooming standard, appropriate manners and speech, and the selection of suitable educational and occupational or career goals. Marketers often target parents looking for assistance in the task of socializing preadolescent children.

Family Life Cycles

Families pass through a series of stages that change them over time. This process historically has been called the family life cycle (FLC). The concept may need to be changed to household life cycle (HLC) or consumer life cycle (CLC) in the future to reflect changes in society. However, we will use the term FLC to show how the life cycle affects consumer behaviour.

Family Life Cycle Characteristics

The traditional FLC describes family patterns as consumers marry, have children, leave home, lose a spouse, and retire.

1. Young Singles

Young singles may live alone, with their nuclear families, or with friends, or they may co-habitate with partners in this stage. Although earnings tend to be relatively low, these consumers usually don't have many financial obligations and don't feel the need to save for their futures or retirement. Many of them find themselves spending as much as they make on cars, furnishings for first residences away from home, fashions, recreation, alcoholic beverages, food away from home, vacations, and other products.

2. Newly Married Couples

Newly married couples without children are usually better off financially than they were when they were single, since they often have two incomes available to spend on one household. These families tend to spend a substantial amount of their incomes on cars, clothing, vacations, and other leisure activities. They also have the highest purchase rate and highest average purchases of durable goods (particularly furniture and appliances) and appear to be more susceptible to advertising.

3. Full Nest I

With the arrival of the first child, parents begin to change their roles in the family, and decide if one parent will stay to care for the child or if they will both work and buy day-care services. In this stage, families are likely to move into their first home; purchases furniture and furnishings for the child; and purchase new items such as baby food, toys, sleds, and skates. These requirements reduce families' ability to save, and the husband and wife are often dissatisfied with their financial position.

4. Full Nest II

In this stage, the youngest child has reached school age, the employed spouse's income has improved. Consequently, the family's financial position usually improves, but the family finds itself consuming more and in larger quantities. Consumption patterns continue to be heavily influenced by the children, since the family tends to buy large-sized packages of food and cleaning suppliers, bicycles, music lessons, clothing, sports equipment, and a computer.

5. Full Nest III

As the family grows older and parents enter their mid-40s, their financial position usually continues to improve because the primary wage earners income rises, the second wage earner is receiving a higher salary, and the children earn from occasional and part-time employment. The family typically replaces some worn pieces of furniture, buys some luxury appliances, and spends money on education. Families also spend more on computers in this stage, buying additional PCs for their older children. Depending on where children go to college and how many are seeking higher education, the financial position of the family may be tighter than other instances.

6. Married, No Kids

Couples who marry and do not have children are likely to have more disposable income to spend on charities, travel, and entertainment than others in their age range. Not only do they have fewer expenses, these couples are more likely to be dual-wage earners, making it easier for them to retire earlier if they save appropriately.

7. Older Singles

Single, age 40 or older, may be single again (ending married status because of divorce or death of a spouse), or never married (because they prefer to live independently or because they co-habitate with partners), either group of which may or may not have children living in the household. This group now has more available income to spend on travel and leisure but feels the pressure to save for the future, since there is no second income on which to rely as they get older.

8. Empty Nest I

At this stage, the family is most satisfied with its financial position. The children have left home and are financially independent allowing the family to save more. In this stage discretionary income is spent on what the couple wants rather than on what the children need. Therefore, they spend on home improvements, luxury items, vacations, sports utility vehicles, food away from home, travel, and product for their grand children.

9. Empty Nest II

But this time, the income earners have retired, usually resulting in a reduction in income and disposable income. Expenditures become health oriented, centering on such items as medical appliances and health, and medicines. But many of these families continue to be active and in good health, allowing them to spend time travelling, exercising, and volunteering. Many continue working part time to supplement their retirement and keep them socially involved.

10. Solitary Survivor

Solitary survivors be either employed or not employed. If the surviving spouse has worked outside the home in the past, he or she usually continues employment or goes back to work to live on earned income (rather than saving) and remain socially active. Expenditures for clothing and food usually decline in this stage, with income spent on health care, sickness care, travel entertainment, and services.. Those who are not employed are often on fixed incomes and may move in with friends to share housing expenses and companionship, and some may choose to remarry.

11. Retired Solitary Survivor

Retired solitary survivors follow the same general consumption patterns as solitary survivors; however, their income may not be as high. Depending on how much they have been able to save throughout their lifetimes, they can afford to buy a wide range of products. These individuals have special needs for attention, affection, and security based on their lifestyle choices

Family Decision-Marking

Families use products even though individuals usually buy them. Determining what products should be bought, which retail outlet to use, how and when products are used, and who should buy them is a complicated process involving a variety of roles and actors.

Role Behaviour

Families and other groups exhibit what sociologist **Talcott** Parsons called instrumental and expressive role behaviours.

⇨ Instrumental roles, also known as functional or economic roles, involve financial, performance, and other functions performed by group members.

⇨ Expressive roles involve supporting other family members in the decision making process and expressing the family's aesthetic or emotional needs, including upholding family norms.

Individual Roles in Family Purchases

Family consumption decisions involve at least five definable roles, which may be assumed by spouses, children, or other members of a household. Both multiple roles and multiple actors are normal. Marketers need to communicate with consumers assuming each of these roles, remembering that different family members will assume different roles depending on the situation and product. Children, for example, are users of cereals, toys, clothing, and many other products but may not be the buyers. One or both of the parents may be the decider and the buyer, although the children may be important as influencers and users.

Family Roles

For a family to function as a cohesive unit, roles or tasks-such as doing the laundry, preparing meals, setting the dinner table, taking out the garbage, walking the dog must be carried out by one or more family members. In our dynamic society, etc. family-related roles are constantly changing.

Key Family Consumption Roles

The roles played by the different family members will vary from product to product. While shopping in the market, a housewife comes across a new variety of juice that she buys for the family. Her decision to purchase does not directly involve the influence of other family members. She is the decider, buyer; but she may or may not be the preparer and is not the only user. In case of products such as television, car, music systems, furniture or any other product which is likely to be used by some or all the family members, the purchase decision is likely to be joint or group decision.

There are eight distinct roles in the family decision-making process. A look at these roles provides further insight into how family members act in their various consumption related roles:

1. **Influencers:** Those family members who provide information and advice and thus influence the purchase. The housewife tells her family about the new eatery that has opened in the neighbourhood and her favourable description about it influences her husband and teenaged children.

2. **Gatekeepers:** Those family members who control the flow of information about a product/service thus influencing the decisions of other family members. The teenaged son who wants a racing bicycle, may withhold from his father much of the relevant information on all brands except the one that he fancies, thereby influencing his father's decision in favour of his preferred brand.

3. **Deciders:** Family members who have the power to unilaterally or jointly decide whether or not to buy a product or service. The husband and wife may jointly decide about the purchase of a new refrigerator.

4. Buyers: Those family members who actually buy a particular product or service. A housewife may be the person who actually buys all the foodstuffs, rations and toiletries, which are consumed by all the family members.

5. Preparers: Those family members who transform or prepare the product into the form in which it is actually consumed. The housewife may prepare the family meal using raw vegetables, lentils, spices, oil and other ingredients.

6. Users: Those family members who use or consume a particular product or service. All family members may use the car, watch the television, and listen to the stereo music system.

7. Maintainers: Family member(s) who service or repair the product so that it will provide continued satisfaction.

8. Disposers: Family member(s) who initiate or carry out the disposal or discontinuation of a particular product or service.

Social Class and Consumer Behaviour

Social class is more of a continuum, i.e., a range of social positions, on which each member of society can be place. But, social researchers have divided this continuum into a small number of specific classes. Thus, we go by this framework, social class is used to assign individuals or families to a social-class category.

Social class can be defined as 'The division of members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and the members of all other classes have either more or less status.'

The main characteristics of Social class

1. Persons within a given social class tend to behave more alike
2. Social class is hierarchical
3. Social class is not measured by a single variable but is measured as a weighted function of one's occupation, income, wealth, education, status, prestige, etc.
4. Social class is continuous rather than concrete, with individuals able to move into a higher social class or drop into a lower class.

Impact of social class

- Provides a sense of identity
- Imposes a set of 'normative' behaviours
- Classes share values, possessions, customs and activities
- Marketing response to customers of different economic means
- Marketing to the low-income consumer
- Some marketers ambivalent as not perceived as long-term customers constitutes a substantial group
- Target with value-oriented strategies.

Factors showing social class differences

Sl.No	Status, value & prestige enjoyed	Social classes	Factors affecting social class
1	Low	Lower class	Lower level occupation with no authority, less income, and no education or minimum education. For example, labour class or clerks etc.
2	Medium	Middle Class	Graduates, or postgraduates executives' managers of companies with authority, drawing handsome salary of which certain amount can be saved and invested. For example, executives or middle level managers of companies
3	High	Higher class	Authoritative person, drawing handsome salary, very often professionally qualified, working in a very senior position or a person born into a rich family, with a good background of education.

Unit -9

CULTURE AND CONSUMER BEHAVIOUR

Culture - Meaning

For the purpose of studying consumer behaviour, culture can be defined as the sum total of learned beliefs, values and customs that serve to guide and direct the consumer behaviour of all members of that society. Howard and Sheth have defined culture as *"A selective, manmade way of responding to experience, a set of behavioural pattern"*. Thus, culture consists of traditional ideas and in particular the values, which are attached to these ideas. It includes knowledge, belief, art, morale, law, customs and all other habits acquired by man as a member of society. An accepted concept about culture is that includes a set of learned beliefs, values, attitudes, habits and forms of behaviour that are shared by a society and are transmitted from generation to generation within that society.

Culture is learned through the following three ways:

1. *Formal learning:* parents and elders teach children the proper way to behave. For instance, you have been taught that you need to study to be successful and happy in life. This learning may influence your response both as a student and individual towards education.

2. *Informal learning:* we learn by imitating the behaviour of our parents, friends, or by watching TV and film actors in action.

3. *Technical learning:* instructions are given about the specific method by which certain things to done such as painting, dancing, singing etc.

Characteristics of Culture

a.   Culture is learned.

b.   Culture regulates society –Norms, standards of behaviour, rewards and punishments.

c.   Culture makes life more efficient

d.   All members follow same norms.

e.   Culture is adaptive.

f.   Culture is environmental.

g.   Multiple cultures are nested hierarchically.

Culture also determines what is acceptable with product advertising. Culture determines what people wear, eat, reside and travel. Cultural values in India are good health, education, respect for age and seniority. But in our culture today, time scarcity is a growing problem, which implies a change in meals. Some changes in our culture:

1.   **Convenience:** as more and more women are joining the work force there is an increasing demand for products that help lighten and relieve the daily household chores, and make life more convenient. This is reflected in the soaring sale of Washing machines, microwaves, Pressure cookers, Mixer grinders, food processors, frozen food etc.

2.   **Education:** People in our society today wish to acquire relevant education and skills that would help improve their career prospects. This is evident from the fact that so many professional, career oriented educational centres are coming up, and still they cannot seem to meet

the demand. As a specific instance count the number of institutions offering courses and training in computers that has opened in your city.

3. **Physical appearance:** Today, physical fitness, good health and smart appearance are on premium today. Slimming centres and beauty parlours are mushrooming in all major cities of the country. Cosmetics for both women and men are being sold in increasing numbers. Even exclusive shops are retailing designer clothes.

4. **Materialism:** There is a very definite shift in the people's cultural value from spiritualism towards materialism. We are spending more money than ever before on acquiring products such as air-conditioners, cars CD players etc, which adds to our physical comfort as well as status.

Types of Culture

⇨ **National culture:** The culture prevalent in a nation, common to everyone

⇨ **Popular culture:** The culture of the masses with norms of mass appeal

⇨ **Subculture:** The culture of a group within the larger society. Group identification based on nationality of origin, race, region, age, religion, gender, etc.

⇨ **Corporate culture:** The company's values, rituals, customs, myths and heroes

Cultural Influences on consumer

Culture is that complex whole which includes knowledge, belief, art, law, morals, customs and any other capabilities and habits acquired by humans as members of society. Culture influences the pattern of living, of consumption, of decision-making by individuals. Culture is acquired. It can be acquired from the family, from the region or from all that has been around us while we were growing up and learning the ways of the world. Culture forms a boundary within which an individual thinks and acts. When one thinks and acts beyond these boundaries, he is adopting a cross-cultural behaviour and there are cross cultural influences as well.

The nature of cultural influences is such that we are seldom aware of them. One feels, behaves, and thinks like the other members of the same culture. It is all pervasive and is present everywhere. Material culture influences technology and how it brings cultural changes like use of telephones, mobile phones, clothing styles and fashions, gives the marketers a chance to improve the product, packing, etc. to meet the needs of the customers. Norms are the boundaries that culture sets on the behaviour. Norms are derived from cultural values, which are widely told beliefs that specify what is desirable and what is not. Most individuals obey norms because it is natural to obey them. Culture outlines many business norms, family norms, behaviour norms, etc. How we greet people, how close one should stand to others while conducting business, the dress we wear and any other patterns of behaviour. Culture keeps changing slowly over time; and is not static. Changes take place due to rapid technologies. In case of emergency, war, or natural calamities, marketers and managers must understand the existing culture as well as the changing culture and culture of the country where the goods are to be marketed. Major companies have adapted themselves to international culture and are accepted globally. Coca Cola is sold all over the world. Procter & Gamble and other companies give cross-cultural training to their employees. By making cross-cultural mistakes, many companies have difficulty in pushing their products for example; (i) Coca Cola had to withdraw its 2 litres bottle from Spain, because it did not fit in the

local refrigerator; (ii) Many countries are very traditional and do not like women displayed on the products. This acts as a detriment to business in those countries.

Variation in Cultural Values

There are three broad forms of cultural values as shown in the following figure.

I. Other Oriented Values

This shows the relationship between individuals and the society. The relationship influences marketing practices. If the society values collective activity, decisions will be taken in a group. It gives rise to following questions which affect consumer behaviour.

a. Individual/ collective: Whether individual initiation has more value than collective activity?

b. Romantic orientation: This depicts whether the communication is more effective which

c. Emphasizes courtship or otherwise. In many countries a romantic theme is more successful.

d. Adult/ child theme: Is family life concentrated round children or adults? What role do children play in decision-making?

e. Masculine/ Feminine: Whether the society is male dominant or women dominant or balanced.

f. Competitive/ Cooperation: Whether competition leads to success. This is achieved by forming alliances with others.

g. Youth/ age: Are prestige roles assigned to younger or older members of the society. American society is youth oriented and Korean is age oriented. Decisions are taken by mature people in Korea.

II. Environment Oriented Values

Cleanliness: If a culture lays too much stress on cleanliness. There is scope for the sale of beauty creams, soaps, deodorants, insecticides, washing powder, vacuum cleaner, etc. In western countries, a lot of emphasis is placed on this aspect and perfumes and deodorants are widely used.

a. Performance/ status: A status oriented society cares for higher standards of living, and chooses quality goods and established brand names and high prices items. This is true for the United States, Japan, Singapore, Malaysia, Indonesia, Thailand and most Arabic countries. In performance oriented societies, where rewards and prestige is based on an individual's performance, less importance is given to brand names. Products which function equally well and may not be big brand names are used. Germans do not give the same amount of emphasis to brand names. The marketers adopt strategies accordingly.

b. Tradition/ change: Traditional oriented societies stick to the old product and resist innovation or new techniques. In traditional societies, there is less scope for new products, and old traditional products are in greater demand. In some societies which are upwardly mobile, consumers are looking for modern methods, new products, new models and new techniques.

c. Risk taking/ security: An individual who is in a secure position and takes a risk can be either considered venturesome or foolhardy. This depends on the culture of the society.

For developing new entrepreneurs risk taking is a must. It leads to new product development, new advertising themes and new channels of distribution. Security oriented societies have little chances of development and innovation.

d. Problem solving/fatalist: A society can be optimistic and have a problem solving attitude or, be inactive and depend on fate. This has marketing implications on the registering of complaints when consumers are dissatisfied with the purchase of the products. Advertising plays an important part and gives guidance to the consumer, and removes these doubts to a great extent.

e. Nature: There are differences in attitude over nature and its preservation. Consumers stress on packing materials that are recyclable and environment friendly. Some countries give great importance to stop environmental pollution and to recycling of products.

Companies like P & G, Colgate-Palmolive captured a great extent of the market by offering products which are less harmful to the environment. They also use ingredients in the products which are not harmful in any way.

III. Self-Oriented Values

a. Active/passive: Whether a physically active approach to life is valued more highly than a less active orientation. An active approach leads to taking action all the time and not doing anything. In many countries, women are also taking an active part in all activities. This makes the society a highly active one, where everybody is involved in work.

b. Material/ non-material: In many societies money is given more importance, and a lot of emphasis is on being material minded. While in many societies things like comfort, leisure and relationships get precedence over being materialistic.

c. Hard work/leisure: This has marketing implications on labour saving products and instant foods. Some societies value hard work and consider it as a fuller life. Others adopt labour saving devices and instant foods to have more leisure time at their disposal.

d. Postponed gratification/ immediate gratification: Should one save for the rainy day or live for the day? Sacrifice the present for the future, or live only for the day? Some countries like The Netherlands and Germany consider buying against credit cards as living beyond one's means, whereas credit cards are very popular in America and other countries having a different cultural orientation, some prefer cash to debt. Some societies save for tomorrow; others enjoy the present and spend lavishly.

e. Sexual gratification/Abstinence: Some traditional societies curb their desires, food, drinks or sex, beyond a certain requirement. Muslim cultures are very conservative, and do not want their women to be seen in public or be exposed, so the Polaroid camera which gives instant photographs can be purchased and pictures can be taken by the family members without their women being exposed to the developers in a photo lab.

f. Humour/ serious: Should we take life lightly and laugh it off on certain issues or, take everything seriously? This is an- other aspect of culture. Advertising personnel selling techniques and promotion may revolve around these themes and the way the appeal for a product is to be made in various cultures.

Subcultures and Consumer Behaviour

Culture can be divided into subcultures. A subculture is an identifiable distinct, cultural group, which, while following the dominant cultural values of the overall society also has its own belief, values and customs that set them apart from other members of the same society.

Sub-culture categories are:

⇨ Nationality: Indian, Srilanka, Pakistan

⇨ Religion: Hinduism, Islam

⇨ Race: Asian, black, white

⇨ Age: young, middle aged, elderly

⇨ Sex: Male, Female

⇨ Occupation: Farmer, teacher, business

⇨ Social class: upper, middle, lower

⇨ Geographic regions: South India, North-eastern India

1. Regional, Ethnic, and Religious Influences on Consumer Behaviour

The three major aspects of culture that have important effects on consumer behaviour are regional, ethnic, and religious differences. Firstly, consumption patterns may differ in various regions of India and the world, and marketing strategy can sometimes be tailored specifically to these regions.

Secondly, our country has a number of different ethnic groups, and population trends will dramatically alter the demographic profile of the country in the next 50 years. The very diverse Asian American subculture is described as young and having higher socioeconomic status, placing strong value on the family and the group, and being strongly brand loyal. In spite of its diversity, marketing strategies can be developed for this group.

Finally, religious beliefs and values can influence consumer. Many marketers are now becoming multicultural in their marketing activities by trying to appeal to a variety of cultures at the same time. Although the diversity of the Indian melting pot may be unique, there are many important ethnic groups in other areas of the world.

2. Age, Gender, and Household Influences on Consumer Behaviour

Among the four major age groups, Teens, who need to establish an identity, are the consumers of tomorrow and have an increasing influence on family decisions. The somewhat disillusioned Generation consists of smart and cynical consumers who can easily see through obvious marketing attempts. Baby boomers grew up in a very dynamic and fast-changing world, and this has affected their values for individualism and freedom. The 50 and older segment can be divided into two groups-the young again and the gray market. Neither group likes to be thought of as old. The affect of gender differences on consumer behaviour is examined next.

Sex roles are changing. Women are becoming more professional and independent, and men are becoming more sensitive and caring. Also, men and women can differ in terms of traits, information processing, decision styles, and consumption patterns. Gender is consistent throughout lifetime, influencing customer values and preferences. Gender shows different consumption patterns and perceptions of consumption situations –E.g. the wedding ceremony.

Households play a key role in consumer behaviour. Households also exert an important influence on acquisition and consumption patterns. First, household members can play different roles in the decision process (gatekeeper, influencer, decider, buyer, and user). Second, husbands and wives vary in their influence in the decision process, depending on the situation husband- dominant, wife-dominant, autonomic, or synchronic.

3. Psychographics: Values, Personality, and Lifestyles

The roles of psychographics in affecting consumer behaviour are detailed below.

Values are enduring beliefs about things that are important. They are learned through the processes of socialization and acculturation. Our values exist in an organized value system, with some values being viewed as more important than others. Some are regarded as terminal values and reflect desired end states that guide behaviour across many different situations. Instrumental values are those needed to achieve these desired end states. Domain specific values are those that are relevant within a given sphere of activity. Western cultures tend to place a relatively high value on material goods, youth, the home, family and children, work and play, health, hedonism, and technology. Marketers use tools like value segmentation to identify consumer groups with common values. Personality consists of the distinctive patterns of behaviours, tendencies, qualities, and personal dispositions that make people different from one another. Approaches to the study of personality include:

1.   The psychoanalytic approach, which sees personality arising from unconscious internal struggles within the mind at key stages of development;

2.   Trait theories, which attempt to identify a set of personality characteristics that describe and differentiate individuals, such as introversion, extroversion, and stability;

3.   Phenomenological approaches, which propose that personality is shaped by an individual's interpretation of life events;

4.   Social-psychological theories, which focus on how individuals act in social situations (e.g., compliant, detached, or aggressive); and

5.   Behavioural approaches, which view an individual's personality in terms of past rewards and punishments.

Marketers also measure lifestyles, which are patterns of behaviour (or activities, interests, and opinions). These lifestyles can provide some additional insight into consumers' consumption patterns. Finally, some marketing researchers use Psychographic techniques that involve all of these factors to predict consumer behaviour. One of the most well known Psychographic tools is the Values and Lifestyle Survey (VALS). The newer VALS2 identifies eight segments of consumers who are similar in their resources and self-orientations.

Cross Cultural Consumer Behaviour

Cross cultural marketing: Objectives and Policies

Cross-cultural marketing is defined as "the effort to determine to what extent the consumers of two or more nations are similar or different. This will facilitate marketers to understand the psychological, social and cultural aspects of foreign consumers they wish to target, so as to design effective marketing strategies for each of the specific national markets involved."

A company can enter a foreign market as a

⇒ Domestic exporter

⇒ Foreign importer

⇒ Foreign government-solicit the firm to sell abroad

The firm's objectives could be:

⇒ To determine how consumers in two or more societies are similar/different and devise suitable, appropriate strategies

⇒ Devise individualized marketing strategy if cultural beliefs, values and customs of a specific country are different

Problems in Cross Cultural marketing

1. Problems related to product selection: The marketer going for cross cultural marketing has to select the customers / market not on the basis of the superficial similarities of age or income, but by using the real motivating factors that prompt them to accept or reject products.

2. Problems related to promotion/marketing communication: e.g. Ariel in the Middle East and also Pepsi

3. Problems related to pricing: the marketer has to adjust his pricing policies according to the local economic conditions and customs.

4. Problems related to selection of distribution channels: in Japan, P & G used this to sell soap

Cross-Cultural Consumer Analysis

To determine whether and how to enter a foreign market, we need to conduct some form of cross-cultural consumer analysis. Cross-cultural consumer analysis can be defined as the effort to determine to what extent the consumers of two or more nations are similar or different. Such analysis can provide marketers with an understanding of the psychological, social, and cultural characteristics of the foreign consumers they wish to target, so that they can design effective marketing strategies for the specific national Markets involved. A major objective of cross-cultural consumer analysis is to determine how consumers in two or more societies are similar and how they are different.

Opinion Leadership and Consumer Behaviour

Opinion Leadership is the process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients. The definition of opinion leadership emphasises on informal influence. This informal flow of opinion related influence between two or more people is referred to *word -of- mouth communication.*

Benefits of word-of-mouth

There are three situations in which opinion leadership takes place:

- When an individual actively seeks advice from others
- When an individual voluntarily provides information to others
- When information is generated in the course of normal interaction of a group

Dynamics of Opinion Leadership

1. Credibility

Opinion seekers regard opinion leaders as trustworthy and a credible source of information pertaining to a particular product or brand – the opinion leaders have no hidden commercial motives, like cash rewards, in promoting a brand. Also opinion seekers seek their help in decision-making because they have expertise or usage experience with a product or brand, which considerably reduces the perceived risk of the opinion seeker. The information given by the opinion leader can be either positive or negative, based on personal experience, and this further strengthens their credibility.

2. Information and Advice

Opinion leaders are a source for product or brand specific information as well as advice. They might just share casual information about a certain product that they have used, they might even aggressively advice o0pinion seekers whether to buy it or not. The information passed can be related to which product or brand to purchase and from where.

3. Category-specific

Opinion leaders can have expertise in one product category, but can reverse the role to opinion seekers in case of another product category in which they are not knowledgeable. A person known for his/her cooking talent may be an expert in the 'what' and 'how' of packed edible food products, spices, food nutrition, etc, but when he or she has to buy a bike, is more likely to seek information from another person whom he/she regards as knowledgeable about bikes. Therefore, an opinion leader in one product may be an opinion seeker in another product.

4. Two-way communication

Opinion leadership phenomena are face-to-face communication between opinion givers and opinion seekers. Both parties communicate with their respective experience with each other. Some scholars, thus, believe that the difference between opinion giver and opinion seekers is somewhat artificial as the person who is knowledgeable about a certain product and gives related advice to opinion seekers, is also most likely to listen to others' comments regarding the product.

Motivation behind Opinion Leadership

The opinion leadership process happens due to the following underlying motives of both parties the opinion leader and opinion seeker and receiver. There are four main motives behind the role of opinion leader – self involvement product involvement, social involvement and message involvement.

1. Self involvement:

Giving advice to others provides big gratification to the opinion leaders in terms of the attention they receive. Also, since they can display their expertise and experience in the subject matter, it makes them feel superior to others in terms of knowledge. The role of the opinion leader also involves good feeling of helping others take a decision and increasing the knowledge of opinion seekers and receivers. Sometimes, the motive behind opinion leadership could be to reduce post-purchase dissatisfaction with a product or brand. In such cases, the opinion leader will propagate the advantages of the product, thereby trying to reassure him that his purchase decision was right.

2. Product involvement:

Product involvement opinion leaders may feel the necessity to talk to others (opinion receivers) about the product if it is eie4hter too good or too bad. The information transmitted would be positive if they are satisfied with the product or brand and negative, if they are dissatisfied with it.

3. Social involvement:

Social involvement opinion leaders like o share their product expertise with people in general as an expression of bonding. It is important to note that in this case, the opinion leader does not feel the urge to talk about the product/brand due to positive or negative experience, as in the case of product involvement.

4. Message involvement:

With an increasing number of advertisements being targeted at consumers these advertisements often become the topic of discussion. In case of message-involvement, advertisements and slogans are the basis of group discussions. Such conversations often use poplar slogans like Surf's "Dhoondhte reh jaoge" or Maggi Noodles "bus 2 minute."

Opinion Seeker and Receiver

The main motive for an opinion seeker is looking for information is reducing the perceived risk associated with the product purchase. It also reduces the task of searching for information through other sources. Sometimes opinion is sought with the sole purpose of buying a product to win the approval of an opinion leader. For the opinion receiver, the interaction with an opinion leader provides a lot of new and/or existing product knowledge as well as information related to their purchase, use, etc.

Types of Opinion Leaders

Opinion leaders, in general, are people who have expertise in one subject/product. Activity and have the capability of influencing others. They may or may not be he users of the product and/or brand that they recommend to others. Opinion leaders can be of varying types based on their knowledge, and influence on the purchase decision of the opinion receiver and/or opinion seeker. There are some special types of opinion leaders, like generalised opinion leaders, market mavens, surrogate buyers and purchase pals.

1. Generalised Opinion Leader

Generalised Opinion Leaders are masters of various subjects (say, all kinds of consumer durable products, books, etc.) and are very hard to find. Usually, opinion leaders are knowledgeable about one product category and have high involvement in some related areas.

2. Market Maven

Market mavens belong to a special category of opinion leaders who have market involvement, rather than product involvement of the normal opinion leaders. They are people who actively seek market information which they feel may be useful from friends and relatives and are a great source of information like – which place offers the best deals, where there are discounts at that time of the year, what new products/brands are in the market, which outlets to visit for which product, the new outlet in town, etc.

3. Surrogate buyer

Surrogate buyer is the term used for the professionals hired by actual purchasers to filet the huge amount of store, product and brand information available, evaluate the product options available and make recommendations. Sometimes, they also make transactions on behalf of their employer. Surrogate buyers play a wide variety of roles like tax consultants, wardrobe consultants, interior designers, stock brokers, etc. The reasons for hiring a surrogate buyer can range from personal reasons like high perceived risk, lack of time, lack of expertise or product knowledge, or low interest in shopping to environmental issue like limited product availability.

4. Purchase pals

Purchase pals are people who accompany an individual on shopping trips. Purchase pals are considered to be quality influential opinion leaders at the point of purchase (in store) in consumer decisions. The major benefit of purchase pals is that they help reduce the stress and anxiety an individual experiences while make a purchase, especially in a high involvement expensive product. The other benefit is information support they provide like better product knowledge, better bargaining skills and better knowledge of outlets, prices and products. Thus the choice of purchase pals depend on the relationship they have with the individual and the type of purchase they make.

Unit-10

CONSUMER RELATIONSHIP MANAGEMENT(CRM)

Peter Drucker said, "The purpose of a business is to create customers." Implied in his words and his work is the importance of keeping those same customers and of growing the depth of their relationship with you. Initially, new customers cost you money-money spent on advertising and marketing and money spent learning what they want and teaching them how best to do business with you. CRM can be the single strongest weapon you have as a manager to ensure that customers become and remain loyal.

CRM is a comprehensive approach for creating, maintaining and expanding customer relationships The relationship marketing approach has great significance from the organization's point of view due to the following:

- Reduction in customer recruitment cost
- Generation of more and more loyal customers
- Expansion of customer base
- Reduction in advertisement and other sales promotion expenses
- Benefiting customer selectivity approach
- Increase in the number of profitable customers
- Easy introduction of new products
- Easy business expansion possibilities
- Increase in customer partnering. Etc.

Building Customer Relationship Management:

Step 1: Acquisition: It is a vital stage in building customer relationship. The acquisition process constitutes the following stages.

♦ Enquiry

♦ Interaction

♦ Exchange

♦ Co-ordination

♦ Adoption

Each one of the above stages assumes a significant role in the acquisition process. In the enquiry stage, the prospective buyer undertakes a detailed enquiry with regard to several aspects pertaining to the organisation, product, nature of transaction and all other related aspects. Having stored the information he passes on to the interaction stage, where the customer interacts with the organisation and obtains additional information, clarifies and ensures already collected information.

Terms of exchange, mode of delivery and other things related to exchange, are settled at the exchange stage. Further coordinated effort on either side would lead the customers moving to adoption of the product or service concerned, and that completes the acquisition process.

Step 2: Customer Interaction Management (CIM): Interaction plays a lead role in building customer relationships. CIM constitutes the customer relationship technologies with additions of technology-based interactive solutions. The interactive channels that are currently available enable very effective customer interactive communications, which leads to CIM, which further leads to relationship building.

In view of technology growth, the interaction management is facilitated by communication in terms of media, message, speed, accuracy, distance, content, reach, repetition etc. The customer interaction management stands for intensive interaction between customers and the organisation, which is supported by technology-enabled mechanisms such as Internet.

CIM can assume the following routes:

♦ Online routes- e-mails, web communities, chat rooms.

♦ Offline routes- telephone, fax, mails, interactive television network.

♦ Outsourcing

Step 3: Customer Retention: The focus of the organisations is more on customer retention than simply on customer acquisition. Customer retention is the process of keeping customers in the customer inventory for an unending period by meeting the needs and exceeding the expectations of those customers. It is the approach of converting a casual customer into a committed loyal customer.

CRM is a complete system with a number of inter-linkages- beginning with what type of consumers should be targeted to finally obtaining efficiency in it. Unless an organisation has a holistic view of CRM, it may begin to concentrate on those aspects of CRM may not have critical linkages with the other important dimensions of marketing. Online processing or customer call-centres alone cannot lead to a successful CRM. A CRM has to start with a good database of consumers and it should have a historical perspective on them. For example, it should be possible for a CRM programme to have specific strategies for prospects, first-time buyers, repeat buyers and advocates. CRM strategies have to take into consideration these differences to qualify consumers for a CRM programme. This is important because a CRM programme has to be beneficial both to the company and its consumers and holds true in the case of both consumer and industrial products.

E-CRM:

E-commerce really is not a new game. It's an extension of the game we have been playing since the dawn of commerce- the game of creating, maintaining, and expanding customer relationships. To play the game of business in this century, it's important to know what e-commerce can do for you and how it's changing customer expectations. Working with the touchstone of your CRM strategy, you will be able to use new rules and the new tools offered by e-commerce to satisfy your customers.

The Internet can enable your CRM strategy in three ways:

Level 1: Getting information out to customer: The Internet can provide an avenue for getting information about your business and your products and services to your current and potential customers. At its most basic level, this means letting them know you are there and how to reach you in the "real world". It can be as simple as a Web-based brochure that describes your products and services and tells customers where you are located and how to reach you by phone.

Level 2: Getting information back from customers: The next level of sophistication means you not only provide information to your customers, but also learn more about them and from them. The Internet allows you to collect all sorts of useful- and sometimes not so useful- data about your customers. Sometimes this means customers respond to questions and provide you useful information. In other cases you may be able to collect information that's very useful to your business without interfering at all with the customer experience.

Level 3: E-commerce sales: At its highest level, you can use the Internet to deliver products and services to your customers. You can have mutually rewarding relationships with customers you never see, meet, or speak with! Your entire relationship can successfully exist in cyberspace. With the technology available today, you can sell your products over the Internet, respond to customer questions., offer additional products and services based on previous purchases, and evaluate customers' satisfaction with your offerings- all without ever dealing with them in person. Leveraging the Internet can free up resources to deliver higher levels of value to customers in new ways.

Level 4: Getting Information out to Customers: With half of American households wired to the internet, and the numbers growing throughout the United States and the world, you should expect your customers to search the Web for information about you and your products and services. From a CRM standpoint, it's helpful to think about this level of Internet activity in two ways, passive and active.

Consumer Movement

The **consumer movement** is an effort to promote consumer protection through an organized social movement which is in many places led by consumer organizations. It advocates for the rights of consumers, especially when those rights are infringed by the actions of corporations, governments, and other organizations which provide products & services to consumers.

The terms "consumer movement" and "consumerism" are used as equivalent terms in much writing. The traditional use of the term "consumerism" still practiced by contemporary consumer organizations refers to advancing consumer protection and can include legislators passing consumer protection laws, regulators policing these laws, educators who teach consumer policy, product testers who measure the extent to which products meet standards, cooperative organizations which supply products and services mindfully of consumer interest, as well as the consumer movement itself. The term "consumer movement" refers to only nonprofit advocacy groups and grassroots activism to promote consumer interest by reforming the practices of corporations or policies of government, so the "consumer movement" is a subset of the discipline of "consumerism".

Consumer is regarded as the king in modern marketing. In a market economy, the concept of consumer is given the highest priority, and every effort is made to encourage consumer satisfaction. However, there might be instances where consumers are generally ignored and sometimes they are being exploited as well. Therefore, consumers come together for protecting

their individual interests. It is a peaceful and democratic movement for self-protection against their exploitation. Consumer movement is also referred as **consumerism**.

Features of Consumerism

Highlighted here are some of the notable features of consumerism –

- **Protection of Rights** – Consumerism helps in building business communities and institutions to protect their rights from unfair practices.
- **Prevention of Malpractices** – Consumerism prevents unfair practices within the business community, such as hoarding, adulteration, black marketing, profiteering, etc.
- **Unity among Consumers** – Consumerism aims at creating knowledge and harmony among consumers and to take group measures on issues like consumer laws, supply of information about marketing malpractices, misleading and restrictive trade practices.
- **Enforcing Consumer Rights** – Consumerism aims at applying the four basic rights of consumers which are Right to Safety, Right to be Informed, Right to Choose, and Right to Redress.

Advertising and technology are the two **driving forces of consumerism** –

- The first driving force of consumerism is advertising. Here, it is connected with the ideas and thoughts through which the product is made and the consumer buys the product. Through advertising, we get the necessary information about the product we have to buy.
- Technology is upgrading very fast. It is necessary to check the environment on a daily basis as the environment is dynamic in nature. Product should be manufactured using new technology to satisfy the consumers. Old and outdated technology won't help product manufacturers to sustain their business in the long run.

Unit-11

CONSUMER DECISION MAKING

Decision making is an art and a science which has been studied over generations. The secret of marketing lies in learning what the customer wants and how to influence the customers decision making process so that he buys our product above competition.

Behind a simple decision making process, there are many thought processes which influence the decision making. A buyer may take an emotional, spur of the moment decision, or he may take a well thought out and researched decision. Based on his observation, different processes can be defined for decision making.

Decision making mainly depends on the involvement of the customer. There are high involvement products and there are low involvement products. Similarly, there are consumer products and industrial products. Involvement in industrial products will generally be higher as compared to commercial products because the amount of investment in industrial products is also huge.

Thus based on the above arguments, there are mainly 3 types of decision making processes which can be defined.

1. **Extensive decision making process** – This type of decision making process is used when the product is a very high involvement product, possible a high investment product as well. Typical examples include buying a house for a consumer, or buying a new manufacturing plant in case of industries. In both cases, there are multiple people involved, and the decision making is extensive as the customer wants to get maximum benefits. There are also risks involved in such endeavours, hence extensive decision making is done.

2. **Limited decision making process** – Buying a television or buying a car will be a limited decision making process. When you are buying such white goods, the investment is nominal and not very high. At the same time, you have some experience with the product as you regularly watch television and you regularly sit in cars. Thus, you do not spend as much time on buying these products. Nowadays, the limited decision making process is further helped with the presence of online media, where people know a lot about the product while sitting at home itself. The speed of the limited decision making is dependent on the customer experience and his knowledge about the product as well as the amount of time he has to make the decision.

3. **Routine decision making process** – Routine decision making happens in day to day life like buying a soap or shampoo. In this case, the customer is more likely to stick to a single brand for a long time. He is unlikely to switch to different brands because he wants to invest minimum time in routine decision making. There are a lot of things which influence the routine decision making process, like regular advertising by FMCG companies. This is because, the routine things are brought over and over again. And once the company gets such a customer, they are likely to reap long term profits from the same customer.

Thus, the above 3 are the different type of decision processes. Depending on the type of customer, and the amount of investment in the product, the decision making process may vary from time to time.

Consumers are different. Although the decision making process is the same, they have varying perspectives and this impacts the final decision. Consumer behavior models help a marketer in identifying and understanding a wide range of variables that could explain consumer behavior. In this way these models help a marketer understand and predict buyer behavior, and they help the marketer formulate better marketing programs and strategies. Researchers have attempted to study the dynamics of consumer decision making consumer behavior from varying orientations, and various models have been proposed. These models have evolved from the economic paradigm of the 1940s, to the irrational, impulsive, emotional and vulnerable social consumer of the 1950s and 1960s, to the information processor of the 1960's and 70s, to the cognitive and rational consumer post 1980's. The purchase paradigms have also evolved; there is the cognitive paradigm, where purchase is regarded as an outcome of problem solving; the reinforcement paradigm, where purchase is regarded as a learned behaviour; and the habit paradigm, where it is regarded as a pre-established routine pattern of behaviour.

Models of Consumer (Approaches of Consumer)

Consumers approach the marketplaces differently; they go though the buying decision process differently as it gets impacted by internal and external forces. Researchers have attempted to understand the dynamics of consumer decision making and they have classified four varying views and perspectives, the underlying forces operating within consumers that could be employed to approach the marketplace. These are i) Economic ii) Cognitive iii) Passive iv) Emotional.

1. Economic View

According to the economic perspective of studying consumers, the consumer is regarded as being rational. The model assumes that there exists in the market a state of perfect competition; the consumer is aware of the various alternatives; he has the knowledge and ability to rank all of these; and he finally takes a rational decision. He takes a decision and makes a choice as after taking into account the cost and benefit, and the overall value in economic terms.

2. Cognitive view

The consumer is regarded as being a problem solver, who searches for products to fulfill his needs/wants. Consumer decisions are based on information gathering and processing. The consumer is believed to take decisions after a lot of thought and deliberation, so as to get maximum benefit and value.

3. Passive View

Here, the consumer is regarded as irrational and impulsive, who easily succumbs to the selling and promotional efforts of the marketer. It is assumed that the consumers are submissive to the self-serving interests of the marketer and the salespersons are powerful.

4. Emotion View

The consumer is regarded as being emotional and impulsive. who takes decisions based on moods and emotions. Marketers must put in efforts and create positive mood and emotions.

Models of Consumer Behavior

The consumer models refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do. They refer to how the varying orientations impact the buying decision process and overall buyer behavior.

Various models have been proposed by researchers; these models can be classified as (a) General models (b) Specific models. This section deals with the General Models and Specific Models of CB.

I.   General Models (Traditional models)

There are four models that fall under this category, viz. Economic model, Psychological model, Psychoanalytic model and Sociological model.

i) The Economic model: The economic model explains buying behavior from an economic perspective; the assumption is that resources are scarce viz. a viz unlimited needs; a consumer seeks value: he wants maximum benefit at minimum cost. The economic models showed concern as to how scarce resources were allotted to satisfy the unlimited needs and wants. Economic models can be further classified into Micro economic models and Macroeconomic models.

a. Micro economic models:

The micro economic models focus on the act of purchasing; they focus on what an average consumer would purchase and in what quantity; they also ignore why and how the needs/wants get prioritized, and how the behavior is underpinned.

According to the micro economic view, consumers are rational in nature and value utility. With resources being scarce, they would allocate money on their purchases in a way that satisfies them maximally. The consumer decisions are thus based on benefit to cost ratio; the consumer would settle on an alternative that provides the highest ratio in terms of marginal utility.

The limitation of studying consumer behavior with this orientation is that consumers are not always rational, and they seek average /adequate satisfaction and not total satisfaction. Also, consumers assess the benefit to cost ratio differently; they define the two variables "cost" and " benefit" variedly; the issue is subjective. The view is also silent about other forces that operate during the buying process.

b. Macroeconomic models:

The macroeconomic models focus on the overall trend in the economy that has an impact and is also impacted upon by buying patterns. They focus on the aggregate flows in the economy. Conclusions about consumer behavior are made after analyzing such flows. This approach could also be studied with two orientations:

a) Relative income hypothesis: A persons' expenses are influenced by his social surrounding and group. With his income being constant, the relative expenses and the resultant savings will not change, until and unless, there is a big change in the total income. The hypothesis holds that what and how much a consumer spends is not solely dependent on income, but is influenced by peers.

b) Permanent income hypothesis: Even if the total income increases, people initially exhibit inertia towards spending as they want to accumulate wealth; so purchasing pattern does not

change immediately.

The limitations of studying consumer behavior with this orientation is that the view is silent about other forces that operate during the buying process.

ii) The Psychological model: The psychological model, also called the Learning Model or the Pavlovian Learning Model, was proposed by classical psychologists led by Pavlov. According to this model, consumption behavior and decision making is a function of interactions between human needs and drives, stimuli and cues, responses and reinforcements.

People have needs and wants; They are driven towards products and services (stimuli and cues), which they purchase (response), and they expect a satisfying experience (rewards and reinforcements); Repeat behavior would depend on reinforcement received.

The model believes that behavior is deeply affected by the learning experiences of the buyers; and learning is a product of information search, information processing, reasoning and perception. Reinforcement leads to a habit formation and the decision process for an individual becomes routinized, leading to brand loyalty. Consumers also learn through trial and error and resultant experiences that get stored in our memory.

The limitations of studying consumer behavior with this approach is that the model seems incomplete. Learning is not the only determinant in the buying process and the decision making. The model totally ignores the role played by (a) other individual determinants like perception, personality (the sub-conscious), attitudes; as well as (b) interpersonal and group influences.

iii) Psychoanalytic model: The psychoanalytic model was proposed by Sigmund Freud. The model tries to explain consumer behavior as a resultant of forces that operate at subconscious level. The individual consumer has a set of deep seated motives which drive him towards certain buying decisions

According to the model, buyers needs and desires operate at several levels of consciousness. Not all of the behavior is understandable and explainable by the person. Also not all of human behavior is overtly visible and explainable. Sometimes, the behavior may not be realized and understood by the person himself. Such causes can be understood by drawing inferences from observation and casual probing.

There have been two more contributions that have been made to the psychoanalytic approach; these are a) Gestalt model b) Cognitive theory

a. Gestalt model: The model based on Gestalt principles (meaning "patterns and configuration") lays emphasis on the perceptual processes that impact buying behavior. According to this model, consumption behavior and decision making is based on how a consumer perceives a stimuli (the product and the service offering and the 4 Ps) viz a viz. the external environment and his own prior experiences.

b. Cognitive theory: The model proposed by Leon Festinger, views the consumer as one who faces a feeling of anxiety (dissonance), while he is making a purchase; this is because he is faced with many alternatives, all of which seem desirable. Post-purchase, this dissonance increases even further. There is an imbalance in the cognitive structure; and the consumer tries to get out of this state as soon as he can. So a buyer gathers

information that supports his choice and avoids information that goes against it.

iv) **Sociological model:** The model is based on findings of Thorstien Veblen, and focuses on the role played by social groups and social forces. A person's consumption pattern and buying behavior is affected by social factors; his family, friends, peers, social groups, reference group and culture have a major role to play. According to the model, man is perceived as a "social animal", and thus he conforms to norms of its culture, sub culture and groups amongst which he operates. Emulative factors and social influences have a big role to play in consumer decision making.

Consumer behavior Models and Marketing Implication

MODEL	IMPLICATION
1. Economic	-Consumers' are price sensitive; they look out for a value proposition and thus buy those offerings that give them more benefit vis a vis cost.
a. Micro	-As a marketer, this implies that he should offer to customers a Value proposition. -Deals and sales promotion can also impact buying decisions to his favor.
b. Macro	Consumer purchases are affected by fluctuations in the economy.
2. Psychological	-Consumers learn from experiences of self and others. -They would buy products and services that are rewarding and would bring positive reinforcement. -Marketers should arrange for product demonstrations. -They should also encourage trials: free samples, testing and sales promotion can help elicit trials. -If the consumer finds the product usage satisfying, he would go for a repeat purchase.
3. Psychoanalytical	-While consumers may look for functional benefits while buying a product, they are also affected by hedonic elements. The marketer also needs to understand the consumer psyche and design the 4Ps accordingly; this has implications on pricing and promotion.
a. Gestalt	This has implications for brand management; branding, brand associations and imagery.
b. Cognitive	-This is related to post- purchase behavior; the marketer needs to help minimize the consumer's post-purchase dissonance.
4. Sociological	- A persons' purchase behavior is affected by his culture, sub culture and social group; - Opinion leadership and social group appeals.

II. Specific Models

There are three important specific models which explain consumer decision making - the Howard-Sheth model of buying behavior, the Nicosia model, and the Engel-Blackwell-Miniard (EBM) model. The Howard-Sheth model of buying behavior attempts to explain the complexity of the consumer decision making process in case of incomplete information. However, is quite complex and difficult to understand.

The Nicosia model explains the consumers' buying behavior from the marketers' perspective. However, it fails to explain in detail the firm's and consumer's attributes and doesn't take into account that consumer might already be having a predisposition with respect to a particular product/brand.

The Engel-Blackwell-Miniard model assumes that the consumer approach is that of problem-solving. It, however, lacks clarity regarding the influence of individual and environmental variables on consumer decision making.

i) The Howard Sheth model (1969):

Howard and Sheth used the term buying behavior and not consumer behavior as the industrial buyers and consumers are similar in most aspects. While the model was proposed in the 1960s, for industrial buying, the term "buyer" is used to connote both industrial consumers and personal consumers. Through the model, Howard and Sheth, tried to explain buyer rationality while making purchase decisions even in conditions of incomplete information. While they differentiated between three levels of decision making, EPS, LPS and RPS, the model focuses on repeat buying/purchase.

The model has four major components, viz., stimulus inputs (input variables), hypothetical constructs, response outputs (output variables), and, exogenous variables.

a) Stimulus inputs (Input variables): The input variables refer to the stimuli in the environment; they take the form of informative cues about the product/service offering; these information cues could relate to quality, price, distinctiveness, service and availability.

The informational cues could be Significative, Symbolic, (both of which are commercial and can be controlled by the marketer) and Social (non-commercial and uncontrollable by the marketer; family, reference groups and social class). All these three types of stimuli provide inputs concerning the product/brand to a consumer.

- Significative stimuli: The product/brand information that the marketer provides, comprises the significative component; it deals essentially with the brand characteristics. - Symbolic

stimuli: this is the psychological form with which a buyer perceives the product and service offering (brand); it is figurative (verbal and visual product characteristics) and perceptual and depends on how the offering has been positioned; it emanates from advertising and promotion efforts.

- Social stimuli: this is the information about the product or service offering that comes from the social environment viz. family, groups, society and culture at large.

b) Hypothetical constructs: Howard and Sheth classified the hypothetical constructs into two major groups, viz., perceptual constructs and learning constructs. These constitute the central part of the model and deal with the psychological variables which operate when the consumer is undergoing the decision making process.

- Perceptual constructs: The perceptual constructs deal with how a consumer obtains and processes information received from the input variables. Once the buyer is exposed to any information, there is an attention; this attention towards the stimuli depends on the buyers' sensitivity to information in terms of his urge and receptivity towards such information. Not all information would be processed and the intake of information is subject to perceived uncertainty and lack of meaningfulness of information; this is referred to as stimulus ambiguity. This reflects the degree to which the buyer regulates the stimulus information flow. Stimulus ambiguity occurs when a consumer does not understand the message from the environment; it could trigger off a need for a specific and active search for information and thus lead to an overt search for information. The information that is gathered and processed may suffer from perceptual bias if the consumer distorts the information received so as to fit his/her established needs/beliefs/values/experiences etc.

- Learning constructs: The learning constructs relate to buyer learning, formation of attitudes and opinions, and the final decision. The learning constructs are seven in number, and range from a buyer's motive for a purchase to the final satisfaction from a purchase; the interplay of these constructs ultimately leads to a response output or a purchase. The motives refer to the goals that a buyer seeks to achieve through a purchase and the corresponding urge towards action or the purchase activity. The brand comprehension is the knowledge and information that the buyer has about the various brands in his evoked set. The buyer forms an order of preference for the various brands; this order of preference is based on the choice criteria (decision mediators). The decision mediators are the evaluative criteria and the application of decisions rules by the buyer to the various purchase alternatives.

Based on the choice criteria, the attitudes are formed for the varying brands. The attitudes reflect the predisposition of the buyer; preference toward alternative brands; and, feelings of like/dislike towards the offerings. The brand potential of the evoked set determines the buyer's

perception and confidence level of the brands that he is considering to purchase. The purchase intention is a cumulative outcome of the interaction of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase. Satisfaction, another learning construct, involves the post purchase evaluation (whether expectation from an offering matches the performance) and resultant impact (positive/negative) on brand comprehension.

c) **Response outputs** (output variables): The output variables refer to the buyer's action or response to stimulus inputs. According to Howard and Sheth, the response outputs comprise five constituents, viz., attention, comprehension, attitude, intention and purchase. These could be arranged in a hierarchy, starting from attention and ending up with purchase.

a. Attention refers to the degree or level of information that a buyer accepts when exposed to a stimulus. It reflects the magnitude of the buyer's information intake.

b. Comprehension is the amount of information that he actually processes and stores; here, it refers to brand comprehension which is buyers' knowledge about the product/service category and brand.

c. The attitude is the composite of cognition, affect and behavior towards the offering; the attitude reflects his evaluation of the brand and the like/dislike based on the brand potential.

d. Intention refers to the buyer's intention to buy or not to buy a particular offering.

e. Purchase behavior refers to the actual act of buying. The purchase behavior is a cumulative result of the other four constituents.

d) **Exogenous variables:** The Howard and Sheth model also comprises certain constant exogenous variables that influence some or all of the constructs explained above, and thereby impact the final output variables. These are explained as Inhibitors or environmental forces that restrain the purchase of a favored brand; eg., importance of the purchase, price, financial status of the buyer, time at the disposal of the buyer, personality traits, social pressures etc.

The Howard Sheth Model of buying behaviour
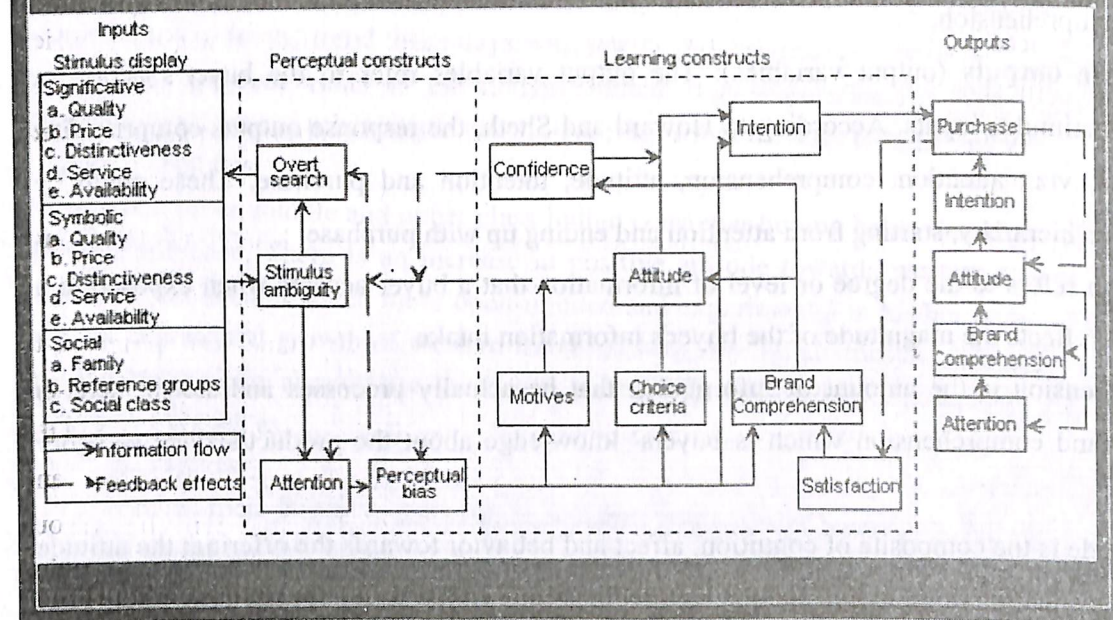
Marketing Implication of Howard and Sheth Model

In their model, Howard and Sheth explain the buying decision process that a buyer undergoes, and the factors that affect his choice decision towards a brand. The process starts when the buyer is exposed to a stimulus. As a result of the exposure, stimulus ambiguity occurs, which leads to an overt search for information. The information that is received is contingent upon the interplay between the attitudes and the motives. In other words, the search for information and the conclusions drawn would be filtered by perceptual bias (that would be a result of attitude, confidence, search and motives). It may alter the existing patterns of motives and choice criteria, thereby leading to a change in the attitude towards the brand, brand comprehension, motives, purchase intention and/or action. The final purchase decision is based on the interaction between brand comprehension, strength of attitudes towards the brand, confidence in the purchase decision and purchase intention. The actual purchase is influenced by the buyer's intentions and inhibitors, which he confronts. The entire process is impacted by various exogenous variables like the importance of purchase, price, time available to make the purchase, social and cultural influences etc. After the purchase, the buyer experiences satisfaction if the performance matches and exceeds expectation; this satisfaction would strengthen brand comprehension, reinforce the confidence associated with the buying situations, and strengthen the intention to repeat purchase of the brand. With a satisfying purchase decision, the buyer learns about buying in similar situations and the behavior tends to get routinized. The purchase feedback thus influences the consumers' attitudes

and intention.

The model is an integrative model that incorporates many of the aspects of consumer behavior; it links together the various constructs/variables which may influence the decision making process and explains their relationship that leads to a purchase decision. It highlights the importance of inputs to the consumer buying process. It was one of the first models to divulge as to what constitutes loyalty towards a specific product. It helped gain insights in to the processes as to how consumers' process information. The model is user friendly and is one of the few models which has been used most commonly and tested in depth. However, the limitation lies in the fact that the various constructs cannot be realistically tested; some of the constructs are inadequately defined, and thus do not lend to reliable measurements.

ii) Engel, Blackwell and Kollat's Model: Engel-Blackwell-Miniard Model of Consumer Behavior:

The Engel, Kollat and Blackwell Model, also referred to as the EKB model was proposed to organize and describe the growing body of knowledge/research concerning consumer behavior. A comprehensive model, it shows the various components of consumer decision making and the relationships/interactions among them. The model went through many revisions and modifications, with attempts to elaborate upon the interrelationship between the various components and sub-components; and, finally another model was proposed in the 1990s which came to be known as the Engel, Blackwell and Miniard Model (EBM).

The model consists of five parts, viz. information input, information processing, decision process stage, decision process variables, and external influences.

1. **Information input:** The information input includes all kinds of stimuli that a consumer is exposed to and triggers a kind of behavior. The consumer is exposed to a large number of stimuli both marketing (advertising, publicity, personal selling, demonstrations, store display, point of purchase stimuli) as well as non-marketing sources (family, friends, peers); thus the various stimuli compete for consumer's attention. These stimuli provide information to the consumer and trigger off the decision making process.

2. **Information processing:** Stimuli received in the first stage provide information; the information is processed into meaningful information. The stage comprises consumer's exposure, attention, perception/comprehension, acceptance, and retention of information. The consumer is exposed to stimuli (and the accompanying information); attention determines which of the stimuli he will focus upon; thereafter he would interpret and comprehend it, accepts it in his short term memory and retains it by transferring the input to long-term memory.

3. **Decision-process stage:** At any time during the information processing, the consumer could enter into this stage. The model focuses on the five basic decision-process stages, viz., problem recognition, search, alternative evaluation, choice, and outcomes (post-purchase evaluation and behavior).

There is problem recognition; this is followed by a search for information, which may be internal based on memory. The search of information is also impacted by environmental influences. Thereafter, the consumer evaluates the various alternatives; while evaluation, belief lead to the formation of attitudes, which in turn affect the purchase intention. The next stage is the choice and purchase, which gets impacted by individual differences. Finally there is an outcome, in the form of satisfaction and dissatisfaction. This outcome acts as a feedback on the input and impacts the cycle again. Environmental influences, individual differences and social influences, directly and indirectly influence each of the stages of the decision process.

However, EKB proposed that it is not necessary for every consumer to go through all the five stages; it would depend on whether the problem is an extensive or a routine problem-solving behavior.

4. Decision process variables: The model proposes individual influences that affect the various stages of the decision making process. Individual characteristics include constructs like demographics, motives, beliefs, attitude, personality, values, lifestyle, normative compliance, etc.

5. **External influences:** The model also proposes certain environmental and situational influences that affect the decision making process. The environmental influences include "Circles of Social Influence," like culture, sub-culture, social class, reference groups, family and other normative influences; situational influences include consumer's financial condition.

Marketing implication of the Model

The decision process comprises five stages from need recognition to outcome. The outcome in the form of satisfaction/dissatisfaction acts as the input in then next cycle of a similar purchase. Each of the components is directly or indirectly impacted by environmental influences, individual differences and social influences.

The model incorporates many constructs that impact consumer decision making. It tries to explain clearly the interrelationships between stages in the decision process and the various variables. They attempted to relate belief-attitude-intention. An attempt was made to define the variables and specify functional relationships between the various constructs. However, the model fails to adequately explain as to how each of these influences consumer decision making. Critics argue that there are too many variables; these have not been defined; the model is vague and complex; and the validity of the model has been questionable. The model was revised in the 1990s and proposed again as the Engel, Blackwell and Miniard (EBM) model.

EKB Model
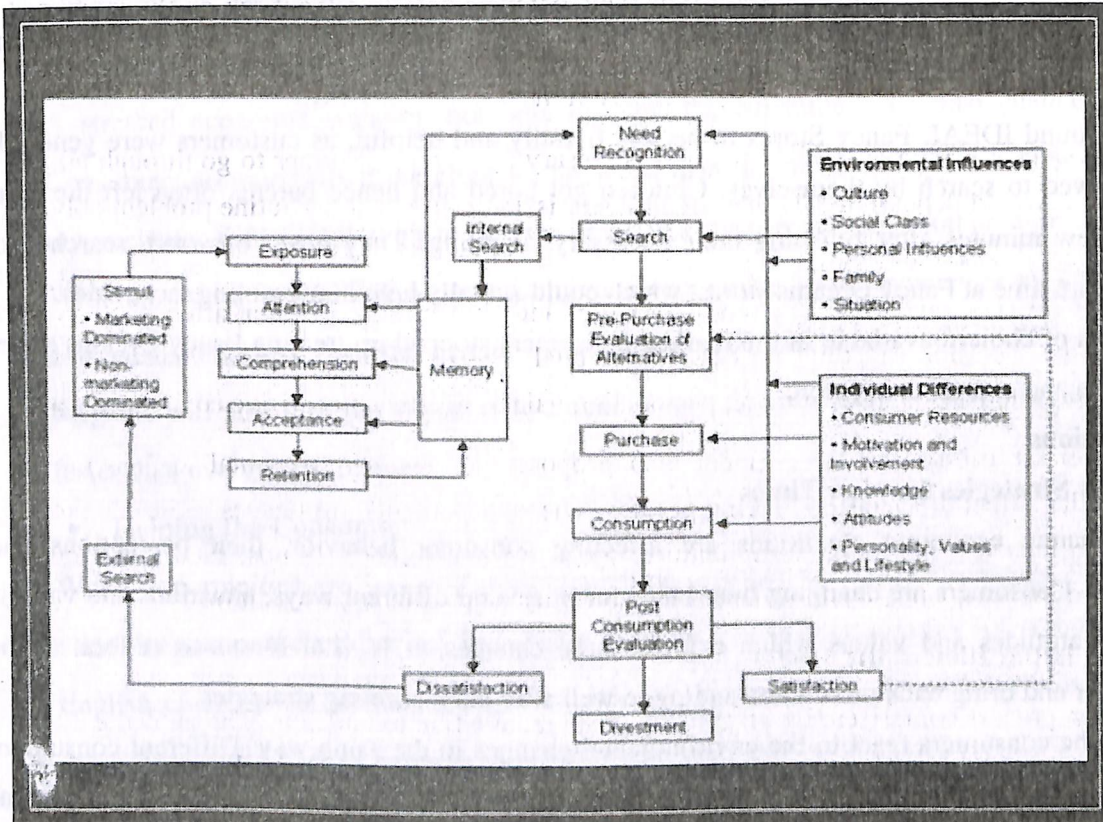
Implication of Consumer Model

Word-of-mouth can be a powerful pressure on buying behavior, and marketing strategies are designed to influence word-of-mouth. The increasing status, power and use of social media helps marketers to take more benefit to reference groups in helping them to spread messages about their products and services.

In general, consumers search to increase satisfaction and evade pain. They wish to reduce the risk of decisions they make and will spend more time in researching the purchase decisions that signify a higher level of risk.

For example, low-cost and low-involvement products like shampoo will require less efforts and worry on the part of consumers than high-cost and high-involvement products like cars, computers or homes.

Consumer involvement influences how consumers collect, understand and convey information, make buying decisions and make post-purchase evaluation. As the level of consumer participation increases, the consumer has better motivation together, comprehend, elaborate, justify and understand the information. Thus, a marketer needs to understand the process in a proper manner and design his marketing mix in a manner that can trigger the involvement process in his favor.

Example of IDEAL Fancy Dream Stores

Three facts were discovered by a survey done on a Fancy store which was particularly disturbing which are as follow –

People found IDEAL Fancy Stores to be less friendly and helpful, as customers were generally not allowed to search by themselves. Children got bored and hence parents often left the store within few minutes after finishing their necessary shopping. They never browsed, searched or spent spare time at Fancy Dreams stores, which could actually help in promoting more sales.

With lots of choices available in the market, consumers stopped up treating Fancy Dreams stores as unique and exclusive anymore.

Implications

- **New Strategies for New Times**

The dynamic economic conditions are affecting consumer behavior, their perceptions and attitudes. Consumers are changing their behavior in several different ways, situations and various primary attitudes and values which express these changes. It is vital for us to re-look at the consumer and bring back our understanding to well alter the marketing strategies.

Not all the consumers react to the environmental changes in the same way. Different consumers have different reactions to the economic challenges. Reduction may be reflected in different tangible and psychological ways or modes.

Manufacturers also need to offer a variety of different solutions and propositions to meet these changes in their behavior. Therefore, different consumer segments may be affected at different levels and growth may vary from segment to segment.

- **Find New Pastures**

Growth may be easier to come through geographical expansion, than competitive battle in the current markets. The impact of the slowdown is more definite in larger cities, though the smaller towns and villages are also affected if they rely on export-based industries.

Hence, if growth may be challenged in the larger cities, it may be a good time to set forward and explore new markets in towns, townships and villages. They are the markets, which are growing at a faster pace and offer greater return for investments.

- **Re-Look at your Brand Portfolio**

The challenge is to offer value without compromising the image in the market.

There are different strategies to deliver value – some are appropriate and some misguided, some will damage the brand image permanently and some will keep the image undamaged but still help to adjust.

Research shows that direct price reductions are likely to damage more than temporary discounts and decreasing pack sizes are more harmful than increasing pack size at the same price.

- **Look at your Distribution Channels**

A stressed economic situation not only changes the consumer, but also changes the sellers. Consumers are normally more close to the brand than the retail store, hence their first option is not to change the brand, but try to find the brand at a cheaper price at another store. With more time at hand and greater incentive to economize, more consumers are likely to shop at overexcited markets than the pricier supermarkets and ease stores. The search for value and bargains will also turn the shoppers to online shopping – the only channel that will grow even faster than overexcited markets.

- **Helping the Consumer**

When opportunities are less and the competition is more vicious, the Chinese consumers will want to enhance their skills and knowledge. Visibly it is very good news for companies teaching English or computer programming or knowledge. However, the opportunity is not restricted to these firms – the FMCG industry could also take more educative communication position - wine makers could try to educate the consumers about appreciating fine wines, cosmetic companies could offer training on skin care and food companies could instruct on diet and nutrition.

- **Family, Home, and Security**

Recession is the supreme time to catch up with friends; relatives take their children to the park and visit parents, and in the process enjoy emotional warmness to compensate for the coldness of the fiscal climate.

The children are likely to pay a deep price for this, with parents having more time and fondness as well as renewed determination to help their children with their studies. This offers opportunities to promote in-house consumption, than out of house consumption, which in many categories such as alcohol, is more expensive.

- **Communication**

It is not just the product but also the message, which needs to reflect the current consumer mind. The communication messages of nowadays needs to reflect sentiments of care and protection,

rational and careful behavior, performance and value these tones of communication, which always appealed to the Chinese consumers, are likely to find even greater meaning in these times.

- **Go Digital**

For the largest internet population in the world, internet has been a tool of entertainment and information – less a tool for commerce. However, the original barriers are being overcome and consumers are discovering the joy of internet shopping.

The attributes of consumer connect with internet shopping are variety, enables detailed evaluation and comparisons and getting the product at competitive prices. These are the attributes the buyer will be looking in the period of fiscal slowdown.

- **Keep a Permanent Hand on the Pulse of the Consumer**

Things are changing at an exceptional pace. As a result, so is the consumer atmosphere and sentiment, which will have an effect on their decision-making and the brands and products that they buy. If marketers do not feel their pulse all the time, they could go wrong. One cannot just listen to the consumer once a year - marketers need to put their ears firmly on the ground and listen to every change of beat, every tone of the consumer]mood and continue to find tune of the strategy.

Unit-12
PROFILE OR CHARACTERISTICS OF THE INDIAN CONSUMER

The Indian consumers are noted for the high degree of value orientation. Such orientation to value has labelled Indians as one of the most discerning consumers in the world. Even, luxury brands have to design a unique pricing strategy in order to get a foothold in the Indian market. Indian consumers have a high degree of family orientation. This orientation in fact, extends to the extended family and friends as well. Brands with identities that support family values tend to be popular and accepted easily in the Indian market. Indian consumers are also associated with values of nurturing, care and affection. These values are far more dominant that values of ambition and achievement. Product which communicate feelings and emotions gel with the Indian consumers. Apart from psychology and economics, the role of history and tradition in shaping the Indian consumer behaviour is quite unique. Perhaps, only in India, one sees traditional products along side modern products. For example, hair oils and tooth powder existing with shampoos and toothpaste.

Different Segments of Indian Consumers

- ### The Socialites

Socialites belong to the upper class. They prefer to shop in specialty stores, go to clubs on weekends, and spend a good amount on luxury goods. They are always looking for something different. They are the darlings of exclusive establishments. They go for high value, exclusive products. Socialites are also very branding conscious and would go only for the best known in the market.

- ### The Conservatives

The Conservatives belong to the middle class. The conservative segment is the reflection of the true Indian culture. They are traditional in their outlook, cautious in their approach towards purchases; spend more time with family than in partying and focus more on savings than spending. Slow in decision making, they seek a lot of information before making any purchase. They look for durability and functionality but at the same time is also image conscious. They prefer high value consumer products, but often have to settle for the more affordable one. These habits in turn affect their purchasing habits where they are trying to go for the middle and upper middle level priced products.

- ### The Working Women

The working women segment is the one, which has seen a tremendous growth in the late nineties. This segment has opened the floodgates for the Indian retailers. The working woman today has grown out of her long-standing image of being the homemaker. Today, she is rubbing shoulders with men, proving herself to be equally good, if not better. Working women have their own mind in decision to purchase the products that appeal to them

- **India's Rich**

India's rich can be categorized into five major categories as follows:

a. The Rich

These people are upwardly mobile. Some of them in this category are Double Income No Kids (DINK) households. They spend more on leisure and entertainment-activities than on future looking investments. Across the category, backgrounds are distinctly middle class. They aspire, therefore, to attain the super-rich status.

b. The Super Rich

There are less DINK families here than in the rich category. The Super Rich are mainly professionals and devoted to consumerism. They buy many durables and are status conscious.

c. The Ultra Rich

There is no typical profile of the ultra-rich. There are some DINK households of middle-level executives. Some single earning households are of first generation entrepreneurs. Some rich farmers, who have been rich for a long time, belong to this category.

d. The Sheer Rich

They do not have a homogenous profile. There are joint families as well as nuclear families in this category. They consume services greatly. They own multiple cars and houses. They aspire to social status and power.

e. The Obscenely Rich

They are first-generation entrepreneurs who have made it big. Some of them are techies. A variety of people belong to this category. They are just equivalent to the rich in the developed countries. They crave for exclusivity in what they buy. Most premium brands are relevant to them.

- **Rural Consumer**

About three quarters of the Indian population are in the rural areas and with the growing middle class, especially in the Indian cities; the spill over effect of the growing urban middle class is also felt in the rural areas. The Indian rural market has been growing at 3-4% per annum, adding more than 1 million new consumers every year and now accounts for close to 50% of the volume consumption of fast-moving consumer goods (FMCG) in India. The market size of the fast moving consumer goods sector is projected to more than double to US$ 23.25 billion by 2010 from the present US$ 11.16 billion. As a result, it is becoming an important market place for fast moving consumer goods as well as consumer durables.

- **Increasing Awareness of Indian Consumers**

Over the years, as a result of the increasing literacy in the country, exposure to the west, satellite television, foreign magazines and newspapers, there is a significant increase of consumer awareness among the Indians. Today more and more consumers are selective on the quality of the products/services. This awareness has made the Indian consumers seek more and more reliable sources for purchases such as organized retail chains that have a corporate background and where the accountability is more pronounced. The consumer also seeks to purchase from a place where his/her feedback is more valued.

Indian consumers are now more aware and discerning, and are knowledgeable about technology,

products and the market and are beginning to demand benefits beyond just availability of a range of products that came from 'trusted' manufacturers. The Indian consumers are price sensitive and prefer to buy value for money products.

Marketing Strategies

⇒ Online Marketing

Currently, the products Indian consumers are buying through online are greeting cards, clothes, CDs/VCDs/DVDs, cassettes, books, magazines, medicine and educational material. The popular online shops in consumer include:

www.ebay.in

www.shopping.rediff.com www.reliablegreetings.com

www.shopping.expomarkets.com

⇒ Celebrity Influence

This is an important tool which is able to influence Indian consumer buying behaviour. In India, celebrities are being increasingly used in marketing communication by marketers to lend personality to their products. With the visual media becoming more popular the use of celebrities in the TV media has increased. Celebrities create headlines. Their activities and movements are being closely watched and imitated. What they endorse sell like hot cakes. It is not surprising therefore that using celebrities in advertisements has become common practice. In India especially, it is not difficult to look for the reasons as to why companies are increasingly using celebrities. Indians always love their heroes and heroines. Consumers like advertisements more if they are admirers of the celebrities in the advertisements. When a consumer likes the celebrity in the advertisement, he or she is more likely to accept what the celebrity says about the advertised product and therefore will develop more positive feelings toward the advertisement and the brand itself. Famous celebrities are able to attract attention and retain attention by their mere presence in the advertisements.

⇒ Quality Oriented Outlets

Indian consumers looking for quality choose expensive brands as they feel that price is an indicator of quality. However, in the absence of well known brands in selected product range, consumers are likely to take cues from well established retail outlets hoping that these outlets carry quality products.

⇒ Freebies

Indian consumer buying behaviour is influenced by freebies. Freebies are consumer products given free of charge as gifts to purchases of selected products above a certain value. TVs, washing machines, refrigerators, and readymade clothes are some of the product categories in which freebies are given to Indian consumers. Freebies generally comprise tooth paste, soaps, detergent, cooking oil etc.

⇒ Eco-Friendly Products

The environmental awareness in India has started affecting marketing of products based upon their eco-friendliness. In general, Indian consumers are likely to buy environmentally responsible products and packs. The future key for marketing could be to select more ethical and ecological responsible products and packaging, which is also convenient for consumers, thus, balancing environmental concerns with commercial considerations. Consumers in India are taking lead in

prompting manufacturers to adopt technologies to produce eco-friendly products.

Changing Trends in Indian Consumer Behaviour

Bulk Purchasing

Urbanisation is taking place in India at a dramatic pace and is influencing the life style and buying behaviour of the consumers. The working urbanites are depending more on fast and ready-to-serve food, they take less pain in traditional method of cooking and cleaning. Bulk purchases from hyper

stores seems to be the trend these days with purchasing becoming more of a once-a-week affair, rather than frequent visits to the neighbourhood market/store/vendor. The popular growing shopping trend among urbanities is purchasing from super markets to hyper stores.

Trendy Lifestyles

The current urban middle and upper class Indian consumer buying behaviour to a large extent has western influence. There is an increase in positive attitude towards western trends. The Indian consumer has become much more open-minded and experimental in his/her perspective. There is now an exponential growth of western trend reaching the Indian consumer by way of the media and Indians working abroad. Foreign brands have gained wide consumer acceptance in India, they include items such as;

- ➢ Beverages
- ➢ Packed food, Ready to eat food, Pre-cooked food, canned food
- ➢ Personal care products.
- ➢ Audio/video products
- ➢ Garment and apparel Footwear
- ➢ Sportswear and Toys
- ➢ Gift items

Foreign brands vie increasingly with domestic brands for the growing market in India.

Buyers' Market

The sellers' market is slowly moving towards becoming the buyers' market. Since, India's economic liberalization policies were initiated in 1991, many new product offerings have entered the Indian market and product variety has also increased manifold. Import licensing restrictions are being eliminated and tariffs significantly reduced and this has led to large range of consumer goods made available in India. Indian consumers have always preferred foreign goods and with the liberalization, they now have a choice of foreign products vis-à-vis the local products.

Consumer Spending Behaviour

The way Indian consumers are spending their money on various items has changed in recent years. The share being spent on the basis (food and beverages) has fallen from 54.07 per cent in 1992-93 to 44.8 per cent in 2012-13. Other items have increased in importance, for example, medical and healthcare spending has increased from 3.5 per cent to 8.5 per cent of total expenditure over the same period, a compound growth rate of 19.71 per cent. Similarly spending on transport and communication has grown at 13.2 per cent.

Unit-13

CONSUMER INVOLVEMENT

Consumer involvement is defined as a state of mind that motivates consumers to identify with product/service offerings, their consumption patterns and consumption behaviour. Involvement creates within consumers an urge to look for and think about the product/service category and the varying options before making decisions on brand preferences and the final act of purchase. It is the amount of physical and mental effort that a consumer puts into a purchase decision. It creates within a person a level of relevance or personal importance to the product/service offering and this leads to an urge within the former to collect and interpret information for present/future decision making and use. Involvement affects the consumer decision process and the sub processes of information search, information processing, and information transmission. As Schiffman has put it "Involvement is a heightened state of awareness that motivates consumers to seek out, attend to, and think about product information prior to purchase". It is the perceived interest and importance that a consumer attaches to the acquisition and consumption of a product/service offering.

Herbert Krugman, a researcher is credited with his contribution to the concept of consumer involvement. According to him, consumers approach the marketplace and the corresponding product/service offerings with varying levels and intensity of interest and personal importance. This is referred to as consumer involvement.

Nature of Consumer Involvement

1.   It is an inner urge that creates within an individual an interest/desire to hold certain product/service offerings in greater relevance/importance.

2.   Involvement possesses certain properties

a)   It has a level of strength and intensity that determines the degree of involvement that a consumer possesses. This could be high or low. A highly involved consumer would actively search for information and collect facts, compare the various brands against each other on the basis of the information, assess differences and similarities between the various alternatives and finally make a choice. In other words, they collect process and integrate information very intensely, and finally arrive at a decision regarding the brand choice. On the other hand, a consumer low on involvement would not make so much of effort in collecting and processing information about varying alternative brands and taking a decision.

b)   The length of time that the consumer remains in this heightened state determines the level of persistence. It could be short term and situational interest in the product/service category; or it could be long term and enduring.

c)   It is directed towards any or all of the elements of the marketing mix. A person may show involvement towards the product (its features/attributes and benefits), the price, the store or the dealer or even the promotional effort (advertisement/sales promotion etc).

3.   A mechanism underlies the very process of involvement. As a process, involvement is impacted by certain "antecedents" that get restrained by "moderating factors," and finally affect its degree of intensity and level of persistence.

Antecedent factors: There are certain factors that precede and lead to involvement; these are referred to as 'antecedents'; Antecedents to consumer involvement include the following:

a)   The person himself and the individual determinants like motives/needs; learning/experiences; interests; attitudes; personality; lifestyle/social class/interests/values; etc, have a bearing upon consumer involvement. Products which relate to self image and personality lead to high involvements.

b) The object, stimuli or the product/service offering also affects involvement. The greater the product differentiation, the greater would be the level of involvement. Varying yet comparable brand alternatives also impact the level of involvement. Involvement would also be impacted by features, benefits and associated value of various brand offerings; brand image and equity; and very importantly the associated risk levels. Products which possess high levels of risk increase the level of consumer involvement.

c)   The situation: The occasion/situation/reason of purchase also have a bearing on the level of consumer involvement; for example, while gifting to a person special to oneself, we are careful about the product or the brand. Also, for gifting to self or to near and dear ones on special occasions, we are extremely conscious of the kinds of products and the brands we buy, as opposed to routinized regular purchases. Further, social pressure (shopping alone versus shopping with friends), also impacts the level of involvement. When alone we may eat at any place or shop at any outlet, but when we are with peers and friends, we are more conscious of the brands we buy and the places we shop in. Social visibility also impacts the level of involvement; the level of consumer involvement increases in case of social visibility of both the product category as well as the purchase activity. Finally, the time commitment to purchase (leisure versus time constraint), also affects our level of involvement. Irrespective of the fact that the product is of a high involvement type or that the person bears personality traits making him a high involving consumer, he may not be bale to expend much time on a purchase activity, due to time constraints and need to make quick decisions. This is referred to as decision imminence.

Moderating factors: The factors that can restrain the impact of antecedents so as to impact the level of involvement include

a)   The opportunity available to the person to collect and collate facts and information;

b)   His cognitive ability to process information and draw conclusions;

c)   Time available in hand.

4.   The antecedents, moderators and the properties of involvement finally converge to a response in terms of information search, information processing, information transmission, the purchase decision and post purchase behaviour. Consumer involvement affects the ways in which consumers seek, process, and transmit information, make purchase decisions and make post purchase evaluation.

a)   Information search: Highly involved consumers or consumers involved with a product category would actively search for information about the product category and the various alternatives, in contrast to consumers who are low on involvement. While the former, would be active seekers of information, the latter would be passive recipients. Active seekers would look out to various sources of information and would put in deliberate efforts towards information gathering.

b)   Information processing: The information processing activity would vary across high involvement consumers viz a viz low involvement customers. Highly involved consumers would process product information with greater depth; they would make conclusions about brand preferences based on arguments and counterarguments; they would tend to get emotional charged either favourably because of likeability of the brand or unfavourably because of dislikeability of the brand. They would also evaluate more alternatives.

c)   Information transmission: Highly involved consumers talk about the product/service category and the various brands available with great ease and level of interest, as compared to consumers who are low on involvement in the product category. Information transmission takes place via word-of-mouth, positive when the brand seems favourable, and negative, when it seems unfavourable.

d)   *The purchase decision*: The purchase decision, i.e. to buy or not to buy, or to buy brand X over Y, is complex for a high involvement consumer than for one on low involvement.

e)   *Post purchase behaviour*: Consumers who are high on involvement make post-purchase evaluations about product usage more critically than those on low involvement. It is noteworthy that high involvement consumers are more difficult to please and satisfy; and the marketers need to put in a lot of effort to satisfy them. This is because they not only have a bearing on their future purchase, but also on purchase   of others who are opinion seekers.

Types of Consumer Involvement:

Depending on whether the involvement is short term or long term, consumer involvement could be of two types, viz., situational and enduring.

1.   *Situational involvement:* This is a state of arousal directed towards attaching relevance to a person/object/situation for a short term. As an affective state, it creates a level of involvement when a person thinks about a particular person/object/situation. It is specific to a situation and is thus temporary in nature. It could vary from low to high, depending upon the situational factors. For example, a old lady suddenly decides to gift a Lenovo laptop to her grandson on his birthday. She is not techno savvy and has little interest with the product category. She goes to the electronics mall and visits the various stores that sell computers and laptops. She collects information on the product features, prices, etc and finally takes the help of her old aged neighbour to reach a final decision. Her involvement with the purchase activity would be regarded as a situational involvement.

2.   *Enduring involvement:* When the level of involvement towards the product/service category extends over a period of time across situations, it is referred to as enduring involvement.

The person shows a high-level of interest in the product category and spends time collecting and processing information and integrating it within his memory. For example, a person desires to buy a laptop for his son to be gifted to him when he goes to college, which would be three years later. The father plans well in advance, tries to collect information through advertisements, brochures, trade journals, visits to dealers, and word of mouth from peers and colleagues. Within this period he gets involved with the product category and after three years is in a position to take a decision based on the facts that he has collected. This is referred to as enduring involvement. Enduring involvement with a product category often gives birth to an opinion leader.

An opinion leader is a person who holds interest in a particular product/service category, and becomes a specialist; he makes efforts to gather all information about the category, the brand offering etc.; he talks about and spreads the information and the knowledge that he possesses. When a person wants to make a purchase, he seeks the advice and guidance of such an opinion leader who helps him make a decision. Opinion leaders are product specific. In the example above, if the lady approaches her neighbour and takes his advice/guidance because the neighbour is young, techno savvy and knows a lot about electronics and in particular laptops, she would actually be taking help of what is known as an "opinion leader".

Consumer Behaviour Models Based on Involvement:

Consumer involvement affects the ways in which consumers seek, process, and transmit information, make purchase decisions and make post-purchase evaluation. As the level of consumer involvement increases, the consumer has greater motivation to gather, comprehend, elaborate and assimilate on information. A marketer needs to design his marketing mix in a manner that he can activate the involvement process to his favour, and marketing communication has a key role to play. A few models have been proposed that are based on consumer involvement; these are discussed below.

1. The Low-Involvement Learning Model:

As explained in the previous section, low involvement products are those products that are inexpensive or maybe moderately priced; they are low in value and risk; and, are frequently purchased. Often, they are purchased as a matter of routine. Example, toothpaste, soap, bread etc. For such products, the consumer gives little thought, and feelings may not be formed for the product until after the purchase has been made. So the tri-component, cognition, attitude and behaviour are arranged in a manner such that cognition leads to behaviour that finally leads finally to attitude.

Marketing communication through audio visual media, i.e. TV and radio follows this principle. Through the advertisement, the marketer educates the consumers about his product offering and the brand; this may be a new product or a modified version of an existing product; he tries to create awareness and form beliefs about the brand.

2. The Learn-Feel-Do Hierarchy Model:

With implications for marketing communication, the learn-feel-do hierarchy model, was proposed by Vaughn and his colleagues in the 1980's at Foote, Cone and Belding; thus, it also acme to be known as the FCB Matrix,. Consumer decision making varies across the nature of

product/service offerings. According to the model, some purchases are backed by a lot of cognition and thinking, while others are based on feelings and emotions. The combination of these reference points produces a strategy matrix. The marketer has to choose appropriate strategies for different kinds of product/service offerings. He needs to analyze the nature of his product, and design his promotion strategy accordingly; the advertising medium should relate to the product category.The learn-feel-do model is a simple matrix that links consumer decision making and consumer choices to three components which are information (learn), attitude (feel), and behaviour (do). The matrix classifies consumer decision-making along two dimensions, high/low involvement and thinking/feeling.

a) *High Involvement/High Thinking*: This quadrant of the matrix consists of high involvement and thinking, typically signifying higher level of *rationality*. Products that fall into this quadrant are high involvement products, where decision making involves a lot of *thinking*. Because of the nature of product/service offerings that fall in this category, consumers have a high need for information. Also, consumer decision making is driven by *economic motives*. Examples of products that would fall into this quadrant include cars, laptops, real estate etc as well as innovative products. The strategy model is *learn* → *feel* → *do*.

b) *High Involvement/High Feeling*: This quadrant is representative of situations which are high involvement and high feeling; while there is a level of involvement, information and thinking is less important than the feeling factor; this is because such purchases are related to the person's self- esteem. The *affect* component is stronger than the information factor. The person is drawn by the *feeling, emotional and psychological* motives; and, they become a "feeler" about the product. Examples include sports cars and motorcycles, fashion apparel and jewellery, perfumes etc. The strategy model is feel → learn → do.

c) *Low Involvement/Low Thinking*: The third cell requires minimal effort on the part of the consumer, both in terms of involvement and thinking. It actually results from *habit forming* within the consumer (or the *doer*), as a result of *habitual buying and purchase*. He becomes a reactor in the sense that whenever he has a need, he reacts and immediately purchases whatever brand he has been purchasing. Over a period of time, almost all products would fall into this quadrant. Examples of products that would involve the low involvement/thinking dimensions include staples, bread, stationery, soap etc. The strategy model is feel → learn → do.

d) *Low Involvement/Low Feeling*: The products that fall in this quadrant signify low involvement and low feeling; yet, they promote *self satisfaction*. Consumers buy such products to satisfy *personal tastes*, many a times influenced by *peer influence ar social pressures*. Examples

include cigarettes, liquor, movies etc. The strategy model is do → feel → learn.

3. The Level of Message Processing Model:

The level of involvement has an impact on the information gathering and processing. Based on this premise, the level of message processing model states that a consumer's attention to

advertising is influenced by varying levels of involvement, and runs across pre attention, focal attention, comprehension, and elaboration. Each of these levels is indicative of different level of message processing, and is explained as follows:

a) *Preattention*: This level of involvement requires only a limited processing and, thus the desire is just to gain some amount of familiarity;

b) *Focal attention*: A degree greater than the first stage, here the consumer concentrates on the message source and context, and becomes receptive to basic information like product/brand name and usage.

c) *Comprehension*: At this level, the consumer focuses on the message content and tries to understand it in terms of features, attributes, benefits, price, availability etc.

d) *Elaboration*: During this highest stage of involvement, the consumer integrates the message into his memory, forms beliefs and either adds to or modifies the information that already exists in his memory.

4. The Product versus Brand Involvement Model:

This model assesses consumer involvement at two levels, product and brand. A consumer may be involved with a product/service category but may not be necessarily involved with the brand. The converse may also be true, where he may be involved with the brand and not with the product/service category. According to the model, consumers can be classified into four types according to their involvement with the product/service category and with the brand. These categories are: Brand loyalists, Information seekers, Routine brand buyers and, Brand switchers.

PRODUCT INVOLVEMENT

		High Involvement	Low Involvement
BRAND INVOLVEMENT	High Involvement	Brand loyalists	Routine brand buyers
	Low Involvement	Information seekers	Brand switchers

a) *Brand loyalists:* Brand loyalists are consumers that are highly involved with the product category as well as the brand. As both product and brand are of high involvement, the marketer should provide information about the product category as well as the brand. As the consumers are involved with the brand as well, they exhibit brand loyalty.

b) *Information seekers:* This is a consumer category that is highly involved with the product category but shows low involvement with the brand. The consumers here do not think much about the brand, show less preference towards the brands and would not have established a preferred brand; brand loyalty is absent in most cases, and maybe very low in a few cases. Such consumer put in efforts to search out collect information about the

product category and the various brands. After they have processed such information and compared the various options, they make a decision on which brand is best.

c) *Routine brand buyers:* Routine brand buyers are not highly involved with the product category but shows involvement with a particular brand within that category. They tend to show a level of loyalty towards the brand, although they are not particularly interested in the product category. If and when they need to use a product, they patronize a particular preferred brand only.

d) *Brand switchers:* Consumers who fall in this category are neither involved neither with the product category nor with the brand. They buy anything they can get hold off and not particular about the product or the brand. As the term suggest, they keep on switching their brands. They do not have an emotional bond with any brand. Generally, such consumers are price sensitive and respond to price.

Consumer involvement has implications for a marketer.

Consumer involvement affects how consumers gather, comprehend and transmit information, make purchase decisions and make post-purchase evaluation. Thus a marketer needs to understand the process and design his marketing mix in a manner that can activate the involvement process to his favour. The study of consumer involvement can be useful for a marketer in the following ways:

1. The study of consumer involvement helps a marketer assess how the majority of your target market relates to the purchase of the particular product/service category, in terms of high/low involvement.

If the majority of the target segment views it as a high involvement, the decision making becomes rational, although there may be an emotional and egoistic element too. For example, while buying an automobile, a rational mind would look to mileage, engine etc.; an emotional mind would think of colour, aesthetics, style; and an egoistic mind would relate it to pride and prestige. On the other hand, if the majority of the segment treats it as of low involvement, the decision making becomes emotional.

2. the marketer could gain insights into high involvement and low involvement purchase situations, and accordingly bring about changes in his marketing strategy.

For high-involvement purchases, the consumer searches for information extensively; thus a marketer the marketer needs to provide information about the product category as well as the brand. Marketing communication should focus on product features, attributes, benefits etc. Information on brand differences also needs to be emphasized upon. Longer format media need to be used like (i) print in newspapers, magazines, journals and brochures; (ii) videos. As far as low-involvement purchases are concerned, these are generally routine in nature; the marketer needs to use emotional appeals. Attempts should be made to create and maintain brand loyalty. Point-of-purchase stimuli, store display and attractive merchandise can also help boost sales. Advertising should focus on audio visual media through emotional appeals.

3. If a marketer is confronted with both high involvement and low involvement segments, he can deal with both the segments separately by bringing about changes in the marketing mix. However he needs to take such a decision after understanding the size and potential of each of such segments; if only a small segment operates on a low-involvement or on high involvement, may not be feasible to cater to both.

Unit-14
PURCHASE DECISION MAKING PROCESS

Marketers are interested in consumers' purchase behaviours, i.e., the decision making process. The consumer decision-making process consists of five steps, which are need recognition, information search, evaluations of alternatives, purchase and post-purchase behavior. These steps can be a guide for marketers to understand and communicate effectively to consumers. One note is that consumers do not always move in the exact order through the process; it can depend on the type of product, the buying stage of the consumer and even financial status.

The consumers' decision making is a choice amongst various alternatives that address problematic issues like: What to buy; Where to buy; When to buy; How to buy; How much to buy. Consumer decision making involves a continuous flow of interactions among environmental factors, cognitive and affective processes and behavioural actions. Consumer's decisions are based on knowledge, affect and behaviour related to the marketing mix.

Stages in Consumer Decision Making Process:

Consumer buying behavior is the study of an individual or a household that purchases products for personal consumption. The process of buying behavior is shown in the following figure –
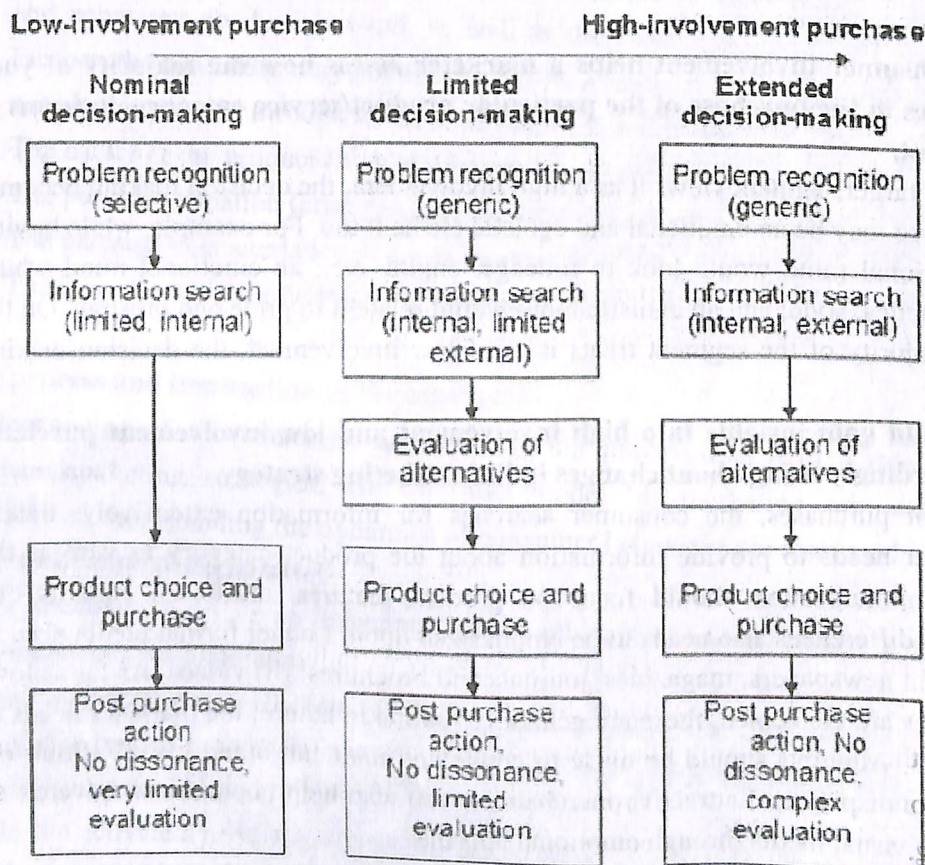
There are common five stages in the consumer decision making process. These are

1. Need recognition/Problem recognition
2. Pre-purchase information search
3. Evaluation of alternatives

4.   Purchase decision

5.   Post-purchase outcome and reactions Each of these stages is explained as follows:

1. Need recognition/Problem recognition:

This is a stage of perceiving a deficiency/need. A need could be triggered off by an internal stimulus or an external stimulus. For example, a person is thirsty and feels like having a cola drink. The stimulus is internal. On the other hand, while walking across the street, he sees a hoarding which shows a person having a frosted, chilled cola, and he too desires to have the same, the need is said to have been stimulated by an external stimuli.

A need or problem recognition could be simple or Complex.

a) **Simple:** Simple problem recognition is similar to Structured Problems; they occur frequently as a routine and can be dealt with automatically without much effort.

b) **Complex:** Complex problem recognition is similar to Unstructured Problems; they occur infrequently as unique and non-routine and need considerable effort to be solved.

A need or problem recognition could result when:

a)   The Actual State changes (AS type):

● The product is failing, or the consumer is running short of it;

● There is a problem that exists.

Consumers who react in such situations are called AS Types. Example: A product stops functioning and the customer needs a replacement; e.g. A refrigerator; Samsung One door: Standard;

b)   The Desired State changing (DS type):

● there is an imbalance between the actual state and the desired state

● another product seems better and superior to the one that is being currently used;

Consumers who react in such situations are called DS Types. Example: The product is functioning properly; but the consumer wants to buy an upgraded model; e.g., the refrigerator is functioning properly; however, the customer wants to buy another one which has more features and is more modern; Samsung Two doors: Deluxe: Frost free;

Which of the particular styles operates' depends on the product or service in question as well as the situation.

Whether a problem is an AS or DS Type also gets affected by an individual and his personality. Some consumers are AS Types, who realize that there is a problem after it has arisen, and so they go in for a purchase; they are reactive by nature; e.g. The consumer reacts after the refrigerator breaks down. Other consumers are the DS Types, who want to upgrade to better/newer products; they are proactive; E.g. Want to purchase a newer model of the refrigerator.

A need is recognized in any of the following situations:

a)   When a current product brand X is not performing well.

b)   When the current product brand X is nearing depletion.

c)   When another brand Y seems superior to the one currently owned, X.

2. Pre-purchase information search:

After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision. He gathers information about the: Product category and the variations.

(i)   Various alternatives

(ii)   Various brands.

The amount of information a consumer will gather depends on the following:

i)   The consumer: demographics (age, gender, education), psychographics (learning, attitudes, involvement, personality type)

ii)   Product category: differentiation and alternative brands available, risk, price, social visibility and acceptance of the product.

iii)   Situation: time available at hand, first time purchase, quantity of information required, availability of information.

Types of Search Activity:

The information search activity may be of various types, viz, specific, ongoing and incidental.

(i)   **Specific:** This type of search activity is specific to the problem and/ immediate purchase; it is spurred as the need arises, and the consumer actively seeks information. Example: student enters college and needs to buy a laptop so that he can work on his assignments.

(ii)   **Ongoing:** Here the search activity is a gradual process that could span over time. Example: the same student has been thinking of purchasing the laptop since the past five years, and over these past 5-6 years, he has been gathering information specific to the laptop as a product category and also about the various brands available.

(iii)   **Incidental:** This is a by-product of another search activity or experiences. Consumers absorb information from their day to day routine activities and experiences. Example: the student goes to a mall; he has gone there to help his mother buy a microwave oven; there in the store, he attends a demonstration of a new laptop that is being launched.

Information Sources:

The information sources are of two types:

i)   **Internal sources:** This includes the consumer and his self. He recalls information that is stored in his memory (comprising information gathered and stored, as well as his experiences, direct and indirect). Internal sources seem sufficient when:

- It is a routine purchase
- The product is of low involvement

ii)   **External sources:** Here the consumer seeks information from the external environment. External sources of information include:

⇨ Interpersonal communication (family, friends, work peers, opinion leaders etc.)

⇨ Marketing communication or commercial information (advertisements, salespeople, company websites, magazines etc.)

⇨ Other public sources (editorials, trade magazines and reports, consumer awareness programmes on TV, Internet etc.)

Repeat purchases: If the consumer is satisfied, he would buy the brand again. Repeat purchases lead to brand loyalty. The consumer may further have to make decisions on:

a) Where to buy from? (Place: Real/brick and mortar or virtual/online);

b) Whom to buy from? (Which store: Depends on reputation of seller, past experience, etc.)

c) When to buy? (Time: Emergency or Routine; during season, off season, sale, rebate etc.)

It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favour of the brand; it could get moderated by:

(i) Attitudes of others; and

(2) Unexpected situational factors.

5. Post-purchase outcome and reactions:

The post purchase outcome and reactions contains two stages; Stage I comprises Post purchase Cognitive Dissonance, and Stage II comprises Product usage and reaction.

Stage I: Post purchase Cognitive Dissonance: This is a feeling of tension and anxiety that a consumer experiences after the purchase of a product. The consumer begins to have a feeling of uncertainty with respect the performance of the product and begins to doubt his purchase decision "whether the decision was the right one? He begins to ask himself the following questions:

a) Have I made the right choice?

b) Have I purchased the right brand?

c) Have I got value for money?

The Fox and the Sour Grapes is a perfect example of Cognitive Dissonance.

Cognitive dissonance generally occurs in cases where:

(i) The decision making and purchase relates to a high involvement product;

(ii) The purchase activity is irrevocable;

(iii) The consumer cannot return the product;

(iv) The various alternatives have desirable features and are all comparable;

(v) The alternatives are also unique in some way or the other.

Consumers try to reduce this dissonance by:

(i) Gaining more product information;

(ii) Discussing with other satisfied customers who have bought the same product/brand;

(iii) Going back to the dealer and asking for reassurances.

Other methods that consumers employ to reduce cognitive dissonance are by:

⇒ Rationalizing that the choice that they have made is the right one.

⇒ Refer to data (printed/audio visual) that supports and recommends the chosen product/brand.

⇒ Make others buy the same product/brand to reassure their choice.

Marketers also employ strategies to reduce this dissonance by providing guarantees and warranties, membership to company consumer forums and communication and follow up with the customers.

External sources are resorted to in cases where:

- Past knowledge and experience is insufficient.
- The product is of high involvement and the risk of making a wrong decision is high.

3. Evaluation of alternatives:

Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain criteria. This involves:

i) Generation of choice alternatives;

ii) Identification of evaluative criteria: Attributes and Benefits;

iii) Application of Decision Rules.

i) **Generation of choice alternatives:** While generation of alternatives, a consumer moves from an evoked set towards the choice set.

    a. **Evoked set/Consideration set:** This is the set of alternatives that he actively considers while making a purchase decision; these exist either in his memory or feature prominently in the environment. The consumer perceives them to be acceptable.

    b. **Inept set:** These are those alternatives from the evoked set that the consumer excludes from further consideration, as he perceives them to be inferior and unacceptable.

    c. **Inert set:** These are those alternatives from the evoked set that the consumer excludes from further consideration, as he is indifferent towards them and perceives them as ones without much advantages or benefits.

    d. **Choice set:** This comprises the final set of one or two brands from which he finally decides.

ii) **Identification of Evaluative Criteria: Attributes and Benefits:** These are objective and subjective parameters of the brand that the consumer regards as important, and uses as standards to discriminate among the various alternatives. The consumer evaluates the different alternatives on one or few or many of these features and then makes a final choice. They are features that a consumer considers in choosing among alternatives; these could be functional/utilitarian in nature (benefits, attributes, features), or subjective/emotional/hedonic (emotions, prestige etc.). The major evaluative criteria are:

    ⇨ **Economic:** Price, Value (Product Attributes, Brand image, Evaluation of Quality, Price, & Features).

    ⇨ **Behavioural:** Need/motivation, Personality, self-concept and self-image, Lifestyle etc.

    ⇨ **Social influences:** Group influences environmental issues etc.

iii) **Application of Decision Rules to make a final choice amongst alternatives:** The consumer uses certain decision rules. The decision rules help a consumer simplify the decision process; the various evaluative criteria are structured and integrated so as to simplify the evaluation process. There can be two kinds of Decision Rules, viz., Compensatory rules and Non-compensatory rules.

    a. **Compensatory rules:** Under compensatory rules, the various evaluative criteria are listed as attributes. These attributes are scored and rated for the various alternative brands. A lower rating on an attribute may be offset by a higher rating on another; i.e. a higher rating on one

attribute would compensate for a lower rating on another. Based on the final scores, the brands are ranked; the one with the highest score, being regarded as the best. The consumer would then select the brand that scores the highest among the various alternatives that have been evaluated. Compensatory rules could assume two forms: simple and weighted.

- □ Simple summated: The attributes are rated for each brand and the scores are totaled.
- □ Weighted: The attributes are first given weights relatively based on the level of importance; thereafter, the attributes are rated and finally scored after multiplication with the weights. The weighted scores are then totaled.

b. **Non-Compensatory rules:** Here, a negative evaluation of any one attribute eliminates the brand from consideration. A lower rating on an attribute cannot be offset by a higher rating on another; i.e. a higher rating on one attribute would not compensate for a lower rating on another. The consumer would then select the brand that scores the highest among the various alternatives that have been evaluated. Non-compensatory rules could assume three forms: conjunctive, disjunctive and lexicographic.

i. **Conjunctive rule:** A minimally acceptable cut off point is established for each attribute. The brands are evaluated, and, the brand that falls below the minimally acceptable limit on any of the attributes is eliminated/rejected.

ii. **Disjunctive rule:** a minimally acceptable cut off point is established for each attribute. The brands are evaluated, and, the brand that falls above the cut off point on any of the attributes is selected.

iii. **Lexicographic rule:** The various attributes are ranked in terms of perceived importance. First, the brands are evaluated on the attribute that is considered the most important. If a brand ranks considerably high than the others on this attribute, it is selected. In case the scores are competitive, the process may be repeated with the attribute considered next in importance.

Sometimes the application of one rule may not be enough; And another may also be applied to reach a final decision.

Compensatory rule: The consumer chooses that laptop which he judges as the best when he balances the good and bad ratings with each other.

Non Compensatory rules:

Conjunctive rule – The consumer chooses that laptop that has no bad features.

Disjunctive rule – The consumer chooses that laptop that has at least one good feature.

Lexicographic rule – The consumer chooses that laptop that is the best on the most important of all features.

4. Purchase decision:

After the consumer has evaluated the various alternatives, he selects a particular brand. Consumer purchases may be trials/first purchases or repeat purchases.

Trials/First purchase: Trials could be elicited through market testing, or through promotional tactics such as free samples, coupons, etc.

Repeat purchases: If the consumer is satisfied, he would buy the brand again. Repeat purchases lead to brand loyalty. The consumer may further have to make decisions on:

a) Where to buy from? (Place: Real/brick and mortar or virtual/online);

b) Whom to buy from? (Which store: Depends on reputation of seller, past experience, etc.)

c) When to buy? (Time: Emergency or Routine; during season, off season, sale, rebate etc.)

It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favour of the brand; it could get moderated by:

(i) Attitudes of others; and

(2) Unexpected situational factors.

5. Post-purchase outcome and reactions:

The post purchase outcome and reactions contains two stages; Stage I comprises Post purchase Cognitive Dissonance, and Stage II comprises Product usage and reaction.

Stage I: Post purchase Cognitive Dissonance: This is a feeling of tension and anxiety that a consumer experiences after the purchase of a product. The consumer begins to have a feeling of uncertainty with respect the performance of the product and begins to doubt his purchase decision "whether the decision was the right one? He begins to ask himself the following questions:

a) Have I made the right choice?

b) Have I purchased the right brand?

c) Have I got value for money?

The Fox and the Sour Grapes is a perfect example of Cognitive Dissonance.

Cognitive dissonance generally occurs in cases where:

(i) The decision making and purchase relates to a high involvement product;

(ii) The purchase activity is irrevocable;

(iii) The consumer cannot return the product;

(iv) The various alternatives have desirable features and are all comparable;

(v) The alternatives are also unique in some way or the other.

Consumers try to reduce this dissonance by:

(i) Gaining more product information;

(ii) Discussing with other satisfied customers who have bought the same product/brand;

(iii) Going back to the dealer and asking for reassurances.

Other methods that consumers employ to reduce cognitive dissonance are by:

⇨ Rationalizing that the choice that they have made is the right one.

⇨ Refer to data (printed/audio visual) that supports and recommends the chosen product/brand.

⇨ Make others buy the same product/brand to reassure their choice.

Marketers also employ strategies to reduce this dissonance by providing guarantees and warranties, membership to company consumer forums and communication and follow up with the customers.

Stage II: Product usage and reaction: After the purchase, the consumer uses the product and re evaluates the chosen alternative in light of its performance viz. a viz. the expectations. This phase is significant as it

(i)   acts as an experience and gets stored in the memory;

(ii)   affects future purchase decisions;

(iii)   Acts as a feedback. There could be three situations that can arise:

⇨ Performance meets expectations: This leads to a neutral feeling; Customer may think of more suitable alternatives next time.

⇨ Performance exceeds expectations: The customer is satisfied and this leads to a positive feeling. He would tend to repeat purchase and it would lead to brand loyalty. He would also spread positive word of mouth.

⇨ Performance falls short of expectations: Here, the customer is dissatisfied and this leads to a negative feeling. The customer would search for other alternatives, express grievances, spread negative word of mouth and may even resort to legal action. It is important to note that the five staged decision making process is not so simple; it is complex. The decision making process is an interplay of reactions amongst a consumer and his cognition, affect and behaviour on the one hand, as well as the environmental forces on the other hand. Further, the procedure may not always follow a linear order, and the decision making may not always proceed through all the five stages; it would vary across:

(i)   The nature of the product (high and low involvement);

(ii)   The purchase situation (emergency or planned or routine);

(iii)   The personal characteristics of the consumer; and

(iv)   The type of problem solving (EPS, LPS and RPS)

Buying process and implication to the marketer

An understanding of the consumer decision making process can help a marketer formulate appropriate marketing strategies. He can also model his marketing mix accordingly. The implications of understanding the dynamics of consumer behaviour are discussed as follows:

1.   Need/Problem recognition

a.   A marketer can create an imbalance between the actual and desired state; it would trigger of the purchase decision process.

b.   He can launch newer models; marketing communication has a big role to play.

c.   He can focus on both functional (utilitarian) and emotional (hedonic) benefits that the product purchases could offer

d.   He can activate a need through communication

2.   Pre purchase information search

a. Marketing communication has an important role at this stage.

b. The marketer can identify the sources of information that the people generally access and use these to present information about his product and service offering.

c. The marketer can also identify the functional or hedonic utility and use appeals accordingly.

d. This would help create the right kind of cognitive and emotional touch point so as to elicit a favorable behaviour (purchase).

e. The marketer should be able to provide the right kind of information at the right place and at the right time.

f. The marketer must make sure that his product and service offering forms a part of the evoked /consideration set.

g. For high involvement products: the marketer should ensure that information is available. For low involvement products: he should use emotional appeals, POP stimuli etc

2.   Evaluation of alternatives:

The marketer should be careful that his product is:

i)   positioned and promoted well;

ii)   is readily available and displayed well;

iii)   The product features prominently in the evoked/consideration set; and,

iv)   The highlights those attributes and benefits that are regarded as most important to the consumers, and which they are most likely to evaluate while selecting an alternative. The marketer should inform and educate the customer about the various criteria to use for evaluation of alternatives. While doing so an intelligent marketer should focus on those attributes, where his product is better and/superior.

3.   Purchase decision:

The marketer should be careful to stock the product at the right place at the right time so that the consumer who has made a decision in favour of the brand can have access to the product; else the consumer may have to change his decision at the last moment. As far as trial and first time purchases are concerned, the marketer should encourage trials through market testing, or through promotional tactics such as free samples, coupons, etc.

For repeat purchases:

i)   The marketer should make sure that he has satisfied the customer at the first time.

ii)   That his offering is a part of the evoked/consideration set.

He should aim towards creation of brand loyalty.

5. Post-purchase outcome and reactions:

The marketer can play an important role in reducing the dissonance that the consumer faces and reassuring him that the choice he made was the right one.

i)   The marketer can communicate with the customer about the various attributes/features and benefits that the product has to offer in comparison with other alternatives.

ii)   He can follow up with the customer and address queries and concerns if any (e.g. follow up calls).

iii)   Marketers' assurances with respect to warranties, guarantees and exchange can also pacify the cognitive dissonance state.

iv)   Company websites with FAQs (frequently asked questions); satisfied customers' comments and blogs; and customer care information (e.g. toll free numbers etc) can also prove to be helpful.

Diffusion of Innovation

According to Rogers "Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system." Diffusion is a macro process concerned with the spread of a new product an innovation from its source to the consuming public. Adoption is a micro process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product. Diffusion of innovations is the process by which acceptance of an innovation (new products or new service or new idea) is spread by communication (mass media, sales people, informal conversation) to members of the target market over a period of time.

Diffusion is the "process by which an innovation is communicated through certain channels over a period of time among the members of a social system". An innovation is "an idea, practice, or object that is perceived to be new by an individual or other unit of adoption". "Communication is a process in which participants create and share information with one another to reach a mutual understanding."

Elements to Diffusion of Innovation

There are four main elements to the diffusion of innovations. They are:

1. **Innovation** - Any item, thought, or process that is viewed to be new by the consumer
2. **Communication** – the process of the new idea traveling from one person to another or from one channel to the individual.
3. **Social System** – the group of individuals that together complete a specific goal (adoption)
4. **Time** – how long it takes for the group to adopt an innovation as well as the rate of adoption for individual

Innovation

Various approaches which have been taken to define a new product or a new service include:

a. **Firm-oriented definitions:** A firm oriented approach treats the newness of a product from the perspective of the company producing or marketing it. When the product is "new" to the firm it is considered to be new.

b. **Product oriented definitions:** Product-oriented approach focuses on the features inherent in the product itself and on the effects these features. Three types of product innovations could be Continuous innovation having the least disruptive influence on established patterns involving the introduction of a modified product, rather than a totally new product. E.g., latest version of Microsoft Office; dynamically continuous innovation which may involve the creation of a new product or the modification of an existing product. e.g., disposable diapers; CD players; discontinuous innovations requiring consumers to adopt new behaviour patterns.e.g., TV, fax machines, Internet

c. **Market oriented definitions:** Judges the newness of a product in terms of how much exposure consumers have to the new product. The definitions could be:

- A product id considered new if it has been purchased by a relatively small (fixed) percentage of the potential market.

- A product is considered new if it has been in the market for a relatively short (specified) period of time.

c. **Consumer oriented definitions:** A new product is any product that a potential consumer judges to be new. All new products introduced in the market may not be innovative. An innovation "is an idea, practice, or object perceived as new by an individual or other unit of adoption." The key words here are perception and new. New product can be an improved version of an existing product (Microsoft Windows Millennium in place of Windows 97) or an entirely new product category (mobile telephony). A product will no be considered an innovation until and unless it is perceived to be new. The product might be perceived new by (i) the company launching the product (ii) the market or (iii) the individual consumer.

The process (build to order computers) product (cell phones with camera) channels (online gift sites), customer experiences (designing own car) etc, may be new for the company, but may or may not be perceived as new by the final consumer.

When studying the diffusion of innovations it is important to understand that you are not just looking at the spread of an innovation through a society but rather the spread of different kinds of innovations through a society. As stated earlier, an innovation is an item, thought, or process that is new to a certain area but not necessarily to the world.

Adoption Process

To realise how an innovation diffuses through a society you must first understand how one person adopts an innovation. The adoption process is the steps a consumer take as they accept a new product, idea, or service. The process can be broken down into five stages. Keep in mind that these stages occur in all fields where adoption of innovation occurs.

1. The first stage of the adoption process is **awareness.** At this stage the innovation is introduced to the person but there is no true knowledge of the product. Because of this lack of information the person does not feel the need to run out and find out more information, much less consider consuming it. The awareness stage merely sets the groundwork for the following stages.

2. The second stage is **interest.** Here the person decides to invest time and energy into finding out more about the innovation. At this point the person feels good about the innovation but does not really know how or if it can be useful in their own life. The interest stage is purely to gather knowledge, not to decide whether to adopt.

3. The third stage is **evaluation.** Here the person firsts begins to make a decision about the innovation. How could I use it? Do I really need it? Would it be to my advantage if I had it? These are all question the consumers ask themselves during the evaluation stage. Then if the innovation appears to be positive for their life they will try it out. If the innovation has a negative connotation to the individual they may seek the advice and knowledge of their peers.

4. This leads into the next stage called the **trial** stage. Here the individual physically gives the innovation a chance by trying it out for a limited basis. What they are looking to find out during this trial stage is how the innovation can fit into their needs and desires.

Research proves that most people will not adopt an innovation without personally testing it first to see if it really "works".

5. The final stage is the **adoption** stage. Here the individual uses information that they have gathered in the interest and evaluation stages and with the outcome of the trial stage decides to adopt the innovation. At this point in the adoption process the individual not only adopts the innovation but embraces it for the future.

6. There is, however, another possible stage to adoption process. After the individual adopts the innovation they may decide to reject it for whatever reason. This decision to reject the innovation after agreeing to adopt it is called **discontinuance**.

There are five main categories of adopters.

1. Innovators

These are the risk takers. They are the ones who put themselves up in front. Generally they are well educated and have a high income to absorb a mistake. They are the smallest in size of only two and half percent. They enjoy the rush of taking a risk but they also are willing to accept the consequences of failure.

2. Early Adopters

This group are the next thirteen and a half percent. They are highly educated and wealthy like the innovators but are more visible and respected among their peers. Early adopters play a key role in the adoption process determining the time an innovation will be adopted by others and to what extent. Because of this reason they are the best target market for new innovations.

3. Early Majority

They constitute thirty-four percent of adopters. They do not take the risk of being the first to adopt, like the innovators and early adopters, but do accept an innovation before the average person. They generally take a long time to fully adopt an innovation. They are above average in education and income but are followers in their social groups.

4. Late Majority

They jump on right after the average person. Their education and income are limited and they are not willing to take a chance unless the majority has already fully adopted the innovation. Reasons for the late majority to adopt are either economic or peer pressure but are constantly weary. This group also contains thirty-four percent.

5. Laggards

This is the final adoption group and it consists of the final sixteen percent. They are more in-tuned with the past than the future. They are skeptical of all new ideas and frequently by the time they adopt an innovation there is a new one already beginning to take its place. Their educations are small and generally laggards are socially surrounded by other laggards.

These five categories have developed through years of research and observation in the diffusion process in many different fields. Although there are exceptions in each group, this gives a good general breakdown of adopters of innovations.

Consumer Behaviour- Emerging Issues

With the advent of technology, consumers now have access to all kinds of information regarding every product and service they want to avail. Consumers have become smarter, their tastes and preferences have changed. What used to be the luxuries of life have now become the necessity. The competition has increased and brands are struggling to beat the competition. Let us examine some of the issues in the field of consumer behavior that has emerged these days because of the overall advancement of technology and people.

Consumer Behavior – Past and the Present

It is clearly evident that consumer of yesterday didn't had choices to choose from they have to go to different shops to shop their needs and requirements

Consumers had low buying power, and were more cost conscious as compared to brand / quality conscious.

The Focus Yesterday was to fulfill the basic need instead of impressing others.

Issues in Consumer Behavior

Consumerism has been identified as the root cause of the emerging issues in consumer behavior. Consumerism is used in context of advancement of consumer oriented tendencies, marked by availability of a variety of manufactured consumer goods and active advertising of the products in various media.

To offer products and services that are in demand, today's marketers need to identify the factors that influence buying behavior. Some of these factors are mentioned below –

Quality

Consumers are now interested in items that deliver a variety of features along with quality. Today consumers look for products that are long lasting and reliable. This feature has increased the time invested by the manufacturers in choosing the quality of components to be used in making these products.

Added Advantage

Today consumers want to experience something new and are inclined to shop from the place where they get added advantages. For instance a store offering special discount.

According to ConsumerAffairs.com, 35% of consumers state that they are more likely to shop at a store where special promotions or discounts are available.

Marketing Apps

Today cell phones create another venue for consumers to do a variety of things. Cell phones today are not only used to make phone calls or send messages but to perform a variety of other functions, such as shop and surf the Internet. This has led to increased consumer convenience where they can shop from anywhere across the world.

Consumer Behaviour and Cross Culture

A consumer's level of exposure towards foreign goods or lifestyles may influence his buying decisions and preferences. Consumers tend to have an attitude when it comes to a particular product being made in a particular country. This attitude might be positive, negative, and neutral.

Cross-cultural consumer analysis is defined as the effort to determine to what extent the consumers of two or more nations are similar or different.

A major objective of cross-cultural consumer analysis is to determine how consumers in two or more societies are similar and how they are different. Such an understanding of the similarities and differences that exist between nations is critical to the multinational marketer, who must devise appropriate strategies to reach consumers in specific foreign markets.

The greater the similarity between nations, the more feasible it is to use relatively similar strategies in each nation. If they differ in many aspects, then a highly individualized marketing strategy is indicated.

The success of marketing and servicing in foreign countries is likely to be influenced by beliefs, values, and customs.

Here we have listed some of the best companies which are considered to be valuable, as they have understood the pulse of consumers and their tastes. Coca Cola, Microsoft, IBM, Toyota, Disney, Intel, McDonald etc.,

Online Consumer/Purchase Behaviour

The internet has played a significant role in our daily life in that people can talk through the internet to one who is actually on the other side of the Earth, can send email around the clock, can search information, can play game with others, and even can buy things online. Meanwhile, Internet shopping has been widely accepted as a way of purchasing products and services. It also provides consumer more information and choices to compare product and price, more choice, convenience, easier to find anything online. Online shopping has been shown to provide more satisfaction to modern consumers seeking convenience and speed. On the other hand, some consumers still feel uncomfortable to buy online. Lack of trust, for instance, seems to be the major reason that impedes consumers to buy online. Also, consumers may have a need to exam and feel the products and to meet friends and get some more comments about the products before purchasing. Such factors may have negative influence on consumer decision to shop online. So it is an essential matter to study consumer behavior towards online purchasing. Whether it is online or offline, the consumer buying process almost remain the same. The process of making decision are very similar whether the consumer is offline or online. But one some major differences are shopping environment and marketing communication. According to traditional consumer decision model, Consumer purchase decision typically starts with need awareness, then information search, alternative evaluations, deciding to purchase and finally, post-purchasing behavior. The basic principles remain the same in both online and offline businesses but priorities do change. On area which becomes crucial in online business is Customer Support Service. One can fill your website with as many details, descriptions, FAQs, specifications and instructions as you want, and still the customers will be willing to communicate with the company representative before they make some purchase. Not to mention its importance in dealing with the after sale queries. Staff should be fully capable of managing angry customers because the word of mouth spreads faster in cyber world.

Mostly three types of supports are used for online consumers; you can choose all three or any of them.

- Email Support
- Live Chat
- Telephone Helpline

E-mail Support

The most widely used, most convenient and a must for any online business regardless of its nature. You provide them with your e-mail address so they can write their complaints, concerns or comments in detail. They don't need to wait for business hours and it gives the business and the customers, a chance to explain their position in a detailed manner.
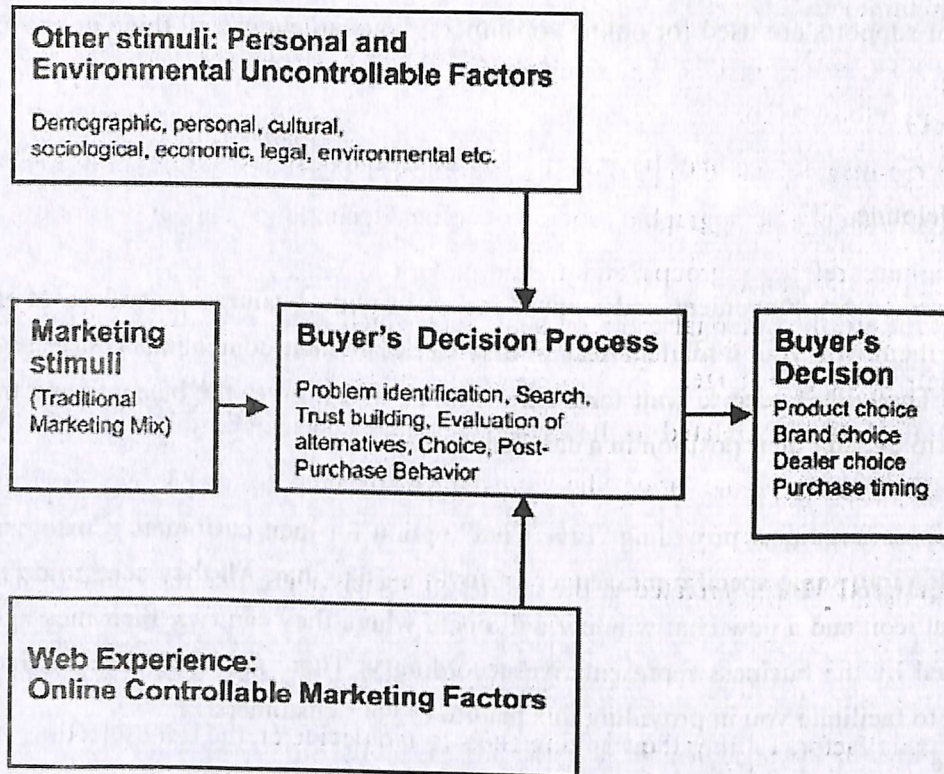
Live Chat

More and more businesses are now providing "Live Chat" option for their customers. Customers are not required to log into some specific messenger or anything like that. All they need to do is, click on the live chat icon and a new chat window will open, where they can type their message, which will be replied by the business representative accordingly. There are many free services available at internet to facilitate you in providing this feature to your customers.

Telephone Helpline

Large businesses all over the world depend on telephone help lines as their primary source to provide 24 hours support to their customers. This method is a little bit costly and not really necessary for small businesses. However, this can be very effective if you are able to afford such service. Also this is the most express response your customer can get from you.

With the evolution of online communication through internet, customers now see online advertisements of various brands. It is fast catching up with the buying behavior of consumers and is a major source of publicity for niche segments and also for established brands. This is the new way of digital revolution and businesses worldwide have realized their worth. **Examples** – Online catalogues, Websites, or Search engines. When customers have sufficient information, they will need to compare with the choices of products or services.

Following diagram shows the online purchase process

```
┌─────────────────────────────────────┐
│ Other stimuli: Personal and         │
│ Environmental Uncontrollable Factors│
│                                     │
│ Demographic, personal, cultural,   │
│ sociological, economic, legal, environmental etc. │
└─────────────────────────────────────┘
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┌──────────────┐     ┌─────────────────────────┐     ┌──────────────┐
│ Marketing    │     │ Buyer's Decision Process│     │ Buyer's      │
│ stimuli      │     │                         │     │ Decision     │
│ (Traditional │ ──> │ Problem identification, Search, │ ──> │ Product choice │
│ Marketing Mix)│     │ Trust building, Evaluation of │     │ Brand choice │
│              │     │ alternatives, Choice, Post-│     │ Dealer choice │
│              │     │ Purchase Behavior       │     │ Purchase timing │
└──────────────┘     └─────────────────────────┘     └──────────────┘
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┌─────────────────────────────────────┐
│ Web Experience:                     │
│ Online Controllable Marketing Factors│
└─────────────────────────────────────┘
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Online Customer Behavior Process

According to the above figure, in the search stage, they might look for the product reviews or customer comments. They will find out which brand or company offers them the best fit to their expectation.

During this stage, well-organized web site structure and attractive design are important things to persuade consumers to be interested in buying product or service.

Stage 1

The most useful characteristic of internet is that it supports the pre-purchase stage as it helps customers compare different options.

Stage 2

During the purchasing stage, product assortment, sale services and information quality seem to be the most important point to help consumers decide what product they should select, or what seller they should buy from.

Stage 3

Post-purchase behavior will become more important after their online purchase. Consumers sometimes have a difficulty or concern about the product, or they might want to change or return the product that they have bought. Thus, return and exchange services become more important at this stage.

Factors of Online Customer Behavior

The first elements to identify are factors that motivate customers to buy products or services online. They are divided into two categories – external factors and internal factors.

- **The External Factors** are the ones beyond the control of the customers. They can divide into five sectors namely demographic, socio-economic, technology and public policy; culture; sub- culture; reference groups; and marketing.

- **Internal Factors** are the personal traits or behaviors which include attitudes, learning, perception, motivation, self image.

- **The Functional Motives** is related to the consumer needs and include things like time, convenience of shopping online, price, the environment of shopping place, selection of products etc.

- **The Non-Functional Motives** related to the culture or social values like the brand of the store or product.

Filtering Elements

Customers use these three factors to filter their buying choices and decide on the final selection of stores they are willing to purchase from. They use the knowledge to filter their purchase options by three factors –

- Security
- Privacy
- Trust and Trustworthiness

In 2012, two management professors Ujwala Dange and Vinay Kimar from Priyadarshini Engineering College and S. B. Patil Institute of Management respectively proposed a model for online customer behaviour.

The FFF model takes into consideration internal and external **factors** affecting consumer buying behaviour. It then proceeds to discuss various **filtering elements** customers will apply to make a selection of a store to purchase from and revised **filtered buying behaviour** based on their final selection. Graphically the model representing customer journey to purchase online are depicted in the following diagram:
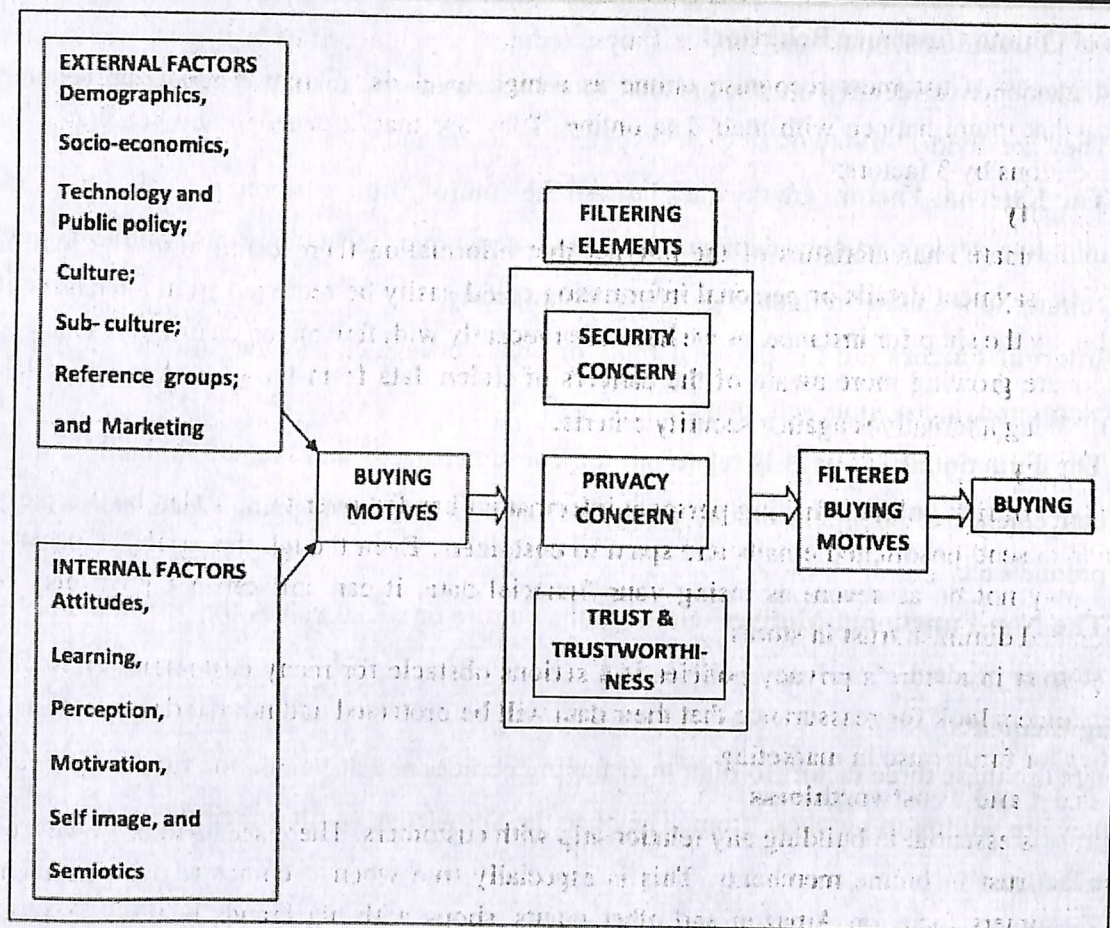
1. Factors

Starting from left, the first element Kimar and Dange identified are factors that motivate customers to buy products or services online. They divided them into two categories: external and internal.

The external factors are the ones beyond the control of the customers. They can divide into five sectors: Demographics, socio-economics, technology and public policy; culture; sub- culture; reference groups; and marketing.

Internal factors are personal traits or behaviours and include attitudes, learning, perception, motivation, self image, and semiotics.

Based on such factors customer develops what Jagdish Sheth, a professor of marketing at Emory University defined as two distinct **types of buying motives: functional and non-functional**.

The functional motives relate to consumer needs and could include things like time, convenience of shopping online, price, the environment of shopping place (i.e. couch buying), selection of products etc.

The non-functional motives relate more to the culture or social values like the brand of the store or product for instance.

2. Filtering Elements

Kimar and Dange recognized security, privacy and trust as three hurdles to online purchases. Customers use these three factors to filter their buying choices and decide on the final selection of stores they are willing to buy from. In other words, if your store doesn't pass your customers' security, privacy and trustworthiness criteria, they won't buy from you. Even if you are cheaper.

Compared to traditional brick and mortar shops, online shopping carries more risk during the purchase process. Customers recognise online as a high level risk purchase and have become aware of what might happen with their data online. They use that knowledge now to filter their purchase options by 3 factors:

- **Security**

It's an unfortunate characteristics of the internet that information there could be easily lost or stolen. Your payment details or personal information could easily be retrieved from a database it is stored in by the shop for instance, as we have seen recently with few major security breaches. Customers are growing more aware of the dangers of stolen data from the web. And they filter their purchasing alternatives against security criteria.

- **Privacy**

Another type of risk online is having personal information handed over to or stolen by 3rd party companies to send unsolicited emails and spam to customers. Even though the results of privacy breaches may not be as severe as losing your financial data, it can still cause a great deal of frustration and diminish trust in stores.

A lack of trust in a store's privacy policies is a serious obstacle for many customers. Similarly, many customers look for reassurance that their data will be protected and not handed over to any 3rd parties for further use in marketing.

- **Trust and Trustworthiness**

Online trust is essential in building any relationship with customers. There seems to be however a diminishing trust in online merchants. This is especially true when it comes to smaller, niche stores. Customers focus on Amazon and other giants, shops with big brands behind them and don't apply the same level of trust to a smaller shop. So if you run a store selling bike storage for instance, you should work hard to build a high level trust among your customers to be picked up for the order.

3. Filtered Buying Behaviour

The last element of the model covers what authors call the filtered buying behaviours, a set of expectations and motives revised by the filters we discussed above.

Marketing Implication:

Knowing and understanding the FFF model is not enough; you should act on it when designing your store. Here are the key takeaways you should remember:

- Understand that your customers have different motives that affect their buying decision.
- Overcome customers' filtering elements:
- Show your personality and present the real person behind the online store.
- Develop a solid content marketing plan to position yourself as an expert in your niche.
- Lastly, get known for insanely great customer service you provide.

Impact of Globalization in Consumer Market

Globalization can be defined differently from various perspectives. Globalization is the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped events occurring many miles away and vice versa. It comprises of all forces which are turning the world into a global village, compressing distance, homogenizing culture, accelerating mobility and reducing the relevance of political borders. Globalization is very often used to refer to economic globalization, which is integration of national economies into

the international economy through trade, foreign direct investment, capital flows, migration, and spread of technology.

The challenge for Asia is not how to manage the present concept of globalization but to make it work and to benefit from it. The challenge for Asia is to influence the thinking on globalization, to reshape it, to reduce the chances of it going awry and in the process destroying economies and countries.

Westernization: Westernization is a process whereby non-western societies come under the influence of Western culture in such matters as industry, technology, law, politics, economics, lifestyle, diet, language, alphabet, religion or values. Since the western countries always is the dominant country in the world, so, the western countries always influent the non-western societies. Westernization has been a pervasive and accelerating influence across the world in the last few centuries. It is usually a two sided process which western influences and interests themselves are joined by a wish of at least parts of the affected society to change to towards a more westernized society.

Westernization can also be related to the process of acculturation. Acculturation refers to the changes that occur within a society or culture when two different groups come into direct continuous contact..

The Impacts of Globalization to the Consumer Culture — Consumer culture is a culture in which the attainment of ownership and possession of goods and services is presented as the primary aim of individual endeavors and the key source of social status and prestige. consumer culture' - a culture where what we consume, and the way in which we consume goods and services provided in economic markets has come to represent our identities, mediate our interactions with others and even shape our politics. Globalization's effects on the way people live, play, and learn is difficult to measure but readily apparent in almost all societies across the globe. The homogenization of consumer culture in place of diversity is another of the major impacts of the globalization process. This is going to become more universal because of the development of Information Technology (IT). There are some of the examples of how the globalization changes and effect local consumer culture:
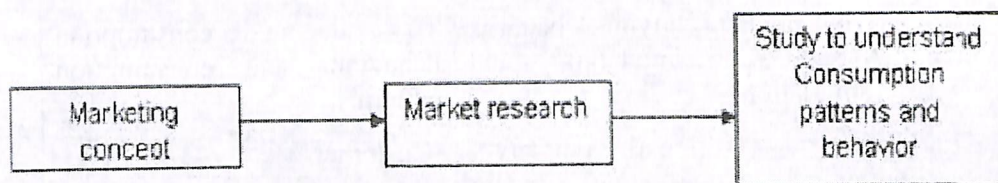
- Spreading of multiculturalism, and better individual access to cultural diversity (e.g. through the export of Hollywood and Bollywood movies). However, the imported culture can easily supplant the local culture, causing reduction in diversity through hybridization or even assimilation. The most prominent form of this is Westernization, but Sensitization of cultures has taken place over most of Asia for many centuries
- Greater international travel and tourism
- Greater immigration, including illegal immigration.
- Spread of local consumer products (e.g. food) to other countries (often adapted to their¬culture)
- World-wide fads and pop culture such as Pokemon, Sudoku, Numa Numa , Origami, Idol¬ series, YouTube, Orkut, Facebook and Myspace.
- Worldwide sporting events such as FIFA World Cup and the Olympic Games.
- Formation or development of a set of universal values.

Unit-15

CONSUMER RESEARCH

Market Research and Consumer Behaviour

Consumers are different and heterogeneous. However, like-minded clusters of customers do exist; they are homogenous within such clusters and heterogeneous outside; these are referred to as segments. Marketers identify segments and target one or few of these segments, and thereby fulfill the qualifications of the marketing concept; first, marketers identify customer needs and wants; and then, deliver product and service offerings so as to satisfy the customers more efficiently and effectively than the competitor s. In order to understand and predict consumption patterns and behaviours within segment (s), market research becomes essential.

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┌──────────────┐      ┌────────────────┐      ┌──────────────────┐
│  Marketing   │ ───► │ Market research│ ───► │ Study to understand│
│  concept     │      │                │      │ Consumption       │
│              │      │                │      │ patterns and      │
│              │      │                │      │ behavior          │
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Market research may be defined as: - *an organized effort to gather information about the market and the customers.*

MR is defined as *Systematic collection, analysis and interpretation of data related to the market and the surrounding environment.*

The environment surrounding a Company may be grouped as the "micro-environment" and the "macro environment". The *micro-environment* comprises forces in the environment that is close to the company and affects the company directly; for example, the company's internal environment, the founder/leader and his vision and mission, the customers, competitors, suppliers, and channel intermediaries. The *macro- environment* on the other hand, comprises forces in the environment that first affect the micro environment and through that they affect the company; in other words they affect the company indirectly; examples are the demographic factors, socio-economic factors, political factors, technological factors, cultural factors, natural factors etc. The forces in the macro environment affect all the companies operating in a same industry in a similar manner.

The micro-environment is studied in terms of strengths (S) and weaknesses (W), while the macro-environment is studied in terms of opportunities (O) and threats (T). The analysis of both of these put together comprises the SWOT analysis.

Relationship between Marketing Research and Consumer Research

	Market Research	Consumer Research
Objective	To study the marketing environment and the customers who are a part of it.	To study consumers as individuals or as groups
Scope	1. To establish trends, and identify opportunities and threats in the environment 2. To study the market and forecast potential 3. To predict buying patterns based on modeling and simulation	To understand consumption behaviour and consumption pattern.
End result	Customer connect with company - Individual marketing and customization	-Customer connect with Company - Individual marketing and customization

Approaches to Consumer Behaviour Research:

Broadly speaking there are two approaches towards consumer behaviour research. These are **(a) Traditional approach (b) Current approach**. These can be further divided into sub approaches. **Traditional approach:** This is further divided into two approaches, *Positivist* and *Interpretivist.*

i) *Positivist approach*:

This approach also referred to as "modernism", is the earliest approach to studying consumer behaviour and treats the study as an applied science; the paradigm lays emphasis on science as a means of explaining behaviour. It lays emphasis on the causes of consumer behaviour and as per its proponents; these causes are directly related to effects. Thus, it treats consumers as "rational" human beings, who make purchase decisions after collecting information and weighing all alternatives. The process of consumer decision making is looked upon as one of "rationality." "Rational decision is making and problem solving" is the key.

The *approach* is based on certain assumptions viz.,

* Consumer actions based on cause and effect relationship can be generalized; they can be objectively measured and empirically tested;

* If a marketer/researcher could identify the reasons behind consumption behaviour; he would be able to predict it; and if they could predict consumer behaviour, they could influence it.

* The focus lies on prediction of consumer behaviour. The methodology is essentially quantitative, with techniques including surveys, observations, and, experiments. It aims at drawing conclusions on large samples.

i) *Interpretivist approach*:

This approach is also referred to as "post-modernism or experientialist." Gradually there was a shift in the approach towards the study of consumer behaviour and the positivist approach gave way to a new approach that came to be called post-modernism. The approach lays emphasis on understanding the customer better. It treats consumer decision making process as one which is "subjective." Thus while the approach is essentially subjective, the researchers following this approach try to identify common patterns.

This approach is also based on certain assumptions viz.:

a. Consumer actions are unique and different both, between two consumers, and/or within the same consumer at different times and situations.

b. A cause and effect relationship cannot be generalized; consumption patterns and behaviours are unique; these are unpredictable.

c. They cannot be objectively measured, empirically tested and generalized.

d. The focus lies on the act of consumption rather than the act of purchase. The methodology is essentially qualitative, with techniques including in depth interviews, focus group techniques, and projective techniques. It aims at drawing conclusions on small samples.

(b) Current approach: 'Dialectical': The term 'dialectics' considers all forms of human behaviour; thus the current approach to the study of consumer behaviour research is broader in scope. This is further divided into four approaches, Materialism, Change, Totality and Contradiction.

i) Materialism:

This approach implies that consumer behaviour is shaped by the 'material environment' e.g. money, possessions etc.

ii) Change:

Consumer behaviour is 'dynamic' in nature; it is always in a process of continuous motion, transformation and change.

iii) Totality:

Consumption behaviour is 'interconnected' with other forms of human behaviour, like personal self and the surrounding environment.

iv) Contradiction:

Views changes in consumer behaviour as arising from their internal contradictions, like moods, emotions etc. The approach studies the consumer as a complex total whole and views consumer purchase as well as consumption processes. The current approach to studying Consumer Behaviour uses both the quantitative as well as qualitative approaches.

Research Perspectives on Consumer Behaviour:

There are three broad research perspectives in consumer behaviour. They are as follows: the Decision-Making perspective, the experiential perspective, and Behavioural-Influence perspective.

1. The Decision-Making Perspective: According to the decision making perspective, the buying process is a sequential in nature, with the consumer perceiving that there exists a problem and

then moving across a series of logical and rational steps to solve the problem; stages being problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behaviour. This perspective emphasizes the rational, logical and cognitive approach to consumer decision making and purchase process.

2. The Experiential Perspective: The experiential perspective believes that not all buying may be rational and logical; in some cases, buying results from a consumers' desire for fun and fantasy, hedonic pleasures, emotions and moods. The perspective emphasizes that consumers are "feelers" as well as thinkers.

3. The Behavioural Influence Perspective: This perspective holds that forces in the environment stimulate a consumer to make purchases without developing beliefs and attitudes about the product.

Research Paradigms in Consumer Behaviour:

The research paradigm in the study of consumer behaviour focuses on two approaches viz.,Quantitative research, used by the positivists and, Qualitative research: used by the interpretivists. The positivists and interpretivists as two schools of thought have already discussed. The current approach or the 'dialectic' approach to studying Consumer Behaviour makes use both the approaches.

a) Quantitative Research in Consumer Behaviour:

As the name suggests, the approach makes application of quantitative research techniques to the study of Consumer Behaviour. It comprises (i) research techniques that are used to gather quantitative data over large samples randomly, and (ii) statistical tools and techniques, inclusive of survey techniques, observation and experiments. This type of research is descriptive and empirical in nature. It is primarily used by the positivists while studying consumer behaviour, with a focus on prediction of consumer behaviour. The findings can be generalized to marketing situations. As mentioned above, the quantitative techniques are also used by "dialectics".

b) Qualitative Research in Consumer Behaviour:

This approach makes application of qualitative research techniques to the study of Consumer Behaviour. It comprises (i) research techniques that are used to gather qualitative data over small samples randomly and, (ii) non-statistical tools and techniques, inclusive of depth interviews, focus group, projective techniques and even observation. The type of study is subjective and non-empirical in nature. It lays emphasis on the holistic "what, where, when, why and how" of human behaviour". The focus is on understanding consumption behaviour and consumption patterns. The objective is to gain an understanding of consumer behaviour and the underlying causes that govern such behaviour. The approach assumes that all marketing situations are unique; and, hence the findings cannot be generalized to marketing situations. This approach is primarily used by the interpretivists while studying consumer behaviour. However, as mentioned above, the qualitative techniques are also used by "dialectics".

c) Combining the two approaches:

Now a day, the two approaches are used in combination to study consumer behaviour. Qualitative research is very often a prelude to quantitative research; the findings from qualitative research are used to prepare scales for surveys and experiments.

(A) **Consumer researchers today use two different types of RM to study CB**

(i) **Quantitative Research:** It is also known as positivism – researchers are known as positivist. The research methods used in positivist research are borrowed primarily from the natural sciences and consist of experiments, survey techniques and observation. The findings are descriptive, empirical and, if collected randomly (using a probability sample) can be generalized to larger population.

(ii) **Qualitative Research:** It is also known as interpretivism. Researchers are also known as interpretivists. Among the RM they use are depth interviews, projective techniques, and other methods borrowed from cultural anthropology. Broadly speaking, the findings of qualitative research cannot be generalized to large population.

Marketers have discovered that these two research paradigms are really complementary in nature. The prediction made possible by positivist research together produce a richer and more robust profile of consumer behaviour than either research approach used alone.

(B) The consumer research process:

(i) **Developing research objectives:**

A carefully thought out statement of objectives helps to define the type and level of information needed. Is it to find out consumer attitudes about online shopping? To determine what percentage of households e-mail?

(ii) **Collecting Secondary Data:**

There are two sources of information: internal sources and external sources.

a. Internal sources: P&L statement, balance sheets, sales figure, and prior research report.

b. External sources: Government publication, periodicals and books & commercial data.

(iii) **Designing primary research:**

Quantitative research designs: Three Basic RD used here are

a. **Observational Research:**

OR is an important method of consumer research because marketers recognize that the best way to gain an in-depth understanding of the relationship between people & product is by watching them in the process of buying and using products. Many large corporations and advertising agencies used trained researchers/observers to watch note & sometimes videotape consumers in stores, malls or their own homes.

Mechanical observation like security cameras in ATM counter to observe problems customer may have in using ATMs.

b. **Experimentation:**

The best example is shopping mall; we can judge the consumers inside about how long respondents spend in looking at the product, the time spent in examining each side of the package, the products purchased, and the order of the purchases.

c. Surveys:

If researchers wish to ask consumers about their purchase preferences and consumption experiences they can do so in person, by mail, by telephone or online through questionnaire.

Qualitative RD & Data Collection Method:

1. Depth Interview:

It is a lengthy (generally 30mnts to an hour) non-structured interview between a respondent and a highly trained interview between a respondent and a highly trained interviewer. Respondents are encourages to talk freely about their activities, attitudes and interest to the product category or brand under study.

2. Focus Group:

Consists of 8 to 10 respondents who meet with a moderator-analyst for a group discussion "focussed" on a particular product or product category. Respondents are encouraged to discuss their interests, attitudes, reactions, motives, life styles, feelings about the product or product category, usage experience and so forth.

3. Projective Techniques:

Designed to tap the underlying motives of individuals. They consist of a variety of disguised tests that contain ambiguous stimuli, such as in complete sentences, untitled pictures or cartoons, work association test.

a. **Thematic Apperception Test (TAT):** respondents are shown pictures or cartoons concerning the product or the topic under study and asked to describe what is happening in the picture. It is believed that respondents will actually reveal their own motivations, attitudes, personalities and feelings about the situations.

b. **Word Association Test:** This is a relatively old and simple technique. Respondents are read a series of words or phrases, one at a time and asked to answer quickly with the first word that comes into mind after hearing each one. By responding in rapid succession, it is assumed that they indicate what they associate most closely with the word or phrase spoken and reveal their true feelings.

c. **Sentence Completion Test:** The interviewer reads the beginning of a sentence and the respondent is required to finish it. This technique is believed to be useful in uncovering the images consumers have about products and stores. The information collected can be used to develop promotional campaigns.

d. **The Third Person Technique:** The interviewer asks the respondent to describe a third person. For this, respondents are presented with some information about the person. It is believed that when they describe a neighbour or a third person, they usually respond without hesitation and in doing so, they express their own attitudes or motives as they infer the attitudes or motives of someone else.

(iv) **Sampling & data collection:**

There are mainly two types of sampling such as Probability sampling and Non-probability sampling.

(v)   Data analysis and reporting research findings:

In qualitative research, the moderator or test administrator usually analyses the responses received. In quantitative research, the researcher supervises the analysis.

(vi) Report Preparation:

In both qualitative & quantitative research, the research report includes a brief executive summary of the findings. Depending on the assignment from marketing management, the research report may or may not include recommendations for marketing action.

The body of the report includes a full description of the methodology used and for quantitative research, also includes tables and graphics to support the findings. A sample of the questionnaire is usually included in the appendix to enable management to evaluate the objectivity of the findings.

Motivational Research

Motivational research seeks to discover and comprehend what consumers do not fully understand about themselves. Implicitly, motivational research assumes the existence of underlying or unconscious motives that influence consumer behavior. Motivational research attempts to identify forces and influences that consumers may not be aware of (e.g., cultural factors, sociological forces). Typically, these unconscious motives (or beyond-awareness reasons) are intertwined with and complicated by conscious motives, cultural biases, economic variables, and fashion trends (broadly defined). Motivational research attempts to sift through all of these influences and factors to unravel the mystery of consumer behavior as it relates to a specific product or service, so that the marketer better understands the target audience and how to influence that audience.

Motivational research is most valuable when powerful underlying motives are suspected of exerting influence upon consumer behavior. Products and services that relate, or might relate, to attraction of the opposite sex, to personal adornment, to status or self-esteem, to power, to death, to fears, or to social taboos are all likely candidates for motivational research. For example, why do women tend to increase their expenditures on clothing and personal adornment products as they approach the age of 50 to 55? The reasons relate to the loss of youth's beauty and the loss of fertility, and to related fears of losing their husbands' love. It is also a time of life when discretionary incomes are rising (the children are leaving the nest). Other motives are at work as well (women are complicated creatures), but a standard marketing research survey would never reveal these motives, because most women are not really aware of why their interest in expensive adornments increases at this particular point in their lives.

Even benign, or low-involvement, product categories can often benefit from the insights provided by motivational research. Typically, in low-involvement product categories, perception variables and cultural influences are most important. Our culture is a system of rules and "regulations" that simplify and optimize our existence. Cultural rules govern how we squeeze a tube of toothpaste, how we open packages, how we use a bath towel, who does what work, etc. Most of us are relatively unaware of these cultural rules. Understanding how these cultural rules influence a particular product can be extremely valuable information for the marketer.

The Major Techniques

The three major motivational research techniques are observation, focus groups, and depth interviews.

1. Observation
2. The Focus Group
3. The Depth Interview

(Meaning of the above techniques already explained in former part of this unit)

Customer Satisfaction Surveys

Customer satisfaction (often abbreviated as CSAT, more correctly CSat) is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals."

Most companies lose 45% to 50% of their customers every five years, and winning new customers can be up to 20 times more expensive than retaining existing customers. Moreover, just a 5% reduction in the customer defection rate can increase profits by 25% to 85%, depending on the industry. Given these claims, it is imperative that customers know what makes buyers and specifiers choose one supplier rather than another. So consumer satisfaction must be ensured by every companies and sellers for their bare existence in the market. It seems self evident that companies should try to satisfy their customers. Satisfied customers usually return and buy more, they tell other people about their experiences, and they may well pay a premium for the privilege of doing business with a supplier they trust. Statistics are bandied around that suggest that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when we win a customer, we should hang on to them.

Customer satisfaction research is that area of marketing research which focuses on customers' perceptions with their shopping or purchase experience. Many firms are interested in understanding what their customers thought about their shopping or purchase experience, because finding new customers is generally more costly and difficult than servicing existing or repeat customers.

Types of research

Descriptive or documentary research

Many customer_satisfaction studies are intentionally or unintentionally only "descriptive" in nature because they simply provide a snapshot in time of customer attitudes. If the study instrument is administered to groups of customers periodically, then a descriptive picture of customer_satisfaction through time can be developed (this is a type of "tracking" study).

Inferential or models-based research

Beyond documentary types of work are studies that attempt to provide an understanding of why customers have the perceptions they do and what may be done to change those perceptions. While models-based studies also provide snapshots of customer attitudes, the results of these studies are more powerful because they present the firm with recommendations on how to improve customer satisfaction. Frequently, these studies also provide firms with a prioritization of the various recommended actions. Inferential_studies can also be conducted as tracking studies. When this is done, the firm can gain insight into how the drivers of customer satisfaction are changing in addition to documenting the levels and areas of customer satisfaction.

Methods

Both quantitative studies and qualitative studies are critical to understanding customer satisfaction.

a. Quantitative Research Studies
b. Qualitative Research Studies

Importance of Customer Satisfaction

A market trader has a continuous finger on the pulse of customer satisfaction. Direct contact with customers indicates what he is doing right or where he is going wrong. Such informal feedback is valuable in any company but hard to formalize and control in anything much larger than a corner shop. For this reason surveys are necessary to measure and track customer satisfaction.

Developing a customer satisfaction programme is not just about carrying out a customer service survey. Surveys provide the reading that shows where attention is required but in many respects, this is the easy part. Very often, major long lasting improvements need a fundamental transformation in the company, probably involving training of the staff, possibly involving cultural change. The result should be financially beneficial with less customer churn, higher market shares, premium prices, stronger brands and reputation, and happier staff. However, there is a price to pay for these improvements. Costs will be incurred in the market research survey. Time will be spent working out an action plan. Training may well be required to improve the customer service. The implications of customer satisfaction surveys go far beyond the survey itself and will only be successful if fully supported by the echelons of senior management.

There are six parts to any customer satisfaction research programme:

1. Who should be interviewed?
2. What should be measured?
3. How should the interview be carried out?
4. How should satisfaction be measured?
5. What do the measurements mean?
6. How to use customer satisfaction surveys to greatest effect?

What Should Be Measured

In customer satisfaction research we seek the views of respondents on a variety of issues that will show how the company is performing and how it can improve. This understanding is obtained at a high level ("how satisfied are you the EXO Ltd overall?") and at a very specific level ("how satisfied are you with the clarity of invoices?").

High level issues are included in most customer satisfaction surveys and they could be captured by questions such as:

- What is your overall satisfaction with EXO Ltd?
- How likely or unlikely are you to buy from EXO Ltd again?
- How likely or unlikely would you be to recommend EXO Ltd to a friend or colleague?

It is at the more specific level of questioning that things become more difficult. Some issues are of obvious importance and every supplier is expected to perform to a minimum acceptable level on them. These are the hygiene factors. If a company fails on any of these issues they would quickly lose market share or go out of business. An airline must offer safety but the level of in-flight service is a variable. These variables such as in-flight service are often the issues that differentiate companies and create the satisfaction or dissatisfaction.

Working out what questions to ask at a detailed level means seeing the world from the customers' points of view. What do they consider important? These factors or attributes will differ from company to company and there could be a long list. They could include the following:

The product	• **Quality** of the product
	• **Length** of life of the product
	• **Design** of the product
	• **Consistency** of quality
	• **Range** of products
	• **Processibility** of the product
Delivery	• **Delivery on time**
	• **Speed** of delivery
Staff and service	• **Courtesy** from sales staff
	• Representative's **availability**
	• Representative's **knowledge**
	• **Reliability** of returning calls
	• **Friendliness** of the sales staff
	• **Complaint resolution**
	• **Responsiveness** to enquiries
	• **After sales** service
	• **Technical** service
The company	• **Reputation** of the company
	• **Ease of doing business**
	• **Invoice clarity**
	• **Invoices on time**
Price	• **Market price**
	• **Total cost** of use
	• **Value** for money

The list is not exhaustive by any means. There is no mention above of environmental issues, sales literature, frequency of representatives' calls or packaging. Even though the attributes are deemed specific, it is not entirely clear what is meant by "product quality" or "ease of doing business". Cryptic labels that summaries specific issues have to be carefully chosen for otherwise it will be impossible to interpret the results.

Consumer Satisfaction Survey and Types

The tool kit for measuring customer satisfaction boils down to three options, each with their advantages and disadvantages. The tools are not mutually exclusive and a self-completion element could be used in a face to face interview. So too a postal questionnaire could be preceded by a telephone interview that is used to collect data and seek co-operation for the self-completion element.

Tools	Advantages	Disadvantages	Typical Applications
Postal surveys (or e-research)	• Easy for a DIY researcher to administer • Low cost • Respondents can complete in a time to suit them • Easy to complete scalar questions • Visual explanations can be provided	• Low response rates • Poor response to open ended questions • Misunderstanding of questions can not be rectified by an interviewer • Attracts response from complainers or the very satisfied	• Where there is a strong relationship with the subject (eg new car and new home buyer surveys) • Where there is a strong relationship with the company (key supplier surveys, employee attitude surveys) • Where people feel obliged to fill it in (eg utilities research)
Face to face interviews	• Ability to build rapport and hold the respondent longer • Queries can be answered • Show cards can be used • Good response to open ended questions • Can ask respondent to self complete tedious scalar response	• Expensive for a geographically dispersed population • Takes longer to carry out the fieldwork because of the logistics	• For key customers • Where customers are tightly grouped geographically • Where the subject is complicated or lengthy
Telephone interviews	• Low cost • High control of interviewer standards • High control of sample • Easy to ask for ratings using simple scales • Quick turnaround of fieldwork	• Tedious for respondents when there are dozens of attributes to rate • Some consumers are hard to access by phone • Cannot show explanatory visuals	• Used widely in all types of business to business surveys

The purpose of customer satisfaction research is to improve customer satisfaction and yet so often surveys sit collecting dust. Worse than that, customers have generously given their time to assist

in the customer service survey believing that some positive action will take place. Their expectations will have been raised. The process of collecting the data seems easier than taking action to improve satisfaction levels.

In any **customer satisfaction survey** there will be quick fixes – actions that can be taken today or tomorrow that will have immediate effect. These could be quite specific such as a newsletter, changes to the invoicing, or a hot-line for technical information. In the longer term, cultural changes may well be required to improve customer satisfaction, and that is more difficult.

A five-step process can be used to make these longer-term improvements.
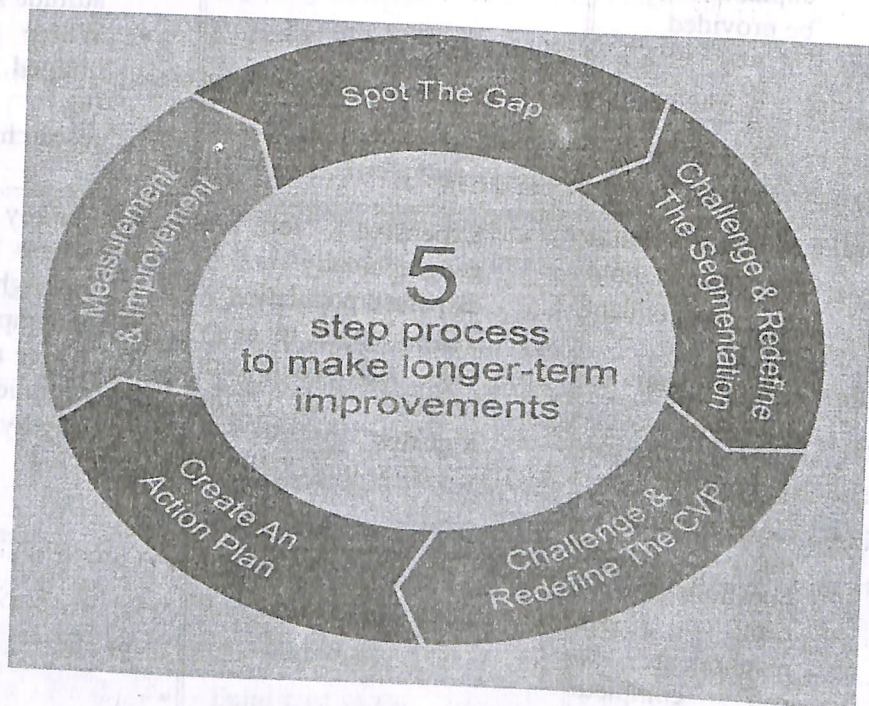
Step 1: Spot the gap

- Look at the customer satisfaction data to see where there are low absolute scores and low scores relative to the competition
- Pay particular attention to those issues that are important to customers
- Assume the scores are correct unless there is irrefutable evidence to the contrary – and remember, perceptions are reality

Step 2: Challenge and redefine the segmentation

- How do satisfaction scores vary across different types of customer?
- Are segments correctly defined in the light of the customer satisfaction findings?
- How could a change in segmentation direct the offer more effectively and so achieve higher levels of satisfaction?

Step 3: Challenge and redefine the customer value propositions

- Are customer satisfaction scores low because the customer value proposition (CVP) is not being communicated effectively to the market?
- Are customer satisfaction scores low because the CVP is not being effectively implemented?
- Is the CVP right for the segment? How could a change in CVP achieve a higher customer satisfaction index (CSI)?

Step 4: Create an action plan

- Describe the problem
- Think through the issues that need to be addressed and list them out
- Identify the root cause of the problems
- Identify any barriers that could stop the improvement taking place
- Set measurable targets
- Allocated resources (usually money and people)
- Assign people and time scales to the tasks
- Measure and review progress

Step 5: Measure and review

- How has the customer satisfaction index (CSI) moved?
- Is the movement significant/real?
- Has the action recommended in the plan, taken place? Has it been enough? Has it had enough time to work?
- Revisit the steps – spot the gap, challenge the segmentation and CVP, more action

Many of the issues that affect customer satisfaction span functional boundaries and so organizations must establish cross-functional teams to develop and implement action plans. One of the best ways of achieving this involvement by different groups of employees is to involve them in the whole process.

Service Quality

Quality is defined as "fitness for use" in user-based approach and "conformance to requirements" in manufacturing-based approach. In the opinion of Garvin, there are five main approaches that identify the definition of quality:

(1) The transcendent approach of philosophy;

(2) The product-based approach of economics;

(3) The user-based approach of economics, marketing, and operations management; and

(4) The manufacturing-based and

(5) value-based approaches of operation management.

According to the transcendent view, quality means "innate excellence." It is a mark of uncompromising standards and high achievement, universally recognizable, and recognized only through experience. In product-based approach, quality is viewed as "a precise and measurable

variable" and differences in quality reflect differences in the quantity of some ingredient or attribute so higher quality can only be obtained at higher cost. In user-based approach, quality is compared with the satisfaction. The highest quality means the best satisfaction of consumers' preferences. In manufacturing-based approach, quality is defined as "making it right the first time." It is supply based and concerned with engineering and manufacturing practice. In value-based approach, quality is defined in terms of cost and price. It is perceived as a function of price. There are some major differences between services and goods. The nature of services is intangible whereas goods are tangible. Since services are intangible, measurement of service quality can be more complicated. Service quality measures how much the service delivered meets the customers' expectations. In order to measure the quality of intangible services, researchers generally use the term perceived service quality. Perceived service quality is a result of the comparison of perceptions about service delivery process and actual outcome of service.it was found that service quality perceptions in service encounter stage affects consumers more than product quality. Also, increasing competition in the markets has led many companies to consider quality as a strategic tool. Service quality has been becoming more important and service providers should improve their service quality to gain sustainable competitive advantage, customer satisfaction, and customer loyalty. The techniques of measuring service quality and the dimensions of service quality have become a major area in the marketing literature during the past few decades because of the reasons above.

Service Quality Models

Sasser defined the factors that raise the level of service quality such as *security, consistency, attitude, completeness, condition, availability, and training of service providers*. Besides this, *physical quality, interactive quality, and corporate quality* also affected the service quality level. Popular service quality models are:

1. SERVQUAL
2. SERVPERF

1. SERVQUAL

The SERVQUAL service quality model was developed by a group of American authors, 'Parasu' Parasuraman, Valarie A. Zenithal and Len Berry, in 1988. It highlights the main components of high quality service. The SERVQUAL authors originally identified ten elements of service quality, but in later work, these were collapsed into five factors - reliability, assurance, tangibles, empathy and responsiveness - that create the acronym RATER.

Businesses using SERVQUAL to measure and manage service quality deploy a questionnaire that measures both the customer expectations of service quality in terms of these five dimensions, and their perceptions of the service they receive. When customer expectations are greater than their perceptions of received delivery, service quality is deemed low.

In addition to being a measurement model, SERVQUAL is also a management model. The SERVQUAL authors identified five Gaps that may cause customers to experience poor service quality.

Gap 1: between management Perception of Customer expectations and customer Expected Service

Management does not understand what guests expect.

Gap 2: between management Perception of Customer expectations and service Quality Specification

Management is not willing or able to put the systems or finance in place to match or exceed customer expectations.

Gap 3: between service quality specification and service delivery

This gap may arise through service personnel being poorly trained, incapable or unwilling to meet the set service standard. The possible major reasons for this gap are:

- Deficiencies in human resource policies such as ineffective recruitment, role ambiguity, role conflict, improper evaluation and compensation system
- Ineffective internal marketing
- Failure to match demand and supply
- Lack of proper customer education and training

Gap 4: between service delivery and external communication

Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example, the hospital printed on the brochure may have clean and furnished rooms, but in reality it may be poorly maintained, in which case the patients' expectations are not met. The discrepancy between actual service and the promised one may occur due to the following reasons:

- Over-promising in external communication campaign
- Failure to manage customer expectations
- Failure to perform according to specifications

Gap 5: between expected service and experienced service

This gap arises when the consumer misinterprets the service quality. For example, a physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

Determinants

The ten determinants that may influence the appearance of a gap are:

1. **Competence** is the possession of the required skills and knowledge to perform the service. For example, there may be competence in the knowledge and skill of contact personnel, knowledge and skill of operational support personnel and research capabilities of the organization.

2. **Courtesy** is the consideration for the customer's property and a clean and neat appearance of contact personnel, manifesting as politeness, respect, and friendliness.

3. **Credibility** includes factors such as trustworthiness, belief and honesty. It involves having the customer's best interests at prime position. It may be influenced by company name, company reputation and the personal characteristics of the contact personnel.

4. **Security** enables the customer to feel free from danger, risk or doubt including physical safety, financial security and confidentiality.

5. **Access** is approachability and ease of contact. For example, convenient office operation hours and locations.

6. **Communication** means both informing customers in a language they are able to understand and also listening to customers. A company may need to adjust its language for the varying needs of its customers. Information might include for example, explanation of the service and its cost, the relationship between services and costs and assurances as to the way any problems are effectively managed.

7. **Knowing the customer** means making an effort to understand the customer's individual needs, providing individualized attention, recognizing the customer when they arrive and so on. This in turn helps to delight the customers by rising above their expectations.

8. **Tangibles** are the physical evidence of the service, for instance, the appearance of the physical facilities, tools and equipment used to provide the service; the appearance of personnel and communication materials and the presence of other customers in the service facility.

9. **Reliability** is the ability to perform the promised service in a dependable and accurate manner. The service is performed correctly on the first occasion, the accounting is correct, records are up to date and schedules are kept.

10. **Responsiveness** is the readiness and willingness of employees to help customers by providing prompt timely services, for example, mailing a transaction slip immediately or setting up appointments quickly.

By the early 1990s, the authors had refined the model to five factors that enable the acronym RATER:

1. Reliability: the ability to perform the promised service dependably and accurately
2. Assurance: the knowledge and courtesy of employees and their ability to convey trust and confidence
3. Tangibles: the appearance of physical facilities, equipment, personnel and communication materials
4. Empathy: the provision of caring, individualized attention to customers
5. Responsiveness: the willingness to help customers and to provide prompt service

The simplified RATER model allows customer service experiences to be explored and assessed quantitatively and has been used widely by service delivery organizations.

SERVQUAL as a measuring tool "appears to remain the most complete attempt to conceptualize and measure service quality". The SERVQUAL measuring tool has been used by several researchers to examine numerous service industries such as healthcare, banking, financial services, and education

2. SERVPERF

Service quality can also be measured by the performance-based SERVPERF scale. In1992, researchers Cronin and Taylor questioned the conceptual basis of the SERVQUAL and found it confusing with 'service satisfaction', thus they opined that 'E' components (consumers expectation) of SERVQUAL to be discarded and instead 'P' Component (performance of Company or service provider) must be used. Because 'P' is definable and measurable component.

The proposal what is referred as SERVPERF Scale. Actually it is the variant of former model which shows that higher the perceived performance, higher the service quality.

SERVPERF is a performance-only model for measuring service quality with empirical studies in banking, pest control, dry cleaning, and fast food sectors. It is the performance-based measures, and it can explain more of the variation in service quality than SERVQUAL. SERVQUAL had a good fit in banking and fast food sectors whereas SERVPERF had an excellent fit in all four industries-banking, pest control, dry cleaning, and fast food. Later it's applications extended to other important sector such as spectator sports, entertainment, health care, long-distance carrier etc., Empirical studies evaluating validity, reliability, and methodological soundness of service quality scales clearly point to the superiority of the SERVPERF scale.

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